



Board Members

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

Meeting Agenda Wednesday, July 26, 2023 6:00 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

TRANSLATION SERVICES/SERVICIOS DE TRADUCCIÓN

Spanish language translation is available on an as needed basis. Please make advance arrangements at least three business days before the meeting at by calling at (831) 763.6040 or by emailing at info@pvhcd.org

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ACCOMMODATIONS FOR PERSONS WITH DISABILITIES

The Pajaro Valley Health Care District Hospital Corporation does not discriminate on the basis of disability, and no person shall, by reason of a disability, be denied the benefits of its services, programs, or activities. If you are a person with a disability and wish to participate in the meeting and require special assistance in order to participate, please call (831)763-6040 or email info@pvhcd.org at least three business days in advance of the meeting to make arrangements. Persons with disabilities may request a copy of the agenda in an alternative format.

Agenda documents are available for review in person at Watsonville Community Hospital, 75 Nielson Street, Hospital Main Lobby-Visitors Desk; and electronically on the Pajaro Valley Healthcare District's website, at: PVHCD.ORG. 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.

Email: info@pvhcd.org

- Emailed documents may take up to 24 hours to be posted

- Please include the agenda item number

U.S. Mail:

PVHCD Board of Directors
75 Nielson Street
Watsonville, CA 95076

For additional information, call 831.763.6040 or email info@pvhcd.org

Pajaro Valley Health Care District
Regular Meeting Agenda- Wednesday, July 26, 2023

Call to Order

Roll Call

Closed Session Report

Agenda Modification Consideration

Public Comment on Matters Not on the Agenda

Time is set aside for members of the public to address the Board on any item not on the Board Agenda (not to exceed two minutes), which is within the subject matter jurisdiction of the Board.

Comments regarding items included on the Agenda will be heard before the item is discussed by the Board.

No action or discussion shall be taken on any item presented except that any Board Member may respond to statements made or questions asked or may ask questions for clarification. All matters of an administrative nature will be referred to staff. All matters relating to the Board will be noted in the minutes and may be scheduled for discussion at a future meeting or referred to staff for clarification and report.

Comments from Board Members

Consent

All items listed under the Consent Calendar are considered and acted upon by one Motion. Members of the public must request that a Board Member pull an item from the Consent Agenda for discussion prior to the start of the meeting.

1. Minute Approval: May 31, 2023

Recommendation: Pass a **Motion** approving the minutes of the May 31, 2023.

Contact: Dawn Bullwinkel, Consultant Clerk of the Board, dbullwinkel@watsonvillehospital.com

Discussion

2. Pajaro Valley Healthcare District Project (PVHDP) Update

Recommendation: Receive and file quarter one and two updates on initiatives including 1) Employee giving; 2) grants; and 3) strategic planning.

Contact: June Ponce, Executive Director, Pajaro Valley Healthcare District Project

3. Line of Credit-Santa Cruz County Bank

Recommendation: Pass a **Motion** 1) authorizing staff to negotiate a \$5.0 million Line of Credit agreement between the Pajaro Valley Health Care District Hospital Corporation (the "Hospital") and Santa Cruz County Bank and 2) directing staff to place a Resolution approving the final agreement on a future District agenda.

Contact: Julie Peterson, Chief Financial Officer

4. Letter of Credit Signing Authority-Santa Cruz County Bank

Recommendation: Pass a **Resolution** approving 1) the removal of Edith Driscoll, Auditor-Controller, County of Santa Cruz and Jasmine Najera, former Secretary and Board Member of the Pajaro Valley Health Care District and 2) adding full administrative rights for Pajaro Health Care District signors a) Matko Vranjes, Interim CEO and COO b) Julie Peterson, CFO; c) Jessica Dixon, Controller; d) Marcus Pimentel, Treasurer and Board Member; and e) Marci Scianna, Executive Administration for the \$ 2.6 million Letter of Credit for Accounts #274348, #23015043 and #900547610.

Contact: Julie Peterson, Chief Financial Officer

5. California Department of Health Care Access and Information (HCAI) Hospital Distressed Loan Program

Recommendation: Pass a **Motion** approving the Hospital borrowing an aggregate amount not to exceed \$6,500,000.00 from the California Health Facilities Financing Authority under the Distressed Hospital Loan Program, with that loan to be funded with the proceeds in the Distressed Hospital Loan Program Fund, as further set forth in Hospital Resolution (Attachment A)

Contact: Julie Peterson, Chief Financial Officer

6. Agreement: Isom Advisors Consulting Services

Recommendation: Pass a **Motion** approving the engagement of Isom Advisors, a full-service municipal bond planning, campaign management and financial advisory firm to perform bond program and financial analysis, survey/poll services, bond financial planning services, continuing disclosure services, annual debt transparency report services and related bond consulting services related to the issuance of municipal debt.

Contact: Cecilia Montalvo, Finance and Strategy Consultant

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: July 26,

2023 Report Type: Consent

Title: Minutes Approval

Recommendation: Pass a **Motion** approving the Pajaro Valley Health Care District minutes of May 31, 2023.

Contact: Dawn Bullwinkel, Consultant Clerk of the Board

Analysis

After each Board meeting, the Board Clerk composes the DRAFT minutes noting the action taken by the board. Those DRAFT minutes are presented to the Board Members for their approval as a permanent record of the meeting actions.

