



## AGENDA

### KERN COUNTY HOSPITAL AUTHORITY BOARD OF GOVERNORS

**Kern Medical Center  
1700 Mount Vernon Avenue  
Bakersfield, California 93306**

Regular Meeting  
Wednesday, February 15, 2023

11:30 A.M.

#### BOARD TO RECONVENE

Board Members: Alsop, Berjis, Bigler, Brar, McLaughlin, Pelz  
Roll Call:

CONSENT AGENDA/OPPORTUNITY FOR PUBLIC COMMENT: ALL ITEMS LISTED WITH A "CA" ARE CONSIDERED TO BE ROUTINE AND NON-CONTROVERSIAL BY KERN COUNTY HOSPITAL AUTHORITY STAFF. THE "CA" REPRESENTS THE CONSENT AGENDA. CONSENT ITEMS WILL BE CONSIDERED FIRST AND MAY BE APPROVED BY ONE MOTION IF NO MEMBER OF THE BOARD OR AUDIENCE WISHES TO COMMENT OR ASK QUESTIONS. IF COMMENT OR DISCUSSION IS DESIRED BY ANYONE, THE ITEM WILL BE REMOVED FROM THE CONSENT AGENDA AND WILL BE CONSIDERED IN LISTED SEQUENCE WITH AN OPPORTUNITY FOR ANY MEMBER OF THE PUBLIC TO ADDRESS THE BOARD CONCERNING THE ITEM BEFORE ACTION IS TAKEN.

STAFF RECOMMENDATION SHOWN IN CAPS



PUBLIC PRESENTATIONS

- 1) This portion of the meeting is reserved for persons to address the Board on any matter not on this agenda but under the jurisdiction of the Board. Board members may respond briefly to statements made or questions posed. They may ask a question for clarification, make a referral to staff for factual information or request staff to report back to the Board at a later meeting. In addition, the Board may take action to direct the staff to place a matter of business on a future agenda. SPEAKERS ARE LIMITED TO TWO MINUTES. PLEASE STATE AND SPELL YOUR NAME BEFORE MAKING YOUR PRESENTATION. THANK YOU!

BOARD MEMBER ANNOUNCEMENTS OR REPORTS

- 2) On their own initiative, Board members may make an announcement or a report on their own activities. They may ask a question for clarification, make a referral to staff or take action to have staff place a matter of business on a future agenda (Government Code section 54954.2(a)(2)) –

RECOGNITION

- 3) Presentation by the Chief Executive Officer recognizing Emily Duran, Chief Executive Officer, Kern Health Systems, for her dedication and service to the community and Kern Medical Center –  
MAKE PRESENTATION

ITEMS FOR CONSIDERATION

CA

- 4) Minutes for the Kern County Hospital Authority Board of Governors regular meeting on January 18, 2023 –  
APPROVE

CA

- 5) Proposed Amendment No. 5 to Agreement 078-2018 with Ray A Morgan Company, an independent contractor, for the period April 1, 2019 through March 31, 2024, for replacement equipment, at no additional cost –  
APPROVE; AUTHORIZE CHAIRMAN TO SIGN; AUTHORIZE CHIEF EXECUTIVE OFFICER TO SIGN FOR RECEIPT OF DELIVERY

CA

- 6) Proposed Contract Supplement OPTY-708442 to Agreement 276-99 with Change Healthcare Technologies, LLC, an independent contractor, for data migration services from February 15, 2023 through February 14, 2025, in an amount not to exceed \$41,140 –  
APPROVE; AUTHORIZE CHAIRMAN TO SIGN

CA

- 7) Proposed Quote 2023-1781675 with Schneider Electric IT Corp., an independent contractor, containing nonstandard terms and conditions, for on-site maintenance of data center chillers, effective February 15, 2023, in an amount not to exceed \$3,500, plus applicable taxes –  
APPROVE; AUTHORIZE CHAIRMAN TO SIGN; AUTHORIZE CHIEF EXECUTIVE OFFICER TO SIGN FOR RECEIPT OF DELIVERY

CA

- 8) Proposed Order Number 369983.1 with Nuance Communications, Inc., an independent contractor, for the purchase of dictation software for the Picture Archiving and Communication System (PACS), for a term of two years, in an amount not to exceed \$2,500 – APPROVE; AUTHORIZE CHAIRMAN TO SIGN

