

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY (Authority)
Children's Hospital Program of 2018 (Proposition 4)

Resolution No. CHP-4 2026-01

January 29, 2026

Applicant: Rady Children's Hospital San Diego
3020 Children's Way
San Diego, CA 92123

Project Site: 3020 Children's Way
San Diego, CA 92123

Amount Requested: Proposition 4: \$135,000,000.00 Grant #: CHSD-01-04

Summary of Grant Amounts	Proposition 4
Eligible Amount	\$135,000,000.00
less Previous Grant Awards	0.00
less Requested Grant Amount	135,000,000.00
Remaining Amount Eligible (if requested amount is approved)	\$0.00

Project:

Rady Children's Hospital San Diego (RCHSD) is seeking Proposition 4 grant moneys to reimburse and fund the construction costs of the eligible pediatric portions of a new seven-story Intensive Care Unit (ICU) Pavilion at the RCHSD campus. The proposed pavilion will house Pediatric Intensive Care, Neonatal Intensive Care, Cardiothoracic Intensive Care, Emergency and Trauma Services, Surgical Services, Respiratory Therapy Service as well as building and hospital support areas, and will have shelled space planned for future Dietetic and Radiology Services.

Sources of Funds:

Net Prop 4 Funds ¹	\$133,548,750.00
Internal Funds ²	674,913,890.00
CHFFA 2026 Bonds	598,000,000.00
Total	<u>\$1,406,462,640.00</u>

Uses of Funds:

Construction	\$986,599,885.00
Equipment/ furnishing	122,038,991.00
Other	297,823,764.00
Total	<u>\$1,406,462,640.00</u>

Staff Recommendation:

Staff recommends that the Authority approve Resolution No. CHP-4 2026-01 for Rady Children's Hospital San Diego to receive a grant not to exceed \$135,000,000.00 (less costs of issuance and administrative costs), subject to all requirements of the Children's Hospital Bond Act of 2018.

¹ Net Prop 4 Funds is the total Prop 4 requested amount of \$135,000,000.00, less costs of issuance and administrative costs.

² Internal Funds in the amount of \$1,451,250.00 will be used to pay the administrative costs (\$1,350,000.00) and costs of issuance (\$101,250.00).

Proposition 4 Evaluation Factors:

Staff reviewed the provided application and other submitted materials in determining whether the applicant satisfactorily met the six factors identified in Proposition 4. Below is a summary of how the applicant met these specific factors.

Factor 1: The grant will contribute towards expansion or improvement of health care access by children eligible for governmental health insurance programs and indigent, underserved, and uninsured children.

RCHSD will use grant funds to construct a new seven-story ICU Pavillion building, to expand capacity of current services and enhance its ability to care for the region's most vulnerable pediatric populations by doubling Emergency Department (ED) capacity and increasing intensive care unit beds by 75, with particular emphasis on meeting projected growth in emergency, psychiatric, and endoscopy services. The upgraded structure and clinical spaces will significantly improve pediatric patient health access by increasing capacity, care flow, and accessibility for critically ill patients. These enhancements are also aimed at attracting highly qualified residents and fellows, thereby addressing subspecialty physician shortages in the area. A rooftop helipad will facilitate direct transfers to the ED, ICUs, and surgical suites.

Each unit is designed for efficient access, including separate routes for potentially infectious cases, and the Proposition 4 grant will be used to fund the eligible pediatric portions of the second through sixth floors:

The second floor will accommodate the relocation and expansion of radiology services as well as building and hospital support services. Timely access to imaging is essential for accurately diagnosing conditions, determining disease severity and stage, monitoring treatment progress, and guiding clinical decision-making. By centralizing these services on the second floor, the facility will enhance care coordination, reduce wait times, and ensure that pediatric patients receive critical diagnostic evaluations as efficiently as possible.

