
THE LOCAL HEALTH CARE DISTRICT LAW

LOCAL HEALTH CARE DISTRICT LAW OF THE STATE OF CALIFORNIA

**CALIFORNIA HEALTH & SAFETY CODE
DIVISION 23 - HOSPITAL DISTRICTS
SECTIONS 32000 - 32492**

Presented by:



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Chapter 1. **FORMATION OF DISTRICT**

32000. Citation of Division. This division shall be known and may be cited as "The Local Health Care District Law." Any reference in any statute to the Local Hospital District Law shall be deemed a reference to the Local Health Care District Law, and any reference in any statute to a hospital district shall be deemed to be a reference to a health care district.

**Citation of
Division**

32000.1. Definitions. For purposes of this division, both of the following shall apply:

Definitions

(a) Any reference to "hospital district" or "district" shall mean "health care district," and any reference to "hospital administrator" or "administrator" shall mean "chief executive officer."

(b) "Health care facility" shall mean a health facility as defined in Section 1250 and a clinic as defined in Section 1204.

32001. Organization, incorporation and management; Territory. A local hospital district may be organized, incorporated, and managed, as provided in this division and may exercise the powers herein granted or necessarily implied. Such a district may include incorporated or unincorporated territory, or both, or territory in any one or more counties. The territory comprising this district need not be contiguous, but the territory of a municipal corporation shall not be divided; provided that land either in a municipal corporation or in unincorporated territory which the supervising authority finds will not be benefited shall not be included.

**Organization,
incorporation
and
management;
Territory**

32002. Manner of formation and conducting of elections. The manner of formation of local hospital districts, and the conducting of all hospital district elections, unless otherwise provided in this division, shall be as in the manner provided, respectively, by Chapter 1 (commencing with Section 58000) of Division 2 of Title 6 of the Government Code, and Part 3 (commencing with Section 10400) and Part 4 (commencing with Section 10500) of Division 10 of the Elections Code. Except as provided in this division, these provisions are hereby incorporated in this division by reference and shall have the same effect and force as if fully set forth herein. In addition to all other requirements regarding formation of hospital

**Manner of
formation and
conducting of
elections**

districts, no hearing upon the petition to form a hospital district shall be held until comments and recommendations of the Office of Statewide Health Planning and Development and each area health planning agency having territory within the proposed district concerning the need for new or additional health facilities in the area to be served by the proposed district have been filed with the supervising authority. The Office of Statewide Health Planning and Development and the area health planning agency or agencies shall submit these comments and recommendations to the supervising authority within 60 days after receiving a request therefor from the proponents. Failure to submit these comments to the supervising body within 60 days shall be deemed to constitute a "no comment" response.

32002.31 Notice of election; Impartial analysis of proposed district; Approval and modification. Within five days after the district formation election has been called, the legislative body which has called the election shall transmit, by registered mail, a written notification of the election call to the executive officer of the local agency formation commission of the county or principal county in which the territory or major portion of the territory of the proposed district is located. Such written notice shall include the name and a description of the proposed district, and may be in the form of a certified copy of the resolution adopted by the legislative body calling the district formation election.

The executive officer, within five days after being notified that a district formation election has been called, shall submit to the commission, for its approval or modification, an impartial analysis of the proposed district formation.

The impartial analysis shall not exceed 500 words in length and shall include a specific description of the boundaries of the district proposed to be formed.

The local agency formation commission, within five days after the receipt of the executive officer's analysis, shall approve or modify the analysis and submit it to the officials in charge of conducting the district formation election.

32002.32. Submission of written arguments for or against district formation. The board of supervisors or any member or members of the board authorized by the board, or any individual voter or bona fide association of citizens entitled to vote on the district formation proposition, or any combination

Notice of election;

Impartial analysis of proposed district;

Approval and modification

Submission of written arguments for or against district

of such voters and associations of citizens, may file a written argument for or a written argument against the proposed district formation.

Arguments shall not exceed 300 words in length and shall be filed with the officials in charge of conducting the election not less than 54 days prior to the date of the district formation election.

32002.33. Selection of arguments for publication. If more than one argument for or more than one argument against the proposed district formation is filed with the election officials within the time prescribed, such election officials shall select one of the arguments for printing and distribution to the voters.

In selecting the arguments, the election officials shall give preference and priority in the order named to the arguments of the following:

(a) The board of supervisors or any member or members of the board authorized by the board.

(b) Individual voters or bona fide associations of citizens or a combination of such voters and associations.

32002.34. Ballot pamphlet; Preparation; Distribution
The elections officials in charge of conducting the election shall cause a ballot pamphlet concerning the district formation proposition to be voted on to be printed and mailed to each voter entitled to vote on the district formation question.

The ballot pamphlet shall contain the following, in the order prescribed:

(a) The complete text of the proposition.

(b) The impartial analysis of the proposition, prepared by the local agency formation commission.

(c) The argument for the proposed district formation.

(d) The argument against the proposed district formation. The elections officials shall mail a ballot pamphlet to each voter entitled to vote in the district formation election at least 10 days prior to the date of the election. The ballot pamphlet is "official matter" within the meaning of Section 13303 of the Elections

formation

Selection of arguments for publication

Ballot pamphlet;

Preparation;

Distribution

Code.

32003. Formation. Whenever the formation of a local hospital district is desired, a petition may be presented at a regular meeting of the supervising authority of the county in which the land, or a greater portion of the land, in the proposed district is situated, said petition to be signed by the registered voters residing within the boundaries of the proposed district, equal in number to at least 12 percent of the voters registered within the boundaries of the proposed district 30 days prior to the date the petition is filed. The number of written protests required to terminate the proceedings shall be a majority of the registered voters residing in the proposed district.

Formation

If a majority of all the votes cast in the proposed district are in favor of organization, the supervising authority by resolution entered on its minutes shall declare the district duly organized under this act, shall give the name of the district as theretofore designated and shall describe the boundaries of such district. The county whose supervising authority declares the district organized shall be designated the "organizing county."

Chapter 2. BOARD OF DIRECTORS

ARTICLE 1. Election and Organization

32100 Board of directors; Membership. The elective officers of a local hospital district shall be a board of hospital directors consisting of five members, each of whom shall be a registered voter residing in the district and whose term shall be four years, with the exception of the first board. The first board of directors shall be appointed, upon the formation of the district, by the board of supervisors of the county in which the land or a greater part of the land in the district is situated. Upon appointment, the first board shall, by lot, designate two members who shall leave office when their successors take office pursuant to Section 10554 of the Elections Code, and three members who shall leave office two years thereafter. Any vacancy upon the board shall be filled by the methods prescribed in Section 1780 of the Government Code.

Board of directors;

Membership

32100.001. Organizational meeting of board; Election of officers. The board of hospital directors shall meet on the first Monday subsequent to 30 days after the completion of

Organizational meeting of board;

organization of the district and shall organize by the election of one of their members as chairperson or president and one as secretary.

32100.01. Increase in number of members of board of directors. A petition to increase the number of members of the board of directors of any district providing at least 225 hospital beds from five to seven members may be signed and filed with the board of directors at least three months prior to any general hospital district election by registered voters residing within any such local hospital district, equal in number to at least 5 percent of the number of votes cast in that district for the office of Governor at the last preceding election at which a Governor was elected. Upon receipt of this petition the board of directors shall prepare a measure to be printed on the ballots used at the next general hospital district election. The measure shall be printed on the ballots substantially as follows:

"Shall the number of directors of the ____ Hospital District be increased from five to seven?", with the words "Yes" and "No" so printed in connection therewith that the voters may express their choice.

The county elections official of the organizing county shall accept arguments for and against the measure to be mailed to each registered voter in the district, in accordance with the procedure specified in Article 3 (commencing with Section 9160) of Chapter 2 of Division 9 of the Elections Code.

Under the measure, in the manner provided in this article, there shall be printed the names of those persons who have been nominated for the additional directorships.

The returns of the election shall be canvassed and declared as at other general hospital district elections. If a majority of the votes cast in the election are in favor of the measure the board of directors shall by resolution declare that the lawful number of directors of the district has been increased by the designated number of members. If a majority of the votes cast in the election are opposed to the measure, no similar measure shall be placed on the ballot until the next general hospital district election.

32100.02. Election of directors at large; Terms of office on basis of number of votes. The election of directors to fill the additional vacancies on the board created by

Election of officers

Increase in number of members of board of directors

Election of directors at large;

expansion shall be an election at large. A director elected at the election but receiving the lesser number of votes in the election shall hold office until a successor takes office pursuant to Section 10554 of the Elections Code, and the director elected at the election receiving the greater number of votes shall hold office until two years thereafter.

32100.03. Resolution dividing district into zones; Election of board members. If the majority of votes cast in the election specified in Section 32100.01 are in favor of expansion of the board of directors, the board of directors of the district, which has been divided into zones pursuant to Section 32100.1, shall by resolution divide the district into seven zones. The resolution shall also specify the boundaries of each zone. At the expiration of the terms of office of the members of the board of directors then in office, and thereafter, such members of the board of directors shall be elected by the zones established by such resolution.

32100.04. Zone division and election of board members, where district no already divided into zones. A district which has added additional directors pursuant to Section 32100.01, but has not been divided into zones, may, in the manner provided by Section 32100.1, divide the district into zones, except that the resolution of the board of directors shall divide the district into seven zones. If at the expiration of the terms of office of the members of the board, in office at the time of such division into zones, four members of the board are to be elected, those four members shall be elected from zones designated by odd numbers; if three members are to be elected, those three members shall be elected from zones designated by even numbers.

32100.05. Directors of consolidated district.
(a) Notwithstanding Sections 32100 and 32100.01, the local agency formation commission, in approving either a consolidation of districts or the reorganization of two or more districts into a single hospital district may, pursuant to subdivisions (k) and (n) of Section 56844, increase the number of directors to serve on the board of directors of the consolidated or reorganized district to 7, 9, or 11, who shall be members of the board of directors of the districts to be consolidated or reorganized as of the effective date of the consolidation or reorganization.

(b) Upon the expiration of the terms of the members of

Terms of office on basis of number of votes

Resolution dividing district into zones;

Election of board members

Zone division and election of board members, where district no already divided into zones

Directors of consolidated district

the board of directors of the consolidated district, or a district reorganized as described in subdivision (a), whose terms first expire following the effective date of the consolidation or reorganization, the total number of members on the board of directors shall be reduced until the number equals the number of members permitted by the principal act of the consolidated or reorganized district, or any larger number as may be specified by the local agency formation commission in approving the consolidation or reorganization.

(c) In addition to the powers granted under Section 1780 of the Government Code, in the event of a vacancy on the board of directors of the consolidated district or a district reorganized as described in subdivision (a) at which time the total number of directors is greater than five, the board of directors may, by majority vote of the remaining members of the board, choose not to fill the vacancy. In that event, the total membership of the board of directors shall be reduced by one board member. Upon making the determination not to fill a vacancy, the board of directors shall notify the board of supervisors of its decision.

(d) For the purposes of this section: "consolidation" means consolidation, as defined in Section 56030 of the Government Code; "district" or "special district" means district or special district, as defined in Section 56036 of the Government Code; and "reorganization" means reorganization, as defined in Section 56073 of the Government Code.