CA

- 9) Proposed Amended and Restated Credit Agreement with PNC Bank, National Association (PNC Bank) for a revolving line of credit, extending the maturity date of the Line of Credit to a date not later than March 1, 2024, amending and restating the previously approved Credit Agreement and certain administrative amendments necessary to comply with PNC Bank current policies, provided that the Line of Credit shall otherwise be substantially on the same terms set out in the previously approved Credit Agreement, and providing further that the maximum available principal amount of credit provided under the Credit Agreement may not exceed \$20,000,000 and that any indebtedness incurred thereunder at any time shall be secured only by personal property, substantially the same as the personal property described in the previously executed General Security and Pledge Agreement, in favor of PNC Bank , and delegating authority to certain officers – APPROVE; ADOPT RESOLUTION; AUTHORIZE AND DIRECT ANY TWO OF THE FOLLOWING OFFICERS (EACH, AN “AUTHORIZED OFFICER”) OF THE AUTHORITY, FOR AND IN THE NAME OF AND ON BEHALF OF THE AUTHORITY, TO EXECUTE THE AMENDED AND RESTATED CREDIT AGREEMENT AND AN AMENDMENT TO THE NOTE, OR A NEW NOTE IF THE AUTHORIZED OFFICERS DETERMINE THAT A NEW NOTE IS ADVISABLE, AS THE AUTHORIZED OFFICERS EXECUTING THE SAME, TOGETHER WITH THE VICE PRESIDENT & GENERAL COUNSEL OF THE AUTHORITY, SHALL APPROVE: CHAIR OF THIS BOARD, VICE-CHAIR OF THIS BOARD, CHIEF EXECUTIVE OFFICER OF THE AUTHORITY OR CHIEF FINANCIAL OFFICER OF THE AUTHORITY

CA

- 10) Proposed Amendment No. 7 to Agreement 20119 with Juan M. Lopez, M.D., a contract employee, for professional medical and administrative services in the Department of Obstetrics and Gynecology, for the period July 1, 2019 through February 28, 2023, extending the term for one month from March 1, 2023 through February 31, 2023, and increasing the maximum payable by \$40,000, from \$1,660,000 to \$1,700,000, to cover the extended term – APPROVE; AUTHORIZE CHAIRMAN TO SIGN

CA

- 11) Proposed Amendment No. 1 to Agreement 19120 for Personal/Professional Services with Cofer & Oberlies, Inc., doing business as Open and Shut Enterprises, an independent contractor, for service and maintenance of commercial gate systems, for the period March 30, 2020 through March 29, 2023, extending the term for three years from March 30, 2023 through March 29, 2026, at no additional cost – APPROVE; AUTHORIZE CHAIRMAN TO SIGN

CA

- 12) Proposed Personal/Professional Services Agreement with Perspective Design Architects, Inc., doing business as PDA, Inc., an independent contractor, for architectural design services for budgeted construction projects, for the period February 15, 2023 through February 14, 2026, in an amount not to exceed \$750,000 – APPROVE; AUTHORIZE CHAIRMAN TO SIGN

- 13) Presentation on Report of Independent Auditors from Moss Adams LLP regarding the audit of Kern Medical Center financial statements for the fiscal year ended June 30, 2022 – HEAR PRESENTATION; RECEIVE AND FILE; REFER TO KERN COUNTY BOARD OF SUPERVISORS

CA

- 14) Kern County Hospital Authority Chief Financial Officer report – RECEIVE AND FILE

CA

- 15) Kern County Hospital Authority Chief Executive Officer report – RECEIVE AND FILE

CA

- 16) Monthly report on What's Happening at Kern Medical Center – RECEIVE AND FILE

CA

- 17) Miscellaneous Correspondence as of January 31, 2023 – RECEIVE AND FILE

CA

- 18) Claims and Lawsuits Filed as of January 31, 2023 – RECEIVE AND FILE

ADJOURN TO CLOSED SESSION

CLOSED SESSION

- 19) Request for Closed Session regarding peer review of health practitioners (Health and Safety Code Section 101855(j)(2)) –

- 20) CONFERENCE WITH LEGAL COUNSEL - FORMALLY INITIATED LITIGATION (Government Code Section 54956.9(d)(1)) Name of case: Jihad Akil Hashim v. Kern County Hospital Authority, (A California Public Entity), and DOES 1 through 50, inclusive, Defendants, United States District Court, Eastern District of California, Case No. 1:21-cv-00773-JLT-CDB –

- 21) CONFERENCE WITH LEGAL COUNSEL - FORMALLY INITIATED LITIGATION (Government Code Section 54956.9(d)(1)) Name of case: Maria Elena Lopez-Rodriguez v. Kern Medical Surgery Center, LLC (a California Limited Liability Company); Kern Medical Center Foundation (a California Corporation); Kern Medical Center (an organization form unknown); Kern County Hospital Authority (an organization form unknown; Marie Ruffin (an Individual); and DOES 3-100, inclusive, Defendants, United States District Court, Eastern District of California, Case No. 1:20-cv-01187-ADA-CDB –