The third floor will serve as the relocated and expanded ED. As the region's only Level 1 Pediatric Trauma Center, RCHSD's demand has exceeded original design capacity, from 30,000 to over 100,000 annual patient visits at their old ED. The project will increase ED treatment bays from 40 to 85, with 11 bays specifically equipped for behavioral health emergencies, four bays for trauma, and six isolation bays will expedite care for infectious cases, informed by lessons from the COVID-19 pandemic. RCHSD expects this ED to serve over 85,000 patients per year, of which approximately over 48,000 are recipients of Medi-Cal. The new ED will be comprised of eighty-one private patient rooms and four larger trauma rooms, organized into six neighborhoods of 10 to 18 rooms. Dedicated imaging suites (one CT, two X-ray, and one ultrasound), an orthopedic/casting room, and a multi-treatment room are also integrated into the ED to serve varying patient needs. The ED's patient average length of stay is 148 minutes, and the new treatment rooms are designed with the intent to decrease the average length of stay and increase capacity.

The current ED remains the region's sole Pediatric Level 1 Trauma Center, serving a 26,000-square-mile area and operating the only dedicated neonatal and pediatric critical care transport service. Staffed by fellowship-trained pediatric emergency physicians and a full complement of pediatric subspecialists, the ED features cutting-edge diagnostic and therapeutic tools, including noninvasive ventilation, video laryngoscopes, fiberoptic bronchoscopes, and point-of-care ultrasound led by expert faculty.

The fourth floor will host the relocated and expanded Cardiothoracic Intensive Care Unit (CTICU) expanding from 30 beds at their current location to 40 beds and incorporating three new operating suites (including a dedicated cardiac suite, a hybrid suite for interventions, and a trauma suite) at the new Pavillion. Proximity of operating suites will allow non-invasive and emergent procedures to occur without unnecessary patient movement. This floor will serve over 740 patient families a year, of which over 420 are recipients of Medi-Cal.

The fifth floor will feature the region's Level 4 Neonatal Intensive Care Unit (NICU), relocated and expanded from 32 to 60 high-acuity beds within 52 rooms. Family-centered room designs will double space per patient, supporting complex medical needs, easier access from lower-floor surgical suites, and seamless transfers from the rooftop helipad. RCHSD expects the NICU to serve over 2,700 patients per year, of which over 1,500 are recipients of Medi-Cal.

RCHSD's NICU, the only Level 4 unit serving San Diego, Riverside, and Imperial Counties, is integral to the Division of Neonatology and leads research on innovative therapies, human milk benefits, brain protection, infection prevention, and genomic applications in precision medicine. This expansion will further residency and fellowship training opportunities across multiple specialties.

The sixth floor will be a dedicated Pediatric Intensive Care Unit (PICU) expanding current capacity from 24 to 40 beds. The expansion will accommodate rising ED referrals, with immediate access to specialized treatments for aerodigestive and acute pulmonary conditions. This space will serve over 400 patients per year, of which over 230 are recipients of Medi-Cal.

All units will utilize integrated nurse-call technology and centralized monitoring, enabling rapid, coordinated clinical response. The Children's Hospital Emergency Transport Team will staff each unit, supporting family-centered environments with designated spaces for families within every patient room.

The new ICU Pavilion will enhance access and capacity for patients – more emergency bays will reduce wait times and allow more patients to be treated promptly, especially during surges like the winter viral season or more dramatic pandemics or natural disasters.

Factor 2: The grant will contribute towards improving child health care or pediatric patient outcomes.

Rady Children's new ICU Pavilion will dramatically transform care delivery and patient outcomes in several ways. Early, specialized care lowers mortality rates, reduces complications, and supports faster healing in young patients. State of the art technology and infrastructure will offer the latest diagnostic and life-support technologies, enabling faster, more accurate treatment – improving outcomes and shortening length of stay.

Patients entering through the ED will experience a lean flow of services, with rapid resulting diagnostics and easy transfer to higher levels of care as their condition requires. In this inpatient environment, the healing environment supports the child and their family to a faster recovery. Improved design and integrated systems will improve monitoring, communication, safety and efficiency. Enhanced and expanded ICU capabilities will lead to better survival rates and reduced long-term complications. A more rapid triage, quicker data from diagnostics, merging of complex health indicators, and rapid notification of changes allows a faster implementation of interventions and ultimately shorter duration of illness and quicker and more complete recovery.

