

# City of Capitola

## Special City Council Meeting Agenda

### Thursday, August 11, 2022 – 4:30 PM



City Council Chambers  
420 Capitola Avenue, Capitola, CA 95010

**Mayor:** Sam Storey  
**Vice Mayor:** Margaux Keiser  
**Council Members:** Jacques Bertrand, Yvette Brooks, Kristen Brown

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## Amended Agenda

### Special Meeting of the Capitola City Council – 4:30 PM

*All correspondences received prior to 5:00 p.m. on the day preceding a Council Meeting will be distributed to Councilmembers to review prior to the meeting. Information submitted after 5 p.m. on that day may not have time to reach Councilmembers, nor be read by them prior to consideration of an item.*

#### 1. Roll Call and Pledge of Allegiance

Council Members Jacques Bertrand, Yvette Brooks, Kristen Brown, Margaux Keiser, and Mayor Sam Storey.

#### 2. Additions and Deletions to the Agenda

#### 3. Additional Materials

*Additional information submitted to the City after distribution of the agenda packet.*

#### 4. Oral Communications by Members of the Public

*Please review the Notice of Remote Access for instructions. Oral Communications allows time for members of the Public to address the City Council on any “Consent Item” on tonight’s agenda, or on any topic within the jurisdiction of the City that is not on the “General Government/Public Hearings” section of the Agenda. Members of the public may speak for up to three minutes, unless otherwise specified by the Mayor. Individuals may not speak more than once during Oral Communications. All speakers must address the entire legislative body and will not be permitted to engage in dialogue. A **maximum of 30 minutes** is set aside for Oral Communications.*

#### 5. Staff / City Council Comments

*Comments are limited to three minutes.*

#### 6. General Government / Public Hearings

*All items listed in “General Government / Public Hearings” are intended to provide an opportunity for public discussion of each item listed. The following procedure pertains to each General Government item: 1) Staff explanation; 2) Council questions; 3) Public comment; 4) Council deliberation; 5) Decision.*

- A.** Consider a Short-Term Loan Agreement with the County of Santa Cruz for the Purpose of Funding the Purchase of Watsonville Community Hospital  
Recommended Action: Authorize the City Manager to execute a short-term (not to exceed 60 days) loan agreement with the County of Santa Cruz in the amount of \$5 million to assist in

funding the County's purchase of the Hospital, pending availability of the additional \$20 million in funding needed to complete the purchase.

## 7. Adjournment

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### Notice of Remote Access

In accordance California Senate Bill 361, the City Council meeting is not physically open to the public and in person attendance cannot be accommodated.

#### To watch:

- Online at <https://www.cityofcapitola.org/meetings>
- City of Capitola, California YouTube Channel

#### To Join Zoom by Computer or Phone:

- Meeting ID: **826 2857 0074**
- Meeting Passcode: **870282**
- Meeting link:  
<https://us02web.zoom.us/j/82628570074?pwd=MkRYY3pFR0o3Y2hxUjJQSjFjFSVHNHUT09>
- Or dial one of these phone numbers: **1 (669) 900 6833, 1 (408) 638 0968, 1 (346) 248 7799**

#### To make public comment:

When submitting public comment, one comment (via phone or email, not both), per person, per item is allowed. If you send more than one email about the same item, the last received will be read. You will have three minutes to speak, and emails will be read aloud for no longer than three minutes. They Mayor will announce the public comment period for each agenda item.

- **If you have joined the Zoom Meeting:** Use participant option to “raise hand”. The moderator will unmute you
- **If called in over the phone:** Dial \*9 on your phone to “raise your hand”. The moderator will unmute you
- **If you want to send an email:** During the meeting, email written public comment to [publiccomment@ci.capitola.ca.us](mailto:publiccomment@ci.capitola.ca.us)
- Emailed comments on items will be accepted after the start of the meeting until the Mayor announces that public comment for that item is closed
- Emailed comments should be a maximum of 450 words, which corresponds to approximately 3 minutes of speaking time
- Emails received by [publiccomment@ci.capitola.ca.us](mailto:publiccomment@ci.capitola.ca.us) outside of the comment period outlined above will not be included in the record

**Note:** Any person seeking to challenge a City Council decision made as a result of a proceeding in which, by law, a hearing is required to be given, evidence is required to be taken, and the discretion in the determination of facts is vested in the City Council, shall be required to commence that court action within ninety (90) days following the date on which the decision becomes final as provided in Code of Civil Procedure §1094.6. Please refer to code of Civil Procedure §1094.6 to determine how to calculate when a decision becomes “final.” Please be advised that in most instances the decision become “final” upon the City Council’s announcement of its decision at the completion of the public hearing. Failure to comply with this 90-day rule will preclude any person from challenging the City Council decision in court.

