

RESOLUTION NO. 03-06

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
GROSSMONT HEALTHCARE DISTRICT ORDERING AN ELECTION
TO AUTHORIZE THE ISSUANCE OF GENERAL OBLIGATION BONDS,
ESTABLISHING SPECIFICATIONS OF THE ELECTION ORDER, AND CERTAIN
RELATED MATTERS**

WHEREAS, in the judgment of the Board of Directors (the “Board”) of the Grossmont Healthcare District (the “District”), it will serve the best interests of the District to call an election and submit to the electors of the District the question whether general obligation bonds of the District shall be issued and sold for the purpose of raising money for the expansion, improvement, acquisition, construction, and renovation of health facilities of the District; and

WHEREAS, Article XIII A, Section 1(b), of the California Constitution (“Article XIII A”) provides an exception to the limit on *ad valorem* property taxes for bonded indebtedness for the acquisition or improvement of real property approved by two-thirds (2/3) of the votes cast by the voters voting on the measure; and

WHEREAS, the Board is specifically authorized to pursue the authorization and issuance of bonds by a two-thirds (2/3) vote of the electorate on the question of whether bonds of the District shall be issued and sold for specified purposes, pursuant to section 32300 *et seq.* of the California Health and Safety Code (being the California’s Local Health Care District Law) the (“Law”); and

WHEREAS, in accordance with the provisions of the Law, in the judgment of the Board, the financing and refinancing of the acquisition, construction, expansion, improvement and renovation of certain property and structures necessary for the purposes of the District, including the purposes described above, reasonably requires an expenditure in excess of available funds raised by the regular annual assessment for the running expenses of the District and, in the opinion of the Board a special assessment would be inadvisable; and

WHEREAS, after a properly notice public hearing, and pursuant to section 10403 *et seq.* of the California Elections Code, it is appropriate for the Board to request the San Diego County Registrar of Voters to perform required election services for the District; and

WHEREAS, certain provisions of the California Government Code (sections 53410 *et seq.*) require that a local agency submitting a bond measure to the voters provide specific accountability measures; and

WHEREAS, it is the intent of the Board to set forth by this Resolution the specified accountability measures with respect to the proceeds of the bonds to be authorized by the election called pursuant to this Resolution;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE GROSSMONT HEALTHCARE DISTRICT AS FOLLOWS:

Section 1. Recitals. The Board hereby finds that the above recitals are true and correct in all material respects.

Section 2. Call for Election. The Board hereby orders an election and submits to the electors of the District the question of whether general obligation bonds (the “Bonds”) of the District shall be authorized to be issued and sold in the principal amount of \$247,000,000 for the purpose of financing the expansion, improvement, acquisition construction, and renovation of health facilities of the District (the “Property”), and to pay costs incident thereto, as set forth more fully in the ballot measure approved pursuant to Section 4 of this Resolution. This Resolution constitutes the order of the District to call such election.

Section 3. Election Date; Request for Consolidation; Election Procedures. The Board of Directors hereby calls for this measure to be placed on the June 6, 2006, primary election, to be held pursuant to Elections Code 10406 and as otherwise allowed by the laws of the State of California and procedures applicable to the District. The Secretary shall file (or cause to be filed) a certified copy of this Resolution no later than March 9, 2006, with the Clerk of the Board of Supervisors of the County of San Diego (the “County”) and with the Registrar of Voters of the County. Pursuant to Part 3 (commencing with Section 10400) of Division 10 of the California Elections Code, the Board of Supervisors of the County is hereby requested to order consolidation of this bond election with such other elections called for June 6, 2006, in the same territory. The Board of Supervisors of the County is hereby authorized and requested to canvass the returns of the election pursuant to Section 10411 of the Elections Code.

(a) The election shall be held and conducted, and the votes thereof received and canvassed by the County on behalf of the District, and the returns thereof made and the result thereof ascertained and determined as required by law, and in all particulars not prescribed by this Resolution the election shall be held as nearly as practicable in conformity with the Law and the election laws of the State of California. Only qualified voters of the District may vote at the election.

(b) The precincts, polling places and officers for the election shall be as set forth in the Election Order to be published by the Registrar of Voters.

