



COUNTY OF SAN DIEGO

AGENDA ITEM

BOARD OF SUPERVISORS

NORA VARGAS
First District

JOEL ANDERSON
Second District

TERRA LAWSON-REMER
Third District

VACANT
Fourth District

JIM DESMOND
Fifth District

DATE: December 5, 2023

27

TO: Board of Supervisors

SUBJECT

NOTICED PUBLIC HEARING (TEFRA): ISSUANCE OF BONDS, IN ONE OR MORE SERIES, FROM TIME TO TIME PURSUANT TO A PLAN OF FINANCE, BY THE CALIFORNIA PUBLIC FINANCE AUTHORITY FOR THE BENEFIT OF SHARP HEALTHCARE AND ITS AFFILIATES IN AN AGGREGATE AMOUNT NOT TO EXCEED \$1.0 BILLION (DISTRICTS: D1, D2, D3 and D4)

OVERVIEW

The County has received a request from the California Public Finance Authority (“CALPFA” or “Authority”) to conduct a public hearing as required by the Internal Revenue Code and to approve issuance by the Authority of its bonds, in one or more series, from time to time pursuant to a plan of finance, in an aggregate principal amount not to exceed \$1.0 billion (the “Bonds”), for the benefit of Sharp HealthCare, a California nonprofit public benefit corporation (the “Borrower”), and its affiliates. The Borrower has applied for the financial assistance of the Authority to finance approximately \$400 million in capital improvements at health care facilities operated by Sharp Memorial Hospital (located at 7901 Frost Street and 3003 Health Center Drive) (the “New Project”). The Borrower has also applied for the financial assistance of the Authority to refund approximately \$600 million in outstanding principal amount of bonds issued by the Association of Bay Area Governments (ABAG) Finance Authority for Nonprofit Corporations and CalPFA for the benefit of the Borrower and its affiliates, as well as corporate taxable bonds directly issued by the Borrower (collectively, the “Prior Bonds”), all of which financed and/or refinanced capital expenditures at the facilities of Sharp Memorial Hospital, Sharp Chula Vista Medical Center, Grossmont Hospital Corporation, and the administrative office building of the Borrower. The financing of the New Project and refunding of the Prior Bonds are collectively referred herein as the “Project.”

The Authority is authorized to assist in financing for nonprofit public benefit organizations or for-profit corporations with a public benefit project wishing to issue revenue bonds, including the Borrower. In order to initiate such a financing, the Borrower is asking the County of San Diego, a member jurisdiction in which the Project resides to: (1) conduct a public hearing to satisfy the public approval requirement of Section 147(f) of the Internal Revenue Code; and (2) approve the Authority’s issuance of the Bonds. Although the Authority will be the issuer of the Bonds for the Borrower, the financing cannot proceed without the approval of an applicable legislative body.

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Today's recommendations will provide the Authority with the required authorization to pursue its determination to issue the Bonds on behalf of the Borrower for the Project.

RECOMMENDATION(S)

CHIEF ADMINISTRATIVE OFFICER

1. Pursuant to Section 147(f) of the Internal Revenue Code, hold a public hearing regarding the financing of the Project.
2. Adopt a Resolution entitled:

RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF SAN DIEGO APPROVING THE ISSUANCE BY CALIFORNIA PUBLIC FINANCE AUTHORITY OF ITS BONDS FOR THE BENEFIT OF SHARP HEALTHCARE AND ITS AFFILIATES, IN ONE OR MORE SERIES, FROM TIME TO TIME PURSUANT TO A PLAN OF FINANCE, IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$1,000,000,000, TO FINANCE AND/OR REFINANCE THE ACQUISITION, RENOVATION, CONSTRUCTION, FURNISHING, EQUIPPING AND IMPROVEMENT OF HEALTH CARE FACILITIES, AND REFUND CERTAIN PRIOR BONDS

EQUITY IMPACT STATEMENT

This financing will help in the preservation and expansion of facilities to provide emergency, inpatient, and ambulatory health care services to residents of the San Diego region, including access to care for uninsured, underinsured, and other patients who lack the ability to pay.