**Notice regarding City Council:** The City Council meets on the 2nd and 4th Thursday of each month at 7:00 p.m. (or in no event earlier than 6:00 p.m.), in the City Hall Council Chambers located at 420 Capitola Avenue, Capitola.

**Agenda and Agenda Packet Materials:** The City Council Agenda and the complete Agenda Packet are available for review on the City’s website: [www.cityofcapitola.org](http://www.cityofcapitola.org) and at Capitola City Hall prior to the meeting. Agendas are also available at the Capitola Post Office located at 826 Bay Avenue Capitola. Need more information? Contact the City Clerk’s office at 831-475-7300.

**Agenda Materials Distributed after Distribution of the Agenda Packet:** Pursuant to Government Code §54957.5, materials related to an agenda item submitted after distribution of the agenda packet are available for public inspection at the Reception Office at City Hall, 420 Capitola Avenue, Capitola, California, during normal business hours.

**Americans with Disabilities Act:** Disability-related aids or services are available to enable persons with a disability to participate in this meeting consistent with the Federal Americans with Disabilities Act of 1990. Assisted listening devices are available for individuals with hearing impairments at the meeting in the City Council Chambers. Should you require special accommodations to participate in the meeting due to a disability, please contact the City Clerk's office at least 24 hours in advance of the meeting at 831-475-7300. In an effort to accommodate individuals with environmental sensitivities, attendees are requested to refrain from wearing perfumes and other scented products.

**Televised Meetings:** City Council meetings are cablecast "Live" on Charter Communications Cable TV Channel 8 and are recorded to be rebroadcasted at 8:00 a.m. on the Wednesday following the meetings and at 1:00 p.m. on Saturday following the first rebroadcast on Community Television of Santa Cruz County (Charter Channel 71 and Comcast Channel 25). Meetings are streamed "Live" on the City's website at [www.cityofcapitola.org](http://www.cityofcapitola.org) by clicking on the Home Page link "**Meeting Agendas/Videos.**" Archived meetings can be viewed from the website at any time.

# Capitola City Council

## Agenda Report



**Meeting:** August 11, 2022

**From:** Finance Department

**Subject:** Consider a Short-Term Loan Agreement with the County of Santa Cruz for the Purpose of Funding the Purchase of Watsonville Community Hospital

**Recommended Action:** Authorize the City Manager to execute a short-term (not to exceed 60 days) loan agreement with the County of Santa Cruz in the amount of \$5 million to assist in funding the County's purchase of the Hospital, pending availability of the additional \$20 million in funding needed to complete the purchase.

**Background:** Watsonville Community Hospital (WCH) is one of two hospitals serving residents of Santa Cruz County. WCH filed for Chapter 11 bankruptcy on December 6, 2021. In anticipation of the imminent closure of the community Hospital, a not-for-profit 501(c)(3) was created to advocate for community-led healthcare services by forming a health care district and purchasing WCH to transition it to community ownership and governance.

The nonprofit, the Pajaro Valley Healthcare District Project (PVHDP), is governed by a Board of Directors that includes leadership representing Santa Cruz County, the City of Watsonville, Community Health Trust of Pajaro Valley, and Salud Para La Gente.

A long-term management and ownership plan for the hospital was implemented through urgency state legislation — Senate Bill 418 — brought forward by State Senator Laird and coauthored by California State Assembly members Robert Rivas, Mark Stone, and Senator Anna Caballero. The bill was passed unanimously by the Assembly and Senate, and on Friday, February 4, 2022, Governor Gavin Newsom signed the legislation into law. With his signature, the Pajaro Valley Healthcare District was established with the purpose of bringing Watsonville Community Hospital into public ownership.

In preparation for the hospital's bankruptcy auction, PVHDP finalized an Asset Sale Agreement with Watsonville Community Hospital. PVHDP was approved by the bankruptcy court as the lead bidder to purchase the hospital.

**Discussion:** The State of California has committed to providing Santa Cruz County significant funding towards the purchase of WCH, as reflected in separate line items for ten million dollars and fifteen million dollars (for a total of \$25 million) in the 2022-2023 State Budget Bill.