- 22) CONFERENCE WITH LEGAL COUNSEL - FORMALLY INITIATED LITIGATION (Government Code Section 54956.9(d)(1)) Name of case: Service Employees International Union, Local 521 Plaintiff/Petitioner, v. Kern County Hospital Authority, Kern Medical Surgery Center, LLC, and DOES 1-25, Defendants/ Respondents, Kern County Superior Court Case No. BCV-22-101782 JEB –

- 23) CONFERENCE WITH LEGAL COUNSEL - FORMALLY INITIATED LITIGATION (Government Code Section 54956.9(d)(1)) Name of case: Service Employees International Union, Local 521, Charging Party, v. Kern County Hospital Authority, Respondent, Public Employment Relations Board Case No. LA-CE-1580-M –
- 24) CONFERENCE WITH LABOR NEGOTIATORS - Agency designated representatives: Chief Executive Officer Scott Thygerson, and designated staff - Employee organizations: Service Employees International Union, Local 521 (Government Code Section 54957.6) –
- 25) PUBLIC EMPLOYEE PERFORMANCE EVALUATION - Title: Chief Executive Officer (Government Code Section 54957) –

RECONVENE FROM CLOSED SESSION

REPORT ON ACTIONS TAKEN IN CLOSED SESSION

ADJOURN TO WEDNESDAY, MARCH 15, 2023 AT 11:30 A.M.

## **SUPPORTING DOCUMENTATION FOR AGENDA ITEMS**

All agenda item supporting documentation is available for public review at Kern Medical Center in the Administration Department, 1700 Mount Vernon Avenue, Bakersfield, 93306 during regular business hours, 8:00 a.m. – 5:00 p.m., Monday through Friday, following the posting of the agenda. Any supporting documentation that relates to an agenda item for an open session of any regular meeting that is distributed after the agenda is posted and prior to the meeting will also be available for review at the same location.

### **AMERICANS WITH DISABILITIES ACT (Government Code Section 54953.2)**

The Kern Medical Center Conference Room is accessible to persons with disabilities. Disabled individuals who need special assistance to attend or participate in a meeting of the Kern County Hospital Authority Board of Governors may request assistance at Kern Medical Center in the Administration Department, 1700 Mount Vernon Avenue, Bakersfield, California, or by calling (661) 326-2102. Every effort will be made to reasonably accommodate individuals with disabilities by making meeting material available in alternative formats. Requests for assistance should be made five (5) working days in advance of a meeting whenever possible.

- 17) MISCELLANEOUS CORRESPONDENCE AS OF JANUARY 31, 2023 –
- A) Correspondence dated January 17, 2023, received from Sydnee Galusha concerning comments and questions for the January 18, 2023 Board meeting
  - B) Correspondence dated January 17, 2023, received from Sydnee Galusha concerning questions and comments related to Agenda Item 18 for the January 18, 2023 Board meeting
- 18) CLAIMS AND LAWSUITS FILED AS OF JANUARY 31, 2023 –  
RECEIVE AND FILE
- A) Claim in the matter of Maria D. Ruiz
  - B) Unfair Practice Charge in the matter of Service Employees International Union, Local 521 v. Kern County Hospital Authority, Public Employment Relations Board Unfair Practice Charge No. LA-CE-1624-M



## SUMMARY OF PROCEEDINGS

### KERN COUNTY HOSPITAL AUTHORITY BOARD OF GOVERNORS

**Kern Medical Center  
1700 Mount Vernon Avenue  
Bakersfield, California 93306**

Regular Meeting  
Wednesday, January 18, 2023

11:30 A.M.

#### BOARD RECONVENED

Board Members: Alsop, Berjis, Bigler, Brar, McLaughlin, Pelz  
Roll Call: 5 Present; 1 Absent - Alsop

NOTE: The vote is displayed in bold below each item. For example, Alsop-McLaughlin denotes Director Alsop made the motion and Director McLaughlin seconded the motion.

CONSENT AGENDA/OPPORTUNITY FOR PUBLIC COMMENT: ALL ITEMS LISTED WITH A "CA" ARE CONSIDERED TO BE ROUTINE AND APPROVED BY ONE MOTION.

#### BOARD ACTION SHOWN IN CAPS

NOTE: DIRECTOR ALSOP JOINED THE MEETING AFTER THE VOTE ON THE CONSENT AGENDA

#### PUBLIC PRESENTATIONS

- 1) This portion of the meeting is reserved for persons to address the Board on any matter not on this agenda but under the jurisdiction of the Board. Board members may respond briefly to statements made or questions posed. They may ask a question for clarification, make a referral to staff for factual information or request staff to report back to the Board at a later meeting. In addition, the Board may take action to direct the staff to place a matter of business on a future agenda. **SPEAKERS ARE LIMITED TO TWO MINUTES. PLEASE STATE AND SPELL YOUR NAME BEFORE MAKING YOUR PRESENTATION. THANK YOU!**  
**NO ONE HEARD**



