



## BOARD OF SUPERVISORS AGENDA ITEM REPORT AWARDS / CONTRACTS / GRANTS

☐ Award ☒ Contract ☐ Grant

Requested Board Meeting Date: May 7, 2024

\* = Mandatory, information must be provided

or Procurement Director Award: ☐

**\*Contractor/Vendor Name/Grantor (DBA):**

The Arizona Board of Regents and Banner Health DBA The University of Arizona

**\*Project Title/Description:**

Intergovernmental Agreement (IGA) among Pima County, The Arizona Board of Regents, and Banner Health DBA The University of Arizona, relating to the operation of the South Campus Hospital.

**\*Purpose:**

To provide continued supplemental funding support for the operation of the hospital, Banner University Medical Center – South Campus, and its University of Arizona College of Medicine Graduate Medical Education (GME) Program. This IGA will replace the existing agreement between the parties, and provide fiscal operational support, and the federal match contribution for the upcoming 5-year period.

**\*Procurement Method:**

Intergovernmental Agreement (IGA) is a non-Procurement contract and not subject to Procurement rules.

**\*Program Goals/Predicted Outcomes:**

Since the opening of the Kino Community Hospital in 1977, Pima County has directly provided, or supported, the provision of comprehensive healthcare at the South Campus hospital for the residents of Pima County. In 2004, Pima County entered into partnerships with University Physicians, Inc. and subsequently University of Arizona Health Network, and in 2015, with Banner Health. These agreements have fortified the growth of the hospital services, access to care, and enhanced this regional asset for the community. This agreement provides a mechanism to ensure the professional operation of a well-functioning medical and behavioral health hospital in a designated medically underserved area.

**\*Public Benefit:**

Pima County's participation in the unique public- private partnership has yielded a high-quality, well-functioning, and comprehensive health care institution, meeting the unique medical and behavioral health needs in the County. This hospital campus provides a 'no-wrong door' approach to comprehensive medical and behavioral health services for a largely underserved population.

**\*Metrics Available to Measure Performance:**

County staff regularly review metrics directed at measuring the core tenants delineated within the IGA – specifically, metrics aligning with the provision and growth of critical medical and behavioral health services at the hospital. There is specific monitoring of monthly financial statements and audits, hospital census reports, clinic performance, clinical statistics related to patient volume and services for all specialties, behavioral health inpatient services, Graduate Medical Education (GME) training programs and physician retention, operating and capital budgets, and other reporting as deemed appropriate for the provision of quality medical services in the community.

**\*Retroactive:**

No.

TO: COB, 4-24-2024 (1)  
Vers.: 1  
Pgs.: 13

APR23 24PM0418PD

THE APPLICABLE SECTION(S) BELOW MUST BE COMPLETED

Click or tap the boxes to enter text. If not applicable, indicate "N/A". Make sure to complete mandatory (\*) fields

**Contract / Award Information**

Document Type: CT

Department Code: BH

Contract Number (i.e., 15-123): 24\*441

Commencement Date: July 1, 2024

Termination Date: June 30, 2029

Prior Contract Number (Synergen/CMS): CT 20\*003

☒ Expense Amount \$ 75,000,000\*

☐ Revenue Amount: \$ \_\_\_\_\_

**\*Funding Source(s) required: General Fund**

Funding from General Fund? ☒ Yes ☐ No

If Yes \$ 75,000,000

% 100

Contract is fully or partially funded with Federal Funds? ☐ Yes ☒ No

If Yes, is the Contract to a vendor or subrecipient? \_\_\_\_\_

Were insurance or indemnity clauses modified? ☐ Yes ☒ No

If Yes, attach Risk's approval.

Vendor is using a Social Security Number? ☐ Yes ☒ No

If Yes, attach the required form per Administrative Procedure 22-10.