32100.1. Election of directors by zones. A petition for election of directors by zones may be signed and filed with the board of directors by registered voters residing within a local hospital district, equal in number to at least 15 percent of the number of votes cast in that district for the office of Governor at the last preceding election at which a Governor was elected. Upon receipt of this petition the board of directors shall, by resolution, divide the local hospital district into zones and number the zones consecutively.

Alternatively, and without a petition, the board of directors may adopt a resolution to divide the district into zones and number the zones consecutively.

In establishing these zones, the board of directors shall provide for representation in accordance with demographic, including population, and geographic factors of the entire area of the local hospital district. The board of directors shall fix the time and place for a hearing on the proposed establishment of

**Election of
directors by
zones**

zones. At this hearing, any elector of the district may present his or her views and plans in relation to the proposed zoning, but the board of directors shall not be bound thereby and their decision, in the resolution adopted, shall be final.

The zones shall be effective for the next district election after the resolution of the board for which there is time to implement the zones and elections within the zones, unless a petition requesting an election on the resolution, containing the signatures of not less than 5 percent of the qualified registered voters of the district, is filed with the county elections official within 60 days after passage of the resolution. The form of the petition and the requirements and procedures applicable thereto shall be governed by Article 2 (commencing with Section 9140) of Chapter 2 of Division 9 of the Elections Code, except that all computations referred to in those sections shall be construed to refer to comparable computations of the district, and references to "ordinance" shall be construed to refer to "resolution." For purposes of this section, the electors of the district shall be the electors of the territory entitled to vote at elections for members of the board. If a valid and timely petition is filed with the county elections official, then the board shall prepare a measure to be printed on the ballots used at the next general hospital district election, or at a special election to be held for that purpose. The measure shall be printed on the ballots substantially as follows:

"Shall members of the board of directors be elected by zones, as described in the resolution of the board of directors dated ____?", with the words "Yes" and "No" so printed in connection therewith that the voters may express their choice.

The county elections official shall accept arguments for and against the measure, to be mailed to each registered voter in the district, in accordance with Article 3 (commencing with Section 9160) of Chapter 2 of Division 9 of the Elections Code.

The returns of the election shall be canvassed and declared as at other general hospital district elections, and if it appears that a majority of the votes cast in the election are in favor of the measure, the board of directors shall by resolution declare the zones established and shall describe the boundaries of the zones. At the expiration of the terms of office of the members of the board of directors then in office, and thereafter, these members of the board of directors shall be elected by zones. One member of the board of directors shall be elected by the electors of each of the zones. No person shall be eligible

to hold the office of member of the board of directors unless he or she has been a resident of the zone from which he or she is elected for 30 days next preceding the date of the election.

The formation of a local hospital district may provide for the election of members of the board of directors by zones by substantially including in the petition for formation the provisions required by this section to be included in the measure, and the members of the board of directors shall be elected from the zones as described in the petition, except that the first board of directors shall be appointed, upon the formation of the district, by the board of supervisors of the county in which the land or a greater part of the land in the district is situated. One member of the board shall be appointed from each zone.

The terms of the members of the first board of directors appointed under this section shall be determined by lot. Three members shall hold office for four years, and two members shall hold office for two years. Thereafter, the term of office for all members shall be four years.

Any vacancy upon the board shall be filled by appointment by the remaining members of the board, from the zone left unrepresented on the board of directors. Any person appointed to fill the vacancy shall hold office for the unexpired term.

32100.2. Absences as creating vacancy. Notwithstanding any other provision of law, the term of any member of the board of directors shall expire if he or she is absent from three consecutive regular meetings, or from three of any five consecutive meetings of the board and the board by resolution declares that a vacancy exists on the board.

Absences as creating vacancy

32100.5. Hospital district general election; Consolidation with statewide general election. A hospital district general election shall be held in each local hospital district on the first Tuesday after the first Monday in November in each even-numbered year, at which a successor shall be chosen to each officer whose term shall expire when the successor takes office pursuant to Section 10554 of the Elections Code. The hospital district general election shall be consolidated with the statewide general election pursuant to Part 3 (commencing with Section 10400) of Division 10 of the Elections Code.

Hospital district general election;

Consolidation with statewide general election

The person receiving the highest number of votes for each office to be filled at the election shall be elected thereto. The term of office of each elective officer of the district elected, shall be four years, or until his or her successor is elected and has qualified.

32100.6. Eden Township Hospital District; Election of directors. Notwithstanding any other provision of law, the voters of the Eden Township Hospital District may file a petition with its board of directors pursuant to the provisions of Section 32100.1, to elect its directors either by zones or from zones; provided, however, that the petition shall be deemed sufficient if it is signed by registered voters of the district equal in number to 5 percent of the number of votes cast in the district for the office of Governor at the last preceding election at which a Governor was elected.

The term "by zones" shall mean the election of directors of a local hospital by the voters of the zone alone. The term "from zones" shall mean the election of directors of a local hospital district who are residents of the zone from which they are elected by the voters of the entire district.

32100.7. Adoption of resolution to increase membership of Board of Directors of Valley Health System. Notwithstanding Section 32100.01, the Board of Directors of Valley Health System, a local hospital district, may adopt a resolution to increase the number of members of its board of directors from five to seven without the necessity of a petition or approval thereof by voters residing within the district. The resolution shall become effective on the date and subject to any conditions specified in the resolution. The additional vacancies created by the expansion shall be filled by election.

Notwithstanding Section 32100.02, if Valley Health System has duly adopted election of directors by zones pursuant to Section 32100.1, the additional vacancies created by expansion shall likewise be filled by election by zones. Notwithstanding Section 32100.1, the initial election to fill the additional vacancies may be at any one of the regular election dates provided for in Section 2500 of the Elections Code and the resolution shall designate the election date.

The director elected at the election but receiving the lesser number of votes shall hold office until a successor elected at the next following general election takes office

**Eden Township
Hospital
District;
Election of
directors**

**Adoption of
resolution to
increase
membership of
Board of
Directors of
Valley Health
System**

pursuant to Section 23556 of the Elections Code, and the director elected at the election receiving the greater number of votes shall hold office until a successor elected at the general election two years thereafter takes office. After the expiration of the initial terms as provided in the previous sentence, the terms of directors elected to fill each of the additional vacancies shall be as provided in Section 32100.

32101. Qualified electors. All registered voters residing within the territory comprising a district organized under this division are qualified electors.

Qualified electors

32103. Compensation and expenses of board members. The board of directors shall serve without compensation except that the board of directors, by a resolution adopted by a majority vote of the members of the board, may authorize the payment of not to exceed one hundred dollars (\$100) per meeting not to exceed five meetings a month as compensation to each member of the board of directors.

Compensation and expenses of board members

Each member of the board of directors shall be allowed his or her actual necessary traveling and incidental expenses incurred in the performance of official business of the district as approved by the board.

32104. Powers of board. The board of directors shall provide for the time and place of holding its regular meetings and the manner of calling the same, and shall establish rules for its proceedings and may adopt such rules and regulations not inconsistent with law as may be necessary for the exercise of the powers conferred and the performance of the duties imposed upon the board.

Powers of board

32106. Sessions of board open to public; Quorum.

(a) Except as provided in this section, Section 32155, or the Ralph M. Brown Act (Chapter 9 (commencing with Section 54950) of Part 1 of Division 2 of Title 5 of the Government Code) all of the sessions of the board of directors, whether regular or special, shall be open to the public, and a majority of the members of the board shall constitute a quorum for the transaction of business.

Sessions of board open to public;

(b) The board of directors may order that a meeting held solely for the purpose of discussion or deliberation, or both, of reports involving district trade secrets be held in closed session. Except as provided in this subdivision, the closed session shall meet all applicable requirements of Chapter 9 (commencing

Quorum

with Section 54950) of Division 2 of Title 5 of the Government Code, including Section 54957.7.

(c) "Health care facility trade secrets," as used in this section, means a "trade secret," as defined in subdivision (d) of Section 3426.1 of the Civil Code, and in addition meets all of the following:

(1) Is necessary to initiate a new district service or program or add a district health care facility.

(2) Would, if prematurely disclosed, create a substantial probability of depriving the district of a substantial economic benefit.

(d) The exception provided in subdivision (b) to the general open meeting requirements for a meeting of the board of directors, shall not apply to a meeting where there is action taken, as defined in Section 54952.6 of the Government Code.

(e) Nothing in this section shall be construed to permit the board of directors to order a closed meeting for the purposes of discussing or deliberating, or to permit the discussion or deliberation in any closed meeting of any proposals regarding:

(1) The sale, conversion, contract for management, or leasing of any district health care facility or the assets thereof, to any for-profit or nonprofit entity, agency, association, organization, governmental body, person, partnership, corporation, or other district.

(2) The conversion of any district health care facility to any other form of ownership by the district.

(3) The dissolution of any district.

32110. Interest in private hospital

(a) Except as provided in subdivision (d), no person who is a director, policymaking management employee, or medical staff officer of a hospital owned or operated by a district shall do either of the following:

(1) Possess any ownership interest in any other hospital serving the same area as that served by the district hospital of which the person is a director,

Interest in private hospital

policymaking management employee, or medical staff officer.

(2) Be a director, policymaking management employee, or medical staff officer of any hospital serving the same area as the area served by the district hospital.

(b) For purposes of this section, a hospital shall be considered to serve the same area as a district hospital when more than 5 percent of the hospital's patient admissions are residents of the district.

(c) For purposes of this section, the possession of an ownership interest, including stocks, bonds, or other securities by the spouse or minor children or any person shall be deemed to be the possession or interest of the person.

(d) No person shall serve concurrently as a director or policymaking management employee of a district and as a director or policymaking management employee of any other hospital serving the same area as the district, unless the boards of directors of the district and the hospital have determined that the situation will further joint planning, efficient delivery of health care services, and the best interest of the areas served by their respective hospitals, or unless the district and the hospital are affiliated under common ownership, lease, or any combination thereof.

(e) Any candidate who elects to run for the office of member of the board of directors of a district, and who owns stock in, or who works for any health care facility that does not serve the same area served by the district in which the office is sought, shall disclose on the ballot his or her occupation and place of employment.

32111. "Financially interested"

(a) A member of a health care district's medical or allied health professional staff who is an officer of the district shall not be deemed to be "financially interest," for purposes of Section 1090 of the Government Code, in any of the contracts set forth in subdivision (b) made by any district body or board of which the officer is a member if all of the following conditions are satisfied:

(1) The officer abstains from any participation in the making of the contract.

"Financially interested"

(2) The officer's relationship to the contract is disclosed to the body or board and noted in its official records.

(3) If the requirements of paragraphs (1) and (2) are satisfied, the body or board does both of the following, without any participation by the officer:

(A) Finds that the contract is fair to the district and in its best interest.

(B) Authorizes the contract in good faith.

(b) Subdivision (a) shall apply to the following contracts:

(1) A contract between the district and the officer for the officer to provide professional services to the district's patients, employees, or medical staff members and their respective dependents, provided that similar contracts exist with other staff members and the amounts payable under the contract are no greater than the amounts payable under similar contracts covering the same or similar services.

(2) A contract to provide services to covered persons between the district and any insurance company, health care service plan, employer, or other entity which provides health care coverage, and which also has a contract with the officer to provide professional services to its covered persons.

