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DEPARTMENT OF
FINANCE

BUDGET, POLICY &
STRATEGIC PLANNING DIVISION

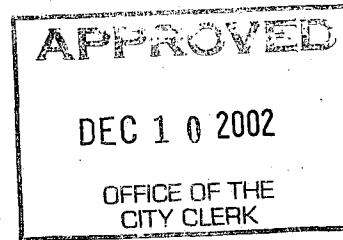
CITY OF SACRAMENTO
CALIFORNIA

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December 4, 2002

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City Council
Sacramento, California



Honorable Members in Session:

SUBJECT: Request to Approve the Issuance of Tax-exempt Obligations by the California Statewide Communities Development Authority for Sutter Health

LOCATION Sutter General Hospital, 2800 L Street
Sutter Memorial Hospital, 5151 F Street;

COUNCIL DISTRICT Council Districts 3

CONTACT PERSON Betty Masuoka, Assistant City Manager, 264-5704
Patti Bisharat, Sr. Mgmt Analyst, 264-8197

FOR COUNCIL MEETING OF December 10, 2002

RECOMMENDATION

Staff recommends the adoption of a resolution to approve the issuance of tax-exempt obligations by the California Statewide Communities Development Authority for Sutter Health.

SUMMARY

The California Statewide Communities Development Authority ("Authority") is a joint exercise of powers authority consisting of numerous California cities, counties and special district, including the City of Sacramento. The Authority is authorized to assist in the financing of facilities for non-profit organizations. In order for the Authority to comply with its JPA Agreement

and federal law with respect to such financing, the member participant of the Authority in which the facilities proposed to be financed are located must 1) conduct a public hearing and 2) approve the Authority's issuance of indebtedness. This report meets that requirement. There is no financial impact to the City in approving this report.

BACKGROUND

The California Statewide Communities Development Authority ("Authority") is a joint exercise of powers authority consisting of numerous California cities, counties and special district, including the City of Sacramento. Currently over 225 cities, 54 counties and over 50 districts or agencies of some type are program participants of the Authority.

The Authority is authorized to issue bonds in order to promote economic development including assisting in the financing of facilities for non-profit organizations. In order for the Authority to comply with its JPA Agreement and federal law with respect to such financing, the member participant of the Authority in which the facilities proposed to be financed are located must 1) conduct a public hearing and 2) approve the Authority's issuance of indebtedness. Although the Authority will be the issuer of the tax-exempt obligations for the applicant, the financing cannot proceed without the City of Sacramento's approval of the financing.

Sutter Health has submitted an application to the Authority for financing and refinancing of certain medical facilities through the issuance of tax-exempt obligations in an aggregate principal amount not to exceed \$115 million. Sutter Health is the 'parent' of the Sutter Health System which provides health care services primarily in Northern California. The System provides a broad range of health care services, including acute, sub-acute, long-term, home health and outpatient care and physician delivery systems. These services are provided through an integrated health care delivery system, which has the ability to deliver a full range of health care products and services to the communities it serves. Sutter Health's affiliated physician organizations, hospitals, home care, and other programs provide many services to those in need of care, regardless of their ability to pay. A copy of the application materials submitted by Sutter Health is included as Attachment A.

Under this proposed financing, Sutter Health would finance projects at a number of facilities. New improvements within the City of Sacramento would occur at Sutter Medical Center and would include replacing 8-year old cath labs and development of an Imaging Master Plan that identifies and prioritizes all anticipated diagnostic imaging technology needs over the next

six years. The portion of the financing earmarked for these projects is \$26.0 million. A complete list of projects is included as Attachment B.

The City of Sacramento's participation in this proposed financing is limited to conducting the public hearing and approving of the Authority's financing of the Sutter Health project and issuance of the bonds. No city funds are at risk as a result of taking the recommended action nor is there any pecuniary liability of the City with respect to the financing.

FINANCIAL CONSIDERATIONS

The recommended action will have no fiscal impacts on the City.

ENVIRONMENTAL CONSIDERATIONS

Not applicable.