Financial Impact: None

Attachments:

A: DRAFT Minutes for May 31, 2023

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

Call to Order at 4:45 pm.

Roll Call

Present-Directors Cox, Nunez, Pimentel and Chair Friel

Absent: Director Gallagher

Closed Session Report: None

Agenda Modification Consideration-None

Comments from Board Members- None

Discussion

1. Short Term Loan Agreement – Letter of Credit

Moved/Seconded Nunez/Pimentel

Yes: Directors Cox, Nunez, Pimentel and Chair Friel

Absent: Director Gallagher

Action: 1) Director Pimentel announced his possible conflict of interest with clarification from attorney that he has no conflict; 2) received 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 3) passed **Motion 014-2023** approving the amendment modifying the repayment terms according to the approved schedule in the supplemental material.

Contact: Julie Peterson, Chief Financial Officer

Adjourned at 4:47 pm.



Board Report

Meeting Date: July 26, 2023

Report Type: Discussion

Title: Pajaro Valley Healthcare District Project (PVHDP) Update

Recommendation: Receive and file quarter one and two updates on initiatives including 1) Employee giving; 2) grants; and 3) strategic planning.

Contact: June Ponce, Executive Director, Pajaro Valley Healthcare District Project

Analysis

The **Pajaro Valley Healthcare District Project** is a 501(c)(3) not-for-profit organization. PVHDP was instrumental in the creation of the Pajaro Valley Health Care District and led the community fundraising campaign to purchase Watsonville Community Hospital, the largest community fundraising effort in Santa Cruz County. In 2023, Pajaro Valley Healthcare District Project reorganize and became a charitable foundation of the district to support operations and initiatives of Watsonville Community Hospital (WCH).

On a quarterly basis, the foundation will bring forth to the Pajaro Valley Health Care District an update on the projects and programs the foundation is engaging in to support Watsonville Community Hospital.

Financial Impact: None



Board Report

Meeting Date: July 26, 2023

Report Type: Discussion

Title: Line of Credit-Santa Cruz County Bank

Recommendation: Pass a **Motion** 1) authorizing staff to negotiate a \$5.0 million Line of Credit agreement between the Pajaro Valley Health Care District Hospital Corporation (the "Hospital") and Santa Cruz County Bank and 2) directing staff to place a Resolution approving the final agreement on a future District agenda.

Contact: Julie Peterson, Chief Financial Officer

Executive Summary

The Pajaro Valley Health Care District Hospital Corporation desires a \$5,000,000 Commercial Revolving Line of Credit from Santa Cruz County Bank to provide short term working capital while the Hospital implements its various turnaround plan initiatives. Multiple external entities have expressed a willingness to secure the line of credit on behalf of the Hospital Corporation.

The Line of Credit is expected to mature one year from the initiation date. Interest only payments will be due monthly at a variable rate of US Prime + 1.0% margin. The origination fee will be \$1,000.00 plus all 3rd party fees (legal fees, reports, etc.). A deposit account relationship will be established at Santa Cruz County Bank to facilitate easy access and repayment for the Line of Credit.

Quarterly reporting to Santa Cruz County Bank will include balance sheet and income statements compared to budget.

A formal resolution and loan documents will be presented to the Hospital Corporation and District Boards to approve the Line of Credit in a future meeting.

Background

The Hospital negotiated new payer contracts with all of its major insurance companies. The contracts are being implemented in a staggered timeline to reduce the disruption of cashflow needed to cover daily operations. There were some delays by some payers in loading contract rates and/or other information into their claims payment systems which resulted in delays in payment to Watsonville Community Hospital.

The Hospital sought and received short term cash advances against claims from Kaiser Permanente (\$2.5 million) and Central California Alliance for Health (\$1.0 million) earlier in 2023. Both of the cash advances have been fully repaid to the respective payers.

The timing of the turnaround initiatives and full implementation of their benefits necessitates the larger dollar line of credit and longer one year term. The Hospital Corporation leadership has met with Santa Cruz County Bank and the external parties to present current progress on the turnaround plans and current YTD financial performance.

Given the limited asset base available to the Hospital Corporation to secure its own Line of Credit, it is believed that this is the best option to secure a commercial revolving line of credit with reasonable terms and fees.

Analysis

A review of weekly Accounts Payable disbursements and bi-weekly payroll disbursements were compared to weekly cash collections. Given the timing to implement initiatives in the Turnaround Plan, Watsonville Community Hospital believes this revolving line of credit will provide a financial cushion for unforeseen circumstances or any further delays in reimbursements due to the Hospital Corporation.

Financial Impact

The Hospital will have access to a \$5,000,000 commercial revolving line of credit. There is a \$1,000 loan origination fee plus 3rd party fees for legal and reporting services. The interest rate is variable at US Prime + 1% margin. Monthly payments are based on the amount of credit line in use. The current variable May US Prime rate of 8.25% plus 1%.



Board Report

Meeting Date: July 26, 2023

Report Type: Discussion

Title: Letter of Credit Signing Authority-Santa Cruz County Bank

Recommendation: Pass a **Resolution** approving 1) the removal of Edith Driscoll, Auditor-Controller, County of Santa Cruz and Jasmine Najera, former Secretary and Board Member of the Pajaro Valley Health Care District (PVHCD) and 2) adding full administrative rights for Pajaro Health Care District signers a) Matko Vranjes, Interim CEO and COO b) Julie Peterson, CFO; c) Jessica Dixon, Controller; d) Marcus Pimentel, Treasurer and Board Member; and e) Marci Scianna, Executive Administration for the Santa Cruz County Bank Letter of Credit for Accounts #274348, #23015043 and #900547610.