(c) The Registrar of Voters of the County is hereby requested to reprint the full text of the Measure contained in Section 4 hereof (that portion of Section 2

appearing in bold-face type) in the voter information pamphlet to be distributed to voters pursuant to Section 13307 of the Elections Code. In the event the full text of the Measure is not reprinted in the voter information pamphlet in its entirety, the Registrar of Voters is hereby requested to print, immediately below the impartial analysis of the bond proposition, in no less than 10-point boldface type, a legend substantially as follows:

“The above statement is an impartial analysis of Measure _____. If you desire a copy of the measure, please call the San Diego County Registrar at (858) 565-5800 and a copy will be mailed at no cost to you.”

Section 4. Purpose of Election; Ballot Measure. The purpose of the election shall be for the qualified resident voters in the District to vote on a ballot measure (the “Measure”) containing the following question:

“To improve life-saving emergency care in East County, reduce emergency room overcrowding and improve medical facility access following earthquakes, wildfires or other disasters, shall Grossmont Healthcare District issue \$247,000,000 of bonds to complete Grossmont Hospital’s Emergency and Critical Care Center, expand cardiac care, acquire, construct, repair and improve medical facilities, add patient beds, modernize medical technology, and improve seismic safety, with independent citizens’ oversight and with all funds used locally to improve medical facilities in East County?”

A copy of the full text of the Measure is attached hereto as Exhibit A, together with the tax rate information attached hereto as Exhibit B as required by the Law. The Chief Executive Officer, (the “CEO”), the General Counsel, and each of them, or their respective designees(s), are hereby authorized and directed to make any changes to the text of the Measure or its abbreviation as required to conform to any requirements of Article XIII A, the Law, the California Elections Code or the County Registrar of Voters. Pursuant to Section 13247 of the California Elections Code, the Board hereby directs the Registrar of Voters to use the bold-faced abbreviation of the bond proposition contained above in Section 4 hereof on the official ballot.

Section 5. Authority for Election; Legal Bonding Limit. The authority for ordering the election and for the specification of this election order are contained in section 32301 of the Law and Article XIII A, Section 1(b)(2), of the California Constitution. The District hereby finds that the bonded indebtedness proposed herein, together with all outstanding bonded indebtedness of the District, shall not exceed two and one-half percent (2½%) of the assessed value of taxable property in the District as shown by the last equalized assessment role of the County, as of the time of issuance of any of the bonds

authorized hereby, in accordance with 32308 of the Law. Pursuant to Section 18 of Article XVI and Section 1 of Article XIII A of the California Constitution, the Measure shall become effective upon the affirmative vote of at least two-thirds (2/3) of those voters voting on the Measure.

Section 6. Terms of the bonds upon Approval by the Electorate. As required by section 32302 of the Law, in the event two-thirds (2/3) of the voters voting in the District approve the issuance of the Bonds, the Board shall cause the bonds to be issued in one or more series in an aggregate principal amount of \$247,000,000; provided that such aggregate maximum amount shall be equal to the par amount of the Bonds, which shall not include any bond premium at which the Bonds or any series thereof may be issued. The Bonds shall bear interest payable at a rate not exceeding the legal limit (at the current time twelve percent (12%) per annum), and any series of which shall have a maturity date no later than forty (40) years following the date of issuance of such series (pursuant to the provision of California Government Code section 53508 or any law applicable at the time of issuance of such series). The Board shall apply the bond proceeds only to the specific purposes stated in the text of the Measure and the proceeds shall be spent only for such purposes. Principal of and interest on said bonds shall be collected and paid in accordance with the Law.

Section 7. Accountability Provisions. Proceeds from the sale of the bonds authorized by the Measure shall be used only for costs incurred for the purposes set forth in the Measure and for costs of the issuance of the bonds, and not for any other purposes, including staff and administrative salaries and other operation expenses. The board hereby directs that a separate account shall be established for deposit of the proceeds of the sale of the bonds if the Measure is approved by the District voters. For so long as any proceeds of bonds remain unexpended, the CEO shall cause to be filed with the Board no later than five (5) months after the end of each fiscal year, commencing with the first fiscal year during which any proceeds of the bonds authorized by the Measure shall have been received. The report shall state (1) the amount of bond proceeds received and expended in such fiscal year and (2) the status of any projects funded or to be funded from the proceeds of bonds authorized to be issued by the Measure. The report may be incorporated into or filed with the audit or other appropriate routine report provided to the Board. Audited financial statements of the District will continue to be made available in accordance with applicable requirements.

Section 8. Request for Election; Costs. The District hereby requests that the County Registrar of Voters take all steps necessary to hold the election pursuant to the California Elections Code and the District agrees to reimburse the Registrar of Voters for all actual costs incurred by it for the District election, as set forth in the current election allocation procedures of the County.