**Amendment / Revised Award Information**

Document Type: \_\_\_\_\_

Department Code: \_\_\_\_\_

Contract Number (i.e., 15-123): \_\_\_\_\_

Amendment No.: \_\_\_\_\_

AMS Version No.: \_\_\_\_\_

Commencement Date: \_\_\_\_\_

New Termination Date: \_\_\_\_\_

Prior Contract No. (Synergen/CMS): \_\_\_\_\_

☐ Expense ☐ Revenue ☐ Increase ☐ Decrease

Amount This Amendment: \$ \_\_\_\_\_

Is there revenue included? ☐ Yes ☐ No If Yes \$ \_\_\_\_\_

**\*Funding Source(s) required: \_\_\_\_\_**

Funding from General Fund? ☐ Yes ☐ No

If Yes \$ \_\_\_\_\_

% \_\_\_\_\_

**Grant/Amendment Information** (for grants acceptance and awards)

☐ Award ☐ Amendment

Document Type: \_\_\_\_\_

Department Code: \_\_\_\_\_

Grant Number (i.e., 15-123): \_\_\_\_\_

Commencement Date: \_\_\_\_\_

Termination Date: \_\_\_\_\_

Amendment Number: \_\_\_\_\_

☐ Match Amount: \$ \_\_\_\_\_

☐ Revenue Amount: \$ \_\_\_\_\_

**\*All Funding Source(s) required: \_\_\_\_\_**

\*Match funding from General Fund? ☐ Yes ☐ No If Yes \$ \_\_\_\_\_

% \_\_\_\_\_

\*Match funding from other sources? ☐ Yes ☐ No If Yes \$ \_\_\_\_\_

% \_\_\_\_\_

\*Funding Source: \_\_\_\_\_

\*If Federal funds are received, is funding coming directly from the Federal government or passed through other organization(s)?

Contact: Paige Knott

Department: BH

Telephone: 724-7515

Department Director Signature: Paige Knott

Date: 4.19.2024

Deputy County Administrator Signature: \_\_\_\_\_

Date: 22 Apr 2024

County Administrator Signature: \_\_\_\_\_

Date: 4/22/2024



## AGREEMENT FOR THE FUNDING AND OPERATING OF BANNER—UNIVERSITY MEDICAL CENTER SOUTH CAMPUS

This Agreement for the Funding and Operating of Banner—University Medical Center South Campus (this “**Operating Agreement**”) is entered into by and among Banner-University Medical Center South Campus, LLC, an Arizona limited liability company (“**Operator**”), Arizona Board of Regents (“**ABOR**”), and Pima County, a political subdivision of the State of Arizona (“**County**”). This Operating Agreement reflects the operation of the Banner—University Medical Center South Campus facility (“**Hospital**”).

### 1. **Background and Purpose.**

- 1.1. County is the owner of certain improved real property (the “**Hospital Parcel**”). The Hospital Parcel contains the Hospital. ABOR is the governing body of the State of Arizona’s public university system, including the University of Arizona College of Medicine -Tucson (“**UACOM**”). Banner Health (“**Banner**”), the sole member of Operator, is a non-profit healthcare provider based in Phoenix, Arizona that operates over thirty hospitals across six states, including the Hospital.
- 1.2. County and Operator are parties to an amended and restated lease agreement (04-65-U-134151-604-07), dated June 21, 2011, for the Hospital Parcel (“**Original Lease Agreement**”).
- 1.3. County, ABOR and UA Healthcare Inc., subsequently known as University of Arizona Health Network, Inc. (“**UAHN**”) previously entered into an agreement (CT-OMS-14-434), dated June 15, 2010, with respect to funding and operating the UACOM public health and education mission, and support of UACOM’s two-hospital education and clinical system (“**Original Operating Agreement**”). Effective as of February 28, 2015, UAHN merged into Banner, and Banner became a party to the Original Operating Agreement.
- 1.4. Also effective as of February 28, 2015, Banner and ABOR, acting on behalf of the University of Arizona, entered into an Academic Affiliation Agreement (the “**Academic Affiliation Agreement**”) to facilitate continued and expanded clinical educational opportunities for undergraduate medical students, residents, and fellows at the Hospital and other academic medical centers in Tucson and Phoenix and to strive for the certain shared economic and business objectives, including (a) a national and international reputation for academic excellence, scientific research, effective population health management, integrated delivery of clinical services, and innovation; (b) first-tier research and training destinations with world-class physicians; (c) a financially strong statewide healthcare delivery system, anchored by two flagship academic medical centers in Tucson and Phoenix, that reliably and compassionately provides high quality, evidence-based, patient-centered care throughout all of its providers and facilities on behalf of all of the State of Arizona’s citizens; (d) clinical breadth and depth to support academic excellence and scientific achievement and innovation; and (e) effective clinical and business operations to provide resources dedicated to supporting transformative and balanced growth academically, scientifically and clinically. Pursuant to the terms of the Academic Affiliation Agreement, Banner and its affiliates are the exclusive healthcare academic partner of the University of Arizona’s Health Sciences Center, and, with certain limited exceptions, the University of Arizona is the exclusive academic medical partner