POLICY CONSIDERATIONS

The recommendation of this report is consist with City Council policy. The City Council has approved similar financing requests in the past.

ESBD CONSIDERATIONS

Not applicable.

Respectfully submitted,



Patti Bisharat
Sr. Management Analyst

APPROVED:



ROBERT P. THOMAS
City Manager

Attachment A: Info from Application submitted by Sutter Health
Attachment B.: List of projects

**California Statewide Communities Development
Sutter Health Application for Financing**

A Detailed Applicant History

Sutter Health ("Sutter Health"), a California nonprofit public benefit corporation, is the "parent" of the Sutter Health System (comprised of Sutter Health and its affiliated health care organizations) (the "System"), which provides health care services primarily in Northern California. The System provides a broad range of health care services, including acute, sub-acute, long-term, home health and outpatient care, physician delivery systems and insurance products. These services are provided through an integrated health care delivery system, which has the ability to deliver a full range of health care products and services to the communities it serves.

The mission of the System is to enhance the health and well-being of people in the communities it serves through a not-for-profit commitment to compassion and excellence in health care servicing. The System's goal is to create a quality, patient-centered integrated provider network that is the preferred provider to its patients and customers, the system of choice in which providers practice, the employer of choice to its staff and an exemplary community citizen.

Sutter Health's affiliated physician organizations, hospitals, home care, and other programs provide many services to those in need of care, regardless of their ability to pay. For the fiscal year ended December 31, 2001, expenditures for the System's community benefit activities totaled \$417 million, or 11% of the System's net patient service revenues for the fiscal year then ended. The System's community benefit activities include providing care for which the System was not paid or was underpaid and the unpaid costs of providing health screenings, free clinics and other health-related services, educating the community with various seminars and performing medical research.

The System currently includes the following health care facilities and providers:

- Twenty-six acute care hospitals and four skilled nursing facilities (including two free-standing facilities) with a total of 5,263 licensed acute care beds and 779 licensed skilled nursing beds
- Four nonprofit medical foundations with approximately 1,346 physicians
- Twenty-one home health care providers
- Three (wholly or partly owned) management service organizations ("MSOs") providing support to medical groups and nine aligned independent practice associations (the "Aligned IPAs")

To further the development of its integrated delivery system, Sutter Health works closely with its affiliated physician organizations in the planning and implementation of joint business strategies. In addition, Sutter Health involves physician leaders in its governance, management and decision making processes. Sutter Health is also active in the development, support and operation of MSOs that provide services to affiliated medical groups and the Aligned IPAs.

The Obligated Group is the central financing vehicle and credit for the System. Upon issuance of the Series 2003 Bonds (the "Bonds"), the Obligated Group will include 29 nonprofit corporations that either own or

lease and operate 26 licensed acute care hospitals, four skilled nursing facilities (including two free-standing facilities) as well as three nonprofit medical foundations. Only Members of the Obligated Group are obligated to make payments with respect to the Bonds.

C Public Benefit

Sutter Health's Community Benefit Commitment

Sutter Health's fundamental mission is to enhance the health and wellbeing of the people in the communities we serve through compassion and excellence. This broad vision of health care motivates us to do more than care for patients—our charge is improving the health of our communities. Sutter Health's affiliated physician organizations, hospitals, home care and other programs provide many services to those in need of care, regardless of their ability to pay. More than half of those served by Sutter are Medicare and Medi-Cal patients.

As one of the leading nonprofit health care providers in California, Sutter is committed to the precept that the community benefits derived from nonprofit hospitals and health systems are important assets for the citizens of California. Sutter Health takes its role as stewards of these assets very seriously and held accountable by the numerous communities Sutter affiliates serve.

One measure of accountability is fulfilling unmet needs in the community. Through our affiliates, Sutter Health provides a wide range of vital services to meet unmet patient and community needs. The range of services is as heterogeneous as the communities we serve in California. Community benefit and improving the health of our communities is at the core of our mission, our values, our vision and our strategic planning principles.