BOARD MEMBER ANNOUNCEMENTS OR REPORTS

- 2) On their own initiative, Board members may make an announcement or a report on their own activities. They may ask a question for clarification, make a referral to staff or take action to have staff place a matter of business on a future agenda (Government Code section 54954.2(a)(2)) –  
**NO ONE HEARD**

PUBLIC REQUESTS

- 3) Request of Philip McLaughlin, representing Tri Counties Bank, to present an unrestricted donation in the amount of \$5,000 to Kern Medical Center Foundation –  
PHILIP MCLAUGHLIN HEARD; PRESENTATION MADE

ITEMS FOR CONSIDERATION

CA

- 4) Minutes for the Kern County Hospital Authority Board of Governors regular meeting on December 14, 2022 –  
APPROVED  
**Pelz-McLaughlin: 5 Ayes; 1 Absent - Alsop**

CA

- 5) Proposed Agreement with Arman G. Froush, D.O., a contract employee, for professional medical and administrative services in the Department of Radiology from February 1, 2023 through January 31, 2028, in an amount not to exceed \$5,300,000 plus applicable benefits –  
APPROVED; AUTHORIZED CHAIRMAN TO SIGN AGREEMENT 001-2023  
**Pelz-McLaughlin: 5 Ayes; 1 Absent - Alsop**

CA

- 6) Proposed Cerner Sales Order OPT-0460783 with Cerner Corporation, an independent contractor, for professional consulting services to integrate the new radiology NOVARAD PACS imaging storage system, in an amount not to exceed \$57,253 plus travel expenses –  
APPROVED; AUTHORIZED CHAIRMAN TO SIGN AGREEMENT 002-2023; AUTHORIZED CHIEF EXECUTIVE OFFICER TO SIGN FOR RECEIPT OF DELIVERY  
**Pelz-McLaughlin: 5 Ayes; 1 Absent - Alsop**

CA

- 7) Proposed Cerner Sales Order OPT-0451356 with Cerner Corporation, an independent contractor, containing nonstandard terms and conditions, for professional and shared computing services to integrate the Atellica Chemistry Analyzer Laboratory Instrument, for a term of 60 months, effective January 18, 2023, in an amount not to exceed \$12,100 –  
APPROVED; AUTHORIZED CHAIRMAN TO SIGN AGREEMENT 003-2023; AUTHORIZED CHIEF EXECUTIVE OFFICER TO SIGN FOR RECEIPT OF DELIVERY  
**Pelz-McLaughlin: 5 Ayes; 1 Absent - Alsop**

CA

- 8) Proposed Schedule A-3 to Agreement 58122 with Healthcare Performance Group, Inc., an independent contractor, for the period October 1, 2022 through September 30, 2024, for professional consulting services to assist with the Oracle Cerner Code Upgrade, increasing the maximum payable by \$325,000, from \$164,910 to \$489,910, plus travel expenses – APPROVED; AUTHORIZED CHAIRMAN TO SIGN AGREEMENT 004-2023  
**Pelz-McLaughlin: 5 Ayes; 1 Absent - Alsop**

CA

- 9) Proposed Personal/Professional Services Agreement with RBB Architects, Inc., for a feasibility study and drawings for the proposed behavioral health tower expansion project, effective January 18, 2023, in an amount not to exceed \$297,500 plus travel expenses – APPROVED; AUTHORIZED CHAIRMAN TO SIGN AGREEMENT 005-2023  
**Pelz-McLaughlin: 5 Ayes; 1 Absent - Alsop**

CA

- 10) Proposed Amendment No. 4 to Agreement 08919 for Personal/Professional Services with Quality Floor Covering, an independent contractor, for the period December 1, 2018 through November 30, 2024, for flooring maintenance and repair services, effective January 18, 2023, extending the term for two years from December 1, 2024 through November 30, 2026, and increasing the maximum payable by \$750,000, from \$750,000 to \$1,500,000, to cover the extended term – APPROVED; AUTHORIZED CHAIRMAN TO SIGN AGREEMENT 006-2023  
**Pelz-McLaughlin: 5 Ayes; 1 Absent - Alsop**

CA

- 11) Proposed Engagement Letter to Agreement 2017-025 with Strata Decision Technology, LLC, an independent contractor, for the period March 16, 2022 through March 16, 2026, for software integration of clinical data from the Electronic Health Record into Stata for decision support, cost accounting and operating budget reporting, increasing the maximum payable by \$114,376, from \$4,162,124 to \$4,276,500, to cover the cost of the project – APPROVED; AUTHORIZED CHAIRMAN TO SIGN AGREEMENT 007-2023  
**Pelz-McLaughlin: 5 Ayes; 1 Absent - Alsop**