Due to a drafting error in the State Budget Bill language related to the State's \$25 million grant the wrong entity was inadvertently inserted in place of the County; the intended recipient of the funds.

The result of the error is the County will not receive a portion of the funds necessary to contribute towards the purchase price of the Hospital. This will require an amendment to the original State Budget Bill language, which is forthcoming. However, the necessary correction will not be accomplished quickly enough to accommodate the August 31, 2022, closing deadline. Therefore, the County has requested a five-million-dollar (\$5 million) loan from the City to help close on the purchase of the Hospital.

A wide variety of community benefit organizations, private donors, and public agencies have joined together to fund the purchase price of the Hospital, and the last date to close the sale, as approved by the United States Bankruptcy Court, is August 31, 2022.

If the sale fails to close by August 31, the Bankruptcy Court will either amend the Bankruptcy plan and change the date, which would likely lead to unnecessary exorbitant cost increases, or cancel the sale and terminate the deal. Additionally, not being able to close on August 31 jeopardizes the deal and places the Hospital in danger of closing.

Closing WCH would have negative impacts throughout the County as Dominican Hospital would need to serve the entire county; increasing the time it takes patients to receive emergency care. For this reason, the County is seeking bridge loans from five organizations in the amount of \$5M each. The five organizations are the City of Capitola, the City of Watsonville, the City of Santa Cruz, the Santa Cruz County Community Foundation, and Salud Para La Gente.

Staff has evaluated the City's current and projected cash position and determined there is sufficient available funding for operations as well as ongoing Capital Improvement Projects until construction begins on the Wharf Rehabilitation project. At this time, the earliest the Wharf project could begin is Spring 2023. The County has agreed to pay interest on the loan at the Local Agency Investment Fund (LAIF) rate which is currently 1.21%. Capitola currently has a balance in LAIF of \$12.3 million of which \$5 million would be utilized for the short-term loan.

Therefore, staff recommends Council authorize the City Manager to enter a \$5 million-dollar, short-term loan (not to exceed 60 days) to assist in funding the purchase price of the Hospital. This \$5 million will be pooled with money from other community partners to fund the \$25 million necessary to bridge the gap in funds needed to close the Hospital purchase transaction by August 31, 2022.

Fiscal Impact: There is no fiscal impact associated with this action as the County of Santa Cruz has agreed to reimburse the City for any transactional costs and has agreed to pay interest at the current LAIF interest rate for the term of the loan.

Attachments:

1. Loan Agreement

Report Prepared By: Jim Malberg, Finance Director

Reviewed By: Chloé Woodmansee, City Clerk; Samantha Zutler, City Attorney

Approved By: Jamie Goldstein, City Manager

**SHORT-TERM LOAN AGREEMENT BETWEEN THE CITY OF CAPITOLA AND THE COUNTY OF SANTA CRUZ FOR THE PURPOSE OF FUNDING THE PURCHASE OF WATSONVILLE COMMUNITY HOSPITAL**

This Agreement, effective as of the date of the last signature below, is between THE CITY OF CAPITOLA (“City”), a municipal entity, and the COUNTY OF SANTA CRUZ (“County”), a political subdivision of the State of California. The City and the County are sometimes referred to in this Agreement individually as a “Party” or together as the “Parties.”

**RECITALS**

- A. In February 2022, pursuant to Senate Bill 418, the State of California created the Pajaro Valley Health Care District (“District”) for the purpose of bringing Watsonville Community Hospital (“Hospital”) into public ownership, after the current owners declared bankruptcy.
- B. A wide variety of community benefit organizations, private donors, and public agencies have joined together to fund the purchase price of the Hospital, and the last date to close the sale, as approved by the United States Bankruptcy Court, is August 31, 2022.
- C. The State of California has committed to providing significant funding towards the purchase of the Hospital, as reflected in separate line items for ten million dollars and fifteen million dollars (for a total of \$25 million) in the 2022-2023 State Budget Bill.
- D. Due to a drafting error in the State Budget Bill language related to the State’s \$25 million grant, the wrong entity was inadvertently inserted in place of the County, which was the intended recipient of the funds (to be received on behalf of the District). The result of the error is that the County will not receive the funds necessary to contribute towards the purchase price of the Hospital. This will require an amendment to the original State Budget Bill language, which is forthcoming. However, the necessary correction will not be accomplished quickly enough to accommodate the August 31, 2022, closing deadline.
- E. The Parties agree that it is critical that the Hospital purchase be successfully concluded by August 31, 2022, in order to avoid additional unnecessary and exorbitant expenses that would follow a postponement, to ensure that the Hospital successfully transfers to public ownership on the bankruptcy court’s approved timeline, and to preserve the Hospital as a vital operating health care provider for the people of the Pajaro Valley region.
- F. Accordingly, the City has agreed to provide the County with a \$5 million short-term loan (not to exceed 60 days) to fund the purchase price of the Hospital. This \$5 million will be pooled with money from other community partners to fund the \$25 million necessary to bridge the gap in funds needed to close the Hospital purchase transaction by August 31, 2022.

