

**SUBMITTAL TO THE BOARD OF SUPERVISORS  
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

605



**FROM:** Registrar of Voters

**SUBMITTAL DATE:**  
October 7, 2009

**SUBJECT:** Approval of Election Services

**RECOMMENDED MOTION:** That the Board approve election services for the December 15, 2009 Valley Health System Special Measure Election.

**BACKGROUND:** California Elections Code § 10002 allows jurisdictions to request that the Board of Supervisors approve the Registrar of Voters to conduct elections by submitting a resolution requesting these services. The Valley Health System has complied with this requirement and requests the Registrar of Voters to conduct their election. The department has the resources to conduct this election. The jurisdiction will reimburse the department based on associated direct costs.

Departmental Concurrence

**Attachments:** Resolution No. 2009-09

*Douglas C. Kinzle*

For **BARBARA DUNMORE** Registrar of Voters Douglas C. Kinzle

<b>FINANCIAL DATA</b>	Current F.Y. Total Cost:	\$ N/A	In Current Year Budget:	N/A
	Current F.Y. Net County Cost:	\$ N/A	Budget Adjustment:	N/A
	Annual Net County Cost:	\$ N/A	For Fiscal Year:	N/A

<b>SOURCE OF FUNDS:</b>	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

**C.E.O. RECOMMENDATION:**

APPROVE

BY: *Karen L. Johnson*  
Karen L. Johnson

**County Executive Office Signature**

- Dep't Recomm.:  Consent  Policy
- Per Exec. Ofc.:  Consent  Policy

Prev. Agn. Ref.:

District:

Agenda Number:

ATTACHMENTS FILED  
WITH THE CLERK OF THE BOARD

2.3

**RESOLUTION NO. 2009-09**

**VALLEY HEALTH SYSTEM**

**A RESOLUTION FOR SALE OF THE ASSETS OF VALLEY HEALTH SYSTEM TO PHYSICIANS FOR HEALTHY HOSPITALS INC., AND CALLING FOR A SPECIAL ELECTION BY POLLING PLACE OF DISTRICT VOTERS TO AUTHORIZE THE SALE**

**WHEREAS, Valley Health System, a California Local Health Care District ("District") is committed to keeping Hemet Valley Medical Center, Menifee Valley Medical Center, and other health care facilities currently owned by the District, open for the purpose of ensuring continued local access to emergency room care, acute hospital care, and other medical services for the residents of the District and of the areas served by such facilities; and**

**WHEREAS, the District has been in a Chapter 9 reorganization proceeding in United States Bankruptcy Court for the Central District of California, Case Number RS 07-18293 PC since December 13, 2007; and**

**WHEREAS, the District currently has in excess of \$45 Million of revenue bonds outstanding, originally issued in connection with construction of District hospitals and other facilities in the late 1980's, which revenue bonds are currently in default; and**

**WHEREAS, the District currently imposes no taxes and has no outstanding general obligation bonds, the imposition of which would require approval of two-thirds of the voters of the District voting in an election; and**

**WHEREAS, in 2006, the District placed on the ballot Measure I, which provided for the issuance of general obligation bonds in order to retire the District's current revenue bond debt and although Measure I received approval by more than a majority of the voters, it did not receive the requisite two-thirds vote necessary for passage; and**

**WHEREAS, due to many factors affecting hospitals and other health care providers generally and other factors affecting the District's facilities specifically, the District has, and continues to sustain significant operating losses, and, with supplemental capital resources unavailable to it as a public entity without a two-thirds vote of the electorate, the District will be unable to continue its mission; and**

**WHEREAS, the District is governed by the Health Care District Law (Health & Safety Code Section 32000, et seq.); and**

**WHEREAS, pursuant to Section 32121(p) of the Health Care District Law, before the District transfers fifty percent or more of the District's assets, in sum or in increments, the elected Board shall, by resolution, submit to the voters of the District a measure proposing the transfer; and**

**WHEREAS, the District has entered into negotiations with Physicians for Healthy Hospitals, Inc. ("PHH"), a coalition of local physicians, with respect to a sale of substantially all of the assets of the District; and**

**WHEREAS, such negotiations have resulted in the preparation of a Memorandum of Agreement and Term Sheet (the "Agreement") in contemplation of finalization and execution of an Asset Sale Agreement (the "ASA") which will be presented to the Board and discussed at a subsequent duly noticed open session of the Board; and**

**WHEREAS, PHH has entered into an Association Agreement with Catholic Healthcare West's St. Bernardine Medical Center to establish collaborative initiatives designed to provide and promote the effective, efficient, and coordinated delivery of healthcare services in the Hemet and Menifee service areas among physicians and hospital providers; and**

**WHEREAS, the Agreement is nonbinding unless and until the Board of Directors of the District finalizes and approves an ASA, but the District believes that it is in the best interests of the District to proceed to schedule an election with respect to a sale of the District's assets on December 15, 2009; and**

**WHEREAS, the Board of Directors of the District believes that the acquisition of the assets of the District by PHH will provide the best assurance that the District's hospitals will remain open to serve residents of the District, and further that PHH is prepared to pay fair market value for the District's assets; and**

**WHEREAS, the Agreement contains a summary of the principal terms to be contained in the ASA, as negotiated between the District and PHH, which terms and conditions the Board believes will provide for the protection of the residents of the areas served by the District's health care facilities; and**

**WHEREAS, prior to execution of a definitive agreement for the sale of its assets, the District will obtain an opinion from Valuation & Information Group, an independent consultant with expertise in methods of appraisal and valuation and in accordance with applicable governmental and industry standards for appraisal and valuation, that such transfer of assets for such consideration will constitute fair and reasonable consideration to be received by the District for the transferred assets, and such determination will constitute fair market value in accordance with the requirements of Section 32121(p) of the Health Care District Law; and**