CA

- 12) Proposed Purchase Order Agreement with Accurate Surgical and Scientific Instruments, an independent contractor, containing nonstandard terms and conditions, for purchase of instruments and supplies for micro-tendon, vascular and breast reconstruction procedures, effective January 18, 2023, in an amount not to exceed \$12,360 plus taxes and shipping – APPROVED; AUTHORIZED CHAIRMAN TO SIGN AGREEMENT 008-2023  
**Pelz-McLaughlin: 5 Ayes; 1 Absent - Alsop**

CA

- 13) Proposed Master Subscription Agreement with ESO Solutions, Inc., an independent contractor, containing nonstandard terms and conditions, for software to link emergency medical services patient information to the Electronic Health Record, effective January 18, 2023, in an amount not to exceed \$23,500 per year – APPROVED; AUTHORIZED CHAIRMAN TO SIGN AGREEMENT 009-2023  
**Pelz-McLaughlin: 5 Ayes; 1 Absent - Alsop**

CA

- 14) Proposed Price Agreement with Teleflex, LLC, an independent contractor, containing nonstandard terms and conditions, for purchase of surgical gastrointestinal dilators, effective January 18, 2023, in an amount not to exceed \$27,500 –  
APPROVED; AUTHORIZED CHAIRMAN TO SIGN AGREEMENT 010-2023  
**Pelz-McLaughlin: 5 Ayes; 1 Absent - Alsop**

CA

- 15) Proposed Certification of Medical Necessity for BD Alaris™ System Infusion Pump –  
APPROVED; AUTHORIZED CHAIRMAN TO SIGN AGREEMENT 011-2023  
**Pelz-McLaughlin: 5 Ayes; 1 Absent - Alsop**

CA

- 16) Proposed Amendment No. 6 to Agreement 20119 with Juan M. Lopez, M.D., a contract employee, for professional medical and administrative services in the Department of Obstetrics and Gynecology, for the period July 1, 2019 through January 31, 2023, extending the term for one month from February 1, 2023 through February 28, 2023, and increasing the maximum payable by \$40,000, from \$1,620,000 to \$1,660,000, to cover the extended term –  
APPROVED; AUTHORIZED CHAIRMAN TO SIGN AGREEMENT 012-2023  
**Pelz-McLaughlin: 5 Ayes; 1 Absent - Alsop**

CA

- 17) Proposed Third Amendment to Operating Agreement of Kern Medical Surgery Center, LLC, increasing the capital contribution by \$4,781,363, from \$2,000,000 to \$6,781,363, effective January 18, 2023 –  
APPROVED; AUTHORIZED CHAIRMAN TO SIGN AGREEMENT 013-2023  
**Pelz-McLaughlin: 5 Ayes; 1 Absent - Alsop**

CA

- 18) Proposed retroactive Agreement with Kern Medical Surgery Center, LLC, for management and administrative services, effective August 1, 2018, in an amount not to exceed \$13,005,450 for the period August 1, 2018 through December 31, 2022, and \$4,125,000 per calendar year, effective January 1, 2023 –  
APPROVED; AUTHORIZED CHAIRMAN TO SIGN AGREEMENT 014-2023  
**Pelz-McLaughlin: 5 Ayes; 1 Absent - Alsop**

CA

- 19) Proposed Resolution in the matter of creating an ad hoc committee of the Board of Governors for the limited, specific purpose of undertaking a public employee performance evaluation of the Chief Executive Officer, appointing Chairman Bigler, Director Berjis, and Director Pelz to the ad hoc committee, and directing the Vice President & General Counsel to assist the ad hoc committee in implementing the provisions of the Resolution, effective January 18, 2023 –  
APPROVED; ADOPTED RESOLUTION 2023-001  
**Pelz-McLaughlin: 5 Ayes; 1 Absent - Alsop**

- CA  
20) Proposed Amendment No. 3 to Agreement 871-2015 with Shahab Hillyer, M.D., a contract employee, for professional medical and administrative services in the Department of Surgery, for the period January 1, 2016 through December 31, 2025, increasing the maximum vacation accrual from 280 hours to 320 hours, effective January 18, 2023 –  
APPROVED; AUTHORIZED CHAIRMAN TO SIGN AGREEMENT 015-2023  
**Pelz-McLaughlin: 5 Ayes; 1 Absent - Alsop**
- CA  
21) Proposed Amendment No. 3 to the License Agreement 04518 with Decision Resources Group, Inc., on behalf of its Healthcare Business Insights division, an independent contractor, for the period February 12, 2018 through February 11, 2023, for renewal of the Revenue Cycle Academy/E-Learning Membership, extending the term one year from February 12, 2023 through February 11, 2024, and increasing the maximum payable by \$29,330, from \$132,722 to \$162,052, to cover the extended term –  
APPROVED; AUTHORIZED CHAIRMAN TO SIGN AGREEMENT 016-2023  
**Pelz-McLaughlin: 5 Ayes; 1 Absent - Alsop**
- 22) Kern County Hospital Authority Chief Financial Officer report –  
CHIEF FINANCIAL OFFICER ANDREW CANTU HEARD; RECEIVED AND FILED  
**Brar-Berjis: 6 Ayes**
- 23) Kern County Hospital Authority Chief Executive Officer report –  
CHIEF EXECUTIVE OFFICER SCOTT THYGERSON HEARD; RECEIVED AND FILED  
**Pelz-Brar: 6 Ayes**
- CA  
24) Monthly report on What's Happening at Kern Medical Center –  
RECEIVED AND FILED  
**Pelz-McLaughlin: 5 Ayes; 1 Absent - Alsop**
- CA  
25) Claims and Lawsuits Filed as of December 31, 2022 –  
RECEIVED AND FILED  
**Pelz-McLaughlin: 5 Ayes; 1 Absent - Alsop**

