

DADE COUNTY HEALTH FACILITIES AUTHORITY

DOCUMENTS REQUIRED FOR PRELIMINARY REVIEW
OF
FINANCING APPLICATIONS

INSTITUTION Variety Children's Hospital/d.b.a Nicklaus Children's Hospital

ADDRESS 3100 SW 62nd Ave. Miami, FL 33155-3009

DATE January 06, 2017

Four copies of each of the following documents must be submitted to the Authority in order that a preliminary review of your application can be made:

1. Health Facilities Authority ("the Authority") Financing Application
2. Articles of Incorporation and By-Laws of the Institution
3. Certificate of Good Standing - Secretary of State
4. Determination letter or statement of how applicant otherwise qualifies as 501(c) (3) organization
5. Certificate of Need (new Projects), if already received
6. Three (3) years Audited Financial Statements (if applicable)
7. Current Year's Unaudited Financial Statements (if applicable)
8. Two (2) years Audited and Current Year's Unaudited Medicare Cost Reports

An Application Fee of \$6,000.00 must accompany this application. The Application Fee covers Steps I through II (5) described in the Section titled, "Processing of Financing Applications."

After preliminary approval, four copies of the following documents must be submitted to the Authority:

1. Certificate of Need (new Projects, if not submitted previously)
2. Feasibility Study
3. Other Information as Requested by the Authority

FOR AUTHORITY USE ONLY

Received _____
Distribution _____
Reviewed _____
Notification _____
Assigned to _____

DADE COUNTY HEALTH FACILITIES AUTHORITY

EXPLANATION OF PROCEDURES TO BE FOLLOWED IN
PROCESSING REVENUE BOND ISSUES

The purpose of this memorandum is to explain the procedures which the Dade County Health Facilities Authority proposes to follow in processing revenue bond issues for not for profit health care institutions in Dade County. These procedures have been set out in outline form in the document entitled "Processing of Financing Applications."

Under the proposed procedures, a health care institution desiring to have the Authority issue bonds for its benefit will begin the process by submitting an application to the Finance Director with a check in the amount of \$6,000 in payment of a non-refundable processing fee. This application is then reviewed by the Authority's staff, bond counsel and the Authority's fiscal advisor to ascertain whether the bond issue appears legally and financially feasible. A meeting is also held with the institution to discuss timing and details. Assuming that all points are resolved favorable, the Authority staff reports its favorable recommendation to the Authority. If the Authority is so inclined, it adopts a resolution granting preliminary approval for the bond issue. This is the "green light" for the issue to proceed to the next stage.

This next stage involves processing the issue in greater detail. The financial feasibility study, the bond documents and the preliminary official statement are prepared and refined at meetings attended by the Authority staff, bond counsel, the Authority's financial advisor, the institution, its counsel, the firm preparing the financial feasibility study, the underwriter at its counsel. This effort culminates in a complete package of these documents being submitted to the Authority members. Following this, the Authority meets to adopt a bond resolution, assuming it continues to be favorable disposed to the bond issue. The bond resolution approves the bond documents and preliminary official statement, fixes the maximum principal amount of the bonds, the maximum maturity and the maximum interest rate and authorizes the County Attorney to initiate validation proceedings on behalf of the Authority. The bond resolution is then submitted to the County Commission for approval.

Following the adoption of the bond resolution and its approval by the County Commission, the process of validating the bonds begins, culminating in the entry of a validation judgment. At about the same time, the preliminary official statement is mailed to the public. Following entry of the validation judgment, the bonds are sold by the Authority to the underwriter at a meeting at which a resolution authorizing the sale is adopted and a bond purchase agreement between the Authority and the underwriter is executed. The issue then proceeds to pre-closing and closing approximately three weeks later and in any event not earlier than two days after the expiration of the 30-day appeal period following the entry of the validation judgment. At closing, the bonds are delivered against payment by the underwriter.