**WHEREAS, in the judgment of this Board of Directors ("Board") following public hearing and comment, it is advisable to sell substantially all of the assets of the District to PHH substantially in accordance with the terms set forth in the Agreement, to be more fully set forth in the ASA to be presented for approval to the Board, and to request that the Riverside County Registrar of Voters call a special election to submit to the District's voters the question of whether the District should sell substantially all of its assets as set forth herein.**

**NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS:**

**1. Sale of Assets. Subject to finalization and approval by the Board of Directors of the District of a definitive Asset Sale Agreement at a duly noticed public meeting of the Board, and subject to approval of the voters of the District as set forth below, it is hereby**

**RESOLVED that the District sell assets of the District to PHH, substantially in accordance with the terms set forth in the Agreement in the form presented to the Board at the meeting at which this Resolution is adopted, as modified and supplemented in an Asset Sale Agreement which may hereafter be approved by this Board. The sale will be based upon an opinion of Valuation & Information Group to be issued to the District that such price will constitute fair and reasonable consideration to the District for such assets. Pursuant to Section 32121(p) of**

the Health Care District Law, such opinion will satisfy the requirement of a sale at fair market value. Accordingly, the Board finds that the consideration to be paid by PHH under the Agreement equals or will exceed the fair market value of the said assets.

2. **Execution.** The Chairman or Vice Chairperson of the Board is authorized to execute the Agreement in the form submitted to the Board, and, with the advice of counsel to the District, to proceed with preparation of the ASA, containing the terms of the Agreement together with such other and reasonable terms and conditions, schedules and exhibits appropriate thereto, provided that such terms, conditions, schedules and exhibits do not materially alter the substantive economic terms of the Agreement.

3. **Submission to the Voters and Call for Polling Place Election.** The Board of the District does hereby resolve as follows:

**RESOLVED**, that pursuant to the authority contained in Section 32121(p) of the Health & Safety Code of the State of California, the Board of Directors of Valley Health System, a California Local Health Care District, does hereby call for a special election of the voters of the District, by polling place election, to approve a measure by a majority of the voters voting on the measure, proposing the transfer of substantially all assets of the District pursuant to an Asset Sale Agreement to be entered into between the District and PHH, and does hereby determine to fix the date of the election as Tuesday, December 15, 2009. Full text is not required to appear in the Sample Ballot Pamphlet and the Riverside County Registrar shall assign the measure an appropriate alphanumeric number. The ballot measure shall read and appear on the ballot as follows:

Measure " \_ "

**"To retain access to acute care services at Hemet Valley and Menifee Valley Hospitals, including emergency, medical, surgical and cardiac services, and maintain local hospitals, should Valley Health System approve the sale of the Hospitals and related assets for fair market value as determined by an independent appraiser, with no cost liability to taxpayers, to Physicians For Healthy Hospitals, Inc., a coalition of local physicians with an association agreement with Catholic Healthcare West St. Bernardine Medical Center?"**

**IT IS FURTHER RESOLVED**, that pursuant to the California Elections Code and Section 32121(p) of the Health & Safety Code, this Board does hereby notify the Riverside County Board of Supervisors and the Riverside County Registrar, that this Board chooses to hold such election on December 15, 2009, to be conducted by polling place election among the electorate of the District.

**IT IS FURTHER RESOLVED**, that pursuant to Elections Code section 10002, the Board of Directors of Valley Health System here by requests the Board of Supervisors of the County of Riverside to authorize the Riverside County Registrar to render all services otherwise required to be performed by the Secretary of the District for the election to be held on December 15, 2009. Said services include, but are not limited to:

- Publication of Notices calling the election
- Publication of Notices calling for ballot arguments

- Provision of voter lists
- Preparation and printing of ballots
- Counting of ballots
- Certification of election
- All aspects of election not specified above that may be agreed upon by the Registrar and the Secretary of the District

IT IS FURTHER RESOLVED, that the Chairman of the Board, the Vice Chairperson of the Board, or his or her designee(s) are hereby authorized to execute any other document and to perform all acts necessary to place the measure on the ballot including signing a services agreement with Riverside County, and to comply with requirements of law and election officials.

IT IS FURTHER RESOLVED, that the Registrar is hereby authorized and directed to canvass the returns of the election and to certify the results of the election to the District as required by law.

IT IS FURTHER RESOLVED, that Valley Health System reimburse the County of Riverside for all costs and expenses incurred by the County in conducting said election upon presentation of a bill to the District and in compliance with any service agreement that may be entered into between the District and the County.

IT IS FURTHER RESOLVED, that the District Secretary is hereby authorized and directed to file a copy of this Resolution with the Board of Supervisors, the County Clerk and/or the Registrar of Voters, as may be required by law, upon direction from the Chairman of the Board.

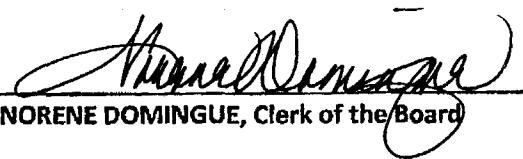
I hereby certify that the foregoing resolutions were duly adopted by the Board of Directors of Valley Health System, a California Local Health Care District, at a duly noticed and agendized Special Meeting of the Board of Directors held on September 16, 2009, at Hemet, California by the following vote:

AYES: 6  
NOES: 1  
ABSTENTIONS: 0

September 16, 2009

Attest:

  
WILLIAM H. CHERRY,  
Chairman of the Board of Directors

  
NORENE DOMINGUE, Clerk of the Board