Contact: Julie Peterson, Chief Financial Officer

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 another form of a "security deposit" that the Lessor can access if the Hospital fails to make its lease payments.

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 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 to obtain the Letter of Credit.

On August 25, 2022, an Entity Authorization was signed by Edith Driscoll, Auditor-Controller, County of Santa Cruz and Jasmine Najera, Secretary and Board Member of the Pajaro Valley Health Care District for was signed for the Santa Cruz County Bank Letter of Credit.

On May 31, 2023, the PVHCD board approved an amendment to the Loan Agreement for the Letter of Credit modifying the repayment terms.

The Pajaro Valley Health Care District board desires that Edith Driscoll and Jasmine Najera, former PVHCD Secretary and Board Member be removed, and the following be added as authorized signers:

- Matko Vranjes, PVHCD CEO (Interim) and COO
- Julie Peterson, PVHCD CFO
- Jessica Dixon, PVHCDHC Controller
- Marcus Pimentel, PVHCD Treasurer and Board Member
- Marci Scianna, Executive Administration

Financial Impact: None

Attachments:

A: Resolution

THE PAJARO VALLEY HEALTH CARE DISTRICT

RESOLUTION NO.

RESOLUTION APPROVING 1) THE REMOVAL OF EDITH DRISCOLL, AUDITOR-CONTROLLER, COUNTY OF SANTA CRUZ AND JASMINE NAJERA, FORMER SECRETARY AND BOARD MEMBER OF THE PAJARO VALLEY HEALTH CARE DISTRICT (PVHCD) AND 2) ADDING FULL ADMINISTRATIVE RIGHTS FOR PAJARO HEALTH CARE DISTRICT SIGNERS A) MATKO VRANJES, INTERIM CEO AND COO B) JULIE PETERSON, CFO; C) JESSICA DIXON, CONTROLLER; D) MARCUS PIMENTEL, TREASURER AND BOARD MEMBER; AND E) MARCI SCIANNA, EXECUTIVE ADMINISTRATION FOR THE LETTER OF CREDIT FOR ACCOUNTS #274348, #23015043 AND #900547610

Whereas, 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.

Whereas, 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.

Whereas, the County was willing to provide bridge financing to the District 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 to obtain the Letter of Credit.

Whereas, on August 25, 2022, an Entity Authorization was signed by Edith Driscoll, Auditor-Controller, County of Santa Cruz and Jasmine Najera, Secretary and Board Member of the Pajaro Valley Health Care District for was signed for the Santa Cruz County Bank Letter of Credit.

Whereas, On May 31, 2023 the PVHCD board approved an amendment to the Loan Agreement for the Letter of Credit modifying the repayment terms.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE PAJARO VALLEY HEALTH CARE DISTRICT HEREBY RESOLVES AND ORDERS AS FOLLOWS:

Section 1. The foregoing recitals are adopted as findings of the Board of Directors as set forth within the body of this Resolution.

Section 2. The Pajaro Valley Health Care District board removes Edith Driscoll and Jasmine Najera, former PVHCD Secretary and Board Member be removed as signers for Santa Cruz County Bank Accounts #274348, #23015043 and #900547610.

Section 3. The Pajaro Valley Health Care District board adds full administrative rights for Pajaro Health Care District signers a) Matko Vranjes, Interim CEO and COO b) Julie Peterson, CFO; c) Jessica Dixon, Controller; d) Marcus Pimentel, Treasurer and Board Member; and e) Marci Scianna, Executive Administration for the Santa Cruz County Bank Letter of Credit for Accounts #274348, #23015043 and #900547610.

AYES:

NOES:

ABSENT:

ABSTAIN:

Chair, Board of Directors

ATTEST

Clerk of the Board-Consultant



Board Report

Meeting Date: July 26, 2023

Type: Discussion

Title: California Department of Health Care Access and Information (HCAI) Hospital Distressed Loan Program

Recommendation: Pass a **Motion** approving the Hospital borrowing an aggregate amount not to exceed \$6,500,000.00 from the California Health Facilities Financing Authority under the Distressed Hospital Loan Program, with that loan to be funded with the proceeds in the Distressed Hospital Loan Program Fund, as further set forth in Hospital Resolution (Attachment A)

Contact: Julie Peterson, Chief Financial Officer

Summary

The Distressed Hospital Loan Program (Program) was established through Chapter 6, Statutes of 2023 (Assembly Bill 112). The legislation requires the Department of Health Care Access and Information (HCAI) and the California Health Facilities Financing Authority (CHFFA) to collaboratively develop the Distressed Hospital Loan Program to offer interest-free, working capital loans to non-profit and publicly-operated financially distressed hospitals, including hospitals that belong to integrated health care systems with no more than two separately licensed hospitals in California that are facing a risk of closure, while they implement turnaround strategies to regain financial viability.