DADE COUNTY HEALTH FACILITIES AUTHORITY

APPLICATION FOR REVENUE BOND ISSUE

NOTE: An applicant must be a not-for-profit corporation, although it need not be a Florida corporation if it has qualified to do business in the State of Florida, and must also be an organization as described in Section 501(c) (3) of the Internal Revenue Code of 1954. Please file four copies of this Application with the Authority. Do not leave blank spaces. Enter N/A if not applicable.

A. Information Concerning Applicant

1. Exact corporate name Variety Children's Hospital / d.b.a Nicklaus Children's Hospital
2. Address 3100 SW 62nd Ave. Miami, FL 33155-3009
3. Telephone Number 305-666-6511
4. Name and Title of Official to Contact Timothy Birkenstock
Senior Vice President and Chief Financial Officer
5. State of Incorporation Florida
6. If not a Florida corporation, is applicant qualified to do business in Florida?
YES _____ NO _____
7. IRS Section 501(c) (3) status. Check (a) or (b):
 - a) By determination letter: Date of letter March 17, 2016 (attach copy)
 - b) Other _____ (specify in attachment)

B. Information Concerning Proposed Revenue Bond Issue

1. Description of new construction, if any, to be financed. (Attach copy of Certificate of Need from Dept. of Health & Rehabilitation Services, if available).
New money capital projects and reimbursement of prior capital expenditures associated with the new
inpatient tower project

2. Description of any debt to be refinanced

All or a portion of the Miami-Dade County Health Facilities Authority, Hospital Revenue

Refunding Bonds (Miami Children's Hospital Project) Series 2010A and 2011 Bonds

may be refunded for interest rate savings if they exist at the time of pricing. The Miami-Dade

County Health Facilities Authority, Hospital Revenue Bonds (Miami Children's Hospital

Series 2010B Bonds may be renewed or extended with Wells Fargo.

3. Estimated principal amount of Revenue Bonds \$ 235,000,000

4. Estimated average annual interest rate 5.00%

5. Estimated Sources and Application of Funds

a) Sources

Proposed Revenue Bond Issue \$ 235,000,000

Funds from Operations _____

Earnings on Bond Funds _____

Other (Specify) _____

TOTAL \$ 235,000,000

b) Application

Capitalized Interest _____

Expenses of Issuance TBD

Bond Discount _____

Debt Service Reserve Fund _____

Refunding of Indebtedness TBD

New Construction TBD

Other (Specify) _____

Reimbursement TBD

TOTAL \$ 235,000,000

6. Has applicant's feasibility consultant determined, on a preliminary basis, that the proposed bond issue is financially feasible? YES _____ NO X

7. Other comments, if any (attach)

C. Information Concerning Other Parties to Financing

Supply name of firm, address and telephone number of:

1. Counsel to applicant Squire Patton Boggs (US) LLP ; Luis Reiter (305) 577-7710

200 South Biscayne Boulevard, Suite 4700, Miami, Florida 33131-2398

2. Underwriter JP Morgan; Suzanne Beitel (212) 270-6854
383 Madison Avenue, 8th Floor, NY1-M105, New York, NY 10179
3. Underwriter's Counsel Hawkins, Delafield & Wood; Charles Toto (973) 642-8841
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4. **Financial Advisor** Kaufman Hall; Mr. Jason Sussman (847) 441-8751, ext 105
5202 Old Orchard Road, Suite N700, Skokie, IL 60077
-
5. Accountants for applicant RSM LLP · Mr Carlos Hernandez (305) 569-4198
801 Brickell Avenue, Suite 1050, Miami, Florida 33131