SUSTAINABILITY IMPACT STATEMENT

The proposed action closely aligns with the County of San Diego goal to protect the health and wellbeing of residents. The financing will allow Borrower to continue to provide equitable access to a full continuum of health care services for San Diego County residents. Borrower's Community Benefit Plan and Report addresses the following: access to care and financial support for uninsured and underinsured community members and individuals without a medical provider; programs and services that provide community and social support to address health equity challenges; vaccination programs; education, screening, and support programs for chronic health conditions and other health needs, including but not limited to heart and vascular disease, stroke, cancer, diabetes, obesity and unintentional injuries; aging care and support programs including health education, support, and screening activities for seniors and caregivers; safety and support programs for seniors and people with disabilities; end-of-life and advance care planning services for hospice patients and their loved ones and the community; support for community nonprofit health and social service organizations; education and training for community health care professionals; student and intern supervision, education, and support; collaboration with local schools to promote interest and provide health career pathways; cancer patient navigation services and participation in clinical trials; women's and prenatal/postnatal health services, support, and education, including

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services for high-risk pregnancies; behavioral health and substance use education, screening, and support for the community, including seniors and individuals experiencing homelessness; provider education and protocol development to enhance community safety programming related to trauma-informed care, human trafficking, and related topics.

For more than a decade, Borrower has sought to minimize adverse environmental impacts to the communities it serves, which aligns with the County of San Diego Sustainability Goals. By reducing greenhouse gas emissions, Borrower supports its core mission to improve the health of the environment and the local population. Through education, outreach, and collaboration with community partners, Borrower's environmental policy guides the identification and implementation of green practices within the health care system, while its All Ways Green initiative fosters a culture of environmental responsibility throughout the organization and the San Diego community. In 2022, Borrower embarked on a comprehensive Environmental Health, Wellness, and Sustainability Plan that targets systemwide improvements to reduce Borrower's carbon footprint, with the goal of achieving carbon neutrality by 2040, the first health care system in San Diego to commit to San Diego Community Power's Power100 program, which provides 100% renewable and carbon-free electricity to eligible Borrower facilities. Borrower's All Ways Green Committee spearheads the organization's sustainability plans, which are organized around eight core elements: efficient energy, water conservation, waste minimization, preferable purchasing, transportation, food sustainability, performance measurement and improvement, and communication.

FISCAL IMPACT

If approved, the proposal will result in approximately \$991 of unanticipated revenue to be used to reimburse the County for staff costs associated with this non-County financing. There will be no change in net General Fund cost and no additional staff years.

The Borrower will be responsible for the payment of all present and future costs in connection with the issuance of the financing related to the Project. The County will incur no obligation of indebtedness as a result of today's actions.

BUSINESS IMPACT STATEMENT

N/A

ADVISORY BOARD STATEMENT

The Debt Advisory Committee, composed of the Deputy Chief Administrative Officer/Chief Financial Officer, Auditor and Controller, and the Treasurer-Tax Collector, concurs with this recommendation.

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BACKGROUND

California Public Finance Authority (“CALPFA”)

CalPFA is a political subdivision of the State of California established under the Joint Exercise of Powers Act for the purpose of issuing tax-exempt and taxable conduit bonds for public and private entities throughout California. CalPFA was created by Kings County and the Housing Authority of Kings County, California. CalPFA is empowered to promote economic, cultural, and community development opportunities that create temporary and permanent jobs, affordable housing, community infrastructure and improve the overall quality of life in local communities.

Sharp HealthCare

Sharp HealthCare (the “Borrower”) is a California nonprofit public benefit corporation with its corporate offices in San Diego, California, and an organization described in Section 501(c)(3) of the Internal Revenue Code (the “Code”). The Borrower is the sole member or sole shareholder of Sharp Memorial Hospital, Sharp Chula Vista Medical Center and Grossmont Hospital Corporation, which together constitute an integrated health care delivery system known as Sharp HealthCare. Each of Sharp Memorial Hospital, Sharp Chula Vista Medical Center and Grossmont Hospital Corporation are California nonprofit public benefit corporations and organizations described in Section 501(c)(3) of the Code. The Borrower and its affiliated entities currently own or lease and operate a variety of facilities and programs throughout San Diego County.