of Banner and its affiliates in the State of Arizona. Although County is not a direct party to the Academic Affiliation Agreement, the objectives of the parties to the Academic Affiliation Agreement are consistent with the guiding principles set forth in **Exhibit A – Operational Goals and Objectives** (2 pages), which is attached hereto and incorporated herein by this reference.

- 1.5. The County Board of Supervisors has authority to provide for the care and maintenance of the sick of Pima County and erect and maintain hospitals for that purpose (A.R.S. § 11-251(5)); to provide medical care for persons under the supervision of a county corrections agency (A.R.S. § 11-291); to pay for the costs of involuntary evaluations (A.R.S. § 36-545.04); to provide monies in order to qualify for additional federal matching monies (A.R.S. § 36-2903.01(G)(9)(f)); to provide funding to qualify for additional federal matching monies for disproportionate share hospital payments (A.R.S. § 36-2903.01(P)); to appropriate and spend monies for and in connection with economic development activities (A.R.S. § 11-254.04); and to enter into intergovernmental agreements (A.R.S. § 11-951 *et seq*).
- 1.6. ABOR has the responsibility and authority to maintain, govern, and administer the University of Arizona (A.R.S. §§ 15-1601; 15-1626); to lease real property (A.R.S. § 15-1625); to establish and maintain the Arizona area health education system (A.R.S. § 15-1643); to provide monies in order to qualify for additional federal matching monies (A.R.S. § 36-2903.01(G)(9)(f)); to provide funding to qualify for additional federal matching monies for disproportionate share hospital payments (A.R.S. § 36-2903.01(P)); and to enter into intergovernmental agreements (A.R.S. § 11-951 *et seq*).
- 1.7. The parties now wish to enter into a new operating agreement for the Hospital. This Operating Agreement is negotiated and entered into contemporaneously and is intended to be coterminous with a new Hospital Lease Agreement (“**Lease Agreement**”), which will supersede and replace the Original Legal Agreement.
2. **Original Agreement.** As of the Commencement Date (as hereinafter defined), this Operating Agreement will supersede and replace the Original Operating Agreement in its entirety.
3. **Term.** The term of this Operating Agreement will commence on July 1, 2024 (the “**Commencement Date**”) and will continue for a period of five years, ending on June 30, 2029 (“**Term**”). If the Lease Agreement is, for any reason, terminated prior to the expiration of the Term, this Operating Agreement will also terminate at the same time.

By mutual agreement, the parties may extend this Operating Agreement. Any such extension must be executed in writing by formal amendment and concurrently with the Lease Agreement.

At least two years prior to the end of the Term, the parties will begin the process to negotiate an extension of this Operating Agreement and the Lease Agreement or the transition of the operation of the Hospital from Operator to County.

4. **Operation of the Hospital.** Operator will, during the Term, operate and maintain the Hospital as a full-service general hospital with a residency/graduate medical education program, and a behavioral health in-patient facility adjacent to the psychiatric urgent care crisis and sub-acute behavioral health facilities, as set forth in **Exhibit A**.