ADJOURNED TO CLOSED SESSION  
**Berjis-McLaughlin**

CLOSED SESSION

- 26) PUBLIC EMPLOYEE PERFORMANCE EVALUATION - Title: Chief Executive Officer (Government Code Section 54957) – SEE RESULTS BELOW
- 27) CONFERENCE WITH LABOR NEGOTIATORS - Agency designated representatives: Vice President & General Counsel Karen S. Barnes, and designated staff - Unrepresented Employee: Chief Financial Officer (Government Code Section 54957.6) – SEE RESULTS BELOW

- 28) CONFERENCE WITH LABOR NEGOTIATORS - Agency designated representatives: Vice President & General Counsel Karen S. Barnes, and designated staff - Unrepresented Employee: Chief Executive Officer (Government Code Section 54957.6) – SEE RESULTS BELOW

RECONVENED FROM CLOSED SESSION  
**Pelz-McLaughlin**

REPORT ON ACTIONS TAKEN IN CLOSED SESSION

Item No. 26 concerning PUBLIC EMPLOYEE PERFORMANCE EVALUATION - Title: Chief Executive Officer (Government Code Section 54957) – HEARD; NO REPORTABLE ACTION TAKEN

Item No. 27 concerning CONFERENCE WITH LABOR NEGOTIATORS - Agency designated representatives: Vice President & General Counsel Karen S. Barnes, and designated staff - Unrepresented Employee: Chief Financial Officer (Government Code Section 54957.6) – HEARD; NO REPORTABLE ACTION TAKEN

Item No. 28 concerning CONFERENCE WITH LABOR NEGOTIATORS - Agency designated representatives: Vice President & General Counsel Karen S. Barnes, and designated staff - Unrepresented Employee: Chief Executive Officer (Government Code Section 54957.6) – HEARD; NO REPORTABLE ACTION TAKEN

ADJOURNED TO WEDNESDAY, FEBRUARY 15, 2023 AT 11:30 A.M.  
**Brar**

/s/ Mona A. Allen  
Authority Board Coordinator

/s/ Russell E. Bigler  
Chairman, Board of Governors  
Kern County Hospital Authority



**BOARD OF GOVERNORS  
KERN COUNTY HOSPITAL AUTHORITY REGULAR MEETING**

January 16, 2019

**Subject:** Proposed Amendment No. 5 to State & Local Government Value Rental Lease Agreement (078-2018) with Ray A Morgan Company

**Recommended Action:** Approve; Authorize Chairman to Sign; Authorize Chief Executive Officer to Sign for Receipt of Delivery

**Summary:**

Kern Medical requests your Board approve the proposed Amendment No. 5 with Ray A Morgan Company to provide a replacement device. There is no additional cost associated with this amendment, it will be treated as an equipment swap/replacement.

Kern Medical and Ray Morgan Company have entered into a State and Local Government Value Rental Lease Agreement (Customer Agt. #078-2018, dated November 14, 2018), Amendment No. 1 (Customer Agt. #10619, dated March 25, 2019), Amendment No. 2 (Customer Agt. 011-2020, dated April 15, 2020), Amendment No. 3 (Customer Agt. 052-2020) allowing Kern Medical to secure and manage print output and Amendment 4 (Customer Agt. 092-2022) to add devices for new clinics with a previous maximum payable of \$2,348,873 and have established a good relationship between the parties which has led to this no cost replacement.

Therefore, it is recommended that your Board approve the proposed Amendment No. 5 to State & Local Government Value Rental Lease Agreement with Ray A Morgan Company, for no additional cost, and authorize the Chairman to sign and the Chief Executive Officer to sign receipt of equipment when delivered.

