

RESOLUTION NO. 14-04

**A RESOLUTION OF THE BOARD OF DIRECTORS OF
THE PALM DRIVE HEALTH CARE DISTRICT DECLARING A FISCAL EMERGENCY
AND AUTHORIZING A CHAPTER 9 BANKRUPTCY FILING**

**THE BOARD OF DIRECTORS OF PALM DRIVE HEALTH CARE DISTRICT
RESOLVES AS FOLLOWS:**

A. Recitals

- (i) The Palm Drive Health Care District (the "District") has responsibly and proactively managed its limited finances in order to operate Palm Drive Hospital ("PDH") despite a sustained reduction in patient volume and revenue. Throughout this time, PDH has provided excellent, high quality patient care without compromise to patient safety.
- (ii) Despite the efforts over the past several years of PDH management and Board to take significant steps to reduce expenses, uncontrollable inflationary increases combined with volume and reimbursement declines has created an operating gap and cash flow deficit that threatens the organization's fiscal viability and, if allowed to continue, could threaten patient care and patient safety.
- (iii) In 2010 the District borrowed \$11 million to be used to cover debts dealt with by the plan of adjustment of debts approved in the District's Chapter 9 bankruptcy case filed in 2007 and operational deficits from 2010 forward. However the funds from that source available for operating deficits have since been depleted.
- (iv) In consultation with a nationally recognized healthcare consulting firm, the management and Board explored options and models for changes in services and operations that would provide for positive financial performance while continuing to serve the inpatient and emergency care needs of the District's residents. This exploration concluded that there is no combination of acute inpatient services that could reasonably be expected to achieve and sustain financial viability.
- (v) Faced with a position of insolvency and projected continued declines in volume and revenue, and the potential impact on patient care and patient safety if the current array of services are permitted to continue, and in light of a report that found no reasonable scenario for inpatient acute care services under which these conditions would change, management recommended the termination of inpatient acute care services and the closure of the Emergency Department.

- (vi) The District has now determined that at the current rate of operating losses, the District will be unable to meet its cash obligations not later than May 30, 2014. In the District's financial circumstances, Government Code Sections 53760 through 53760.7, and in particular Government Code Section 53760.5, authorize a local public entity such as the District to file a petition and exercise powers pursuant to applicable federal bankruptcy law, if (a) the local public entity places an item on the agenda of a noticed public hearing on the fiscal condition of the entity to take public comment, and (b) thereafter, the local public entity declares a fiscal emergency and adopts a resolution by majority vote of the governing board at a noticed public hearing that includes findings that the financial state of the local public entity jeopardizes the health, safety, or well-being of the residents of the District's service area absent the protections of Chapter 9 of the Bankruptcy Code, title 11 of the United States Code (commencing with Section 901) ("Chapter 9"), such resolution to include findings that the local public entity is or will be unable to pay its obligations within the next 60 days.
- (vii) On April 1, 2014, the District held a noticed public hearing at which the Board of Directors placed on the agenda the fiscal condition of the District, to take public comment.
- (viii) After considering staff analysis of the District's financial condition, the report of the healthcare consulting firm, management's Recommendation for Substantial Termination of Services, and public comment received at the hearing held on April 1, 2014, the Board of Directors has determined that it is in the best interests of the District to delegate to the Chief Executive Officer the authority to file a petition for protection under Chapter 9 of the Bankruptcy Code.

B. Resolution

NOW, THEREFORE, be it known that the Board of Directors of the Palm Drive Health Care District resolves as follows:

Section 1. The District's fiscal condition creates a substantial threat to the health, safety and welfare of the residents of the District's service area.

Section 2. The Board of Directors finds and declares the existence of a fiscal emergency of grave character and serious moment relating to the continued operation of the District and its delivery of essential healthcare services.

Section 3. The Board of Directors finds that in the District's fiscal emergency the District is or will be unable to pay its obligations within the next 60 days.

Section 4. The Board of Directors finds that the financial state of the District jeopardizes the health, safety, or well-being of the residents of the District's service area absent the protections of Chapter 9 of the Bankruptcy Code.

Section 5. The Board of Directors finds that the District is insolvent on a cash flow basis in the current fiscal year, and will be insolvent in the following fiscal year as well.

Section 6. The Board of Directors hereby resolves that a petition under Chapter 9 of the Bankruptcy Code shall be filed by the District at such time as the Chief Executive Officer determines.

Section 7. The Board of Directors hereby authorizes and directs the Chief Executive Officer, on behalf of and in the name of the District, to execute and file a Chapter 9 petition with the U.S. Bankruptcy Court for the Northern District of California.

Section 8. The Chief Executive Officer, and all other appropriate officials and employees of the District, are hereby authorized to execute and file all petitions, schedules, lists, and other papers, and to take any and all actions that they shall deem necessary and appropriate in connection with such Chapter 9 case, and with a view to the successful prosecution and completion of such case, including without limitation the proposal and confirmation of a plan of adjustment for the debts of the District.

Section 9. The Board of Directors directs District management to investigate and recommend any and all further actions necessary to mitigate the impacts of the fiscal emergency.

Section 10. This Resolution shall take effect immediately upon its adoption.

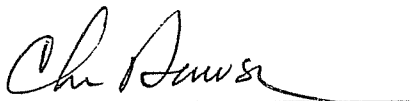
PASSED AND ADOPTED this 1st day of April, 2014, by the following votes:

AYES:

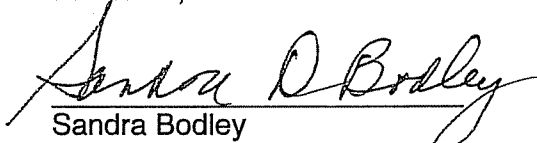
NOES:

ABSENT:

ABSTAIN:



Chris Dawson
President, Board of Directors



Sandra Bodley
Secretary, Board of Directors