5. **Funding.** Recognizing ABOR's strong relationship with Banner and Operator in terms of promoting healthcare and graduate medical education within Pima County, the parties agree that, upon receipt and approval of the required deliverables referenced in Section 8 below, County will pay to ABOR the sum of \$3,750,000 each calendar quarter during the Term. Each quarterly installment will be paid to ABOR within 10 business days of County's approval of the required deliverables referenced in Section 8 below, which approval will not be unreasonably withheld. In no event will County's payments to ABOR exceed \$15,000,000 annually, including any sales taxes, or a total of \$75,000,000.00 during the Term.
6. **Use of Funds.** ABOR will use the funds received from County in consultation with County, in furtherance of the objectives of the Academic Affiliation Agreement and in support the guiding principles set forth in **Exhibit A**.
7. **Additional County Assistance.**
  - 7.1. **Grant Opportunities.** County will continue to work with Operator and ABOR, as appropriate, on common grant opportunities and additional federal funding opportunities focused on health or educational development.
  - 7.2. **Community Partnerships.** County and ABOR, as appropriate, will continue to assist Operator to forge partnerships with other healthcare providers and educators in the community to complement and enhance service levels at the Hospital. County will also continue to support Operator to implement strategies for healthcare workforce development at the Hospital that leverage the site to generate livable wage jobs and a pool of trained workers for the system.
8. **Reporting.** Operator will timely provide County with reports, quarterly, as described in **Exhibit B –Reporting Requirements** (2 pages), which is attached hereto and incorporated herein by this reference, with respect to the Hospital operations. Failure to provide a required report, if not cured as set forth herein, is a material breach of this Operating Agreement. Operator's submission of the reports described in **Exhibit B** is a condition precedent to the funding referenced in Section 5.
9. **Licensing.** Operator and its subcontractors will obtain and maintain all licenses, permits, and authorizations as specifically delineated in the Lease Agreement.
10. **Laws and Regulations.** Operator will comply in all material respects with all applicable laws, rules, and regulations, whether federal, state, or local, in connection with its use and operation of the Hospital. Any changes in the governing laws, rules, and regulations during the Term will apply without the necessity of an amendment. The judgment of any court of competent jurisdiction or the admission of Operator in any action against Operator, whether County is a party thereto or not, that Operator has violated any law, will be conclusive of that fact as between County and Operator.
11. **Insurance.** Operator will maintain such insurance coverage as specifically delineated in the Lease Agreement.

12. **Indemnification.** Operator will provide such indemnification as specifically delineated in the Lease Agreement.
13. **Termination.** Any party may present written notice of default or non-performance to the other parties.
  - 13.1. Operator Default. The occurrence of any one or more of the following events constitutes a default and breach of this Operating Agreement by Operator for which County may terminate this Operating Agreement (each an “**Event of Default**”):
    - 13.1.1. Default of Lease Agreement. Any default beyond any applicable cure period of the Lease Agreement entered into contemporaneously with this Operating Agreement.
    - 13.1.2. Other Covenants. The failure by Operator to observe or perform any other covenant, condition or provision of this Operating Agreement to be observed or performed by Operator, where such failure continues for a period of 30 days after written notice of the failure by County or ABOR, provided, however, that if the nature of Operator’s default is such that more than 30 days are reasonably required for its cure, then Operator will not be in default if Operator commences such cure within said 30-day period and thereafter diligently prosecutes such cure to completion.
  - 13.2. County Default. Failure by County to comply with its obligations under this Operating Agreement, within 30 days after County’s receipt of written notice from Operator or ABOR detailing the nature of the obligation, will constitute an Event of Default by County, except that if the nature of County’s default is such that more than 30 days are reasonably required for its cure, then County will not be in default if County commences the cure within 30 days and thereafter diligently prosecutes the cure to completion.
  - 13.3. ABOR Default. Failure by ABOR to comply with its obligations under this Operating Agreement, within 30 days after ABOR’s receipt of written notice from County or Operator detailing the nature of the obligation, will constitute an Event of Default by ABOR, except that if the nature of ABOR’s default is such that more than 30 days are reasonably required for its cure, then ABOR will not be in default if ABOR commences the cure within 30 days and thereafter diligently prosecutes the cure to completion.
14. **Remedies.**
  - 14.1. Dispute Resolution. In an Event of Default, no party may exercise the remedies available to it, or file a lawsuit, until the dispute has been negotiated and mediated as set forth below, unless a party needs to file a lawsuit to preserve a party’s legal rights in which event any such lawsuit will be stayed during the dispute resolution process.
    - 14.1.1. The term “**Dispute**” means any and all questions, claims, controversies, or disputes arising out of or relating to this Operating Agreement, including the validity, construction, meaning, performance, effect, or breach of this Operating Agreement, including any alleged breach or failure to pay by County or any alleged breach or failure to perform by ABOR or Operator.