(3) A contract in which the district and the officer are both parties if other members of the district's medical or allied health professional staff are also parties, directly or through their professional corporations or other practice entities, provided the officer is offered terms no more favorable than those offered any other party who is a member of the district's medical or allied health professional staff.

(c) This section does not permit an otherwise prohibited individual to be a member of the board of directors of a district, including, but not limited to, individuals described in Section 32110 of this code or in Section 53227 of the Government Code. Nothing in this section shall authorize a contract that

would otherwise be prohibited by Section 2400 of the Business and Professions Code.

(d) For purposes of this section, a contract entered into by a professional corporation or other practice entity in which the officer has an interest shall be deemed the same as a contract entered into by the officer directly.

ARTICLE 2. Powers

32121. (Operative until January 1, 2006) Powers of local hospital districts. Each local district shall have and may exercise the following powers:

(Operative until January 1, 2006)

(a) To have and use a corporate seal and alter it at its pleasure.

Powers of local hospital districts

(b) To sue and be sued in all courts and places and in all actions and proceedings whatever.

(c) To purchase, receive, have, take, hold, lease, use, and enjoy property of every kind and description within and without the limits of the district, and to control, dispose of, convey, and encumber the same and create a leasehold interest in the same for the benefit of the district.

(d) To exercise the right of eminent domain for the purpose of acquiring real or personal property of every kind necessary to the exercise of any of the powers of the district.

(e) To establish one or more trusts for the benefit of the district, to administer any trust declared or created for the benefit of the district, to designate one or more trustees for trusts created by the district, to receive by gift, devise, or bequest, and hold in trust or otherwise, property, including corporate securities of all kinds, situated in this state or elsewhere, and where not otherwise provided, dispose of the same for the benefit of the district.

(f) To employ legal counsel to advise the board of directors in all matters pertaining to the business of the district, to perform the functions in respect to the legal affairs of the district as the board may direct, and to call upon the district attorney of the county in which the greater part of the land in the

district is situated for legal advice and assistance in all matters concerning the district, except that if that county has a county counsel, the directors may call upon the county counsel for legal advice and assistance.

(g) To employ any officers and employees, including architects and consultants, the board of directors deems necessary to carry on properly the business of the district.

(h) To prescribe the duties and powers of the health care facility administrator, secretary, and other officers and employees of any health care facilities of the district, to establish offices as may be appropriate and to appoint board members or employees to those offices, and to determine the number of, and appoint, all officers and employees and to fix their compensation. The officers and employees shall hold their offices or positions at the pleasure of the boards of directors.

(i) To do any and all things that an individual might do that are necessary for, and to the advantage of, a health care facility and a nurses' training school, or a child care facility for the benefit of employees of the health care facility or residents of the district.

(j) To establish, maintain, and operate, or provide assistance in the operation of, one or more health facilities or health services, including, but not limited to, outpatient programs, services, and facilities; retirement programs, services, and facilities; chemical dependency programs, services, and facilities; or other health care programs, services, and facilities and activities at any location within or without the district for the benefit of the district and the people served by the district.

"Health care facilities," as used in this subdivision, means those facilities defined in subdivision (b) of Section 32000.1 and specifically includes freestanding chemical dependency recovery units. "Health facilities," as used in this subdivision, may also include those facilities defined in subdivision (d) of Section 15432 of the Government Code.

(k) To do any and all other acts and things necessary to carry out this division.

(l) To acquire, maintain, and operate ambulances or ambulance services within and without the district.

(m) To establish, maintain, and operate, or provide assistance in the operation of, free clinics, diagnostic and testing centers, health education programs, wellness and prevention programs, rehabilitation, aftercare, and any other health care services provider, groups, and organizations that are necessary for the maintenance of good physical and mental health in the communities served by the district.

(n) To establish and operate in cooperation with its medical staff a coinsurance plan between the hospital district and the members of its attending medical staff.

(o) To establish, maintain, and carry on its activities through one or more corporations, joint ventures, or partnerships for the benefit of the health care district.

(p) (1) To transfer, at fair market value, any part of its assets to one or more corporations to operate and maintain the assets. A transfer pursuant to this paragraph shall be deemed to be at fair market value if an independent consultant, with expertise in methods of appraisal and valuation and in accordance with applicable governmental and industry standards for appraisal and valuation, determines that fair and reasonable consideration is to be received by the district for the transferred district assets. Before the district transfers, pursuant to this paragraph, 50 percent or more of the district's assets to one or more corporations, in sum or by increment, the elected board shall, by resolution, submit to the voters of the district a measure proposing the transfer. The measure shall be placed on the ballot of a special election held upon the request of the district or the ballot of the next regularly scheduled election occurring at least 88 days after the resolution of the board. 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.

(2) To transfer, for the benefit of the communities served by the district, in the absence of adequate consideration, any part of the assets of the district, including, without limitation, real property, equipment,

and other fixed assets, current assets, and cash, relating to the operation of the district's health care facilities to one or more nonprofit corporations to operate and maintain the assets.

(A) A transfer of 50 percent or more of the district's assets, in sum or by increment, pursuant to this paragraph shall be deemed to be for the benefit of the communities served by the district only if all of the following occur:

(i) The transfer agreement and all arrangements necessary thereto are fully discussed in advance of the district board decision to transfer the assets of the district in at least five properly noticed open and public meetings 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).

(ii) The transfer agreement provides that the hospital district shall approve all initial board members of the nonprofit corporation and any subsequent board members as may be specified in the transfer agreement.

(iii) The transfer agreement provides that all assets transferred to the nonprofit corporation, and all assets accumulated by the corporation during the term of the transfer agreement arising out of, or from, the operation of the transferred assets, are to be transferred back to the district upon termination of the transfer agreement, including any extension of the transfer agreement.

(iv) The transfer agreement commits the nonprofit corporation to operate and maintain the district's health care facilities and its assets for the benefit of the communities served by the district.

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

(B) A transfer of 33 percent or more but less than 50 percent of the district's assets, in sum or by increment, pursuant to this paragraph shall be deemed to be for the benefit of the communities served by the district only if both of the following occur:

(i) The transfer agreement and all arrangements necessary thereto are fully discussed in advance of the district board decision to transfer the assets of the district in at least two properly noticed open and public meetings 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).

(ii) The transfer agreement meets all of the requirements of clauses (ii) to (v), inclusive, of subparagraph (A).

(C) A transfer of 10 percent or more but less than 33 percent of the district's assets, in sum or by increment, pursuant to this paragraph shall be deemed to be for the benefit of the communities served by the district only if both of the following occur:

(i) The transfer agreement and all

arrangements necessary thereto are fully discussed in advance of the district board decision to transfer the assets of the district in at least two properly noticed open and public meetings 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).

(ii) The transfer agreement meets all of the requirements of clauses (iii) to (v), inclusive, of subparagraph (A).

(D) Before the district transfers, pursuant to this paragraph, 50 percent or more of the district's assets to one or more nonprofit corporations, in sum or by increment, the elected board shall, by resolution, submit to the voters of the district a measure proposing the transfer. The measure shall be placed on the ballot of a special election held upon the request of the district or the ballot of the next regularly scheduled election occurring at least 88 days after the resolution of the board. 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.

(E) Notwithstanding the other provisions of this paragraph, a hospital district shall not transfer any portion of its assets to a private nonprofit organization that is owned or controlled by a religious creed, church, or sectarian denomination in the absence of adequate consideration.

(3) If the district board has previously transferred less than 50 percent of the district's 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 of the district.

(4) The amendments to this subdivision made during the 1991-92 Regular Session, and the amendments made to this subdivision and to Section 32126 made during the 1993-94 Regular Session, shall only apply to transfers made on or after the effective dates of the acts amending this subdivision. The amendments to this subdivision made during those sessions shall not apply to any of the following:

(A) A district that has discussed and adopted a board resolution, prior to September 1, 1992, that authorizes the development of a business plan for an integrated delivery system.

(B) A lease agreement, transfer agreement, or both between a district and a nonprofit corporation that were in full force and effect as of September 1, 1992, for as long as that lease agreement, transfer agreement, or both remain in full force and effect.

(5) Notwithstanding paragraph (4), if substantial amendments are proposed to be made to a transfer agreement described in subparagraph (A) or (B) of paragraph (4), the amendments shall be fully discussed in advance of the district board's decision to adopt the amendments in at least two properly noticed open and public meetings 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).

(6) Notwithstanding paragraphs (4) and (5), a transfer agreement described in subparagraph (A) or (B) of paragraph (4) that provided for the transfer of less than 50 percent of a district's assets shall be subject to the requirements of this subdivision when subsequent amendments to that transfer agreement would result in the transfer, in sum or by increment, of 50 percent or more of a district's assets to the nonprofit corporation.

(7) For purposes of this subdivision, a "transfer" means the transfer of ownership of the assets of a district. A lease of the real property or the tangible personal property of a district shall not be subject to this

subdivision except as specified in Section 32121.4 and as required under Section 32126.

(8) Districts that request a special election pursuant to paragraph (1) or (2) shall reimburse counties for the costs of that special election as prescribed pursuant to Section 10520 of the Elections Code.

(9) (A) Nothing in this section, including subdivision (j), shall be construed to permit a local district to obtain or be issued a single consolidated license to operate a separate physical plant as a skilled nursing facility or an intermediate care facility that is not located within the boundaries of the district.

(B) Notwithstanding subparagraph (A), Eastern Plumas Health Care District may obtain and be issued a single consolidated license to operate a separate physical plant as a skilled nursing facility or an intermediate care facility that is located on the campus of the Sierra Valley District Hospital. This subparagraph shall have no application to any other district and is intended only to address the urgent need to preserve skilled nursing or intermediate care services within the rural County of Sierra.

(C) Subparagraph (B) shall only remain operative until the Sierra Valley District Hospital is annexed by the Eastern Plumas Health Care District or January 1, 2008, whichever occurs first. In no event shall Eastern Plumas Health Care District increase the number of licensed beds at the Sierra Valley District Hospital during the operative period of subparagraph (B).

(10) A transfer of any of the assets of a district to one or more nonprofit corporations to operate and maintain the assets shall not be required to meet paragraphs (1) to (9), inclusive, of this subdivision if all of the following conditions apply at the time of the transfer:

(A) The district has entered into a loan that is insured by the State of California under Chapter 1 (commencing with Section 129000) of Part 6 of

Division 107.

(B) The district is in default of its loan obligations, as determined by the Office of Statewide Health Planning and Development.

(C) The Office of Statewide Health Planning and Development and the district, in their best judgment, agree that the transfer of some or all of the assets of the district to a nonprofit corporation or corporations is necessary to cure the default, and will obviate the need for foreclosure. This cure of default provision shall be applicable prior to the office foreclosing on district hospital assets. After the office has foreclosed on district hospital assets, or otherwise taken possession in accordance with law, the office may exercise all of its powers to deal with and dispose of hospital property.

(D) The transfer and all arrangements necessary thereto are discussed in advance of the transfer in at least one properly noticed open and public meeting 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). The meeting referred to in this paragraph shall be noticed and held within 90 days of notice in writing to the district by the office of an event of default. If the meeting is not held within this 90-day period, the district shall be deemed to have waived this requirement to have a meeting.