HCAI will contract with CHFFA through an Inter-Agency Agreement to administer the loan program. HCAI and CHFFA are developing a loan application and criteria to make loans to financially distressed hospitals seeking assistance. Some details of the Program are as follows:

- The legislation authorizes up to \$150 million in one-time funding to implement the Program, including administrative costs. Loans will be offered at zero-percent interest.
- Loans are repayable over 72-months, with an initial 18-month grace period at the beginning of the loan term.
- Lending parameters will be focused on financially distressed hospitals in areas where demand for services and service adequacy are of concern.
- The Program will sunset on December 31, 2031. Loans are secured using Medi-Cal checkwrite payments for participating hospitals.
- The legislation also includes provisions for requiring hospitals to submit quarterly financial data to HCAI, for use in monitoring the financial health of hospitals throughout the state. This will enable HCAI to better prepare for and identify developing fiscal challenges at hospitals statewide.

Timeframe for Funding

Based on stakeholder responses, applications will be open until July 31 to allow adequate time for hospitals to provide all the information. If you would like to determine program eligibility, you are encouraged to send all information except the turnaround plan by June 30. If eligibility is determined, applicants must submit a turnaround plan by July 31. Applications received after June 30 must contain a turnaround plan. We will likely fund the loans two-three weeks after applications are awarded.

Evaluation Methodology

The application evaluation methodology will apply equally to all hospitals and all applications will be reviewed in aggregate after the application deadline.

Attachments:

A: Pajaro Valley Health Care District Hospital Corporation Resolution

RESOLUTION NO. xx-xx

RESOLUTION OF **PAJARO VALLEY HEALTH CARE DISTRICT HOSPITAL CORPORATION** AUTHORIZING EXECUTION AND DELIVERY OF A PROMISSORY NOTE, LOAN AND SECURITY AGREEMENT, AND CERTAIN ACTIONS IN CONNECTION THEREWITH FOR A LOAN UNDER THE DISTRESSED HOSPITAL LOAN PROGRAM

DISTRESSED HOSPITAL LOAN PROGRAM

WHEREAS, Pajaro Valley Health Care District Hospital Corporation (the "Borrower") is a not-for-profit hospital, as defined in Section 129381 of the Health and Safety Code;

WHEREAS, Borrower does not belong to an integrated health care system with more than two separately licensed hospital facilities.

WHEREAS, Borrower has determined that it is in its best interest to borrow an aggregate amount not to exceed \$6,500,000.00 from the California Health Facilities Financing Authority (the "Lender") under the Distressed Hospital Loan Program, with that loan to be funded with the proceeds in the Distressed Hospital Loan Program Fund; and

WHEREAS, the Borrower intends to use the loan in order to prevent closure and further stabilize operations of the hospital;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Borrower as follows:

Section 1. The Board of Directors of Borrower hereby approves the submission of an application for a loan from the Distressed Hospital Loan Program.

Section 2. Julie L. Peterson (Chief Financial Officer), Matko Vranjes (Interim Chief Executive Officer), John Friel (Board Chairman), Marcus Pimentel (Board Treasurer) {each} an "Authorized Officer" are hereby authorized and directed, for and on behalf of the Borrower, to do any and all things and to execute and deliver any and all documents that the Authorized Officer(s) deem(s) necessary or advisable to consummate the borrowing of moneys from the Lender and otherwise to effectuate the purposes of this Resolution and the transactions contemplated hereby.

Section 3. The proposed form of Loan and Security Agreement (the "Agreement"), which contains the terms of the loan, is hereby approved. The loan shall be in a principal amount not to exceed \$6,500,000.00, shall not bear interest, and shall mature 72 months from the date of the executed Loan and Security Agreement between the Borrower and the Lender. The {Each} Authorized Officer(s) is (are) hereby authorized and directed, for and on behalf of the Borrower, to execute the Agreement in substantially that form, which includes the Loan Funds Disbursement Certification, as well as the redirection of up to twenty percent (20%) of Medi-Cal reimbursements (checkwrite payments) to Lender in the event of default in accordance with Health and Safety Code section 129384, with those changes therein as the Authorized Officer(s) may require or approve, that approval to be conclusively evidenced by the execution and delivery thereof.

Section 4. The proposed form of Promissory Note (the "Note") as evidence of the Borrower's obligation to repay the loan is hereby approved. The Authorized Officer is hereby authorized and directed, for and on behalf of the Borrower, to execute the Note in substantially said form, with those

changes therein as the Authorized Officer(s) may require or approve, that approval to be conclusively evidenced by the execution and delivery thereof.

PASSED AND ADOPTED at a regular meeting of the Board of Directors of Pajaro Valley Health Care District Hospital Corporation held on the 26th day of July, 2023.



Board Report

Meeting Date: July 26, 2023

Report Type: Discussion

Title: Agreement: Isom Advisors Consulting Services

Recommendation: Pass a **Motion** approving the engagement of Isom Advisors, a full-service municipal bond planning, campaign management and financial advisory firm to perform bond program and financial analysis, survey/poll services, bond financial planning services, continuing disclosure services, annual debt transparency report services and related bond consulting services related to the issuance of municipal debt.

Contact: Cecilia Montalvo, Finance and Strategy Consultant

Analysis

On April 26, 2023, the Pajaro Valley Health Care District (PVHCD) board received information from Jon Isom, Isom Advisors, a Division of Urban Futures, Inc. on possible 2024 ballot measures for long term goals: 1) to purchase the land and the building from the property owner; and 2) to secure ongoing supplemental property taxes to support operations.