**AMENDMENT NO. 5 TO  
STATE & LOCAL GOVERNMENT VALUE RENTAL LEASE AGREEMENT  
(Kern County Hospital Authority – Ray A Morgan Company)**

This Amendment No. 5 to the State & Local Government Value Rental Lease Agreement (“Amendment No. 5”) is entered into this 15th day of February, 2023, by and between Kern County Hospital Authority (“Customer”), a local unit of government which owns and operates Kern Medical Center and Ray A Morgan Company, a California Corporation Group, (“Owner”), with its principal place of business located at 3131 Esplanade, Chico, CA 95973.

**RECITALS**

A. Customer and Owner have heretofore entered into a State & Local Government Value Rental Lease Agreement (Customer Agt. #078-2018, dated November 14, 2018), Amendment No. 1 (Customer Agt.#10619, dated March 25, 2019), Amendment No. 2 (Customer Agt.#011-2020, dated April 15, 2020), Amendment No. 3 (Customer Agt.#052-2020, dated October 21, 2020), and Amendment No. 4 (Customer Agt.#092-2022) (“Agreement”), beginning April 1, 2019 and terminating on March 31, 2024, to provide equipment and maintenance to support print output services for Customer, as such services are unavailable from Customer resources; and

B. The parties agree to amend Schedule A to exchange listed equipment and include an acknowledgement of self-insurance in a self-insured addendum as hereinafter set forth; and

C. The Agreement is amended effective February 15, 2023;

NOW, THEREFORE, in consideration of the mutual covenants and conditions hereinafter set forth and incorporating by this reference the foregoing recitals, the parties hereto agree to amend the Agreement as follows:


1. Schedule A-5 attached to Amendment No. 5, is added to the Agreement and incorporated herein by this reference.
2. Self-Insured Addendum, attached to Amendment No. 5, is added to the Agreement and incorporated herein by this reference.
4. Except as otherwise defined herein, all capitalized terms used in this Amendment No. 5 have the meaning set forth in the Agreement.
5. This Amendment No. 5 shall be governed by and construed in accordance with the laws of the state of California.
6. This Amendment No. 5 may be executed in counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.
7. Except as provided herein, all other terms, conditions, and covenants of the Agreement and any and all amendments thereto shall remain in full force and effect.

IN WITNESS TO THE FOREGOING, the Parties have executed this Amendment No. 5 as of the day and year first written above.

KERN COUNTY HOSPITAL AUTHORITY

RAY A MORGAN COMPANY

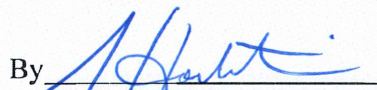
By \_\_\_\_\_  
Russell Bigler  
Chairman, Board of Governors

By   
Clint Phillips  
Executive Vice President

APPROVED AS TO CONTENT:  
Kern Medical Center

By \_\_\_\_\_  
Reynaldo Lopez  
Chief Information Officer

APPROVED AS TO FORM:  
Legal Services Department

By   
Hospital Counsel & Acting Compliance Officer





EQUIPMENT EXCHANGE AMENDMENT

EQUIPMENT FINANCE

AGREEMENT #
500-0573785-001

Amendment to Agreement # 500-0573785-001, between KERN COUNTY HOSPITAL AUTHORITY (KERN MEDICAL CENTER) as Customer and U.S. Bank Equipment Finance, a division of U.S. Bank National Association ("U.S. Bank Equipment Finance") as Lessor/Secured Party. The words "you" and "your" refer to Customer. The words "we," "us" and "our" refer to Lessor/Secured Party.

The parties wish to amend the above-referenced Agreement as set forth below:

The following specified equipment is hereby REMOVED from the Agreement:

Table with 2 columns: Description/Meter Read and Serial Number/Removal Date. Includes 'Original Equipment' and 'If applicable' rows.

The following specified equipment ("Equipment") is hereby ADDED to the Agreement:

Table for 'Substituted Equipment' with fields for Description, Serial Number, Meter Read, and Install Date. Includes a checkbox for equipment location.

together with all replacements, parts, repairs, additions, and accessions incorporated therein or attached thereto and any and all proceeds of the foregoing, including, without limitation, insurance recoveries.

You hereby acknowledge and agree that the above exchange is an even exchange of equipment. The substituted Equipment listed above has been delivered satisfactorily and is irrevocably accepted.

By signing this Amendment, you acknowledge the above changes to the Agreement and authorized Lessor/Secured Party to make such changes. In the event of any conflict between this Amendment and the Agreement, this Amendment shall prevail. In all other respects, the terms and conditions of the Agreement remain in full force and effect and remaining binding on the Customer.

U.S. Bank Equipment Finance

KERN COUNTY HOSPITAL AUTHORITY (KERN MEDICAL CENTER)

Lessor/Secured Party

Customer

Signature

X
Signature

Title

Date

Chairman, Board of Governors

Title

Date

NOTE: CAPITALIZED TERMS IN THIS DOCUMENT ARE DEFINED AS IN THE AGREEMENT, UNLESS SPECIFICALLY STATED OTHERWISE.