(11) If a transfer under paragraph (10) is a lease, the lease shall provide that the assets shall revert to the district at the conclusion of the leasehold interest. If the transfer is a sale, the proceeds shall be used first to retire the obligation insured by the office, then to retire any other debts of the district. After providing for debts, any remaining funds shall revert to the district.

(q) To contract for bond insurance, letters of credit, remarketing services, and other forms of credit enhancement and liquidity support for its bonds, notes, and other indebtedness and to enter into reimbursement agreements,

monitoring agreements, remarketing agreements, and similar ancillary contracts in connection therewith.

(r) To establish, maintain, operate, participate in, or manage capitated health care service plans, health maintenance organizations, preferred provider organizations, and other managed health care systems and programs properly licensed by the Department of Insurance or the Department of Managed Care, at any location within or without the district for the benefit of residents of communities served by the district. However, that activity shall not be deemed to result in, or constitute, the giving or lending of the district's credit, assets, surpluses, cash, or tangible goods to, or in aid of, any person, association, or corporation in violation of Section 6 of Article XVI of the California Constitution.

Nothing in this section shall be construed to authorize activities that corporations and other artificial legal entities are prohibited from conducting by Section 2400 of the Business and Professions Code.

Any agreement to provide health care coverage that is a health care service plan, as defined in subdivision (f) of Section 1345, shall be subject to Chapter 2.2 (commencing with Section 1340) of Division 2, unless exempted pursuant to Section 1343 or 1349.2.

A district shall not provide health care coverage for any employee of an employer operating within the communities served by the district, unless the Legislature specifically authorizes, or has authorized in this section or elsewhere, the coverage.

Nothing in this section shall be construed to authorize any district to contribute its facilities to any joint venture that could result in transfer of the facilities from district ownership.

(s) To provide health care coverage to members of the district's medical staff, employees of the medical staff members, and the dependents of both groups, on a self-pay basis.

(t) This section shall remain in effect only until January 1, 2006, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2006, deletes or extends that date.

32121.1. Delegation of power to employ and

Delegation of

discharge subordinate officers and employees. By resolution, the board of directors of a local hospital district may delegate to its administrator the power to employ (subject to the pleasure of the board of directors), and discharge, such subordinate officers and employees as are necessary for the purpose of carrying on the normal functions of any hospital operated by the district.

power to employ and discharge subordinate officers and employees

32121.2. Disposal of surplus property. Except as provided in this section, by resolution, the board of directors of a local hospital district may authorize the disposition of any surplus property of the district at fair market value by any method determined appropriate by the board.

Disposal of surplus property

The board of directors of a local hospital district may donate or sell, at less than fair market value, any surplus property to another local hospital district in California.

32121.3. Guarantee of minimum income and necessary equipment purchases; Reduced rental rates for office space; Other incentives. (a) Notwithstanding any other provision of law, a hospital district, or any affiliated nonprofit corporation upon a finding by the board of directors of the district that it will be in the best interests of the public health of the communities served by the district and in order to obtain a licensed physician and surgeon to practice in the communities served by the district, may do any of the following:

Guarantee of minimum income and necessary equipment purchases;

(1) Guarantee to a physician and surgeon a minimum income for a period of no more than three years from the opening of the physician and surgeon's practice.

(2) Guarantee purchases of necessary equipment by the physician and surgeon.

(3) Provide reduced rental rates of office space in any building owned or leased by the district or any of its affiliated entities, or subsidize rental payments for office space in any other buildings, for a term of no more than three years.

Reduced rental rates for office space;

(4) Provide other incentives to a physician and surgeon in exchange for consideration and upon terms and conditions the hospital district's board of directors deems reasonable and appropriate.

Other incentives

(b) Any provision in a contract between a physician and

surgeon and a hospital district or affiliated nonprofit corporation is void which does any of the following:

(1) Imposes as a condition any requirement that the patients of the physician and surgeon, or a quota of the patients of the physician and surgeon, only be admitted to a specified hospital.

(2) Restricts the physician and surgeon from establishing staff privileges at, referring patients to, or generating business for another entity.

(3) Provides payment or other consideration to the physician and surgeon for the physician and surgeon's referral of patients to the district hospital or an affiliated nonprofit corporation.

(c) Contracts between a physician and surgeon and a hospital district or affiliated nonprofit corporation that provide an inducement for the physician and surgeon to practice in the community served by the district hospital shall contain both of the following:

(1) A provision which requires the inducement to be repaid with interest if the inducement is repayable.

(2) A provision which states that no payment or other consideration shall be made for the referral of patients to the district hospital or an affiliated nonprofit corporation.

(d) To the extent that this section conflicts with Section 650 of the Business and Professions Code, Section 650 of the Business and Professions Code shall supersede this section.

(e) The Legislature finds that this section is necessary to assist district hospitals to attract qualified physicians and surgeons to practice in the communities served by these hospitals, and that the health and welfare of the residents in these communities require these provisions.

32121.4. Power to lease or operate facilities of another district. Notwithstanding any other provision of law, a hospital district or any affiliated nonprofit corporation, upon a finding by the board of directors of the district that it will be in the best interests of the district to provide additional diversification

Power to lease or operate facilities of another district

of facilities, may lease and operate the realty, facilities, and business of another hospital district in California, or create a leasehold interest in its own realty, improvements, and business in favor of another hospital district, if all of the following apply:

(a) That the lease when taken together with any extensions of the lease shall not exceed a total of 30 years.

(b) That the lessee district shall not finance any capital improvements through the use of the lessor district's credit.

(c) That the lessor district shall have successfully completed any feasibility studies required by its board of directors as will reasonably ensure that the lessor hospital's financial stability will not be endangered by the lease transaction.

(d) Nothing in this section shall be construed to impair or limit the authority of the California Medical Assistance Commission to contract for the provision of inpatient hospital services under the Medi-Cal program with local hospital district hospitals as sole distinct entities, even though one or more hospital districts may have entered into leasehold or joint-venture arrangements.

Any lease made pursuant to this section to one or more nonprofit corporations affiliated with a district, that is part of or contingent upon a transfer of 50 percent or more of the district's assets, in sum or by increment, to the affiliated nonprofit corporation shall be subject to the requirements of subdivision (p) of Section 32121.

32121.5. Local district authorized to contract with hospital administrator; Term. Notwithstanding any other provision of this division, a local hospital district may enter into a contract of employment with a hospital administrator, the duration of which shall not exceed four years, but which may periodically be renewed upon expiration for not more than four years.

32121.7. Transfer of assets by El Camino Hospital. 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

Local district authorized to contract with hospital administrator; Term

Transfer of assets by El Camino Hospital

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 agreement 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.

32121.8. Lease agreement for operation and maintenance of El Camino Hospital through tenants. 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.

32121.9. Advocate for community. A district that leases or transfers its assets to a corporation pursuant to this division, including, but not limited to, subdivision (p) of Section 32121 or Section 32126, shall act as an advocate for the community to the operating corporation. The district shall annually report to the community on the progress made in meeting the community's health needs.

Lease agreement for operation and maintenance of El Camino Hospital through tenants

Advocate for community

32122. Purchase of instruments and equipment. The board of directors may purchase all necessary surgical instruments and hospital equipment and equipment for nurses' homes and all other property necessary for equipping a hospital and nurses' home.

Purchase of instruments and equipment

32123. Purchase of real property; Erection and equipment of buildings. The board of directors may purchase such real property, and erect or rent and equip such buildings or building, room or rooms as may be necessary for the hospital.

Purchase of real property; Erection and equipment of buildings

32124. Nurses' training school. The board of directors may establish a nurses' training school in connection with the hospital, prescribe a course of study for such training and after the completion of the course, provide for the issuance of diplomas to graduate nurses.

Nurses' training school

32125. Operation of health care facilities owned or leased by district; Contract to care for indigent county patients; Task force.

Operation of health care facilities owned or leased by district;

(a) The board of directors shall be responsible for the operation of all health care facilities owned or leased by the district, according to the best interests of the public health and shall make and enforce all rules, regulations and bylaws necessary for the administration, government, protection and maintenance of health care facilities under their management and all property belonging thereto and may prescribe the terms upon which patients may be admitted thereto. Minimum standards of operation as prescribed in this article shall be established and enforced by the board of directors.

(b) A district shall not contract to care for indigent county patients at below the cost for care. In setting the rates the board shall, insofar as possible, establish rates as will permit the district health care facilities to be operated upon a self-supporting basis. The board may establish different rates for residents of the district than for persons who do not reside within the district.

Contract to care for indigent county patients;

(c) Notwithstanding any other provision of law, unless prohibited from doing so by action of the board of directors, the chief executive officer may establish a task force to assist the chief executive officer in operating the district's facilities. The chief executive officer shall, if required to do so by action of the board, select task force members from individuals nominated by the board. Once established, the task force may be dissolved

Task force

by action of the chief executive officer or the board. Any action by the board under this subdivision shall require four votes from a board on which there are five members or five votes from a board on which there are seven members.

32126 (Operative until January 1, 2006) Operation and maintenance of hospital through tenants; Lease agreement; Maximum term.

(a) The board of directors may provide for the operation and maintenance through tenants of the whole or any part of any hospital acquired or constructed by it pursuant to this division, and for that purpose may enter into any lease agreement that it believes will best serve the interest of the district. A lease entered into with one or more corporations for the operation of 50 percent or more of the district's hospital, or that is part of, or contingent upon, a transfer of 50 percent or more of the district's assets, in sum or by increment, as described in subdivision (p) of Section 32121, shall be subject to the requirements of subdivision (p) of Section 32121. Any lease for the operation of any hospital shall require the tenant or lessee to conform to, and abide by, Section 32128. No lease for the operation of an entire hospital shall run for a term in excess of 30 years. No lease for the operation of less than an entire hospital shall run for a term in excess of 10 years.

(b) Notwithstanding any other provision of law, a sublease, an assignment of an existing lease, or the release of a tenant or lessee from obligations under an existing lease in connection with an assignment of an existing lease shall not be subject to the requirements of subdivision (p) of Section 32121 so long as all of the following conditions are met:

(1) The sublease or assignment of the existing lease otherwise remains in compliance with subdivision (a).

(2) The district board determines that the total consideration that the district shall receive following the assignment or sublease, or as a result thereof, taking into account all monetary and other tangible and intangible consideration to be received by the district including, without limitation, all benefits to the communities served by the district, is no less than the total consideration that the district would have received under the existing lease.

(3) The existing lease was entered into on or

(Operative until January 1, 2006)

Operation and maintenance of hospital through tenants; Lease agreement;

Maximum term

before July 1, 1984, upon approval of the board of directors following solicitation and review of no less than five offers from prospective tenants.

(4) If substantial amendments are made to an existing lease in connection with the sublease or assignment of that existing lease, the amendments shall be fully discussed in advance of the district board's decision to adopt the amendments in at least two properly noticed open and public meetings 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).

(c) This section shall remain in effect only until January 1, 2006, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2006, deletes or extends that date.

32126.5. Powers for provision of adequate health services; Limitations.

(a) The board of directors of a hospital district or any affiliated nonprofit corporation may do any of the following when it determines that the action is necessary for the provision of adequate health services to communities served by the district:

(1) Enter into contracts with health provider groups, community service groups, independent physicians and surgeons, and independent podiatrists, for the provision of health services.