Currently, the PVHCD desires to retain Isom Advisors to perform 1) survey/poll services 2) financial planning services, 3) financial advisory services and 4) Continuing Disclosure services and 5) Annual Debt Transparency Report and Isom Advisor agrees to perform the Consulting Services pursuant to the terms and conditions of the Agreement (Attachment A).

Financial Impact:

A bond issue could support 1) the acquisition of the land and buildings on the hospital site (saving the District ~\$4 million per year); 2) the development of second floor space for alternative use (producing income for the District and PVHCDHC); 3) purchase and implementation of new electronic medical record system, 4) acquisition of new imaging equipment to improve quality and access; and 5) fund facility maintenance. Other than the direct costs of survey implementation and tabulation, Isom Advisors services are paid for through the bond financing itself.

Attachments:

A-Consulting Services Agreement

CONSULTING SERVICES AGREEMENT

This CONSULTING SERVICES AGREEMENT (this “Agreement”) is dated as of the latest date set forth on the signature page hereto (the “Effective Date”) and is entered into by and between Isom Advisors, a Division of Urban Futures Inc., a California corporation (“Advisor”), and Pajaro Valley Health Care District (“District”).

RECITALS

WHEREAS, District wishes to issue certain bonds (the “Bonds”) and desires that Advisor provide to District certain Consulting Services (defined below) with respect to the Bonds; and

WHEREAS, Advisor desires to provide to District certain Consulting Services with respect to the Bonds on the terms and subject to the conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants, agreements, representations, and warranties contained in this Agreement, the parties agree as follows:

AGREEMENT

1. **CONSULTING SERVICES.** District hereby retains Advisor to perform (i) the survey/poll services set forth on Exhibit A hereto (the “Survey/Voter Opinion Poll Services”), (ii) the financial planning services set forth on Exhibit B hereto (“the Financial Planning Services”), (iii) the financial advisory services set forth on Exhibit C hereto (“the Financial Advisory Services”); and (iv) the Continuing Disclosure services set forth on Exhibit D hereto (the “Continuing Disclosure Services”); and (v) the Annual Debt Transparency Report (“ADTR”) services set forth on Exhibit E hereto (the “ADTR Services”); and Advisor hereby agrees to perform the Consulting Services pursuant to the terms and conditions of this Agreement.

2. **EFFECTIVE DATE, TERM AND CONDITIONS.** This Agreement shall be effective as of the Effective Date and shall remain in effect until (i) the 5-year (five-year) anniversary of the Effective Date (the “Term”) or (ii) until the Agreement is terminated as set forth below. The parties may extend the Term for successive 1-year (one-year) periods upon mutual written agreement, or otherwise as the parties may agree in writing.

3. **COMPENSATION.** Compensation for the Consulting Services provided to District pursuant to this Agreement shall be as set forth in this Section 3. All fees and expenses are contingent on the success of the election with exception to Survey/Voter Opinion Poll Services and Continuing Disclosure Services. Fees for Survey/Voter Opinion Poll Services, Financial Planning Services, Continuing Disclosure Services, and ADTR Services shall be paid from the District’s general fund or other allowable sources. Fees for Financial Advisory Services shall be paid out of proceeds received by the District resulting from the sale of Bonds.

a. Fees.

i. For Survey/Voter Opinion Services (if needed), fees shall not exceed Fifteen Thousand Dollars (\$15,000) and is to be paid upon presentation of results to the District. This sum covers the expenses for the creation of the initial survey instrument, cost of the telephone calls, interpretation of the data from the survey, and the presentation of survey results to the District.

ii. For Financial Planning Services, District shall pay to Advisor a fee of Twenty-Five Thousand Dollars (\$25,000) payable upon the closing of the first series of Bonds.

iii. For Financial Advisory Services, District shall pay to Advisor a fee of Seventy-Five Thousand Dollars (\$75,000) for each series of Bonds sold, payable upon the closing of each series of Bonds (including, without limitation, the first).

iv. For Continuing Disclosure Services, should District utilize this service, shall pay an annual fee of Three Thousand Dollars (\$3,000) for the filing of customary continuing disclosure documents for each year of the Term existing after a closing of a series of GO Bonds.

v. For Annual Debt Transparency Report (“ADTR”) services, the District shall pay an annual fee of Two Hundred Fifty Dollars (\$250) per report filing, for the documentation and filing of the requirements pursuant to SB 1029, which requires individual filings for each debt issuance to be completed by January 31st of each year.

b. Expenses.

i. District shall reimburse Advisor for out-of-pocket expenses incurred by Advisor in the course of performance of Consulting Services at the actual cost of such expenses, which are not to exceed \$2,500. Payment for any expenses pursuant to this Section 3(b) shall be made at the next following due date for payment of a fee pursuant to Section 3(a).

4. **COVENANTS.**

a. District.

i. Access to Personnel. District will cooperate with Advisor by providing opportunities to consult with District personnel as Advisor deems reasonably necessary to perform the Consulting Services.

ii. Information. District agrees to provide on a timely, diligent and accurate basis, and to the best extent possible, all necessary information reasonably requested by Advisor for the purpose of performing the Consulting Services.

iii. Additional Professional Services. District agrees to provide or authorize additional professional services (e.g., legal counsel, paying agent) as Advisor deems reasonably necessary to complete the Consulting Services and the Bond issuance.

iv. Further Assurances. District agrees to take such further actions as may be necessary or appropriate to effectuate, carry out and comply with all of the terms of this Agreement and the transactions contemplated hereby.

b. Advisor.

i. Compliance with Laws. Advisor shall, at all times, comply with all laws, rules and regulations related to the subject matter of this Agreement and to which Advisor is subject.

ii. Non-Discrimination. Advisor shall not discriminate on the basis of a person's actual or perceived race, religious, color, national origin, ancestry, age, marital status, pregnancy, physical or mental disability, medical condition, genetic information, veteran status, gender, gender identity, gender expression, sex, or sexual orientation in employment or operation of its services.