14.1.2. In the event of any Dispute among the parties, the parties will promptly and in good faith attempt to resolve such through informal negotiations. Any party may, if it concludes that informal negotiations are ineffective, commence a formal dispute resolution process by giving written notice of the Dispute to the other parties that contains a statement of the nature of the Dispute and indicates that this Section 14 is being invoked. If the parties are unable to resolve the Dispute through negotiation within 15 days of receipt by the adverse party of the written notice, any party may submit the Dispute to mediation as set forth below.

14.1.3. Mediation.

14.1.3.1 Any party wishing to commence mediation must send written notice of intent to mediate to the other parties, specifying in detail the nature of the Dispute and proposing a resolution thereof. Within 15 days of receipt, if the parties are unable to agree on a proposed mediator, one will be appointed by the executive director or equivalent of the American Arbitration Association (“AAA”). Each party will designate no more than three representatives (not including legal counsel) who will meet with the mediator to resolve the Dispute. Mediation shall be commenced as soon as reasonably possible.

14.1.3.2 The mediation will be conducted in Tucson, Arizona in accordance with the Commercial Mediation Rules and Procedures of the AAA and shall be non-binding. Any non-binding mediation conducted under the terms of this Section 14 shall be confidential within the meaning of Arizona law. The cost of the mediation shall be borne equally by the parties. The mediation will be conducted and completed within 30 days of the appointment of the mediator.

14.2. Failure to Resolve Dispute. If the parties are unable to resolve a Dispute arising from the failure of a party to comply with its obligations under this Operating Agreement, either of the other parties may, following completion of the dispute resolution process set forth in Section 14.1, terminate this Operating Agreement upon notice of such termination to the other parties.

14.3. No Consequential Damages. Notwithstanding anything to the contrary in this Operating Agreement, none of County, ABOR or Operator will be liable to the others for any consequential, special, or indirect damages (in each case, regardless of whether such damages are foreseeable).

14.4. Cure by County. If Operator fails to perform in a timely manner any of its obligations under this Operating Agreement following any applicable notice and cure periods, County may (but is not obligated to) perform those obligations and charge Operator for the costs, together with interest at the statutory rate for interest on judgments, from the date the expense was incurred until it is paid by Operator.



14.5. Cure by Operator. If County fails to perform in a timely manner any of its obligations under this Operating Agreement following any applicable notice and cure period, Operator may (but is not obligated to) perform those obligations and offset against any sums under the Lease Agreement by the reasonable out-of-pocket amount incurred by Operator in undertaking such performance.

15. **Notices.** Except as otherwise specifically provided, all notices to be given under this Operating Agreement must be in writing and be either served personally or sent by certified or registered mail, return receipt requested, to the parties at the addresses indicated below or to such other persons or addressees as any party may designate in writing to the other parties:

**If to County:**

Pima County Administrator  
115 N. Church Avenue  
Tucson, Arizona 85701, Suite 231  
Attn: Jan Leshner  
Email: [Jan.Leshner@pima.gov](mailto:Jan.Leshner@pima.gov)

With copies to:

Pima County Attorney's Office  
32 North Stone Avenue, Suite 2100  
Tucson, Arizona 85701  
Attn: Chief Civil Deputy Attorney  
Email: [Sam.Brown@pcao.pima.gov](mailto:Sam.Brown@pcao.pima.gov)

**If to Operator:**

Banner-University Medical Center South  
Campus, LLC  
2800 E. Ajo Way  
Tucson, AZ 85713  
Attn: Chief Executive Officer

With a copy to:

Banner Health  
2901 N. Central Avenue, Suite 160  
Phoenix, Arizona 85012  
Attn: General Counsel

**If to ABOR:**

Arizona Board of Regents  
c/o The University of Arizona Health Sciences  
1670 E. Drachman Street  
P.O. Box 210216  
Tucson, AZ 85721-0216  
Attn: Senior Vice President for Health Sciences

With a copy to:

The University of Arizona  
Office of the General Counsel  
1401 E. University Blvd.  
P.O. Box 210066  
Tucson, AZ 85721-0066  
Attn: Senior Vice President for Legal Affairs and General Counsel

16. **Assignment.** Except as expressly provided below, Operator does not have the right to assign its rights or obligations under this Operating Agreement, in whole or in part, without the prior written consent of County, which consent is in County's sole discretion. No consent by County to an assignment will release Operator from any of its obligations under this Operating Agreement. Notwithstanding the foregoing, Operator may without County's prior consent, but upon not less than 15 days prior written notice to County, assign this Operating Agreement to any entity



controlling, controlled by or having 50% or more common control with Operator, or resulting from a merger or consolidation with Operator or acquiring all of the assets and/or stock of Operator; provided that any such entity assumes all obligations under this Operating Agreement. Neither County nor ABOR has the right to assign its respective rights or obligations under this Operating Agreement, in whole or in part, without the prior written consent of Operator, which consent is in Operator's sole discretion.

17. **Cancellation for Conflict of Interest.** This Operating Agreement may be cancelled for conflict of interest pursuant to A.R.S. § 38-511, the provisions of which are incorporated in this Operating Agreement by this reference.
18. **Non-Discrimination.** Operator will comply with applicable local, state, and federal laws, rules and regulations concerning equal employment opportunity and non-discrimination; with the Americans with Disabilities Act, to the extent applicable to Operator's operation and the Hospital; and with all provisions and requirements of Arizona Executive Order 75-5, as amended by Executive Order 2009-09, which is incorporated into this Operating Agreement.
19. **Non-Appropriation.** County's performance of its obligations under this Operating Agreement may be dependent upon the appropriation of funds by the Board of Supervisors of County (the "**Board**"), or the availability of funding from other sources. Should the Board fail to appropriate the necessary funds, or if funding becomes otherwise not legally available to County prior to the Commencement Date for the purpose of fulfilling County's obligations under this Operating Agreement, County will be relieved of that obligation and Operator may terminate this Operating Agreement and the Lease Agreement.
20. **Choice of Law.** The laws of the State of Arizona apply to any action relating to this Operating Agreement and any court action must be brought in a court in Pima County, Arizona.
21. **Non-Waiver.** The failure of any party to insist in any one or more instances upon the full and complete performance of any term of this Operating Agreement to be performed by the other parties, or to take any action permitted as a result of that failure, will not be construed as a waiver or relinquishment of the right to insist upon full and complete performance of the same or any other covenant or condition either in the past or in the future. The acceptance by any party of sums less than may be due and owing to it at any time does not constitute an accord and satisfaction.
22. **Authorization.** County, Operator and ABOR each warrant to the others that the individuals executing this Operating Agreement on behalf of that party are duly authorized to do so.
23. **Accounting Records.** In connection with the operation of the Hospital, Operator will keep and maintain accounting records consistent with generally accepted accounting principles (GAAP).
24. **Compliance with Laws.** The parties will comply in all material respect with all applicable federal, state, or local laws, statutes, ordinances, and governmental rules and regulations.
25. **Liens.** Operator will keep the Hospital free from any liens arising out of any work performed, materials furnished, or obligations incurred by or on behalf of Operator.
26. **Operator not Agent of County.** Operator will exercise day-to-day control of activities on the Hospital, and County will not control those activities. Operator's officers, employees, and agents

are not employees of or otherwise under the control of County, nor are they entitled to receive any employment related compensation or fringe benefits under the Pima County Merit System.