(2) Provide assistance or make grants to nonprofit provider groups and clinics already functioning in the community.

(3) Finance experiments with new methods of providing adequate health care.

(b) Nothing in this section shall authorize activities which corporations and other artificial legal entities are prohibited from conducting by Section 2400 of the Business and Professions Code.

32127. Treasury requirements and procedures; Disposition of funds. The hospital district shall establish its own treasury and shall appoint a treasurer charged with the

Powers for provision of adequate health services;

Limitations

Treasury requirements and

safekeeping and disbursal of the funds in the treasury of the district. The board of directors shall fix the amount of the bond to be given by such treasurer and shall provide for the payment of the premium therefor out of the maintenance and operation fund.

All moneys derived from that portion, if any, of the annual tax or assessment levied for capital outlay purposes shall be placed in the capital outlay fund. Any moneys derived from a special tax or assessment levied under Article 3 of Chapter 3 hereof shall be placed in a special assessment fund and shall be used exclusively for the purposes for which such special tax or assessment was voted.

All moneys derived from the regular annual tax or assessment provided in Article 1, Chapter 3 hereof, except any part thereof levied for capital outlay purposes, shall be placed in the maintenance and operation fund. All receipts and revenues of any kind from the operation of the hospital shall be paid daily into the treasury of said district and placed in the maintenance and operation fund. Moneys in the maintenance and operation fund may be expended for any of the purposes of the district; provided, however, that no such moneys may be expended for new construction of additional patient bed capacity other than as authorized by Section 32221 hereof. Whenever it appears that the sum in the bond interest and sinking fund will be insufficient to pay the interest or principal of bonds next coming due and payable therefrom, a sum sufficient to pay such principal and interest shall be transferred by the board of directors from the maintenance and operation fund to said bond interest and sinking fund.

Except as to principal and interest of bonds, moneys in the treasury of the district shall be paid out by the treasurer, or such other officer or officers of the district, including the administrator, as may be authorized by the board. The treasurer shall keep such order as his voucher and shall keep accounts of all receipts into the district treasury and all disbursements therefrom.

Where bonds of the district are payable at the office of the district, all receipts from taxes levied to pay the principal and interest of such bonds shall be paid into the treasury of the district, and the treasurer of the district shall pay therefrom the principal and interest of such bonds.

procedures;

Disposition of funds

Where bonds of the district are payable at the office of the county treasurer of the organizing county, at the option of the holder, or otherwise, all receipts from taxes levied to pay principal and interest of such bonds shall be paid into the treasury of the organizing county and shall be placed by the county treasurer in the bond interest and sinking fund of the district, and he shall pay the principal and interest of such bonds therefrom and shall keep an account of all moneys received into and paid out of said fund.

Any moneys in the treasury of the district and any moneys of the district in the bond interest and sinking fund of the district in the treasury of the organizing county may be deposited in accordance with the provisions of the general laws of the State of California governing the deposit of public moneys of cities or counties in such bank or banks in the State of California as may be authorized to receive deposits of public funds, in the same manner and upon the same security as public moneys of cities and counties are deposited in such banks, and with like force and effect. The board of directors of the district are authorized to create a revolving fund which fund shall not exceed the sum of 10 percent of the estimated annual expenditures of the district at any one time and which shall be used for the purpose of paying the interim expenses of the operation of any hospital within the district without the necessity of a written order signed by the president and countersigned by the secretary as provided herein. The treasurer is authorized to deposit said fund in such bank or banks in the county as may be authorized to receive deposits of public funds in the same manner and upon the same security as public moneys of cities and counties are deposited in such banks and with like force and effect, and shall be subject to withdrawal upon the signature of the treasurer, or such other official of the district as may be authorized by the board of directors, for the use and purpose provided for herein.

32127.1. Use of tax funds for acquisition of additional patient bed capacity. Notwithstanding any other provision of law, the board of directors of any district which is licensed to have 85 beds and located within a county of 2,000,000 or more population, as determined by the 1950 census, may, without establishing a fund for capital outlays and without the approval of the district electors, use all or any funds in the possession of, or held by, the district on the effective date of the amendment made to this section at the 1967 Regular Session which were derived from previous tax levies, for the

Use of tax funds for acquisition of additional patient bed capacity

acquisition of additional patient bed capacity by lease or purchase of any hospital buildings or facilities or for new construction of additional patient bed capacity for an existing hospital.

32127.2. Authority to borrow and execute security interests to secure state insurance of health facility financing. Exclusively for the purpose of securing state insurance of financing for the construction of new health facilities, the expansion, modernization, renovation, remodeling and alteration of existing health facilities, and the initial equipping of any such health facilities under Chapter 1 (commencing with Section 129000) of Part 6 of Division 107, and notwithstanding any provision of this division or any other provision or holding of law, the board of directors of any district may (a) borrow money or credit, or issue bonds, as well as by the financing methods specified in this division, and (b) execute in favor of the state first mortgages, first deeds of trust, and other necessary security interests as the Office of Statewide Health Planning and Development may reasonably require in respect to a health facility project property as security for the insurance. No payments of principal, interest, insurance premium and inspection fees, and all other costs of state-insured loans obtained under the authorization of this section shall be made from funds derived from the district's power to tax. It is hereby declared that the authorizations for the executing of the mortgages, deeds of trust and other necessary security agreements by the board and for the enforcement of the state's rights thereunder is in the public interest in order to preserve and promote the health, welfare, and safety of the people of this state by providing, without cost to the state, a state insurance program for health facility construction loans in order to stimulate the flow of private capital into health facilities construction to enable the rational meeting of the critical need for new, expanded and modernized public health facilities.

32127.3. Acts authorized for construction and improvements of health care facilities.

(a) Exclusively for the purpose of securing federal mortgage insurance or federal loans for financing or refinancing the construction of new health facilities, the expansion, modernization, renovation, remodeling, or alteration of existing health facilities, and the initial equipping of those health facilities under the federal mortgage insurance programs as are now or may hereafter become available to a local hospital district, and notwithstanding any provision of this division, or any other

Authority to borrow and execute security interests to secure state insurance of health facility financing

Acts authorized for construction and improvements of health care facilities

provision or holding of law, the board of directors of any district may do either or both of the following:

(1) Borrow money or issue bonds, in addition to other financing methods authorized under this division.

(2) Execute, in favor of the United States or appropriate federal agency, first mortgages, first deeds of trust, or other necessary security interests as the federal government may reasonably require with respect to a health facility project property as security for that insurance.

(b) No payments of principal, interest, insurance premiums and inspection fees, and all other costs of financing obtained as authorized by this section shall be made from funds derived from the district's power to tax.

(c) The Legislature hereby determines and declares that the authorizations for executing the mortgages, deeds of trust, or other necessary security agreements by the board and for the enforcement of the federal government's rights thereunder are in the public interest in order to preserve and promote the health, welfare, and safety of the people of the state by providing, without cost to the state, a federal mortgage insurance program for health facility construction loans in order to stimulate the flow of private capital into health facilities construction to enable the critical need for new, expanded, and modernized public health facilities to be met.

(d) The Legislature further determines and declares that the United States or appropriate federal agency named as beneficiary of any first mortgage or other security interest delivered as authorized by this section is not a private person or body within the meaning of Section 11 of Article XI of the California Constitution.

32127.5. Transfer of functions of district treasurer to county treasurer.

(a) Upon the adoption of a resolution of the board of directors of the district so providing, all funds on hand in the treasury of the district may, be paid over to the county treasurer of the county in which the district was organized, in which case and from and after the date of the adoption of such resolution the functions of the district treasurer shall be performed by the county treasurer. Except as to principal and interest of bonds,

**Transfer of
functions of
district
treasurer to
county
treasurer**

moneys in the treasury of the district shall be paid out by the county treasurer for purposes of the district upon warrants issued by the county auditor on orders signed by the president of the district and countersigned by the secretary of the district.

(b) At any time, the district board may, by resolution, reestablish the office of district treasurer and, upon receipt of a copy of such resolution, notwithstanding any other provision of law, the county treasurer shall transfer all funds of the district to the district treasurer.

32128. Matters to be included in hospital rules; Minimum standards.

(a) The rules of the hospital, established by the board of directors pursuant to this article, shall include all of the following:

(1) Provision for the organization of physicians and surgeons, podiatrists, and dentists licensed to practice in this state who are permitted to practice in the hospital into a formal medical staff, with appropriate officers and bylaws and with staff appointments on an annual or biennial basis.

(2) Provision for a procedure for appointment and reappointment of medical staff as provided by the standards of the Joint Commission on Accreditation of Healthcare Organizations.

(3) Provisions that the medical staff shall be self-governing with respect to the professional work performed in the hospital; that the medical staff shall meet in accordance with the minimum requirements of the Joint Commission on Accreditation of Healthcare Organizations; and that the medical records of the patients shall be the basis for such review and analysis.

(4) Provision that accurate and complete medical records be prepared and maintained for all patients. For purposes of this paragraph medical records include, but are not limited to, identification data, personal and family history, history of present illness, physical examination, special examinations, professional or working diagnoses, treatment, gross and microscopic pathological findings, progress notes, final diagnosis, condition on discharge, and other matters as the medical staff shall determine.

Matters to be included in hospital rules;

(5) Limitations with respect to the practice of medicine and surgery in the hospital as the board of directors may find to be in the best interests of the public health and welfare, including appropriate provision for proof of ability to respond in damages by applicants for staff membership, as long as no duly licensed physician and surgeon is excluded from staff membership solely because he or she is licensed by the Osteopathic Medical Board of California.

(b) The rules of the hospital shall, insofar as consistent with this article, be in accord with and contain minimum standards not less than the rules and standards of private or voluntary hospitals. Unless specifically prohibited by law, the board of directors may adopt other rules which could be lawfully adopted by private or voluntary hospitals.

32128.10. Prohibition against imposition of nonmedical qualifications for sterilization operations; Counseling. No hospital established by the board of directors pursuant to this article which permits sterilization operations for contraceptive purposes to be performed therein, nor the medical staff of such hospital, shall require the individual upon whom such a sterilization operation is to be performed to meet any special nonmedical qualifications, which are not imposed on individuals seeking other types of operations in the hospital. Such prohibited nonmedical qualifications shall include, but not be limited to, age, marital status, and number of natural children.

Nothing in this section shall prohibit requirements relating to the physical or mental condition of the individual or affect the right of the attending physician to counsel or advise his patient as to whether or not sterilization is appropriate. This section shall not affect existing law with respect to individuals below the age of majority.

32129. Contracts for professional health services. Notwithstanding the provisions of the Medical Practice Act, the board of directors of a hospital district or any affiliated nonprofit corporation may contract with physicians and surgeons, podiatrists, health care provider groups, and nonprofit corporations for the rendering of professional health services on a basis as does not result in any profit or gain to the district from the services so rendered and as allows the board to ensure that

Minimum standards

Prohibition against imposition of nonmedical qualifications for sterilization operations;

Counseling

Contracts for professional health services

fees and charges, if any, are reasonable, fair, and consistent with the basic commitment of the district to provide adequate health care to all residents within its boundaries.