5. **TERMINATION.**

a. This Agreement may be terminated prior to the conclusion of the Term as follows:

i. By either party upon the other party's material breach of any of its representations, warranties or obligations under this Agreement, provided that such breach is not cured within thirty (30) days of receipt of notice specifying the breach.

ii. At any time upon mutual written consent of the Parties.

b. Notwithstanding the foregoing, if District terminates this Agreement without cause ninety days (90) or fewer prior to the sale of a series of Bonds in connection with a Bond program with respect to which Advisor performed any Consulting Services, Advisor shall be entitled to receive (i) the full fee as set forth in Section 3 with respect to Financial Advisory Services provided for such Bond series. Such amounts shall be paid by District to Advisor upon District's receipt of proceeds resulting from the sale of such Bonds.

c. The District agrees that during the term and any subsequent terms of this contract that Isom Advisors, a Division of Urban Futures, Inc. shall be the sole financial advisor in relation to the sale of the Bonds, and that no additional financial advisors shall be hired by the District for the services described in this Agreement without the written consent of Isom Advisors, a Division of Urban Futures, Inc.

6. LIMITATION OF LIABILITY.

a. Advisor Liability. The parties agree that Advisor's officers, directors, agents and employees shall not be personally liable to District for any damages in connection with this Agreement. Advisor shall be solely liable for any finally determined damages in connection with this Agreement for which Advisor is deemed liable.

b. Limitation of Advisor Liability. Except to the extent finally determined to have resulted from the gross negligence, fraud or willful misconduct of Advisor, Advisor's liability to pay damages for any damages, losses and claims incurred by District, regardless of the theory of liability asserted, is limited to no more than an amount equal to the total amount of fees paid to Advisor under this Agreement. In addition, Advisor shall not be liable in any event for lost profits, revenue or goodwill, or any other consequential, indirect, incidental, punitive, exemplary or special damages.

c. District Liability. The parties agree that District's officers, directors, agents, and employees shall not be personally liable to Advisor for any damages in connection with this Agreement. District shall be solely liable for any finally determined damages in connection with this Agreement for which District is deemed liable.

d. Limitation of District Liability. Except to the extent finally determined to have resulted from the gross negligence, fraud or willful misconduct of District, District's liability to pay damages for any damages, losses and claims incurred by Advisor, regardless of the theory of liability asserted, is limited to no more than an amount equal to the total amount of fees to be paid to Advisor under this Agreement. In addition, District will not be liable in any event for lost profits, revenue or goodwill, or any other consequential, indirect, incidental, punitive, exemplary or special damages.

e. Survival of Liability. The provisions of this Section 6 shall survive the expiration or termination of this agreement.

7. PROFESSIONAL LIABILITY INSURANCE

Advisors will procure and maintain Professional liability insurance with the minimum limits of \$1,000,000 per occurrence. Professional liability coverage provided on a "claims made" basis shall be maintained for four years after expiration of the term (and any extensions) of this Agreement. In addition, the "retro" date must be on or before the date of this Agreement.

Advisors will furnish to District duly authenticated Certificates of Insurance and Endorsements evidencing maintenance of the insurance required under this Agreement and such other evidence of insurance as may be reasonably required by District from time to time. Insurance must be placed with insurers with a current A.M. Best Company Rating

equivalent “A VII.” Originals of the duly authenticated Certificates of Insurance and Endorsements shall be included with this Agreement.

Each insurance policy shall state or be endorsed to state that coverage shall not be canceled by either party, except after thirty (30) days (10 days for non-payment of premium) prior written notice by U.S. mail has been given to the District. Notwithstanding any commitment on the part of the insurer to provide such notice to the District, failure of Advisors to provide separate notice of any intent to cancel any policy or change policy providers, or of any actual or potential cancellation, shall constitute a breach of contract for which District shall be entitled to full indemnification under the Agreement.

Maintenance of specified insurance coverage is a material element of this Agreement, and Advisors’ failure to maintain or renew coverage or to provide evidence of renewal during the term of this Agreement may be treated as a material breach of contract by District.

8. **CONFIDENTIALITY OF INFORMATION.** It is mutually agreed that Advisor shall regard all information received during the performance of services pursuant to this Agreement (“Confidential Information”) as confidential and shall not disclose Confidential Information to any other person without prior consent of District. Confidential Information shall not include information that: (i) is, as of the time of its disclosure, or thereafter becomes, part of the public domain through a source other than Advisor; (ii) was known to Advisor as of the time of its disclosure; (iii) is independently developed by Advisor; or (iv) is subsequently learned from a third party not under a confidentiality obligation to District. In addition, Advisor shall be entitled to disclose Confidential Information to the extent such disclosure is requested by the order of a court of competent jurisdiction, administrative agency, or other governmental body, provided that Advisor shall provide prompt, advance notice thereof to enable District to seek a protective order or otherwise prevent such disclosure. The confidentiality obligations of Advisor shall survive the expiration or termination of this Agreement.

