

Senate Bill No. 819

CHAPTER 151

An act to add Sections 32121.7 and 32121.8 to the Health and Safety Code, relating to health care districts.

[Approved by Governor July 22, 1999. Filed with
Secretary of State July 22, 1999.]

LEGISLATIVE COUNSEL'S DIGEST

SB 819, Sher. El Camino Hospital District.

Existing law, the Local Health Care District Law, provides for the formation of local health care districts, and authorizes a district to transfer, at fair market value, any part of its assets to one or more corporations to operate and maintain the assets, subject to certain requirements, including the approval of a majority of the voters of the district in certain circumstances. Existing law also authorizes the transfer of a district's assets, for the benefit of the communities served by the district, in the absence of adequate consideration, subject to certain requirements.

This bill would impose similar requirements on the transfer of assets by El Camino Hospital, a nonprofit public benefit corporation that owns and operates El Camino Hospital pursuant to a transfer of assets from the El Camino Hospital District under the above-described provisions. This bill would declare that, due to the unique circumstances applicable to El Camino Hospital, a general statute within the meaning of specified provisions of the California Constitution cannot be made applicable and a special statute is necessary.

The people of the State of California do enact as follows:

SECTION 1. Section 32121.7 is added to the Health and Safety Code, to read:

32121.7. Notwithstanding any other provision of law, the transfer of assets by El Camino Hospital, a California nonprofit public benefit corporation ("El Camino Hospital-Corporation") that owns and operates El Camino Hospital, located in the City of Mountain View, pursuant to a transfer and ground lease from the El Camino Hospital District pursuant to subdivision (p) of Section 32121, is subject to this section.

(a) Before El Camino Hospital-Corporation transfers 50 percent or more of its assets, at fair market value, to one or more corporations, trusts, associations, partnerships, limited liability companies, or other entities or persons, in sum or by increment, the Board of Directors



of El Camino Hospital District shall, by resolution, submit to the voters of the El Camino Hospital District a measure proposing the transfer. The measure shall be placed on the ballot of the special election held upon the request of the El Camino Hospital District or the ballot of the next regularly scheduled election occurring at least 88 days after the resolution of the Board of El Camino Hospital District. If a majority of the voters voting on the measure vote in favor, the transfer shall be approved. The campaign disclosure requirements applicable to local measures provided under Chapter 4 (commencing with Section 84100) of Title 9 of the Government Code shall apply to this election.

(b) El Camino Hospital-Corporation may transfer, for the benefit of the community served by the El Camino Hospital District, in the absence of adequate consideration, any part of the assets of El Camino Hospital-Corporation, including without limitation, the El Camino Hospital, the real property, equipment and other fixed assets, current assets, and cash, relating to the operation of El Camino Hospital to one or more nonprofit corporations, trusts, or associations to operate and maintain the assets.

(1) Any transfer of 50 percent or more of El Camino Hospital-Corporation's assets in sum or by increment, pursuant to this subdivision shall be deemed to be for the benefit of the community served by the El Camino Hospital District only if all of the following occur:

(A) The transfer agreement and all arrangements necessary thereto are approved by the Board of Directors of El Camino Hospital District, and the agreement and arrangements are fully discussed in advance of the board's decision to transfer the assets of El Camino Hospital-Corporation, in at least five properly noticed open and public meetings of the Board of Directors of El Camino Hospital District in compliance with Section 32106 and the Ralph M. Brown Act (Chapter 9 (commencing with Section 54950) of Part 1 of Division 2 of Title 5 of the Government Code).

(B) The transfer agreement provides that the El Camino Hospital District shall approve all initial board members of the nonprofit corporation, trust, or association, and any subsequent board members as may be specified in the transfer agreement.

(C) The transfer agreement provides that all assets transferred to the nonprofit corporation, trust, or association, and all assets accumulated by the nonprofit corporation, trust, or association during the term of the transfer agreement arising out of or from the operation of the transferred assets shall be transferred back to the El Camino Hospital District upon termination of the transfer agreement, including any extension of the transfer agreement.

(D) The transfer agreement commits the nonprofit corporation, trust, or association to operate and maintain the assets of El Camino



Hospital-Corporation for the benefit of the community served by the El Camino Hospital District.

(E) The transfer agreement requires that any funds received from the El Camino Hospital-Corporation at the outset of the agreement or any time thereafter during the term of the agreement be used only to reduce the El Camino Hospital-Corporation indebtedness, to acquire needed equipment for the El Camino Hospital-Corporation health care facilities, to operate, maintain, and make needed capital improvements to those health care facilities, to provide supplemental health care services or facilities for the communities served by the El Camino Hospital District, or to conduct other activities that would further a valid public purpose if undertaken directly by the El Camino Hospital District.