Section 9. Delivery of this Resolution. The CEO is hereby directed to deliver a certified copy of this Resolution to the County Registrar of Voters no later than the close of business on March 9, 2006.

Section 10. Impartial Analysis; Ballot Argument; Further Authorization. The County Counsel is hereby requested to prepare the impartial analysis of the Measure in accordance with section 9160 of the California Elections Code and transmit it to the County Registrar of Voters. Any and all members of the Board, the CEO of the District, the General Counsel, or any of their respective designees, are hereby authorized to act as an author of any ballot argument prepared in connection with the election, including a rebuttal argument. Each of the members of the Board, the CEO, or any of their respective designees, are each authorized and directed, for and on behalf of the District, to execute any and all documents, and to perform any and all acts necessary or appropriate to place the Measure on the ballot or otherwise effectuate the purposes of this Resolution.

Section 11. Effective Date. This Resolution shall take effect immediately on and after its adoption.

PASSED and APPROVED at a Special meeting of the Board of Directors of the Grossmont Healthcare District held on the 6th day of March, 2006, by the following vote:

AYES: _____

NOES: _____

ABSTENTIONS: _____

ABSENT: _____

Robert P. Yarris, Secretary

ATTEST:

John W. Hardebeck, M.D., President

FULL TEXT EXHIBIT A

HOSPITAL, EMERGENCY AND CRITICAL CARE IMPROVEMENT AND REPAIR MEASURE

This Measure shall be known and referred to as the “Hospital, Emergency and Critical Care Improvement and Repair Measure” or as “Measure ___.”

FINDINGS

Grossmont Hospital is the major provider of health care services, including emergency and acute care services, to the communities of East San Diego County.

Over the next decade Grossmont Hospital faces a number of critical challenges to continue to provide quality health care services. These include:

- A dramatically increasing population that will soon reach 500,000 residents while four area hospitals have shut down during the past 10 years, including one hospital in East County.
- Grossmont Hospital is 50 years old and facility upgrades are needed to support the latest advances in medical technology for patient diagnosis, treatment and recovery.
- East County residents depend on Grossmont Hospital for emergency care. The *Emergency and Critical Care Center* must be completed to reduce overcrowding and ER wait times at Grossmont Hospital.
- Seismic upgrades must be made to meet stricter California legal requirements. Stronger buildings are likely to ensure that Grossmont Hospital remains operational for East County residents in the event of an earthquake, wild fire, or other major disasters.

Grossmont Hospital and the Grossmont Healthcare District (the “District”), with input from Grossmont Hospital’s medical and nursing staff, professional and support personnel and members of the public, has developed a comprehensive Facilities Master Site Plan to address the future health care needs of the increasing population of the District, calling for (i) completion of the Grossmont Hospital’s Emergency and Critical Care Center, (ii) addition of new patient bed-space, operating rooms and medical facilities (iii) upgrades to rapid-response cardiac care facilities, (iv) completion of certain seismic upgrades for earthquake safety, (v) repair and replacement of medical facilities, and (vi) providing facilities to accommodate the latest medical technology for diagnosis, treatment and recovery for hospital patients.

A local general obligation bond was identified as one component in meeting the overall financing needs identified in the Facilities Master Site Plan for Grossmont Hospital. In addition, the Board of Directors of the District (the “Board”), has identified a variety of other funding

sources to achieve the purposes outlined in the Facilities Master Site Plan, including hospital revenues, potential revenue bonds and private donations. Grossmont Hospital expects to draw on these other sources of funds to finance facilities and equipment not funded from a local general obligation bond.

BOND AUTHORIZATION

By approval of this Measure by at least two-thirds of the qualified voters voting, the District shall be authorized to issue and sell bonds in the principal amount of \$247,000,000 to provide financing or refinancing for hospital and health care facilities projects consisting of the improvement, acquisition, construction and renovation of facilities for hospital and health care purposes on the Grossmont Hospital and District campuses, subject to all of the accountability safeguards specified in this measure.