Factor 3: The children's hospital provides uncompensated or under-compensated care to indigent or public pediatric patients.

With over 40 clinic locations and 511 beds, RCHSD is one of the largest children's hospitals in the country and the only dedicated provider of pediatric care in San Diego County. Rady Children's cares for 91% of the pediatric population. As the regional safety net pediatric hospital, over 57% of the patients served are recipients of Medi-Cal or are uninsured. RCHSD facilities help to ensure every child can receive the specialized care they need to have a healthy future.

RCHSD provided more than \$100 million dollars in FY 2024 for uncompensated and undercompensated care.

Factor 4: The children's hospital provides services to vulnerable pediatric populations.

RCHSD is the safety net hospital for the region and has become a destination hospital for children requiring specialized care, drawing from around the country and the Pacific Rim. RCHSD's ED was built to serve up to 30,000 children per year; however, in recent years, the actual number of children served has been over 100,000. Currently, an average of 300 patients present to the ED daily and are cared for by up to 130 providers. In FY 2024, RCHSD served approximately 270,000 pediatric inpatient and outpatient individuals. Approximately 49% of the children receiving services at RCHSD were Medi-Cal recipients.

RCHSD provides the largest source of comprehensive pediatric medical services in San Diego, Southern Riverside and Imperial counties. Rady Children's is the only hospital in the San Diego area dedicated exclusively to pediatric healthcare and is the regions only designated pediatric trauma center.

Factor 5: The children's hospital promotes pediatric teaching programs or pediatric research programs.

RCHSD strives to restore, sustain, and enhance the health and developmental potential of children through excellence in care, education, research, and advocacy. Their mission is to fully support physician practices in their pursuit of delivering utmost quality patient care in the communities they serve.

In affiliation with the University of California San Diego (UCSD) School of Medicine, RCHSD is the region's teaching hospital for the next generation of pediatricians and pediatric specialists. As a major clinical research center, systemwide RCHSD has more than 600 clinical trials underway dedicated to improving the health and well-being of every child, everywhere. Through commitment to education and training, RCHSD is nurturing the healthcare workforce for the future and closing gaps in critical shortages of pediatric specialists. Annually, RCHSD hosts over 1,000 trainees from UCSD and other training partners, including the Navy and community clinics, to practice and learn from RCHSD doctors and staff. Additionally, RCHSD's Children's Heart Institute conducts extensive research and quality improvement projects and is actively involved in clinical research to improve the care of children with congenital heart defects.

Factor 6: Demonstration of project readiness and project feasibility.

The construction of the ICU Pavilion started in May 2023, with completion anticipated in December 2027 and occupancy expected by April 2028. The total construction cost for the pavilion is approximately \$1.4 billion. Other sources of funding include RCHSD's internal funds and CHFFA 2026 bond proceeds. Proposition 4 grant funding is being requested specifically for levels two through six of the new ICU Pavilion, totaling 544,797 square feet of which 285,122 square feet is estimated to be eligible for Proposition 4 grant funding based on square footage dedicated for pediatric services. For each pediatric service area of these levels/floors, Authority staff also applied the proportion of non-pediatric patients based on RCHSD three years average data, bringing the total eligible square footage for Proposition 4 grant funding to 277,247.

Since Proposition 4 grant funds can only cover the pediatric proportion of the space, Authority staff has determined that from the total eligible project costs, 50.98% is estimated to be eligible for funding from the Proposition 4 grant, based on the eligible square footage used for pediatric services and the non-pediatric patient percentages for each floor relative to the building's total square footage.

Legal Review:

Although disclosures were made by the applicant, the information disclosed does not appear to detrimentally affect its financial viability or legal integrity.

Description of Applicant:

RCHSD is a nonprofit 501(c)(3) general acute care hospital licensed by the California Department of Public Health. Established in 1954 as a California nonprofit benefit corporation, RCHSD is the largest source of comprehensive pediatric medical services in San Diego, Southern Riverside and Imperial counties, with 511 beds. RCHSD is the only hospital in the San Diego area dedicated exclusively to pediatric healthcare and is the regions only designated pediatric trauma center.