Sharp HealthCare comprises:

- Four acute care hospitals
- Three specialty hospitals
- Twenty-five outpatient clinics operated in conjunction with two of its three affiliated medical groups
- Six urgent care centers
- Three skilled nursing facilities
- Two inpatient acute rehabilitation programs
- Hospice and home infusion programs
- Numerous outpatient facilities and programs
- A nonprofit health maintenance organization (“HMO”).

As of September 30, 2023, Sharp HealthCare was licensed for 2,209 beds, had approximately 2,800 physicians on medical staffs and in affiliated medical groups, and employed more than 19,700 people. With a commitment to serving the community, Sharp HealthCare provides the entire continuum of care offering ambulatory, acute, and post-acute care services. In the year ended September 30, 2023, Sharp HealthCare served nearly 86,000 inpatients and 903,000 outpatients, treated nearly 322,000 emergency cases, provided 1.5 million physician visits, brought more than 12,000 new lives into this world, and performed over 54,000 surgeries.

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Project

The Borrower intends to use approximately \$400 million of Bond funds for costs associated with the Sharp Memorial Hospital master plan. Sharp Memorial Hospital operates the 656-bed Donald N. Sharp Memorial Community Hospital and Stephen Birch Healthcare Center at Sharp Memorial Hospital, the 206-bed Sharp Mary Birch Hospital for Women & Newborns, the 159-bed psychiatric facility Sharp Mesa Vista Hospital, the 16-bed chemical dependency recovery hospital Sharp McDonald Center, and the Sharp Memorial Outpatient Pavilion. The phases of the master plan that will be funded by proceeds of the Bonds include improvements to achieve partial compliance with Senate Bill 1953 Structural Performance Category 4D mandated seismic regulations at 7901 Frost Street and 3003 Health Center Drive, expansions to increase emergency and inpatient bed capacity at 7901 Frost Street and 3003 Health Center Drive, and other improvements to address clinical obsolescence and undersized department spaces for critical clinical support services at 7901 Frost Street and 3003 Health Center Drive.

The Borrower also expects to use the remaining proceeds of the Bonds to refund the Prior Bonds, all of which financed and/or refinanced capital expenditures at the facilities of Sharp Memorial Hospital, Sharp Chula Vista Medical Center, Grossmont Hospital Corporation, and the administrative office building of the Borrower. The information describing the Prior Bonds and the health care facilities that were financed or refinanced by the Prior Bonds are attached as Exhibit A.

At the request of the Borrower, CalPFA may issue the Bonds in multiple tranches, each consisting of one or more series, over a period of five years, to accomplish the Project in stages.

County Involvement

Section 147(f) of the Internal Revenue Code requires that an applicable elected body, with respect to the Project, hold a public hearing and approve the issuance and delivery of the Bonds. The Board of Supervisors of the County of San Diego, as an applicable elected body, is requested to (1) hold a public hearing at which all those interested in speaking with respect to the financing of the Project can be heard and (2) approve the issuance of Bonds. The Borrower shall be responsible for the payment of all present and future costs in connection with the issuance of the Bonds.

LINKAGE TO THE COUNTY OF SAN DIEGO STRATEGIC PLAN

Today's proposed action supports the Community Strategic Initiative in the County of San Diego's 2023-2028 Strategic Plan by supporting and allowing the issuance of revenue bonds by CALPFA for Sharp HealthCare to finance and/or refinance the acquisition, renovation, construction, furnishing, equipping and improvement of health care facilities, and refund certain prior bonds.

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Respectfully submitted,

A handwritten signature in black ink, appearing to read "Helen N. Robbins-Meyer". The signature is fluid and cursive, with the first name "Helen" and last name "Robbins-Meyer" clearly distinguishable.

HELEN N. ROBBINS-MEYER
Interim Chief Administrative Officer

ATTACHMENT(S)

1. Notice of Public Hearing
2. County Resolution
3. CALPFA Project Application for Bonds
4. Exhibit A List of Prior Bonds and New Projects