

RESOLUTION NO. 2024 - 02

RESOLUTION OF THE BOARD OF DIRECTORS OF IMPERIAL VALLEY HEALTHCARE DISTRICT DETERMINING THE TERMS THAT WILL BE PROPOSED FOR THE ACQUISITION OF EL CENTRO REGIONAL MEDICAL CENTER PURSUANT TO HEALTH AND SAFETY CODE SECTION 32499.6, AS ADDED BY CALIFORNIA ASSEMBLY BILL 918 (2023)

WHEREAS, Imperial Valley Healthcare District (“IVHD”) is a California healthcare district established by the California Legislature pursuant to Assembly Bill 918 (2023), Health and Safety Code section 32499.6 *et seq.*, that is duly organized and existing under the laws of the State of California;

WHEREAS, pursuant to Health and Safety Code section 32499.6 (the “Code”) the IVHD Board of Directors (the “Board”) entered into negotiations with El Centro Regional Medical Center (“ECRMC”) to decide the terms of the acquisition of ECRMC’s healthcare establishment (the “Healthcare Establishment”);

WHEREAS, pursuant to the Code, the Board reviewed financial feasibility studies conducted by the Imperial County LAFCO and Kaufman Hall and confirmed the financial viability of integrating the Healthcare Establishment into IVHD;

WHEREAS, the negotiating committee, as previously nominated by the Board, has identified certain terms to effectuate the acquisition of the Healthcare Establishment with all of its assets and liabilities (the “Negotiation Committee’s Proposal”); and

WHEREAS, this Board now desires to fulfill its obligations under the Code by adopting that certain Letter of Intent and Schedule of Non-Binding Terms and Conditions, attached hereto as Exhibit A (the “Letter of Intent and Schedule of Non-Binding Terms and Conditions”), that represents and records the Negotiating Committee’s Proposal.

NOW, THEREFORE, this Board of Directors of IVHD does hereby find, resolve, and order as follows:

Section 1. The Letter of Intent and Schedule of Non-Binding Terms and Conditions is hereby approved;

Section 2. The Board Chair is hereby authorized to execute the Letter of Intent and Schedule of Non-Binding Terms and Conditions on behalf of IVHD;

Section 3. Adriana S. Ochoa, as legal counsel for IVHD, or her designee(s), acting alone or together, is(are) hereby authorized and directed to take or cause to be taken all such other actions as may be required to fulfill the purposes of this resolution.

Section 4. This resolution shall take effect immediately upon its adoption.

EXHIBIT A
LETTER OF INTENT
AND
SCHEDULE OF
NON-BINDING TERMS AND CONDITIONS

IMPERIAL VALLEY HEALTHCARE DISTRICT

Cedric Cesena
City Manager
City of El Centro
1275 W. Main Street, El Centro,
California, 92243
ccesena@cityofelcentro.org

Pablo Velez
Chief Executive Officer
El Centro Regional Medical Center
1415 Ross Avenue, El Centro,
California 92243
Pablo.Velez@ecrmc.org

June 24, 2024

RE: **NON-BINDING LETTER OF INTENT RELATED TO PROJECT NINE EIGHTEEN**

To: Mr. Cesena and Mr. Velez

This Non-Binding Letter of Intent (this "**Letter**") represents the basis on which Imperial Valley Healthcare District ("**IVHD**") will acquire, assume or otherwise attain the assets and operations of, or related to, the healthcare establishment operated by El Centro Regional Medical Center ("**ECRMC**") as required by AB918 – hereafter known as Project Nine Eighteen (the "**Transaction**").

The proposed terms and conditions for the Transaction are described on the schedule attached hereto. The parties intend that a fully integrated, written, definitive purchase agreement and other related documents (the "**Definitive Agreements**"), will be prepared, authorized, executed and delivered by the parties. This Letter is intended to be a general description of some essential terms of those Definitive Agreements however, this Letter does not describe such terms in full nor describe all the terms and conditions that may be included in the Definitive Agreements and is subject to the parties' related due diligence, legal and regulatory review. For the avoidance of doubt, the Definitive Agreements, as executed, may contain different terms and conditions than are described herein.

The parties hereto acknowledge that this Letter is not intended to create or constitute any legally binding obligation between the parties, and that no party shall have any liability to the other with respect to this Letter.

