

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY (Authority)

Children's Hospital Program of 2018 (Proposition 4)

Resolution Numbers: CHP-4E 2020-12 through CHP-4E 2020-15

Executive Summary

December 3, 2020

PURPOSE OF REQUEST:

Staff is requesting approval of Resolution Numbers CHP-4E 2020-12 through CHP-4E 2020-15 approving the execution and delivery of grant funding under the Children's Hospital Program of 2018 (Proposition 4) Second Funding Round for Eligible Hospitals¹ to all the eligible applicants for the amounts shown in Exhibit A (Summary of Recommendations for Funding) attached and as further detailed in each of the attached applicant's respective staff report and resolution.

BACKGROUND:

On November 6, 2018, California voters passed Proposition 4, enabling the State of California to issue \$1.5 billion in General Obligation bonds for the Children's Hospital Program of 2018 (Program). As provided in the California Health and Safety Code, Sections 1179.81-1179.102, the program's purpose is to improve the health and welfare of California's critically ill children by providing a stable and ready source of funds for capital improvement projects for children's hospitals. Similar to the previous Children's Hospital Programs of 2004 and 2008, there are 13 children's hospitals in California (Children's Hospitals) eligible for funding through Proposition 4. Additionally, Proposition 4 expanded the eligibility requirements to include public or private nonprofit hospitals that provide pediatric services for children eligible for the California Children's Services (CCS)² program (Eligible Hospitals).

Proposition 4 allocated \$1.35 billion for the 13 Children's Hospitals on a noncompetitive basis and \$150 million for the Eligible Hospitals on a competitive basis. Further, Program regulations limit the amount that each Eligible Hospital may receive, which is up to \$15 million in grant funds less costs of issuance and administrative costs. The cost of issuance is 0.075% and the administrative costs is 1% of the authorized grant award.

The Authority developed emergency regulations for the Program that were approved in April 2019 by the Office of Administrative Law and became permanent in January 2020.

The first funding round for Eligible Hospitals opened in April 2019 with an application submission deadline of March 30, 2020. The Authority received 13 applications for a total grant amount request of \$163,515,581.42 for construction, renovation, furnishings and equipment, and information technology. One application was received after the submission deadline and another application was withdrawn. At the June 25, 2020 board meeting, eleven out of the 13 applications were approved for Final Allocations totaling \$127,749,462.80.

A remainder of \$22,250,537.20 in funds was available for the second funding round for Eligible Hospitals.

¹ Eligible Hospitals are those that provide pediatric services for children eligible for the California Children's Services program as further defined in Section 7000(l) of the program regulations.

² California Children's Services is a statewide program that arranges, directs, and pays for medical care, equipment, and rehabilitation, when these services are authorized by the program. Services can be authorized for children and young adults under 21 years of age who have eligible medical conditions and whose families are unable to pay for all or part of their care.

The second funding round for Eligible Hospitals opened on July 9, 2020 with an application submission deadline of September 10, 2020. The Authority received six applications for a total grant amount request of \$45,703,071.63 for construction, renovation, furnishings and equipment, and information technology.

EVALUATION PROCESS:

Each application was scored and ranked by two analysts according to the criteria defined in Section 7006.1 and 7007.1 of the Program regulations and reviewed by a grant review committee that consisted of Authority managers and STO’s legal counsel. In accordance with the Program regulations, Authority staff informed applicants of the outcomes of the review process in the form of Initial Allocation³ letters.

Four out of the six applications received Initial Allocations totaling \$22,250,537.20. The remaining two applications were deemed incomplete. One application did not provide property ownership documents for its proposed renovation project and one application did not provide a current, valid general acute care hospital license from the California Department of Public Health and sufficient evidence demonstrating that the applicant was an Eligible Hospital that is currently providing pediatric services to children eligible for the CCS program.

One applicant received less than it requested (Initial Allocation of \$4,165,963.94) to fully fund the purchase of its patient care equipment project and to partially fund its renovation project because that was the amount remaining after higher-scoring applications were funded. The amount recommended for that hospital was reduced to \$3,388,346.37 due to the applicant’s decision not to move forward with the partially funded renovation project.

A remainder of \$777,617.57 in funds now remains available for a third funding round for Eligible Hospitals. The Authority will determine at a later date when to open a third funding round.

Authority staff is recommending a total of \$21,472,919.63 in Final Allocations. If approved, the projects will improve and expand access to healthcare and improve pediatric outcomes for the critically ill children of California.

STAFF RECOMMENDATION:

Staff recommends the Authority approve Resolution Numbers CHP-4E 2020-12 through CHP-4E 2020-15 totaling \$21,472,919.63 in Final Allocations. Further information on the applicants and Initial Allocations are provided in the attached staff summaries, resolutions and Exhibit A - Summary of Recommendations for Funding.

³ Initial Allocation is defined in regulations as, “the Grant amount the Authority staff recommends the Authority approve for Final Allocation ...” and Final Allocation is defined as “the Grant amount approved by the Authority...”

Exhibit A

Summary of Recommendations for Funding

	Resolution Number	Eligible Hospital Applicant	City	Initial Allocation Amount	Recommended Amount
1	CHP-4E 2020-12	Community Regional Medical Center	Fresno	\$ 14,977,315.00	\$ 14,977,315.00
2	CHP-4E 2020-13	Mercy Medical Center Redding	Redding	1,277,893.00	1,277,893.00
3	CHP-4E 2020-14	Santa Clara Valley Medical Center	Santa Clara	4,165,963.34 ⁴	3,388,346.37 ⁴
4	CHP-4E 2020-15	Tri-City Medical Center	Oceanside	1,829,365.26	1,829,365.26
Total Initial Allocation Amount				\$ 22,250,537.20	
Total Recommended Amount					\$ 21,472,919.63

⁴ Authority staff recommended an Initial Allocation in the amount of \$4,165,963.94 for Santa Clara Valley Medical Center (SCVMC) to fully fund the purchase of patient care equipment and to partially fund a renovation project. SCVMC accepted \$3,388,346.37 of the Initial Allocation due to SCVMC's decision not to move forward with the partially funded renovation project.