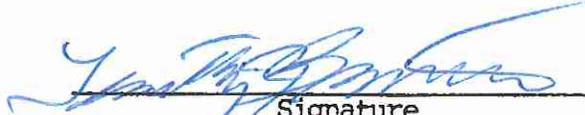
D. Other Information

1. Anticipated savings in interest cost using tax-exempt revenue bonds instead of comparable taxable bonds:
- | | | | |
|---|----|-------|---|
| a) Average annual savings | \$ | TBD | |
| b) Gross savings | \$ | TBD | |
| c) Assumed average annual interest rate for tax-exempt revenue bonds (same as B(4) above) | | 5.00% | % |
| d) Assumed comparable taxable average annual interest rate | | TBD | % |
2. What programs does applicant have or anticipate having for instituting and regulating costs? (Specify in attachment)
3. What programs does applicant have or anticipate having for providing health care to patients at a reduced charge or no charge? (Specify in attachment)
4. What programs does applicant have or anticipate having to provide services to patients eligible for all or partial County support in County sponsored institutions and to provide uncompensated services rendered under County/Public Health Trust decentralization programs? (Specify in attachment)

E. Other Information that Applicant Wishes to Provide the Authority

(Specify in attachment)

Dated: 1/6/2017


 Signature

By Timothy Birkenstock

Title SVP & CFO

Question D-2 What programs does applicant have or anticipate having for instituting and regulating cost?

Nicklaus Children's Hospital management team monitors expenses closely, seeks to consolidate services where appropriate and invest in business strategies and technologies that generate value to the Hospital. Approximately two-thirds of the patient utilization is from government sponsored healthcare programs (Medicaid, Healthy Kids, CMS) or patients qualifying for charity. These programs do not pay the full cost of services provided requiring the Hospital to operate efficiently and effectively to provide optimal patient quality and safety. All members of management, including its medical staff are involved in the annual budget process whereby limited resources are allocated to the many programs and services offered by the Hospital. This assures that resources are allocated to programs and services that are generating value to the Hospital and community. Operating performance is monitored by management on a daily and monthly basis. Hospital management holds monthly operating reviews to discuss revenue growth and expense control initiatives which may include but is not limited to explanations for performance issues, strategies to consolidate services, and progress on performance improvement initiatives. The Hospital has made a commitment to implement technologies that will enhance patient quality and safety and enhance operating efficiencies. The Hospital is an active participant in group purchasing programs to insure that supplies and services are purchased at the lowest possible costs. Purchases over a certain contract level require competitive bidding. Other supply chain initiatives include consolidation of inventory when applicable, third party audits to assure the Hospital are receiving competitive contracts and active product evaluation committees to assure products are effective in a pediatric setting. The Hospital has an active performance improvement and utilization review committee that monitors patient safety and outcomes and also focus on discharge planning efforts to reduce length of stay and reduce costs. The Hospital benchmarks with other free standing pediatric hospitals and other national benchmarks to review productivity levels and assist in the resource allocation by department.

Question D-3 What programs does applicant have or anticipate having for providing health care to patients at a reduced charge or no charge?

Nicklaus Children's Hospital has one of the most generous uninsured discount policies in the South Florida area. Children in our community are eligible to receive services at substantially reduced rates or at no charge. Nicklaus Children's Hospital as a pediatric specialty referral hospital accepts all patients transferred to its facility irrespective of the patient's ability to pay. Approximately two-thirds of the patient utilization is from government sponsored healthcare programs (Medicaid, Healthy Kids, CMS) or patients qualifying for charity. These programs do not pay the full cost of services provided. The hospital serves the highest number of government sponsored pediatric patients in Miami-Dade County. The Hospital operates a number of Pediatric Care Centers that provide outpatient services for children from birth to adolescence. The Hospital also provides a broad array of community services including but not limited to Pediatric Advance Life Support training for the Fire Rescue services of Miami-Dade County, mobile vans providing immunization, medical and dental screenings to schools, migrant camps and other underserved areas, lead organization for Miami-Dade Chapter of Safe Kids Worldwide®, community health education programs such as injury prevention programs, child passenger safety classes, bike safety, CPR classes and other programs, The Hospital has recruited a Community Educator that is developing pediatric health care specific programs and lectures for the benefit of the parents and families in the South Florida community. The hospital continues to participate, along with Jackson Memorial Hospital in the Dade County Trauma Network.