32129.5. Contracts for professional services in outpatient emergency department. Notwithstanding any other provision of law, the board of directors of a hospital district or any affiliated nonprofit corporation may contract with a physician and surgeon or podiatrist for the rendering of professional services in the hospital, for the purpose of assuring that a physician and surgeon or podiatrist will be on duty in an outpatient emergency department maintained by the hospital, on a basis as does not result in any profit or gain to the district from the professional services of the physician and surgeon.

Contracts for professional services in outpatient emergency department

For purposes of this section, the contract with the podiatrist shall be for those services which the podiatrist is licensed to practice pursuant to Chapter 5 (commencing with Section 2000) of Division 2 of the Business and Professions Code.

32130. Authority to incur indebtedness. A district may borrow money and incur indebtedness in an amount not to exceed 85 percent of all estimated income and revenue for the current fiscal year, including, but not limited to, tax revenues, operating income, and any other miscellaneous income received by the district, from whatever source derived. The money borrowed and indebtedness incurred under this section shall be repaid within the same fiscal year.

Authority to incur indebtedness

32130.1. Authority to borrow money for current expenses of maintenance and operation. A district is also authorized, when funds are needed to meet current expenses of maintenance and operation, to borrow money on certificates of indebtedness or other evidence of indebtedness in an amount not to exceed five cents (\$0.05) on each one hundred dollars (\$100) of assessed valuation of the district, the certificates of indebtedness to run for a period not to exceed five years and to bear interest not to exceed the rate prescribed in Section 53531 of the Government Code.

Authority to borrow money for current expenses of maintenance and operation

All certificates of indebtedness or other evidence of indebtedness shall be issued after the adoption by a three-fifths vote of the board of directors of the district of a resolution setting forth the necessity for the borrowing and the amount of the assessed valuation of the district and the amount of funds to be borrowed thereon. All certificates of indebtedness or other

evidence of indebtedness shall be offered at public sale by the board of directors of the district after not less than 10 days advertising in a newspaper of general circulation within the district and if no newspaper of general circulation is printed within the district, then in a newspaper of general circulation within the county in which the district is located. Each sale shall be made to the bidder offering the lowest rate of interest or whose bid represents the lowest net cost to the district. However, the rate of interest shall not exceed the rate prescribed in Section 53531 of the Government Code.

The certificates of indebtedness or other evidences of indebtedness shall be signed on behalf of the district by the presiding officer and attested by the secretary of the board of directors of the district. The board of supervisors of the county in which the district lies shall, at the time of fixing the general tax levy, sometimes called the annual assessment or regular annual assessment for the district, and in the manner for the general tax levy provided, levy and collect annually each year until the certificates of indebtedness or other evidences of indebtedness are paid or until there is a sum in the treasury set apart for that purpose sufficient to meet all sums coming due for principal and interest on the certificates of indebtedness or other evidences of indebtedness, tax sufficient to pay the interest on the certificates of indebtedness as the same become due and also, to constitute a sinking fund for the payment of the principal thereof at maturity. The tax shall be in addition to all of the taxes levied for district purposes and shall be placed in a certificate of indebtedness, interest and sinking fund of the district and, until all of the principal of the interest and certificates of indebtedness is paid, the money in the fund shall be used for no other purpose than the payment of the certificates of indebtedness and accruing interest thereon.

32130.2. Issuance of negotiable promissory notes by district.

(a) A district may, by resolution adopted by a majority of the district board, issue negotiable promissory notes to acquire funds for any district purposes subject to the restrictions and requirements imposed by this section. The maturity of the promissory notes shall not be later than 10 years from the date thereof. The total aggregate amount of the notes outstanding at any one time shall not exceed 85 percent of all estimated income and revenue for the current fiscal year, including, but not limited to, tax revenues, operating income, and any other miscellaneous income of the district.

Issuance of negotiable promissory notes by district

Indebtedness incurred pursuant to any other provision of law shall be disregarded in computing the aggregate amount of notes that may be issued pursuant to this section.

(b) Negotiable promissory notes may be issued pursuant to this section for any capital outlay facility, equipment, or item which has a useful life equal to, or longer than, the term of the notes, as determined by the board of directors.

(c) The maximum annual interest rate which may be paid on negotiable promissory notes shall at no time exceed the amount authorized under Section 53531 of the Government Code.

32130.5. Authority of first board of directors to borrow money and incur indebtedness; Application of Section 32130. The first board of directors of a district may, within a period of two years from and after the formation of the district, pursuant to a resolution adopted by it for the purpose, borrow money on certificates of indebtedness, promissory notes, or other evidences of indebtedness, in anticipation of the estimated tax revenue for the following fiscal year, to be repaid within two years from the date of borrowing with interest at a rate not to exceed 5 percent per annum, in order to enable the district to meet all of its necessary initial expenses of organization, construction, acquisition, maintenance, and operation. The total amount of money borrowed and indebtedness incurred under this section and Section 32130 during this two-year period shall not exceed 50 percent of the total amount of estimated tax revenue as estimated by the county auditor or auditors of the county or counties in which the district lies for the following fiscal year.

The provisions of Section 32130 are applicable in respect to any indebtedness incurred under this section to the extent that they are consistent with this section.

32131. Membership in association organized for promotion of public health and welfare. The board of directors may maintain membership in any local, state or national group or association organized and operated for the promotion of the public health and welfare or the advancement of the efficiency of hospital administration, and in connection therewith pay dues and fees thereto.

Authority of first board of directors to borrow money and incur indebtedness;

Application of Section 32130

Membership in association organized for promotion of public health and welfare

32132. Bidding requirement; Small and rural hospitals; Exceptions.

(a) Except as otherwise provided in this section, or in Chapter 3.2 (commencing with Section 4217.10) of Division 5 of Title 1 of the Government Code, the board of directors shall let any contract involving an expenditure of more than twenty-five thousand dollars (\$25,000) for materials and supplies to be furnished, sold, or leased to the district, or any contract involving an expenditure of more than twenty-five thousand dollars (\$25,000) for work to be done, to the lowest responsible bidder who shall give the security the board requires, or else reject all bids.

Except as otherwise provided in this section, for a local health care district that is a small and rural hospital, as defined in Section 124840, the board of directors shall acquire materials and supplies that cost more than twenty-five thousand dollars (\$25,000), but less than fifty thousand dollars (\$50,000), through competitive means, except when the board determines either that (1) the materials and supplies proposed for acquisition are the only materials and supplies that can meet the district's need, or (2) the materials and supplies are needed in cases of emergency where immediate acquisition is necessary for the protection of the public health, welfare, or safety. As used in this paragraph, "competitive means" has the same meaning as used in subdivision (b) of Section 32138.

(b) Subdivision (a) shall not apply to medical or surgical equipment or supplies, to professional services, or to electronic data processing and telecommunications goods and services.

(c) Bids need not be secured for change orders that do not materially change the scope of the work as set forth in a contract previously made if the contract was made after compliance with bidding requirements, and if each individual change order does not total more than 5 percent of the contract.

(d) As used in this section, "medical or surgical equipment or supplies" includes only equipment or supplies commonly, necessarily, and directly used by, or under the direction of, a physician and surgeon in caring for or treating a patient in a hospital.

(e) Nothing in this section shall prevent any district health care facility from participating as a member of any organization described in Section 23704 of the Revenue and Taxation Code,

Bidding requirement;

Small and rural hospitals;

Exceptions

nor shall this section apply to any purchase made, or services rendered, by the organization on behalf of a district health care facility that is a member of the organization.

32133. Audit of hospital books; Report. At least once each year the board shall engage the services of a qualified accountant of accepted reputation to conduct an audit of the books of the hospital and prepare a report. The financial statement of the district with the auditor's certification, including any exceptions or qualifications as part of such certification, shall be published in the district by the board pursuant to Section 6061 of the Government Code.

**Audit of
hospital books;

Report**

32134. Effective date of construction and leasing contract. The effective date of any contract entered into for the construction and leasing of any hospital building or facilities shall be the date of execution of said lease notwithstanding the fact that said lease may be later amended.

**Effective date
of construction
and leasing
contract**

32136. Authority to let contracts without bidding on determination that emergency exists. The board of directors may, without following the bidding provisions in Section 32132 hereof, let contracts for work to be done or for materials and supplies to be furnished, sold or leased to the district, if it first determines that an emergency exists warranting such expenditure due to fire, flood, storm, epidemic, or other disaster and is necessary to protect the public health, safety, welfare, or property.

**Authority to let
contracts
without bidding
on
determination
that emergency
exists**

32137. Change in name of district. The board of directors may, by resolution, change the name of the district. The change in the name of the district shall be effective upon the filing of a verified copy of the resolution with the county clerk of the county or counties in which the hospital district lies.

**Change in
name of district**

32138. Acquisition of electronic data processing goods and services through "competitive means"; Exceptions.

**Acquisition of
electronic data
processing
goods and
services
through
"competitive
means";**

(a) The board of directors shall acquire electronic data processing and telecommunications goods and services with a cost to the district of more than twenty-five thousand dollars (\$25,000) through competitive means, except when the board determines either that (1) the goods and services proposed for acquisition are the only goods and services which can meet the district's need, or (2) the goods and services are needed in cases of emergency where immediate acquisition is necessary

for the protection of the public health, welfare, or safety.

(b) As used in this section, "competitive means" includes any appropriate means specified by the board, including, but not limited to, the preparation and circulation of a request for a proposal to an adequate number of qualified sources, as determined by the board in its discretion, to permit reasonable competition consistent with the nature and requirements of the proposed acquisition.

(c) When the board awards a contract through competitive means pursuant to this section, the contract award shall be based on the proposal which provides the most cost-effective solution to the district's requirements, as determined by the evaluation criteria specified by the board. The evaluation criteria may provide for the selection of a vendor on an objective basis other than cost alone.

ARTICLE 3. *Hearing Procedures*

32150. Appellate review. The board of directors shall adopt reasonable rules and regulations, or bylaws, providing for appellate review of any action, decision, or recommendation of the medical staff affecting the professional privileges of any member of, or applicant for membership on, the medical staff. This appellate review shall be conducted consistent with the requirements of Section 809.4 of the Business and Professions Code.

The board's decision rendered after this appellate review shall be final. Nothing in this section shall abrogate the obligation of the hospital and the medical staff to comply with the requirements of Sections 809 to 809.9, inclusive, of the Business and Professions Code.

32151. Notice of action or decision to person affected. The secretary of the board of directors or the hospital administrator shall mail notice of the action or decision to the affected applicant or medical staff member within the time specified in the applicable bylaw or rule.

32154. Subpoenas. The board or the hearing officer, if one is appointed, shall have the same power with respect to the issuance of subpoenas and subpoenas duces tecum as that granted to any agency or presiding officer pursuant to Article 11

Exceptions

Appellate review

Notice of action or decision to person affected

Subpoenas

(commencing with Section 11450.10) of Chapter 4.5 of Part 1 of Division 3 of Title 2 of the Government Code. Any subpoena or subpoena duces tecum issued pursuant to this section shall have the same force and effect and impose the same obligations upon witnesses as that provided in Article 11 (commencing with Section 11450.10) of Chapter 4.5 of Part 1 of Division 3 of Title 2 of the Government Code.