In 2001, the Sutter Health system expenditures for community benefit totaled \$417 million, or 11% of the system's net patient service revenues. This investment represents contributions of unpaid services to our communities including, community health services, charity care, medical research, education, and the unpaid costs of public programs. Sutter Health and its affiliates demonstrate leadership as not-for-profit, charitable institutions through:

- Delivering low-volume, high-cost specialty services such as trauma at both Sutter Roseville Medical Center and Eden Medical Center, neonatal care, transplantation, and AIDS care
- Providing the most appropriate care in the most appropriate setting through our community-based clinics; primary care clinics; school-based free clinics; and through home health care services to AIDS patients and the indigent
- Controlling health care costs by focusing on disease prevention and health promotion: We create community wide programs targeting specific areas, such as immunization, health education, frail and at-risk elderly, adolescent health services and outreach to the homeless.
- Funding public health services for the poor or medically indigent, including the Yolo Health Alliance, Solano Health Partnership, Oak Park Multiservice Center, and have assumed the County health obligations in Sonoma County. We fund local government budget shortfalls for needed health services like mental health and primary care services. And we support public-private partnerships to improve housing, education and other social services that affect health status.

Sutter Health and its affiliates are committed to the community needs assessment process and community planning to improve health status. All of the Sutter Health affiliates that were required by Senate Bill 697 to conduct community needs assessments have submitted their reports and plans to address community needs to the California Office of Statewide Health Planning and Development (OSHPD). Copies of these community benefit plans can be obtained from OSHPD or from the local hospital's administration office.

B Project Description

The following table details the projects that will be completed with funds from this financing.

| Projects to be Financed by Series 2003A Bonds | |
|---|--|
| Affiliate | Project Purpose |
| Sutter Roseville Medical Center | <u>ER Expansion</u> – Expand the existing emergency room to increase the number of beds available and to increase size of waiting room. <u>Imaging Master Plan</u> – An integrated regional approach that identifies and prioritizes all anticipated diagnostic imaging technology needs over the next 6 years. <u>Routine and IT Capital Projects</u> – One year allocation of routine and information technology capital projects. |
| Sutter Auburn Faith Hospital | <u>Facility Renovations</u> - Remodels and renovations to provide additional capacity for the ER, Surgery Center, Women's Services, and Women's Radiological Services. <u>Routine Capital Projects (Partial)</u> – Routine capital projects including purchase of land adjacent to hospital. |
| Eden Medical Center | <u>Outpatient Imaging Center</u> - Remodel the ground floor space to include mammography, ultrasound, bone densitometry, and nuclear medicine. <u>ER Expansion</u> - Expand the existing emergency room to increase the number of beds available and to increase size of waiting room. <u>Women's Health Update</u> - Remodel and update patient rooms. <u>Neuroscience Center</u> - renovate the sixth floor of Eden Med Center for a dedicated neuroscience inpatient unit and neurooperating suite; development of a medical office building for neuroscience physician office space and specialty neuroscience clinics and the addition of an interventional neuroradiology suite. |
| Sutter Medical Center, Sacramento | <u>Cath Labs</u> – Replace 8-year old cath labs at SMH. <u>Imaging Master Plan</u> – An integrated regional approach that identifies and prioritizes all anticipated diagnostic imaging technology needs over the next 6 years. |
| Sutter Davis Hospital | <u>Imaging Master Plan</u> – An integrated regional approach that identifies and prioritizes all anticipated diagnostic imaging technology needs over the next 6 years. <u>Routine and IT Capital Projects</u> – Two year allocation of routine and information technology capital projects. |
| Sutter Medical Foundation | <u>Davis Medical Clinic</u> – Refinanced Sumitomo Bank synthetic lease used to construct medical office building. |
| Sutter North Medical Foundation | <u>Yuba City Medical Clinic</u> – Refinanced Sumitomo Bank synthetic lease used to acquire existing medical clinic and finance tenant improvements. |