The Board plans and expects to use proceeds of the bonds authorized by this Measure to finance or refinance various components of Grossmont Hospital's Facilities Master Site Plan, which are expected to include the following project elements:

Complete Grossmont Hospital's Emergency & Critical Care Center

- Build-out of the remaining three shelled floors to provide approximately 90 additional patient rooms

Earthquake Safety Upgrades

- Upgrade Grossmont Hospital to help ensure acute care patient and treatment areas meet current State seismic requirements

Additions, Repairs and Upgrades to the Grossmont Hospital campus

- Add new patient bed-space
- Construction of a three-story surgical link building that will provide approximately nine new operating rooms and/or interventional suites, including catheterization labs and interventional radiology labs
- Renovate and remodel patient rooms to accommodate developing medical practices and technology and support future advances for improved patient care
- Repair and replace deteriorated plumbing, electrical systems, elevators, ventilation, and other major building systems
- Upgrade rapid-response state-of-the-art cardiac care facilities

- Expand the Hospital’s central plant to accommodate growth demands
- Land acquisition and construction of nurse training and healthcare education facilities

The District Board has reserved the right to change its Facilities Master Plan from time to time, and to finance authorized projects with the bonds as it deems advisable and necessary. The inclusion or specification of a project in the foregoing list or in the Facilities Master Plan is not a guarantee that such project will be constructed or completed, or that it will be constructed or completed as described above or in the Facilities Master Site Plan, at any particular time or in any particular order of priority. Projects and upgrades will be completed as needed at a particular site according to Board-established priorities. This Measure authorizes the financing of projects, and shall not be deemed to be an approval of any “project” for purposes of the California Environmental Quality Act.

Specific Purposes. All of the purposes enumerated in this measure shall constitute the specific purposes of the bonds, and proceeds of the bonds shall be spent only for such purposes, pursuant to California Government Code Section 53410.

ACCOUNTABILITY PROVISIONS

Independent Citizens’ Oversight Committee. If this Measure is approved, the Board shall establish an independent Citizens’ Oversight Committee within ninety (90) days of the date the Board enters the results of the election, such independent Citizens’ Oversight Committee (i) to be comprised of at least nine (9) members, each member to be selected by the Board through a public application process and to serve without compensation, (ii) to include one member active in a taxpayers’ organization, one member active in a senior citizens’ organization, one member active in a business organization, (resignation from such taxpayers’ organization, senior citizen’s organization or business organization, as applicable, to be deemed a concurrent resignation from the Citizens’ Oversight Committee), one nurse or physician, and five at-large members. Three members of the Committee shall be appointed by the Board to serve for an initial term of one year, three members of the Committee shall be appointed by the Board to serve for an initial term of two years and three members of the Committee shall be appointed to serve for an initial term of three years, each member thereafter appointed to the Citizens’ Oversight Committee by the Board to serve for a term of two years and each member to serve for no more than two consecutive terms, (iii) to be provided with each report provided to the Board under this Measure and (iv) to remain in existence for so long as any bond proceeds remain unexpended. If this Measure is approved, the Board shall establish by one or more resolutions such additional provisions and procedures as shall be necessary to provide for the formation and operation of the Citizens’ Oversight Committee.

No Money for Administrators’ Salaries. Proceeds from the sale of the bonds authorized by this Measure shall be used only for costs incurred in connection with expansion, improvement, acquisition and construction of medical facilities, and the costs of the issuance of the bonds, and not for any other purpose, including staff and administrator salaries and other operating expenses.

Special Bond Proceeds Account, Annual Audit and Report to Board. The Board hereby directs that a separate account shall be established for deposit of proceeds of the sale of the bonds authorized by this Measure if this Measure is approved by the District voters.

For so long as any proceeds of bonds authorized by this measure remain unexpended, the Chief Executive Officer of the District (the “CEO”) shall cause a report to be filed with the Board no later than five (5) months after the end of each fiscal year, commencing with the first fiscal year during which any proceeds of bonds authorized by this measure shall have been received. The report shall state (1) the amount of bond proceeds received and expended in such fiscal year and (2) the status of any projects funded or to be funded from the proceeds of bonds authorized to be issued by this Measure. The report may be incorporated into or filed with the audit or other appropriate routine report provided to the Board. Audited financial statements of the District will continue to be made available in accordance with applicable requirements.

OTHER TERMS OF BONDS

The bonds authorized hereby, in an aggregate principal amount of \$247,000,000 shall be issued upon the order of the Board in one or more series and at one or more times as may be necessary and most advantageous to raise money for the purposes set forth herein.

The bonds shall bear interest payable at a rate not exceeding the legal limit (at the current time twelve percent (12%) per annum).

The bonds, or any series thereof, shall have a maturity date no later than forty (40) years following the date of issuance of such series (pursuant to the provisions of California Government Code Section 53508 or any law applicable at the time of issuance of such series).

Principal of and interest on said bonds shall be collected and paid in accordance with Section 32312 of The Local Health Care District Law.