

AGENDA ITEM No. 5

ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS A Joint Powers Authority of Cities and Counties Meeting of 21 January 2014

The Executive Committee of the Board of Directors of the ABAG Finance Authority for Nonprofit Corporations is requested to consider Resolution 14-02 authorizing up to \$200 million in publically offered tax-exempt revenue bond financing on behalf of San Diego County for Sharp HealthCare. The San Diego County Board of Supervisors successfully held the required TEFRA hearing for the project and made its affirmative final determination on this matter on the 7th of January. Documentation for this proposed financing project is substantially complete and available for review upon request.

Sharp HealthCare Series 2014

Location of Facilities:	Throughout The County of San Diego
Use of Funds:	Refund Existing Debt (\$40 Million) and Fund Current and Future Capital Projects (\$160 Million)
Financing Amount:	Not to Exceed \$200,000,000
Ratings:	“AA-“ S&P”A1” Moody’s (Current Stand-Alone Ratings of the Sharp HealthCare System)

The Borrower

Sharp HealthCare is a system comprised of 4 licensed acute care hospitals, 3 specialty hospitals, 21 outpatient clinics, 5 urgent care centers, 3 skilled nursing facilities, 2 inpatient rehabilitation centers, home health, hospice and home infusion programs, a nonprofit health maintenance organization, and a variety of other community health education programs and related services. There are 2,110 beds licensed under the system. Sharp HealthCare’s full spectrum of services is supported by approximately 2,600 medical staff and affiliated medical group physicians, and more than 16,000 employees. The Sharp HealthCare System holds approximately \$2.9 billion in total assets.

Sharp HealthCare, a California nonprofit public benefit corporation, serves as the parent of the system doing business as Sharp HealthCare. Repayment of the proposed Authority bonds is the joint and several responsibility of the Sharp-affiliated Obligated Group Members, including: Sharp HealthCare, Sharp Memorial Hospital, Sharp Chula Vista Medical Center, and Grossmont Hospital Corporation, all of which are also California nonprofit public benefit corporations domiciled in San Diego County.

More information about the Sharp HealthCare system may be found by visiting:
<http://www.sharp.com/index.cfm>

The Preliminary Official Statement for the proposed transaction is available for viewing or download here:

<http://www.munios.com/id.aspx?i=S15BSBwe9Ig2>

Public Benefit

Recognized nationally for its leadership in establishing integrated access to the highest quality care, Sharp HealthCare has received the Malcolm Baldrige National Quality Award, the nation's highest presidential honor for quality and organizational performance excellence. The Baldrige award is presented to businesses — manufacturing and service, small and large — and to education, health care, and nonprofit organizations judged to be outstanding in seven areas, including leadership, strategic planning, customer and market focus, measurement, analysis and knowledge management, human resource focus, process management, and results. Sharp HealthCare is the only health care provider in California and one of only 15 health care organizations nationally ever to receive the award. Sharp HealthCare has also been named as the top integrated healthcare network in California. Sharp HealthCare is frequently recognized for its commitment to clinical excellence and high-quality patient care by local and national organizations; for an extensive list of Sharp HealthCare's awards and recognition, please visit: <http://www.sharp.com/choose-sharp/awards-history.cfm>.

Sharp HealthCare asserts that its commitment to community service is evidenced by both services provided to medically underserved members of its community as well as through benefits provided to the broader public. Sharp HealthCare provides significant health care to indigent and uninsured individuals and delivers below-cost health care to governmental entities. In addition, it provides education to its surrounding community and regularly offers its facilities for community use.

Sharp HealthCare also reaches special needs populations and is widely known for its “centers of excellence” in cardiac care, cancer care, women's care, transplant services, ortho/neuro care, rehabilitation and senior services. Sharp HealthCare is also the leading provider of behavioral medical care in San Diego.

The Financing Project

The proposed financing is expected to comprise approximately \$200 Million in long-term fixed-rate, publically-offered, tax-exempt revenue bonds. All Bonds are expected to receive ratings of “AA-” from S&P (a recent upgrade) and “A1 – Positive Outlook” from Moody's respectively based on the current stand-alone credit of the Sharp HealthCare Obligated Group. The bond proceeds would refinance the approximately \$40 Million remaining principal balance of the Authority's Series 2003C Revenue Bonds issued for Sharp and provide up to \$160 Million for ongoing and future capital projects throughout the System.

The Authority's fees in connection with this matter would equate to an annual fee of \$25,000. The fees of ABAG Legal Counsel, and the Authority's out of pocket expenses would be billed separately at closing.

The obligation of the Authority to make payments on these securities (such obligation to be assigned to the Authority's Trustee) would be strictly limited to payments made by the Sharp Obligated Group. The Authority would function solely as a tax-exempt conduit for funds being lent to the applicant. The Authority would accept no financial risk in the transaction. The financing documentation and official statement would contain statements having the same effect as the following:

Neither the faith and credit of the Authority or the Association of Bay Area Governments nor the faith and credit or taxing power of any member of the Authority, the Association of Bay Area Governments, the State of California, or any political subdivision thereof, is pledged to the payment of the principal of premium, if any, or purchase price of, or interest on these securities or other costs incident thereto except from the specific revenues and funds pledged therefor. These securities are not a debt of the Authority, the Association of Bay Area Governments or the State of California or any political subdivision thereof, and neither the Authority, the Association of Bay Area Governments nor the State of California, nor any political subdivision thereof is liable for the payment thereof.

The Authority must also receive comprehensive indemnification from the Borrower and must receive a comprehensive legal opinion from a nationally recognized securities law firm with respect to matters of disclosure.

Authority Guidelines for Issuance

As proposed, the financing would meet all of the Authority Guidelines for Issuance.

Financing Team

Orrick, Herrington & Sutcliffe LLP, Sacramento, is proposed as Bond Counsel for this transaction. The Authority's interests would be represented generally in this matter by Jones Hall, San Francisco. Hooper, Lundy & Bookman, Inc., San Diego, represent the Borrower and the Obligated Group members. The Investment Banker/Underwriters proposed are Goldman, Sachs & Co., Chicago, and Citigroup, San Francisco. The Underwriters are being represented by Dentons US LLP, Chicago. The Borrower's Financial Advisor is Ponder & Co., Brentwood, Tennessee. The Authority's Trustee for this transaction would be US Bank N.A., Los Angeles.

Representatives of the Borrower, the Underwriter, and Bond Counsel have been asked to make themselves available during the Authority's meeting to answer questions about the financing project.

Recommendation

Authority staff respectfully recommends approval of **Resolution 14-02** authorizing this financing.