



Board Members

- John Friel (Chair)
- Dr. Katherine (Katie) Gabriel-Cox
- Dr. Joe Gallagher
- Jose A. (Tony) Nuñez
- Marcus Pimentel

Special Meeting Agenda

Wednesday, May 31, 2023

4:30 pm

Zoom: <https://zoom.us/j/93443061917>

Phone: +1 669 900 9128 WEBINAR ID: 934 4306 1917

Kathleen King Community Room - 85 Nielson Street Watsonville

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To view online, visit the Board's website at: PVHCD.ORG and select the meeting date to view the agenda and supporting documents. Written comments on agenda items may also be submitted to the Board by email or US Mail. Comments received after 4 p.m. the day of the meeting and before the end of the meeting will be included with the minutes record.

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- Please include the agenda item number

U.S. Mail:

PVHCD Board of Directors
75 Nielson Street
Watsonville, CA 95076

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**Pajaro Valley Health Care District
Special Meeting Agenda- Wednesday, May 31, 2023**

Call to Order

Roll Call

Agenda Modification Consideration

Comments from Board Members

Discussion

1. Short Term Loan Agreement – Letter of Credit

Recommendation: 1) Inform the Pajaro Valley Health Care District Board of Directors regarding amendment to the short-term loan agreement between the County of Santa Cruz and the Pajaro Valley Healthcare District; and 2) pass a **Motion** approving the amendment modifying the repayment terms according to the approved schedule (see amendment).

Contact: Julie Peterson, Chief Financial Officer

Adjournment

This agenda was posted in accordance with the California Brown Act. Any materials related to an item on this Agenda submitted to the Board after distribution of the agenda packet will be made available to the public in accordance with Government Section 54957.5.



Board Report

Meeting Date: May 31, 2023

Report Type: Discussion

Short Term Loan Agreement – Letter of Credit

Recommendation: 1) Inform the Pajaro Valley Health Care District Board of Directors regarding amendment to the short-term loan agreement between the County of Santa Cruz and the Pajaro Valley Healthcare District; and 2) pass a Motion approving the amendment modifying the repayment terms according to the approved schedule (see amendment).

Contact: Julie Peterson, Chief Financial Officer

Executive Summary

The short-term loan agreement between the County of Santa Cruz and the Pajaro Valley Healthcare District is used to secure a letter of credit required by the Lessor of the Hospital property. Staff recommends approval by the Pajaro Valley Health Care District Board of Directors to modify the repayment terms according to the following schedule:

Principal Payment Date	Principal Payment Amount
June 30, 2023	\$500,000
December 31, 2023	\$500,000
June 30, 2024	\$500,000
December 31, 2024	\$500,000
June 30, 2025	\$500,000
December 31, 2025	\$100,000
Total Repayment	\$2,600,000

Background

The Hospital operates on land it leases from Medical Properties Trust (“MPT” or “Lessor”). As part of the transaction in which the Hospital transitioned to public ownership, it was necessary for the District to assume the existing lease, as amended. One of the obligations of the lessee is to provide a Letter of Credit from a bank in the sum of two million six hundred thousand dollars (\$2.6M) to act as security for the lessee’s obligations under the lease. A Letter of Credit is essentially another form of a “security deposit” that the Lessor can access if the Hospital fails to make its lease payments.

In order for a bank to provide such a Letter of Credit, it was necessary for the District to deposit \$2.6 million with the bank as security. Staff obtained a Letter of Credit from Santa Cruz County Bank but needed to secure the \$2.6 million dollars to fund it.

The County was willing to provide bridge financing to the District in order to fund this Letter of Credit, which allowed the District to keep existing resources liquid for operating expenses during the first critical months following its transfer to public ownership. In recognition of their joint mission to serve the people of the Pajaro Valley region, the County agreed to provide this loan to the District with no security and agreed to charge no interest or other costs outside of the direct administrative charges payable directly to the bank in order to obtain the Letter of Credit.

The original term of the loan was six months from the date the required funds were deposited with Santa Cruz County Bank. Hospital Leadership met with County Administrative Officer, Carlos Palacios to modify the repayment schedule as outlined above.

Financial Impact

The District will be responsible for repaying the full amount of the money (\$2.6 million) loaned to the District according to the terms of the repayment schedule outlined above.

Attachment:

- A.** Draft Amendment 1 to Loan Agreement

FIRST AMENDMENT TO SHORT-TERM LOAN AGREEMENT BETWEEN THE COUNTY OF SANTA CRUZ AND THE PAJARO VALLEY HEALTH CARE DISTRICT FOR THE PURPOSE OF FUNDING A LETTER OF CREDIT ASSOCIATED WITH THE PURCHASE OF WATSONVILLE COMMUNITY HOSPITAL

The parties hereto agree to amend the above-referenced Short-Term Loan Agreement (“Agreement”), by and between the COUNTY OF SANTA CRUZ (“County”), a political subdivision of the State of California, and the PAJARO VALLEY HEALTH CARE DISTRICT (“District”), a local Hospital District subject to the provisions of Health and Safety Code section 32000 *et seq.*, effective as of the date of the last signature below, to modify the repayment terms of the subject loan as follows:

Amendment to Paragraph 1 - Loan Amount. Existing Paragraph 1 is deleted and replaced with the following language:

1. Loan Amount. The County will loan the District Two Million Six Hundred Thousand Dollars (\$2.6 million), to be used exclusively for purposes of funding a Letter of Credit to MPT, on behalf of the District. The County will fund the loan by depositing money directly with Santa Cruz County Bank.

Amendment to Paragraph 2 - Term. Existing Paragraph 2 is deleted and replaced with the following language:

2. Repayment Schedule. The District shall fully repay the entire principal amount of the loan by December 31, 2025, according to the schedule set forth below.

Repayment Schedule:

Principal Payment Date	Principal Payment Amount
June 30, 2023	\$500,000
December 31, 2023	\$500,000
June 30, 2024	\$500,000
December 31, 2024	\$500,000
June 30, 2025	\$500,000
December 31, 2025	\$100,000
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Total Repayment:	\$2,600,000

Except as expressly modified by this Amendment, all other terms and provisions of the Short-Term Loan Agreement shall remain in full force and effect.

COUNTY OF SANTA CRUZ

PAJARO VALLEY HEALTH CARE
DISTRICT

By: _____
Carlos J. Palacios
County Administrative Officer

By: _____
Matko Vranjes
Chief Executive Officer

Date: _____

Date: _____

APPROVED AS TO FORM:

Jason M. Heath
County Counsel