RCHSD's financial audit for FY 2024 was submitted and is free of "going concern" language.³

³ The absence of "going concern" language tends to suggest the organization is in good operational health for that fiscal year. The Authority's regulations define "Going Concern Qualification" in Section 7000(q).

RESOLUTION NO. CHP-4 2026-01

RESOLUTION OF THE CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY APPROVING EXECUTION OF GRANT DOCUMENTS AND DELIVERY OF GRANT FUNDING UNDER THE CHILDREN'S HOSPITAL PROGRAM OF 2018 TO RADY CHILDREN'S HOSPITAL SAN DIEGO

WHEREAS, the California Health Facilities Financing Authority (the "Authority"), a public instrumentality of the State of California, is authorized by the Children's Hospital Bond Act of 2018 (Pt. 6.3 (commencing with Section 1179.81), Div. 1, Health and Safety Code; hereafter the "Act") and implementing regulations to award grants from the proceeds of general obligation bonds in an amount not to exceed \$135,000,000.00, less costs of issuance and administrative costs to Rady Children's Hospital San Diego to finance eligible projects; and

WHEREAS, Authority staff received a grant application (the "Application") from Rady Children's Hospital San Diego ("Grantee"), and Grantee is a qualified eligible children's hospital under Health and Safety Code section 1179.82(b).

WHEREAS, Authority staff reviewed the Grantee's Application against the eligibility requirements of the Act and implementing regulations and, pursuant to the Act and implementing regulations, recommends approval of a grant in an amount not to exceed \$135,000,000.00 (the "Grant"), less costs of issuance and administrative costs representing 0.075% and 1% of the amount of the Grant respectively, to the Grantee for the eligible project (the "Project") described in specific detail in the Application and more generally described in Exhibit A to this Resolution (Exhibit A is hereby incorporated by reference);

NOW, THEREFORE, BE IT RESOLVED by the California Health Facilities Financing Authority, as follows:

Section 1. The Authority hereby approves the Grant in an amount not to exceed \$135,000,000.00, less costs of issuance and administrative costs, to the Grantee to complete the Project within a grant period that ends on October 30, 2029 (the "Grant Period"). The Grantee must make any request for disbursement of Grant funds pursuant to the Grant Agreement (defined below) and within the Grant Period.

Section 2. For and on behalf of the Authority, the Executive Director and/or the Deputy Executive Director are hereby authorized and directed to do, or cause to be done, any of the following:

a) Approve any minor, non-material changes in the Project. Nothing in this Resolution shall be construed to require the Authority to provide any additional funding to Grantee. The Authority shall not be liable to the Grantee in any manner whatsoever should such funding not be completed for any reason whatsoever.

b) Extend the Grant Period set forth in Section 1. However, any extension approved by the Executive Director and the Deputy Executive Director shall not surpass the expiration date of this Resolution set forth in Section 3 hereof.

c) Draw money from the Act Fund, in an amount not to exceed that approved by the Authority and disburse such funds to the Grantee pursuant to the Grant Agreement.

d) Enter into an agreement with Grantee (the "Grant Agreement") in form and substance the Executive Director and/or the Deputy Executive Director determines appropriate in their reasonable discretion setting forth the Authority's and Grantee's rights and duties in connection with the Grant.

e) Do any and all things and execute and deliver any and all other documents that the Executive Director and/or the Deputy Executive Director deem necessary, convenient, or advisable to effectuate the purposes of this Resolution and the transactions contemplated hereby.

Section 3. This Resolution expires October 30, 2030, unless extended by action of the Authority prior to that date.

Date Approved: _____

EXHIBIT A

PROJECT DESCRIPTION

The proceeds of the grant will be used by Rady Children's Hospital San Diego (RCHSD) to reimburse and fund the construction costs of the eligible pediatric portions of a new seven-story Intensive Care Unit (ICU) Pavilion at the RCHSD campus. The proposed pavilion will house Pediatric Intensive Care, Neonatal Intensive Care, Cardiothoracic Intensive Care, Emergency and Trauma Services, Surgical Services, Respiratory Therapy Service as well as building and hospital support areas, and will have shelved space planned for future Dietetic and Radiology Services.