27. **Israel Boycott Certification.** Pursuant to A.R.S. § 35-393.01, if Operator engages in for-profit activity and has 10 or more employees, and if this Operating Agreement has a value of \$100,000.00 or more, Operator certifies it is not currently engaged in, and agrees for the duration of this Operating Agreement to not engage in, a boycott of goods or services from Israel. This certification does not apply to a boycott prohibited by 50 U.S.C. § 4842 or a regulation issued pursuant to 50 U.S.C. § 4842.
28. **Forced Labor of Ethnic Uyghurs.** Pursuant to A.R.S. § 35-394, if Operator engages in for-profit activity and has 10 or more employees, Operator certifies it is not currently using, and agrees for the duration of this Operating Agreement to not use (1) the forced labor of ethnic Uyghurs in the People's Republic of China; (2) any goods or services produced by the forced labor of ethnic Uyghurs in the People's Republic of China; and (3) any contractors, subcontractors or suppliers that use the forced labor or any goods or services produced by the forced labor of ethnic Uyghurs in the People's Republic of China. If Operator becomes aware during the term of the Operating Agreement that Operator is not in compliance with A.R.S. § 35-394, Operator must notify County within five business days and provide a written certification to County regarding compliance within 180 days.
29. **Force Majeure.** Any party's nonperformance of an obligation under this Operating Agreement is excused for the time period, and to the extent, that the performance is prevented or delayed by strikes, lockouts, labor disputes, acts of God, acts of war, terrorist acts, inability to obtain services, labor, or materials or reasonable substitutes therefor, governmental actions, civil commotions, fire or other casualty, or any other cause beyond the reasonable control of that party, except Operator's obligations to pay rent or other monetary sums due under the Lease Agreement (collectively, the "**Force Majeure**").
30. **Amendment.** This Operating Agreement may not be amended except by a written instrument duly executed by all parties.
31. **Precedence of Operating Agreement.** In the event of a conflict between the terms and conditions of this Operating Agreement and the terms and conditions of the Lease Agreement, the terms and conditions of this Operating Amendment will govern and control.
32. **Entire Agreement.** Except as otherwise provided, this Operating Agreement, together with its exhibits and the Lease Agreement, constitutes the entire agreement between County and Operator with respect to the Hospital.



**IN WITNESS WHEREOF**, the parties hereto have executed this Operating Agreement on the day, month, and year written below, to be effective as of the Commencement Date.

**COUNTY:**

\_\_\_\_\_  
Adelita S. Grijalva  
Chair, Board of Supervisors


Date: \_\_\_\_\_

**ATTEST:**

\_\_\_\_\_  
Melissa Manriquez  
Clerk of the Board of Supervisors

Date: \_\_\_\_\_

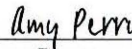
**APPROVED AS TO FORM:**

  
\_\_\_\_\_  
Bobby Yu  
Deputy County Attorney

**OPERATOR:**


Banner—University Medical Center Tucson Campus,  
LLC


By: Banner Health  
Its: Sole Member

By:   
\_\_\_\_\_  
Amy Perry  
President

Date: April 23, 2024 | 12:46 PM MST

**ARIZONA BOARD OF REGENTS, for and on  
behalf of, The University of Arizona**

  
\_\_\_\_\_  
Michael D. Dake, M.D.  
Senior Vice President, Health Sciences  
Date: April 19, 2024 | 3:04 PM MST

  
\_\_\_\_\_  
Art M. Lee  
Vice President and Deputy General Counsel  
Attorney for Arizona Board of Regents

## EXHIBIT A (2 Pages)

### OPERATIONAL GOALS AND OBJECTIVES

#### Operation of the Hospital.

The parties jointly determined a set of guiding principles for the successful development and operation of the Hospital. These tenets are directed toward quality patient service delivery, investment, and dedication to growing the healthcare workforce, medical and behavioral health integration, and operational stability and growth to assure County and Operator investment continues to serve the residents of Pima County.

The guiding principles herein reflect the strategic alignment for ongoing investment in the Hospital, and partnership with Operator during the time period beginning July 1, 2024, through June 30, 2029, and are set forth below. The parties agree to:

***1. Efficient and Effective Service Delivery and Training of the Healthcare and Allied Healthcare Workforce.***

***a. Quality Patient Service Delivery***

- i. The Hospital operation and patient service delivery will align with Joint Commission regulatory accreditation standards.
- ii. The Hospital will continue to monitor quality service measures and seek to align operations that are rated for quality health care provision, patient outcomes, clinical outcomes, patient safety, cost efficiency, and community benefit.
- iii. The Hospital will continue to assure payment models and contractual insurance agreements that ensure patient accessibility.
- iv. The parties will continue to monitor patient service delivery net impact against approved annual budgets, and previous reporting periods.