32155. Private or public hearing. The board of directors may order that the hearing pursuant to this article, and hearings on the reports of the hospital medical audit or quality assurance committees, be held in private or executive session, provided, that an applicant or medical staff member whose staff privileges are the direct subject of a hearing may request a public hearing. Deliberations of the board of directors in connection with matters pertaining to this article may be held in executive session.

Private or public hearing

Chapter 3. ASSESSMENTS

ARTICLE 1. Annual Assessments

32200. Power to finance by assessment. Any district formed pursuant to this division may be financed by assessment on real and personal property within the district, pursuant to this chapter.

Power to finance by assessment

32202. Tax levy; Maximum; District in more than one county. The board of supervisors shall thereupon levy upon the taxable property of the district within its own county a tax sufficient in amount to maintain the district but not to exceed the twenty-cent (\$0.20) limit provided in Section 32203 and, in addition, a tax sufficient to pay the interest on all outstanding bonds of said district as the same becomes due, and also to constitute a sinking fund for the payment of the principal thereof at maturity, and a tax sufficient to pay rentals and all other sums due or payable under any agreement for the construction and leasing or purchasing of any hospital buildings or facilities entered into by the district pursuant to Section 32135 prior to January 1, 1959. If the district embraces territory lying in more than one county, the amount estimated shall be ratably apportioned among the several counties in the district in proportion to the assessed value of the property in the several counties included within said district as shown upon the last

Tax levy; Maximum;

District in more than one county

assessment rolls of the said counties, and the estimates apportioned to the several counties shall be rendered to their respective boards of supervisors and the tax shall be levied and collected by the officials of each county upon the property of the district lying therein.

32203. Maximum rate; Tax in addition to other taxes; Election for higher rate. The tax, exclusive of the levy for the payment of the principal and interest of bonds and any special assessment voted hereunder, and exclusive of the levy for the payment of rentals and all other sums due or payable under any agreement for the construction and leasing or purchasing of any hospital buildings or facilities entered into by the district pursuant to Section 32135 prior to January 1, 1959, shall in no case exceed the rate of twenty cents (\$0.20) on each one hundred dollars (\$100) of the assessed valuation of all taxable property within the district, but it may be in addition to all other taxes allowed by law to be levied upon such property.

Notwithstanding any other provision of law, if the board of directors of the district determines that the tax limit specified in this section is insufficient to raise enough revenue to maintain the district, the board may call an election pursuant to Section 32241 for the purpose of determining whether a higher maximum tax rate specified by the board in its resolution calling the election shall be established for a period not to exceed five years. If a majority of the voters voting at such election approve the increased tax limit, the board of supervisors shall thereupon levy upon the taxable property of the district within its own county a tax sufficient to maintain the district as provided in this chapter but not to exceed the maximum tax rate approved at the election for the period approved by the voters.

32204. Computation, entry upon rolls and collection; Lien; Payment; Disposition of moneys collected. The tax shall be computed, entered upon the tax rolls and collected in the same manner as county taxes are computed, entered and collected. Such taxes shall be a lien on the taxable property of the district and shall be paid with, and not separately from, county taxes. All moneys so collected shall be paid into the county treasury or treasuries of the county or counties in which the district lies and shall be transferred upon order of the district board to the district and placed in the proper fund or funds of the district; provided, however, that the proceeds of any tax levied to pay principal or interest of bonds which is payable at the office of the treasurer of the organizing county at the option of

Maximum rate;

Tax in addition to other taxes;

Election for higher rate

Computation, entry upon rolls and collection; Lien;

Payment;

Disposition of moneys collected

the holder, or otherwise, shall be placed in the bond interest and sinking fund of the district in the treasury of the organizing county.

32205. Dos Palos district formation election. An election on the formation of a hospital district in and around the City of Dos Palos in the County of Merced, may be combined with an election for the adoption of a special tax pursuant to Article XIII A of the California Constitution and Article 3.5 (commencing with Section 50075) of Chapter 1 of Part 1 of Division 1 of Title 5 of the Government Code, consistent with Article 3.7 (commencing with Section 53720) of Chapter 4 of Part 1 of Division 2 of Title 5 of the Government Code, and presented to the voters as a single ballot proposition. If both proposals are presented as a single ballot proposition, the proposed hospital district shall not be created, and the special tax shall not take effect, unless the proposition is approved by two-thirds of the voters voting upon the proposition.

**Dos Palos
district
formation
election**

ARTICLE 2. Capital Outlays

32221. Establishment of fund; Limitations; Approval at election. The board of directors may establish a fund for capital outlays; provided, that no part of said fund shall be used for acquisition of additional patient bed capacity by lease or purchase of any hospital buildings or facilities or for new construction of additional patient bed capacity for an existing hospital without the approval of the appropriate voluntary area health planning agency established pursuant to Section 127155. If the fund is established, it shall include in the estimate required to be furnished to the board of supervisors a statement of the amount to be included in the annual assessment for this purpose. The amount to be raised shall be included in the tax limitation prescribed by Section 32203.

**Establishment
of fund;
Limitations;**

Notwithstanding any other provision of law, the board of supervisors may levy a tax in excess of the maximum tax levy specified in Section 32203 to be used for capital outlay if a majority of the district electors voting at an election held for that purpose approve the imposition of the tax.

**Approval at
election**

32222. Transfer of surplus funds to capital outlay fund. At any time after the creation of a capital outlay fund, the board of directors may transfer to such fund any unencumbered surplus funds remaining on hand in the district at the end of any fiscal year.

**Transfer of
surplus funds
to capital
outlay fund**

32223. Use of fund; Discontinuance. Whenever a capital outlay fund is established, it shall be used only for such purposes, except the board of directors may, by a four-fifths vote of all members, if it finds that the fund is no longer necessary or that there remain in the fund moneys which are no longer required for such purpose, discontinue the fund or transfer so much thereof as is no longer required for capital outlay purposes to the repayment of any bonds outstanding, or if there are no bonds outstanding, to any fund used for the payment of current expenses of the district.

Use of fund;

Discontinuance

Chapter 4. BONDS

32300. Purposes. Bonds may be issued by a district for the purpose of acquiring, maintaining, constructing, or altering work, or for the purpose of funding the district's portion of the funding of a coinsurance plan between a hospital and the member of its attending medical staff, when, in either case, in the opinion of the directors, a special assessment would be inadvisable, and the expenses of such operations will be in excess of an amount which can reasonably be raised by the regular annual assessment for the running expenses of the district.

Purposes

32300.1. Inclusions authorized in determining amount of bonds to be issued. In determining the amount of bonds to be issued, the legislative body may include:

Inclusions authorized in determining amount of bonds to be issued

(a) All costs and estimated costs incidental to or connected with the acquisition, construction, improving or financing of the project.

(b) All engineering, inspection, legal and fiscal agent's fees, costs of the bond election and of the issuance of such bonds, and bond interest estimated to accrue during the construction period and for a period of not to exceed 12 months after completion of construction.

32300.2. Purposes; Refunding. Bonds may be issued by a district for the purpose of refunding any or all of the outstanding bonds or other indebtedness of the district.

**Purposes;
Refunding**

32301. Election procedures. An election shall be held to authorize the issuance of any bonds of a district. The board of directors of a district may call such election at its discretion,

Election procedures

and it shall call such election upon presentation to it of a petition requesting the issuance of bonds, specifying the purpose to which the proceeds are to be applied, and signed by electors of the district entitled to cast votes equal in number to at least 15 per cent of the total number of votes of all the electors of the district.

32302. Resolution calling election; Contents; Issuance of bonds. The resolution of the board of directors calling a bond election, in addition to all of the matters required by this division for a resolution calling an election, shall state the amount of the proposed bond issue, the rate of interest thereon, and the maximum date of maturity of bonds. If two-thirds of the votes cast at the bond election are in favor of the issuance of the bonds, the board of directors shall cause bonds to be issued.

Resolution calling election; Contents;

Issuance of bonds

32303. Determination of matters relating to bonds. The board of directors by resolution entered on its minutes shall prescribe the form of the bonds and of the interest coupons attached thereto, shall fix the time when the whole or any part of the principal of said bonds shall be payable, which shall not be more than 30 years after their date of issuance, the denomination or denominations of the bonds, the date or dates of issuance of such bonds, the number or numbers of the bonds maturing at each date of maturity and the place or places of payment of such bonds. Said bonds may be payable at the office of the district or at the office of the county treasurer of the organizing county, or at any place or places designated therein at holder's option.

Determination of matters relating to bonds

32304. Maturity. Bonds first to mature in each issue shall mature not later than five years from the date of issuance thereof; and those last to mature of each issue shall mature not later than 30 years from the date of issuance thereof.

Maturity

32305. Rate of interest. The rate of interest to be borne by bonds issued under the authority of this chapter shall be fixed by the board of directors. The rate shall not exceed 8 percent per annum, payable annually or semiannually.

Rate of interest

32306. Denomination. Bonds issued under the authority of this chapter shall be of such denomination or denominations as the board of directors may prescribe.

Denomination

32307. Signature and attestation. All bonds issued

Signature and

pursuant to this chapter shall be signed by the presiding officer and attested by the secretary of the board of directors of the district, and shall be valid as to future sale thereafter, regardless of whether at the time of sale the officer so signing is still the incumbent of such office.

32308. Maximum bonded indebtedness; Bonds as legal investments. No hospital district shall incur a bonded indebtedness exceeding 10 percent of the assessed value of all the taxable property in the district as shown by the last equalized county assessment roll or rolls of the county or counties in which the district lies. Any bonds of local hospital districts which shall be issued under the provisions of this chapter shall be legal investments for all trust funds and for the funds of insurance companies, banks, both commercial and savings, and trust companies, and whenever any moneys or funds may by any law now or hereafter enacted be invested in bonds of cities, cities and counties, counties or school districts within the State of California, such moneys or funds may be invested in said bonds of local hospital districts issued under this chapter, and whenever bonds of cities, cities and counties, counties or school districts within the State may by any law now or hereafter enacted be used as security for the performance of any act or the deposit of any public moneys, said bonds of local hospital districts issued under this chapter and in pursuance of its provisions may be so used.

32309. Authority to sell bonds. The board of directors may, from time to time, sell bonds in such quantities as may be necessary and most advantageous to raise money for the purposes for which they were issued.

32310. Procedure for sale of bonds. Bonds shall be sold for at least par value. Before making any sales, the board of directors of the district shall, by resolution entered on its minutes, declare its intention to sell a specified amount of bonds, and the day, hour, and place at which bids will be received for such bonds. Notice of the sale shall be given by publication, once, not less than 10 days prior to the date of sale, in a newspaper of general circulation in the district and shall state that sealed proposals for the purchase of bonds will be received at the place designated for the receipt of bids until the day and hour named in the resolution.

32311. Bidding requirements and procedures. At the

attestation

Maximum bonded indebtedness;

Bonds as legal investments

Authority to sell bonds

Procedure for sale of bonds

Bidding

time appointed, the board of directors shall open the proposals, and may sell the bonds or any portion thereof to the highest responsible bidder or bidders. Any and all bids may be rejected and no proposal shall be accepted unless accompanied by a certified or cashier's check for such reasonable percentage of the amount of the bid as shall be determined by the board of directors, to apply to the purchase price of the bonds. The amount of such check shall be forfeited if, after the acceptance of the proposal the bidder refuses to accept the bonds and to complete his purchase thereof on conditions stated in his bid. In case no award is made the board of directors thereafter may again advertise the bonds or any part thereof for sale.