Question D-4 What programs does applicant have or anticipate having to provide services to patients eligible for all or partial County support in County sponsored institutions and to provide uncompensated services rendered under County/Public HealthTrust decentralization programs?

Nicklaus Children's Hospital maintains a good working relationship with the Public Health Trust / Jackson Memorial Hospital (JMH). The hospital has been part of the network since April 1986. Nicklaus Children's Hospital has and continues to be a participating provider of the JMH Provider Service Network. The two Hospitals have an affiliation agreement for its medical education programs to rotate pediatric residents to and from each facility. The two organizations operate the State of Florida Early Steps program in Miami-Dade County. They also operate other programs by the State of Florida Children's Medical Services (CMS) including the children's Primary Care Program. The hospital collaborates with existing community resources including Head Start, YMCA and other programs.

DADE COUNTY HEALTH FACILITIES AUTHORITY

PROCESSING OF FINANCING APPLICATIONS

	<u>Responsibility *</u>
F. <u>Initial Review of Project Application:</u>	
1. Submit initial application materials including \$6,000.00 fee	Applicant
2. Review application to determine whether applicant qualifies for HFA financing	BC
3. Review application and related documents to identify areas to be discussed	PM/AS
4. Meet with institution representative to:	AS/PM/BC
a) Discuss findings	
b) Obtain additional information	
c) Decide nature of additional assistance required by the applicant, if any, in order to satisfy the initial review process (generally consultation with institution administration and board)	
d) Discuss details of bond issue	
e) Prepare time schedule for financing	
f) Discuss scope of detailed review and fees including contingency fee of 0.1% of bond sales to a maximum of \$10,000 to be paid to the Authority	
5. Summarize and present findings and recommendations to Authority and adopt resolution for preliminary approval	AS/HFA
B. <u>Review of Completed Application</u>	
1. Submit additional materials (certificate of need and financial feasibility study)	Applicant
2. Conduct a review of the historical financial statements and financial feasibility study and prepare report of findings	PM/AS
3. Prepare legal documents and preliminary official statements	BC
4. Meet with institution representative to	AS/PM/BC
a) Discuss findings	
b) Obtain additional information	
5. Prepare a memorandum on findings and staff recommendations	AS
6. If additional review effort is required, meet with institution representative to:	AS/PM/BC
a) Agree on additional information required	
b) Discuss responsibilities and timing	
c) Determine fees for additional review	
7. Submit completed package to Authority for Approval	AS
8. Prepare and adopt bond resolution	HFA/Commission

* Description

AS - Authority Staff

BC - Bond Counsel

HFA - Health Facilities Authority

Responsibility *

C. Final Review and Approval

- | | |
|--|--------|
| 1. Prepare bond purchase agreement | BC |
| 2. Validate bonds and entry of judgment | Court |
| 3. Approve sale resolution | HFA |
| 4. Conduct pre-closing (after conclusion of appeal period) | BC/HFA |
| 5. Conduct closing | BC/HFA |

EXPENSE AND INDEMNITY AGREEMENT

Dade County Health Facilities
Authority
c/o Finance Director, Metropolitan
Dade County
Room 2550
44 West Flagler Street
Miami, Florida 33130

Gentlemen:

The undersigned not for profit corporation (the "Corporation") has requested you to consider its application to have you issue the Bonds referred to below (the "Bonds") for the benefit of the Corporation and as an inducement to such consideration hereby agrees with you as follows:

Section 1. Payment of Expenses. Whether or not the Bonds are offered, sold or issued, the Corporation agrees to pay and be liable for, and to hold you harmless against the payment of, any and all expenses relating to the Bond issue, including, without limitation, the fees and disbursements of your financial advisor, your administrative charges and out of pocket expenses, recording charges, expenses of printing offering circulars or official statements, the cost of printing the Bonds and advertising the sale thereof and expenses of registering the Bonds with the securities commission of any state. The fees of your bond counsel shall be payable only if the Bonds are issued and delivered, but the Corporation shall in all events be liable for the payment of the disbursements and out of pocket expenses of such counsel.