**NOW THEREFORE**, the Parties agree as follows:

1. Loan Amount. The City will loan the County five million dollars (\$5 million), to be used exclusively for purposes of funding the purchase price for the Hospital as referenced in the above Recitals.
2. Term. The term of the loan is sixty (60) days. City is to pay the loan to the County on August 22, 2022. The County will repay to the City the entire balance of the loan within sixty days of receipt of the funds from the City.
3. No Security Required. The Parties recognize that this loan is backed by the full faith and credit of the County of Santa Cruz, in its capacity as a political subdivision of the State of California, which has pledged the funds necessary to repay the loan amount. Accordingly, this is an unsecured loan.
4. Payment of Costs. The County agrees that, within thirty (30) days of receiving a request for payment from the City, the County will pay the City all costs that the City incurs in providing this loan
5. Interest. County agrees to pay interest in an amount equal to the LAIF daily interest rate from the date of issuance of the funds by the City to the date of repayment by the County.
6. Late Payment. The Parties agree the loan term is 60 days and shall be repaid by the County within 60 days of its issuance without any notice or request for repayment required from the City. However, if the loan is not repaid within 60 days, the County shall pay any additional costs incurred by the City in accordance with Section 4 related to County's failure to timely repay the loan. In addition, the County agrees to pay City a fee for any late payment equal to 1.0% per month of the overdue amount (12% annual rate, to be calculated for each day the payment is late). However, the Parties agree this late fee may be waived based on the mutual agreement of the Parties.
7. Waiver. The County acknowledges that the City is entering into and performing this Agreement only as an accommodation to the County, and hereby waives any claim for damages or otherwise against the City, its officials, officers, and employees arising from or in connection with this Agreement.
8. Indemnity. To the fullest extent permitted by law, the County agrees that it will defend, hold harmless, and indemnify the City, its officials, officers, and employees from any claims for damages or otherwise from third parties that may result from this Agreement.

9. Choice of Law. This Agreement shall be construed in accordance with and governed by the internal laws of the State of California without regard to conflict of law provisions.

10. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

11. Entire Agreement. This Agreement reflects the entire understanding and agreement of the Parties pertaining to its subject matter, and supersedes any prior oral or written agreements, representations, understandings or discussions between the Parties. No other understanding between the Parties shall be binding on them unless set forth in a further signed document amending this Agreement.

12. Further Assurances. Each Party shall, at the reasonable request of the other Party, execute and deliver to the other Party all further instruments, assignments, assurances and other documents, and take any actions as the other Party reasonably requests in connection with the carrying out of this Agreement.

13. No Third-Party Beneficiary Rights. The Parties do not intend to confer and this Agreement shall not be construed to confer any rights or benefits to any person, firm, group, corporation or entity other than the Parties.

14. No Waiver. No delay or failure to require performance of any provision of this Agreement shall constitute a waiver of that provision as to that or any other instance. Any waiver granted by a Party must be in writing to be effective and shall apply solely to the specific instance expressly stated.

15. Severability. The unenforceability, invalidity or illegality of any provision(s) of this Agreement shall not render the other provisions unenforceable, invalid or illegal.

16. Warranty of Authority. The signatories to this Agreement warrant and represent that each is authorized to execute this Agreement and that their respective signatures serve to legally obligate their respective representatives, agents, successors and assigns to comply with the provisions of this Agreement.

[SIGNATURES ON FOLLOWING PAGE]



CITY OF CAPITOLA

COUNTY OF SANTA CRUZ

By: \_\_\_\_\_

By: \_\_\_\_\_

Manu Koenig  
Chairperson, Board of Supervisors

Its: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

APPROVED AS TO FORM:

APPROVED AS TO FORM:

\_\_\_\_\_  
Samantha Zutler  
City Attorney

\_\_\_\_\_  
Jason M. Heath  
County Counsel