32312. Levy and collection of tax for payment of bonds; Sinking fund. The board or boards of supervisors of the county or counties in which the district lies shall, at the time of fixing the general tax levy, sometimes called the annual assessment or regular annual assessment, for such district, and in the manner for such general tax levy provided, levy and collect annually each year until said bonds are paid or until there shall be a sum in the treasury set apart for that purpose sufficient to meet all sums coming due for the principal and interest on such bonds, a tax sufficient to pay the interest on such bonds as the same becomes due and also, to constitute a sinking fund for the payment of the principal thereof at maturity. The sum for the sinking fund shall in any event be sufficient to provide for the payment of the principal of all of the bonds as such bonds become due. Said tax shall be in addition to all other taxes levied for district purposes and shall be placed in the bond interest and sinking fund of the district and, until all of the principal and interest of the bonds of said district is paid, the moneys in said fund shall be used for no other purpose than the payment of said bonds and accruing interest thereon.

32314. Call and retirement of bonds prior to maturity. The board may provide that any bond issued by the district may be subject to call and retirement prior to maturity at such times and prices and upon such other terms as the board may specify. If a bond is subject to call and retirement prior to maturity that fact shall be stated in the bond.

Chapter 5. REVENUE BONDS

32315. Authority to issue revenue bonds. Notwithstanding any other provision of law, a local hospital district may issue revenue bonds pursuant to the provisions of

**requirements
and
procedures**

**Levy and
collection of
tax for payment
of bonds;**

Sinking fund

**Call and
retirement of
bonds prior to
maturity**

Authority to
issue revenue
bonds

Chapter 6 (commencing with Section 54300) of Part 1 of Division 2 of Title 5 of the Government Code. However, the provisions of Article 3 (commencing with Section 54380) of Chapter 6 of Part 1 of Division 2 of Title 5 of the Government Code shall not be applicable to local hospital districts.

32316. Issuance of bonds for expenses or refinancing of enterprise or for refunding of indebtedness.

By resolution of the board of directors adopted by a vote of four-fifths of the membership of the board, the district may issue bonds of not more than a maximum of 50 percent of the average of the district's gross revenues for the preceding three years, pursuant to Chapter 6 (commencing with Section 54300) of Part 1 of Division 2 of Title 5 of the Government Code, to provide funds for the acquisition, construction, improvement, financing or refinancing of an enterprise, or the refunding of any bonds, notes, loans, or other indebtedness of the district, including, but not limited to, any or all expenses incidental thereto, or connected therewith, or any combination of two or more of those purposes.

32317. Contents of resolution. The resolution adopted pursuant to Section 32316 shall include all of the following:

(a) The purpose for which the bonds are proposed to be issued.

(b) The estimated cost of the acquisition, construction, improvement, financing, and refinancing.

(c) The principal amount of the bonds.

(d) The maximum rate of the interest on the bonds, which shall not exceed 12 percent per year, and the frequency of interest payments.

(e) A statement that the bonds are to be revenue bonds, payable exclusively from the revenues of the enterprise, and that the bonds are not to be secured by the taxing power of the district.

32318. Publication of resolution. The resolution adopted pursuant to Section 32316 shall be published once a week for two successive weeks in a newspaper of general circulation published in the district, or if there is none, in the newspaper of general circulation published nearest to the district. If there is no newspaper of general circulation published

Issuance of bonds for expenses or refinancing of enterprise or for refunding of indebtedness

Contents of resolution

Publication of resolution

in the district, the resolution shall also be posted in three public places in the district for two succeeding weeks.

32319. Manner of selling bonds. The board of directors may sell the bonds pursuant to the resolution as follows:

(a) By giving notice inviting sealed bids and selling to the highest responsible bidder.

(b) By private sale, pursuant to a vote of four-fifths of the entire board.

32320. Ordinance approving formal sale agreement. No hospital district shall sell revenue bonds until a formal agreement of the sale has been approved by the board of directors, by ordinance, which shall state that the agreement is subject to referendum as provided by Article 1 (commencing with Section 9300) of Chapter 4 of Division 9 of the Elections Code.

32321. Publication of adopted ordinance; referendum of votes.

(a) Any ordinance subject to Section 32320 shall be published after adoption once a week for two successive weeks, commencing within 15 days after adoption, in a newspaper of general circulation published in the district, or if there is none, in the newspaper of general circulation published nearest to the district. If there is no newspaper of general circulation published in the district, the ordinance shall also be posted in three public places in the district for two succeeding weeks.

(b) The board of directors of the district may introduce and enact an ordinance at any regular or adjourned regular meeting by the approving votes of a majority of all its members. The electors of the district shall have the right to petition for referendum on an ordinance pursuant to Article 2 (commencing with Section 9140) of Chapter 2 of Division 9 of the Elections Code, except that all computations referred to in those sections, and officers of the county mentioned in those sections, shall be construed to refer to comparable computations and officers of the district. For the purpose of the section, the term "electors" means the electors of territory entitled to vote at elections for the members of the board of directors.

32322. Proscription against adoption of new ordinance within one year after previous ordinance

Manner of selling bonds

Ordinance approving formal sale agreement

Publication of adopted ordinance; referendum of votes

Proscription against

rejected, rescinded or repealed. If an ordinance enacted pursuant to Section 32320 is subjected to a successful referendum election, or is repealed or rescinded by the board of directors, no ordinance authorizing the district to sell revenue bonds shall be adopted by the district for a period of one year from the date of the referendum repeal or rescission.

adoption of new ordinance within one year after previous ordinance rejected, rescinded or repealed

Chapter 5.5. STATE LOANS AND INSURANCE PROCUREMENT ASSISTANCE

32350. Legislative intent to encourage physicians to practice in rural areas. It is the intent of the Legislature in enacting this article to encourage physicians to practice in rural areas which have insufficient numbers of physicians to provide comprehensive medical care.

Legislative intent to encourage physicians to practice in rural areas

32351. Authorization to small hospitals conditioned upon agreement concerning medical injury tort claims. In the event the Chowchilla Memorial Hospital District enters into a joint powers agreement with a hospital district or hospital districts, whereby an independent governmental agency, as provided in Chapter 5 (commencing with Section 6500) of Division 7 of Title 1 of the Government Code, is created to investigate, defend, settle and pay, if required, medical injury tort claims against any of the parties to such joint powers agreement in accordance with the authority granted by Sections 990.4 and 990.8 of the Government Code, notwithstanding any provisions of the Insurance Code to the contrary; then, in that event, each hospital district with under 100 beds shall have the right for a period of five years from the effective date of this chapter, but subject to the availability of moneys appropriated therefor, to borrow from the state for the purpose of paying any medical injury tort judgment or settlement which exceeds three hundred thousand dollars (\$300,000) to the extent of such excess.

Authorization to small hospitals conditioned upon agreement concerning medical injury tort claims

However, the total amount of funds loaned by the state to all hospital districts, which have entered into the joint powers agreement pursuant to this chapter, shall not exceed one million dollars (\$1,000,000) in the aggregate.

32352. Repayment. Loans made pursuant to this article

Repayment

shall be repaid to the state pursuant to a schedule mutually agreed upon by the state department and the hospital district receiving the loan, not exceeding 40 years, and at an interest rate not to exceed the five-year average of the return on the investment of state funds pursuant to Chapter 3 (commencing with Section 16430) of Part 2 of Division 4 of Title 2 of the Government Code. The state department shall grant all loans which qualify under the requirements of this chapter to the extent that funds are available therefor. No application for a loan shall be denied because previous applications have been made except that the state department may procure insurance to cover the losses, if any, in connection with such loans and the cost of such insurance may be charged to the independent agency. The cost charged to such an independent agency for the insurance shall not exceed 5 percent of the total of loan losses.

32353. Employment of physicians. The provisions of this section shall apply only to the Chowchilla Memorial Hospital District, and to any other hospital district with a bed capacity of less than 100 beds, which has entered into a joint powers agreement with the Chowchilla Memorial Hospital District. The Chowchilla Memorial Hospital District, or other district specified in this section, shall have the authority to employ physicians in the local community and such physicians, as employees of the district shall be covered for medical injury tort liability by the district.

Employment of physicians

32355. Condition of eligibility. As a condition of eligibility for loans under this chapter, any hospital district having a licensed bed capacity of less than 100 beds and which participates in a joint powers agreement described in Section 32351 shall submit the following to the state department within 60 days after the effective date of this chapter:

Condition of eligibility

(a) A health quality assurance program which assures adequate review of health services rendered;

(b) Adequate procedures for providing resources for liability coverage, including provisions for the payment of all medical injury tort claims or portions of claims under three hundred thousand dollars (\$300,000), and for investment of funds or resources set aside for liability reserves; and

(c) Adequate procedures for obtaining legal services in connection with medical injury tort claims filed against the

hospital district.

(d) Adequate procedures to repay loans under Government Code and Health and Safety Code sections relating to district hospitals.

32356. Applicability of provisions concerning payment of tort claims. Any provisions applicable to the payment of tort claims against a hospital district shall be applicable for the repayment of any loan from the state to a hospital district pursuant to this chapter.

Applicability of provisions concerning payment of tort claims

32357. Submission of financial reports. Duplicate copies of any reports prepared pursuant to Article 9 (commencing with Section 53890) of Chapter 4 of Part 1 of Division 2 of Title 5 of the Government Code by the joint powers entity specified in Section 32351 or any party thereto shall be submitted to the state department.

Submission of financial reports

32358. Approval of loan applications; Recommendation to Legislature. The state department shall prepare and adopt regulations establishing the specific criteria to be used for the approval of a loan application of a district hospital under this chapter to ensure that the hospital district complies with the intent of the Legislature set forth in Section 32350.

Approval of loan applications;

Within 120 days after submission of an application by a hospital district for a loan under the provisions of this chapter, the state department shall submit its final recommendation to the Legislature with respect to the approval or disapproval of the loan in order to assist the Legislature in determining whether to appropriate funds for the making of the loan. The state department shall notify the hospital district submitting the application of its tentative decision to recommend approval or disapproval of the loan within 90 days after receiving the application in order to allow the hospital district to present additional data as may be necessary to justify the loan.

Recommendation to Legislature

32359. Assistance by Department of General Services in procuring insurance for medical tort judgments or settlements. The Department of General Services shall, without cost or obligation to the state, assist the Chowchilla Memorial Hospital District, and any other hospital district with a bed capacity of less than 100 beds which has entered into a joint powers agreement with the Chowchilla Memorial Hospital

Assistance by Department of General Services in procuring insurance for medical tort

District, in procuring insurance for the purpose of paying medical injury tort judgments or settlements exceeding one million dollars (\$1,000,000) in the aggregate. Any such procurement may, upon request of the hospital district concerned, be made by the Department of General Services on behalf of such hospital district.

judgments or settlements

Chapter 7. CLAIMS

32492. Application of statute governing presentation of claims against local public entities. All claims for money or damages against the district are governed by Part 3 (commencing with Section 900) and Part 4 (commencing with Section 940) of Division 3.6 of Title 1 of the Government Code except as provided therein, or by other statutes or regulations expressly applicable thereto.

Application of statute governing presentation of claims against local public entities