***b. Development of Skilled Healthcare Workforce***

- i. Ensure and maintain robust medical and healthcare training programs, specifically investing in Accreditation Council for Graduate Medical Education (“ACGME”) residency and fellowship training programs.
- ii. Continue to invest in ACGME program funding to enhance and/or expand existing programs and to develop new programs.
- iii. Continue to grow the training opportunities and fellowship training programs through the ACGME program across the Banner hospital network in Pima County and Arizona.
- iv. Grow and enhance the allied health care professional workforce pipeline, specifically partnering across the community to foster interest in healthcare,



expand awareness and provide opportunities for workforce pipelines between academic organizations and industry.

**2. *Behavioral Health Integration***

- a. Integration of Medical and Community Behavioral Health Systems
  - i. Continue to assist County in fulfilling its involuntary commitment obligations under Title 36 of the Arizona Revised Statutes by serving as the community practice hub for involuntary commitments and through the design and implementation of evaluation and treatment models that respect an individual's right to timely treatment in the least restrictive setting and provide that individual with the opportunity to participate in their evaluation and treatment on a voluntary basis.
  - ii. Uses its best efforts to make progress in diversion of individuals from involuntary treatment and in development of outpatient involuntary evaluation program.
  - iii. Enhance and expand integration and cooperation with community behavioral health service providers by collaborating with the Arizona Health Care Cost Containment System ("AHCCCS") Health Plans and Regional Behavioral Health Authority.

**3. *Accountability and Transparency***

- a. Regular and systematic reporting, as described in **Exhibit B**, of financial and statistical data for the Hospital by convening quarterly financial and operational oversight meetings in conjunction with County representatives, key Operator staff and other appropriate stakeholders.

## EXHIBIT B (2 pages)

### REPORTING REQUIREMENTS

In consideration of, and as a condition precedent to the funding set forth in this Operating Agreement, Operator must submit the following reports and deliverables. The schedule outlining the anticipated dates of receipt for each set and type of report and deliverable is delineated in two biannual meetings, and / or delivery via email. The biannual meetings and content will be aligned through the leadership parties represented in the Financial Oversight Committee established by County and Operator (“**Financial Oversight Committee**”).

- a. Monthly (distributed within 10 days of the following month)
  - i. Weekly census report generated by Operator.
  - ii. Financial and operational statistical reports, including a comparison to budgeted amounts and prior year actual amounts, together with explanatory narratives and highlights.
- b. Quarterly (to be updated and presented upon in the Financial Oversight Committee meetings)
  - i. Rotating quarterly update on key program initiatives at the Hospital funded in whole or in part with County bonds, federal match programming, or other programmatic patient service activity to include, but not limited to graduate medical education program updates, Emergency Department services, provider-based clinics, and / or any operational services provided in a bond-funded program area, or any other pertinent services identified or designed to occupy any County facilities, or as the parties deem appropriate.
  - ii. Updates on quality performance indicators and Hospital performance ratings on quality care.
  - iii. Special updates (upon request by the parties) on scopes of work unique to the partnership.
- c. Bi-annually (to be updated and presented upon in the Financial Oversight Committee meetings)
  - i. Evidence that a bi-annual Financial Oversight Committee meeting took place, unless mutually cancelled or rescheduled.
  - ii. Status of graduate medical education programming, to include, but not limited to, program updates, resident, and fellowship enrollment by subspecialty, and outcomes.
  - iii. Rotating quarterly updates on behavioral health operations, services, and programs under the Hospital, in addition to updates on relationships with the



Hospital and AHCCCS, ACC Health Plans, and / or the Regional Behavioral Health Authority (RBHA).

- d. Annually
  - i. Annual Operator leadership / organizational chart.
  - ii. Annual operational and capital budgets upon approval, and any supplemental requests for capital funding outside of the approved capital investment made by Banner.
- e. Ad hoc Reporting
  - i. Any event that is likely to have a material impact on the Hospital or the parties.
  - ii. Copies of anticipated press releases relating to the Hospital as soon as reasonably practicable.
  - iii. Advance 60-day written notice of any intent to terminate services, add provider-based clinics, or make changes in the services or specialties available at the Hospital.