9. **ADDITIONAL MATTERS.**

a. MSRB Rule G-10.

i. Pursuant to Municipal Securities Rulemaking Board (“MSRB”) Rule G-10, on Investor and Municipal Advisory Client Education and Protection, Municipal Advisors are required to provide certain written information to their municipal entity and obligated person clients which include the following: Urban Futures, Inc. is currently registered as a Municipal Advisor with the U.S. Securities and Exchange Commission and the Municipal Securities Rulemaking Board.

Within the MSRB website at www.msrb.org, the District may obtain the Municipal Advisory client brochure that is posted on the MSRB website. The

brochure describes the protections that may be provided by the MSRB Rules along with how to file a complaint with financial regulatory authorities.

b. MSRB Rule G-42; Duties of Non-Solicitor Municipal Advisors.

i. Conflicts of Interest. Isom Advisors represents that in connection with the issuance of municipal securities, Isom Advisors may receive compensation from an Issuer or Obligated Person for services rendered, which compensation is contingent upon the successful closing of a transaction and/or is based on the size of a transaction. Consistent with the requirements of MSRB Rule G-42, Isom Advisors hereby discloses that such contingent and/or transactional compensation may present a potential conflict of interest regarding Isom Advisors' ability to provide unbiased advice to enter into such transaction.

It should be noted that other forms of compensation (i.e. hourly or fee based) may also present a potential conflict of interest regarding Isom Advisors' ability to provide advice regarding a municipal security transaction. These conflicts of interest (if ever applicable) would not impair Isom Advisors' ability to render unbiased and competent advice or to fulfill its fiduciary duty to the Issuer.

Isom Advisors serves a wide variety of other clients that may from time to time have interests that could have a direct or indirect impact on the interests of another Isom Advisors client. For example, Isom Advisors serves as municipal advisor to other municipal advisory clients and, in such cases, owes a regulatory duty to such other clients just as it does to District. These other clients may, from time to time and depending on the specific circumstances, have competing interests. In acting in the interests of its various clients, Isom Advisors could potentially face a conflict of interest arising from these competing client interests. Isom Advisors fulfills its regulatory duty and mitigates such conflicts through dealing honestly and with the utmost good faith with the District.

If Isom Advisors becomes aware of any additional potential or actual conflict of interest after this disclosure, Isom Advisors will disclose the detailed information in writing to the Issuer in a timely manner.

ii. Legal or Disciplinary Events. Isom Advisors does not have any legal events or disciplinary history on Isom Advisors' Form MA and Form MA-I, which includes information about any criminal actions, regulatory actions, investigations, terminations, judgments, liens, civil judicial actions, customer complaints, arbitrations and civil litigation. The Issuer may electronically access Isom Advisors' most recent Form MA and each most recent Form MA-I filed with the Commission at the following website:
www.sec.gov/edgar/searchedgar/companysearch.html.

There have been no material changes to a legal or disciplinary event disclosure on any Form MA or Form MA-I filed with the SEC. If any material legal or regulatory action is brought against Isom Advisors, we will provide complete disclosure to the Issuer in detail allowing the Issuer to evaluate Isom Advisors, its management and personnel.

c. Governing Law; Jurisdiction. It is expressly understood that this Agreement and all questions arising hereunder shall be construed according to the laws of the State of California, without giving effect to conflicts of law principles. All actions or proceedings arising directly or indirectly from this Agreement shall be litigated in courts located within Santa Cruz County, California. The parties consent to the jurisdiction thereof and the parties further agree not to disturb such choice of forum.

d. Independent Contractor: Both parties hereto in the performance of this Agreement will be acting in an independent capacity and not as agents, employees, partners or joint ventures with one another. Neither the Advisors nor the Advisors' employees are employee of the District and are not entitled to any of the rights, benefits, or privileges of the District's employees, including but not limited to retirement, medical, unemployment, or workers' compensation insurance.

Neither the District nor its officers, agents or employees shall have any control over the conduct of the Advisors or any of the Advisors' employees except as herein set forth, and the Advisors expressly agrees not to represent that the Advisors or the Advisors' agents, servants, or employees are in any manner agents, servants or employees of the District, it being understood that the Advisors, its agents, servants, and employees are as to the District wholly independent Advisors and that the Advisors' obligations to the District are solely such as are prescribed by this Agreement.

e. Political Contributions: Isom Advisors may choose of its own free will to contribute time, money, or resources to political campaigns associated with the passage of a bond measure. Prior to signing this agreement, Advisor has not made, considered, or discussed a contribution to any campaign connected with the referenced bonds. This agreement does not obligate Advisor to contribute to any particular campaign or election. Advisor has in no way committed to or indicated a willingness to contribute time, money, or resources to any campaign, or to make any other contribution.

f. Conflicts of Interest: No officer or employee of District shall have any financial interest, direct or indirect, in this Agreement nor shall any such officer or employee participate in any decision relating to the Agreement which affects his financial interest or the financial interest of any corporation, partnership or association in which he is, directly or indirectly, interested, in violation of any State statute or regulation. The Advisors warrants that it has not paid or given and will not pay or give any third party any money or other consideration for obtaining this Agreement.