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D Facility Addresses

The financing will finance improvements at the following facilities:

| New Facilities Financed by Series 2003A Bonds | | |
|--|---|---|
| Affiliate | Project Purpose | Address |
| Sutter Roseville Medical Center | ER Expansion, Imaging Master Plan, and Routine & IT Capital Projects | One Medical Plaza, Roseville, Placer County |
| Sutter Auburn Faith Hospital | Facility Renovations and Imaging Master Plan | 11815 Education St., Auburn, Placer County |
| Eden Medical Center | Outpatient Imaging Center, ER Expansion, Women's Health Update, and Neuroscience Center | 20103 Lake Chabot Road, Castro Valley, Alameda County |
| Sutter Medical Center, Sacramento | Cath Labs and Imaging Master Plan | 2801 L Street, Sacramento 5151 F Street, Sacramento Sacramento County |
| Sutter Davis Hospital | Imaging Master Plan and Routine & IT Capital Projects | 2000 Sutter Place, Davis Yolo County |
| Sutter Medical Foundation | Davis Medical Clinic | 2020 Sutter Place, Davis Yolo County |
| Sutter North Medical Foundation | Yuba City Medical Clinic | 480 Plumas Blvd., Yuba City Yolo County |

APPROVED
DEC 10 2002
OFFICE OF THE
CITY CLERK

RESOLUTION NO. 2002-825

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

RESOLUTION OF THE
CITY COUNCIL OF THE CITY OF SACRAMENTO
APPROVING THE ISSUANCE OF
CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY
REVENUE BONDS (SUTTER HEALTH), SERIES 2003
IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$115,000,000 FOR THE
PURPOSE OF FINANCING AND REFINANCING THE ACQUISITION, IMPROVEMENT
AND EQUIPPING OF SUTTER HEALTH SACRAMENTO SIERRA REGION AND
CERTAIN OTHER MATTERS RELATING THERETO

WHEREAS, Sutter Health, a California nonprofit public benefit corporation (the "Corporation"), has requested that the California Statewide Communities Development Authority (the "Authority") participate in the issuance of revenue bonds in an aggregate principal amount not to exceed \$115,000,000 (the "Bonds") for the acquisition, improvement and equipping of the medical, education and research facilities known as Sutter Health Sacramento Sierra Region d.b.a. Sutter General Hospital and Sutter Memorial Hospital (the "Facilities") to be owned and operated by the Corporation (or an affiliate of the Corporation) and located within the City of Sacramento (the "City") and other facilities located outside of the City; and

WHEREAS, pursuant to Section 147(f) of the Internal Revenue Code of 1986 (the "Code"), the issuance of the Bonds by the Authority must be approved by the City because the Facilities are located within the territorial limits of the City; and

WHEREAS, the City Council of the City (the "City Council") is the elected legislative body of the City and is one of the applicable elected representatives required to approve the issuance of the Bonds under Section 147(f) of the Code; and

WHEREAS, the Authority has requested that the City Council approve the issuance of the Bonds by the Authority in order to satisfy the public approval requirement of Section 147(f) of the Code and the requirements of Section 9 of the Amended and Restated Joint Exercise of Powers Agreement, dated as of June 1, 1988 (the "Agreement"), among certain local agencies, including the City; and

WHEREAS, pursuant to Section 147(f) of the Code, the City Council has, following notice duly given, held a public hearing regarding the issuance of the Bonds, and now desires to approve the issuance of the Bonds by the Authority;

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

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NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Sacramento as follows:

Section 1. The City Council hereby approves the issuance of the Bonds by the Authority for the purposes of acquiring, improving and equipping the Facilities. It is the purpose and intent of the City Council that this resolution constitute approval of the issuance of the Bonds by the Authority, for the purposes of (a) Section 147(f) of the Code by the applicable elected representative of the governmental unit having jurisdiction over the area in which the Facilities are located, in accordance with said Section 147(f) and (b) Section 9 of the Agreement.

Section 2. The officers of the City are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they deem necessary or advisable in order to carry out, give effect to and comply with the terms and intent of this resolution and the financing transaction approved hereby.

Section 3. This resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED by the City Council of the City of Sacramento this 10th day of December, 2002.

AYES:
NOES:
ABSENT:

MAYOR.

Attest:

By: _____
City Clerk

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____