(2) A transfer of 33 percent or more but less than 50 percent of the El Camino Hospital-Corporation's assets, in sum or by increment, pursuant to this subdivision shall be deemed to be for the benefit of the communities served by the El Camino Hospital District only if both of the following occur:

(A) The transfer agreement and all arrangements necessary thereto are approved by the Board of Directors of El Camino Hospital District and the agreement and arrangements are fully discussed in advance of the board's decision to transfer the assets of El Camino Hospital-Corporation in at least two properly noticed open and public meetings of the Board of Directors of El Camino Hospital District in compliance with Section 32106 and the Ralph M. Brown Act (Chapter 9 (commencing with Section 54950) of Part 1 of Division 2 of Title 5 of the Government Code).

(B) The transfer agreement meets all of the requirements of subparagraphs (B) to (E), inclusive, of paragraph (1).

(3) A transfer of 10 percent or more but less than 33 percent of the El Camino Hospital-Corporation's assets, in sum or by increment, pursuant to this subdivision shall be deemed to be for the benefit of the communities served by the El Camino Hospital District only if both of the following occur:

(A) The transfer agreement and all arrangements necessary thereto are approved by the Board of Directors of El Camino Hospital District and the agreement and arrangements are fully discussed in advance of the board's decision to transfer the assets of El Camino Hospital-Corporation in at least two properly noticed open and public meetings of the Board of Directors of El Camino Hospital District in compliance with Section 32106 and the Ralph M. Brown Act (Chapter 9 (commencing with Section 54950) of Part 1 of Division 2 of Title 5 of the Government Code).

(B) The transfer agreements meets all of the requirements of subparagraphs (C) to (E), inclusive, of paragraph (1).

(4) Before El Camino Hospital-Corporation transfers, pursuant to this subdivision, 50 percent or more of its assets to one or more



nonprofit corporations, trusts, or associations, in sum or by increment, the Board of Directors of El Camino Hospital District shall, by resolution, submit to the voters of the El Camino Hospital District a measure proposing the transfer. The measure shall be placed on the ballot of a special election held upon the request of El Camino Hospital District or the ballot of the next regularly scheduled election occurring at least 88 days after the resolution of the El Camino Hospital District. If a majority of the voters voting on the measure vote in its favor, the transfer shall be approved. The campaign disclosure requirements applicable to local measures provided under Chapter 4 (commencing with Section 84100) of Title 9 of the Government Code shall apply to this election.

(5) Notwithstanding any other provision of this subdivision, El Camino Hospital-Corporation shall not transfer any portion of its assets to a private nonprofit corporation, trust, or association that is owned or controlled by a religious creed, church, or sectarian denomination in the absence of adequate consideration.

(c) If the El Camino Hospital-Corporation board has previously transferred less than 50 percent of its assets pursuant to this subdivision, before any additional assets are transferred, the board shall hold a public hearing and shall make a public determination that the additional assets to be transferred will not, in combination with any assets previously transferred, equal 50 percent or more of the total assets.

(d) For purposes of this section, a “transfer” means the transfer of ownership of the assets of El Camino Hospital-Corporation. A lease of the real property or the tangible personal property of El Camino Hospital District shall not be subject to this section except as required under Section 32121.4 or Section 32121.8.

(e) If El Camino Hospital District requests a special election pursuant to subdivision (a) or (b) it shall reimburse counties for the costs of that special election as prescribed pursuant to Section 10520 of the Elections Code.

(f) The limitations set forth in subdivisions (a) and (b) shall not apply to any transfers, sales, leases, or other assignments of assets from El Camino Hospital-Corporation to El Camino Hospital District or entities controlled by El Camino Hospital District, provided that in the case of a transfer to an entity controlled by El Camino Hospital District, that entity shall continue to be governed by this section, imposing the same requirements on such entity as are imposed on El Camino Hospital-Corporation.

(g) Nothing in this section shall limit, modify, or otherwise alter the requirements imposed on El Camino Hospital-Corporation as a nonprofit corporation under the Corporations Code, including Attorney General notice and consent requirements if applicable.

SEC. 2. Section 32121.8 is added to the Health and Safety Code, to read:



32121.8. The El Camino Hospital-Corporation may provide for the operation and maintenance through tenants of the whole or any part of the El Camino Hospital, and for that purpose may enter into any lease agreement that it believes will best serve the interest of the El Camino Hospital District. A lease entered into with one or more corporations, partnerships, limited liability companies or other entities or persons for the operation of 50 percent or more of the El Camino Hospital, or that is part of or contingent upon a transfer of 50 percent or more of the El Camino Hospital-Corporation's assets, in sum or by increment, as described in Section 32127.7 shall be subject to the requirements of Section 32121.7. Any lease for the operation of El Camino Hospital shall require the tenant or lessee to comply with Section 32128. No lease for the operation of the entire hospital shall run for a term in excess of 30 years. No lease for the operation of less than the entire hospital shall run for a term in excess of 10 years.

SEC. 3. The Legislature finds and declares that, because of the unique relationship between El Camino Hospital, a California nonprofit public benefit corporation and El Camino Hospital District, a political subdivision of the State of California and the unique circumstances applicable to the ownership and operation of El Camino Hospital, located in the City of Mountain View, a statute of general applicability cannot be enacted within the meaning of Section 16 of Article IV of the California Constitution, and therefore, a special statute is necessary.