g. Successors and Assigns. Except as otherwise provided herein, this Agreement shall not be assignable by either party without the express written consent of the other party hereto. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

h. Attorneys' Fees. In the event of any action to enforce or interpret this Agreement, including without limitation the recovery of damages for its breach, the prevailing party shall be entitled to recover from the other party its reasonable attorneys' fees and costs. Any judgment or order entered in such action shall contain a specific provision providing for the recovery of attorneys' fees and costs incurred in enforcing such judgment.

i. Amendments to Agreement. This Agreement may not be modified, amended or supplemented except by written instrument executed by all parties hereto.

j. Notice. All notices to be given by the parties hereto and other communications hereunder shall be in writing and shall be deemed effectively given: (i) upon personal delivery to the party to be notified; (ii) when sent by confirmed telex, electronic mail or facsimile if sent during normal business hours of the recipient, if not, then on the next business day; (iii) one (1) day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt; or (iv) four days after deposit with a United States Post Office, first class postage prepaid and registered. All communications shall be sent as follows:

To Advisor:

Isom Advisors,
a Division of Urban Futures Inc.
1470 Maria Lane, Ste. 315
Walnut Creek, CA 94596
Attn.: Jonathan Isom, Managing Principal
Telephone: (925) 478-7450
E-mail: jon@isomadvisors.com

To District:

Pajaro Valley Health Care District
75 Nielson St.
Watsonville, CA 95076
Attn.: Matko Vranjes, Interim CEO
Telephone: (831) 724-4741
E-mail: matko_vranjes@watsonvillehospital.com

k. Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, such provision shall be excluded from this Agreement and the balance of the Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

l. Entire Agreement. This Agreement (including the Exhibits attached hereto) contains the entire understanding of the parties in respect of its subject matter and supersedes all prior agreements and understandings (oral or written) between the parties with respect to such subject matter. The Exhibits attached hereto constitute a part hereof as though set forth in full herein.

m. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the dates set forth below.

ADVISOR:

DISTRICT:

Isom Advisors,
A Division of Urban Futures Inc.

Pajaro Valley Health Care District

By: _____

By: _____

Name: Jonathan Isom

Name: Matko Vranjes

Title: Managing Principal

Title: Interim CEO

Dated: _____, 2023

Dated: _____, 2023

EXHIBIT A

SURVEY/VOTER OPINION POLL SERVICES

- Prepare a voter survey to assist District to assess the feasibility of a voter approved funding measure in the District
- Test voter attitudes, specific project support, tax tolerances, and overall support for local district funding measure
- Conduct telephone survey with a not to exceed amount of 400 voters that match demographics of those voting on proposed election dates
- Produce a written report of findings with complete cross tabulations
- Provide a survey results presentation to District to summarize results of voter survey

EXHIBIT B

FINANCIAL PLANNING SERVICES

- Review District project list and assist District in preparing a capital and financing plan
- Analyze the assessed valuation of District, calculate bonding capacity, and perform financial analysis to determine possible bond proceeds
- Create an election timeline and financing timeline; coordinate same with bond counsel, District, and county
- Recommend proposed bond amount, issuance schedule, and projects to be funded by bond program
- Conduct public information program to assess the feasibility of a bond program in District including providing information
- Assist in the preparation of a bond election resolution including preparing ballot language and detailed bond project list
- Prepare tax rate statement and estimates of tax rates for bond program
- If needed, prepare ballot arguments and rebuttals

EXHIBIT C

FINANCIAL ADVISORY SERVICES

- Analyze the bond market to determine timing, credit enhancement requirements, structure, bond amount, legal documentation requirements, rating requirements, and method of sale
- Assist District, as needed, to assemble bond finance team members including bond counsel, paying agent, trustee, and underwriter
- Prepare timeline, distribution lists, and term sheets to manage financing
- Manage bond issuance process including the coordination with other finance team members (bond counsel, paying agent, trustee, and underwriter, if needed)
- Define the proposed structure including sizing, call provisions, amortization schedule, and phasing of debt service repayment
- Review legal documents including district and county resolutions, bond purchase agreements, Preliminary Official Statement, and Official Statement
- Prepare rating agency and insurer presentation; negotiate with analysts of same
- Assist in preparation and train District members for rating agency meetings
- Analyze tax base and recommend appropriate tax structure
- For competitive sale, review Notice of Sale and Bid Form, distribute bid documents to qualified underwriters and post bid documents, monitor and verify bids on day of sale, and coordinate award of winning bid
- For negotiated sale, discuss structure and tax rate objectives with underwriter, review proposed structure and scale and make recommendations as appropriate, review fees, and review final pricing
- Review closing documents including tax opinion, arbitrage certificate, and continuing disclosure certificate
- Prepare wrap up presentation booklets to summarize bond sale
- Manage pre-closing and closing
- Attend board meetings as needed to explain bond sale, legal documents, and pricing summary

EXHIBIT D

CONTINUING DISCLOSURE SERVICES

- Annually review District's Continuing Disclosure requirements
- Submit to Municipal Securities Rulemaking Board the necessary filings and documentation in order to remain compliant with Continuing Disclosure requirements

EXHIBIT E

ANNUAL DEBT TRANSPARENCY REPORT ("ADTR") SERVICES

- Review ongoing District's Annual Debt Transparency Report ("ADTR") requirements.
- Submit to CDIAC the necessary filings and documentation to remain compliant with SB 1029 including the ADTR by Jan 31st of each year.