Yours,

IMPERIAL VALLEY HEALTHCARE DISTRICT



Name: Katherine Burnworth
Title: President

AGREED AND ACKNOWLEDGED BY:

CITY OF EL CENTRO



Name: Cedric Cesena
Title: City Manager

EL CENTRO REGIONAL MEDICAL CENTER



Name: Pablo Velez
Title: Chief Executive Officer

SCHEDULE OF NON-BINDING PROPOSED TERMS AND CONDITIONS

<p>Overview</p>	<p>In 1956, the City formed ECRMC as a “municipal hospital” and “enterprise fund” of the City.¹ Since that date, ECRMC has been serving the healthcare needs of the Imperial Valley through its 161 bed acute-care medical center and several outpatient centers. Since [2013], University of California San Diego (“UCSD”) has had a relationship with ECRMC providing some level of clinical and/or administrative and managerial support of ECRMC’s delivery of healthcare services, such affiliation most recently formalized in a Joint Powers Agreement (discussed below).</p> <p>ECRMC is, in fact, a governmental agency that encompasses more than just the acute-care medical center known as “<i>El Centro Regional Medical Center</i>”. Thus, to avoid confusion, for the purposes of this Schedule, the acute-care medical center, the outpatient centers and all other healthcare operations and services in question will be referred to as “<i>El Centro Healthcare Establishment</i>”.</p> <p>This Transaction will effectuate the intent of AB 918 to transfer the El Centro Healthcare Establishment from ECRMC and the City, on one hand, to IVHD, on the other hand, through the transfer of all the relevant assets and liabilities. ECRMC in its legal form will be dissolved and the El Centro Healthcare Establishment will be owned and operated by IVHD.</p>
<p>The Sellers, Liabilities and Assets</p>	<p>The primary buildings and underlying real estate used by the El Centro Healthcare Establishment are owned by the City (the “<i>Hospital Real Property</i>”).²</p> <p>ECRMC holds personal property of the El Centro Healthcare Establishment and has pledged the revenues generated from the El Centro Healthcare Establishment as security for certain bonds (as discussed below).³</p>
<p>Transfer of Assets</p>	<p>Pursuant to this Transaction, on an “as is, where is” basis, (1) the City shall transfer the Hospital Real Property to IVHD and (2) ECRMC and the City⁴ will transfer all the other assets of, or used by El Centro Healthcare Establishment (in all locations) to IVHD, including all the facilities, equipment, personal property, accounts receivable (even if the services were rendered prior to the Transaction) and the benefits received under all the contracts held by ECRMC (including the Joint Powers Agreement).</p>
<p>Assumption of Liabilities: <i>Bonds</i></p>	<p>In 2018, \$125m in bonds were issued that (a) funded new construction and (b) refunded prior bond issues that were in financial covenant default. Preston Hollow Community Capital (“PHCC”) is majority bondholder. These bonds are secured on the revenues of ECRMC and there is no recourse to the City or to the Hospital Real Property. IVHD shall accept and assume all liabilities and obligations for the existing ECRMC Bonds indebtedness. The parties recognize that assumption of the bonds may be subject to certain approvals, waivers or achievement of other conditions.</p>

¹ See *Municipal Hospitals Cal. Gov. Code § 37600 et seq.*

² Some ancillary property will not be included in the property transfer described in this LOI.

³ “A municipal hospital has been established in the city to operate under the name of El Centro Regional Medical Center.” Sec. 13-32 El Centro City Code

⁴ To the extent that the City may hold some interest due to its relationship with ECRMC (see e.g. Cal. Gov. Code § 37623 “Unless inconsistent with the terms of its acquisition, the title to property acquired for hospital purposes vests in the city.”)