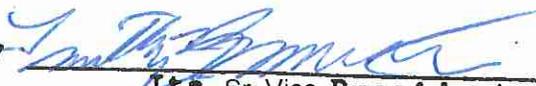
Section 2. Indemnity. Whether or not the Bonds are offered, sold or issued, the Corporation agrees to indemnify you, and each of your members, officers, agents, attorneys and employees against any and all claims and liability of whatsoever nature arising out of the Bond issue, including, without limitation, claims based upon actual or alleged misrepresentation, fraud or other tortious conduct or breach of contractual relationships, whether predicated upon federal or state statutes, common law, principles of equity or otherwise, excepting only claims based upon willful misfeasance or non-feasance. In furtherance of the foregoing the Corporation agrees to pay any and all attorneys' fees and court costs incurred in the defense of any of the claims hereinabove enumerated upon your written demand therefor. It is further understood and agreed that you or any of the persons hereinabove indemnified shall be entitled to retain counsel acceptable to you or them to defend any such claim, but that neither you nor any such person will enter into any settlement of the same without the prior written approval of the Corporation.

Section 3. Survival of Agreement. This Agreement shall survive the closing of the Bond issue and shall not merge into or be superceded by any other agreement other than by a written amendment hereto specifically denominated as such and executed by you and the Corporation.

If the foregoing is acceptable to you, please indicate your acceptance in the space provided below, whereupon this Agreement shall become a binding contract between us.

DATED: 1/6/2017.

NAME OF CORPORATION: Variety Children's Hospital/ d.b.a Nicklaus Children's Hospital

By 
Its Sr. Vice President

DESCRIPTION OF BONDS: _____

Accepted and agreed to as of the date above written:

DADE COUNTY HEALTH FACILITIES
AUTHORITY

By _____
Its _____ Chairman

DADE COUNTY HEALTH FACILITIES AUTHORITY
HISTORICAL AND FORECASTED FINANCIAL AND STATISTICAL DATA

DEFINITIONS

- (1) Overall RCC (Ratio of Charges to Charges)

$$\text{Total inpatient revenue} \div \text{Total operating revenue}$$
- (2) Full-time equivalent employees per adjusted occupied bed

$$(\text{Total paid hours} \div 173) \div (\text{Total patient days} \div \text{Overall RCC}) \div (\text{Days in Period})$$
- (3) Paid hours per adjusted patient day

$$\text{Total paid hours} \div (\text{Total patient days} \div \text{Overall RCC})$$
- (4) Expense per adjusted patient day

$$\text{Total operating expense} \div (\text{Total patient days} \div \text{Overall RCC})$$
- (5) Salary expense per adjusted patient day

$$\text{Total salaries} \div (\text{Total patient days} \div \text{Overall RCC})$$
- (6) Days gross revenue in accounts receivable

$$\text{Total patient accounts receivable} \div (\text{Total inpatient} + \text{outpatient revenue}) \div \text{Days in period}$$
- (7) Days expense in accounts payable

$$\text{Accounts payable} \div ((\text{Total other direct expenses} - \text{Depreciation, lease and rentals} - \text{Interest} - \text{Employee Benefits}) \div \text{Days in period})$$
- (8) Quick ratio

$$(\text{Cash} + \text{Temporary investments} + \text{Net accounts receivable}) \div \text{Current liabilities}$$
- (9) Current ratio

$$\text{Current assets} \div \text{Current liabilities}$$
- (10) Operating days cash on hand

$$(\text{Cash} + \text{Temporary investments}) \div ((\text{Total operating expense} + \text{Non operating services} - \text{Depreciation, lease \& rentals}) \div \text{Days in period})$$
- (11) Operating income before interest, depreciation and amortization divided by maximum annual debt services