<p>Assumption of Liabilities: <i>The Joint Powers Agreement</i></p>	<p>As stated above, ECRMC has been affiliated with UCSD for a number of years. UCSD is willing to continue such affiliation as currently set forth in a Joint Powers Agreement with City and ECRMC, dated on or around May 7, 2024. The Joint Powers Agreement represents the mechanism through which ECRMC actually operates the El Centro Healthcare Establishment. As such, it is a key part of the Transaction. The parties acknowledge that the Transaction may be conditioned on the parties securing UCSD’s agreement to adjustments, supplements or amendments to the Joint Powers Agreement that IVHD request following its review of this agreement.</p>
<p>Assumption of Liabilities: <i>Other</i></p>	<p>IVHD shall assume all other liabilities and contracts of ECRMC, including but not limited to the following: collective bargaining agreements; retirement plans (and associated liabilities); the Oracle (Cerner) Agreement for implementation and service of a new electronic medical records system; all payor agreements with Medicare, Medi-Cal, health plans and other third party payers; all vendor agreements; all physician and other provider agreements; all other contracts of ECRMC and all other liabilities of the City or ECMRC related to the El Centro Healthcare Establishment. If non-assumable, IVHD will indemnify the City or ECMRC against any such liabilities.</p>
<p>Regulatory Approvals</p>	<p>The parties shall use commercially reasonable efforts to make all required filings and promptly obtain all material approvals, licenses, and permits necessary for IVHD’s post-closing operation of the El Centro Healthcare Establishment. Further, the Definitive Agreements will include related mutual pre-closing obligations, including but not limited to, cooperation in relation to regulatory filings and maximization of supplemental revenue.</p>
<p>Employees of ECRMC</p>	<p>IVHD shall make offers of employment to all employees of ECRMC, who are in good standing, (and employ all those accepting such offer) at no less than the same rate of pay being provided to such employees at the time of closing and, to the extent possible, will make best efforts to provide all such employees with substantially comparable benefits to those they are receiving through ECRMC. All employees shall retain their seniority based on years of service at ECRMC. For the avoidance of doubt, this does not apply to employees of UCSD.</p>
<p>Medical Staff</p>	<p>As is standard in the industry, the El Centro Healthcare Establishment’s medical services are overseen by a formal governing body known as the “Organized Medical Staff”⁵ and, to ensure continuity of care, the parties agree the operation of this body will be substantially unchanged as a result of the Transaction. As of and after the closing of the Transaction, the Organized Medical Staff, in its governance capacity, shall privilege all physicians, surgeons and other healthcare providers of the El Centro Healthcare Establishment consistent with (a) such person’s licensure, training, scope of practice and other credentials (b) applicable law and (c) the bylaws of the Organized Medical Staff.</p>
<p>Consideration for Transfer</p>	<p>This Transaction is authorized by the provisions of Chapter 11 of Division 23 of the California Health and Safety Code, commencing at Section 32499.5 (“<i>AB 918</i>”), and the purpose of complying with AB 918, along with the transfer of assets and liabilities described herein, is deemed adequate consideration to support the transfer.</p>

⁵ The term “Staff” here is used, not its colloquial form to mean employees, but as a term of art that is used to describe a governance body.

Nature of Definitive Agreement	<p>The City, ECMRC and IVHD will be parties to an Asset Transfer Agreement (and, as applicable, certain related documents) where the City and ECMRC are identified as the “<i>Transferors</i>” and IVHD identified as the “<i>Transferee</i>”.</p> <p>Ancillary to such Asset Transfer Agreement will be (a) a deed related to the Hospital Real Property; (b) bill of sale(s) related to all assets other than the Hospital Real Property, and (c) assignment and assumption agreement(s) related to the ECMRC liabilities discussed herein.</p> <p>The parties intend to sign the Asset Transfer Agreement no later than November 5, 2024 with a delayed closing, to facilitate orderly asset, liability and license transfer and compliance with any regulatory requirements (included, but not limited to, filings to California Department of Public Health, The Centers for Medicare and Medicaid Services, California Department of Health Care Services , and the Office of Health Care Affordability).</p>
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IT IS SO RESOLVED. PASSED, ADOPTED AND SIGNED ON THIS 13TH DAY OF JUNE, 2024.

SECRETARY'S CERTIFICATE

I, Arturo Proctor, Secretary of the Board of Directors of Imperial Valley Healthcare District, a California healthcare district, County of Imperial, California, hereby certify as follows:

The attached is a full, true, and correct copy of the resolution(s) duly adopted at a meeting of the Board of Directors of Imperial Valley Healthcare District, which was duly held on June 13, 2024 at which meeting a quorum of the members of the Board of Directors was present; and at such meeting such resolution(s) was/were adopted by the following vote: **6 - 1**

AYES: **Medart Jr. (M), Garcia (second), Burnworth, Goodsell, Proctor, Valdez**

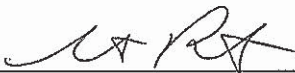
NOES: **Berker**

ABSTAIN: **—**

ABSENT: **—**

I have carefully compared the same with the original minutes of such meeting on file and of record in my office; the attached resolution is a full, true, and correct copy of the original resolution adopted at such meeting and entered in such minutes; and such resolution has not been amended, modified, or rescinded since the date of its adoption, and the same is now in full force and effect.

WITNESS my hand this 13th day of June, 2024



Secretary
Imperial Valley Healthcare District