**SELF-INSURED ADDENDUM (PROPERTY & LIABILITY)**

**AGREEMENT #  
2921190**

Addendum to Agreement # 2921190, between KERN COUNTY HOSPITAL AUTHORITY, as Customer and RAY A MORGAN COMPANY, as Lessor. The words "you" and "your" refer to Customer. The words "we," "us" and "our" refer to Lessor. This Addendum is specific to the aforementioned Agreement # and shall not be incorporated into any future supplements/schedules thereto.

The parties wish to amend the above-referenced Agreement by adding the following language:

This Agreement imposes certain obligations on you with respect to maintaining property and liability insurance on the Equipment to cover risk of loss or damage to such Equipment and any liability caused by or in any way related to the Equipment. You have indicated to us that you will not carry property insurance or liability insurance from an insurance carrier. Rather, you will self-insure for property loss and liability by maintaining sufficient liquid assets and overall financial strength to fully cover such risks of loss, damage and/or liability caused by or in any way related to the Equipment.

You acknowledge and confirm that, notwithstanding the foregoing, you shall remain solely responsible for any and all risk of loss or damage to the Equipment and all liability caused by or in any way related to the Equipment, in accordance with the terms of this Agreement. Furthermore, upon any event of default or if we determine, at our sole discretion, that you do not have sufficient liquid assets or overall financial strength to adequately self-insure for property loss and/or liability, we reserve the right to require you to obtain: (1) a property insurance policy from an insurance carrier in an amount not less than the full replacement value of the Equipment with us named as lender's loss payee; and (2) a commercial general liability insurance policy with such coverage and from such insurance carrier as shall be satisfactory to us and to include us as additional insured on the policy.

By signing this Addendum, Customer acknowledges the above changes to the Agreement and authorizes Lessor to make such changes. In the event of any conflict between this Addendum and the Agreement, this Addendum shall prevail. In all other respects, the terms and conditions of the Agreement remain in full force and effect and remain binding on Customer.

**RAY A MORGAN COMPANY**

Lessor

Signature

**EVP**

Title

**1/17/2023**

Date

**KERN COUNTY HOSPITAL AUTHORITY**

Customer

**X**

Signature

**Chairman, Board of Governors**

Title

Date

NOTE: CAPITALIZED TERMS IN THIS DOCUMENT ARE DEFINED AS IN THE AGREEMENT, UNLESS SPECIFICALLY STATED OTHERWISE



**BOARD OF GOVERNORS  
KERN COUNTY HOSPITAL AUTHORITY REGULAR MEETING**

February 15, 2023

**Subject:** Proposed Contract Supplement OPTY-708442 with Change Healthcare Technologies, LLC to migrate the Picture Archiving and Communication System (PACS) data

**Recommended Action:** Approve; Authorize Chairman to sign

**Summary:**

Kern Medical requests your Board approve the proposed Contract Supplement OPTY-708442 to the Information Systems Agreement (276-99 dated May 18, 1999) with Change Healthcare Technologies, LLC to facilitate the transition from a Change Healthcare PACS to a Novarad Corporation's PACS, with a total cost for the project of \$41,140 for an estimated term of two (2) years.

Change Healthcare Technologies, LLC will provide data migration services for our transition to Novarad Corporation's PACS. These migration services will include the transition of over 1 million PACS reports from Change Healthcare Technologies, LLC. This data is required for the success of the Novarad Corporation's PACS and Kern Medical's need continuity of patient care. Without this data migration, Kern Medical will not be able to access past radiological procedures, diagnostics, and reports previously completed in Change HealthCare Technologies, LLC's PACS. The approval of this Contract Supplement is a pivotal step in transitioning our PACS software.

Therefore, it is recommended that your Board approve the proposed Contract Supplement with Change Healthcare Technologies, LLC for data migration services, for a term of two (2) years beginning on February 15, 2023 through February 14, 2025, with a total cost of \$41,140, and authorize the Chairman to sign.

**CONTRACT SUPPLEMENT**

|                 |  |
|-----------------|--|
| <b>Part I</b>   | <b>Administration Section</b>                                |
| <b>Part II</b>  | <b>General Terms and Conditions Section</b>                  |
| <b>Part III</b> | <b>Facility and Payment Schedule Section</b>                 |
| <b>Part IV</b>  | <b>Products, Pricing Section and Customer Administration</b> |
| <b>Part V</b>   | <b>Product Specific Terms and Conditions Section</b>         |

**PART I**

**ADMINISTRATION SECTION**

This Contract Supplement to Information System Agreement No. C9801004 / Kern County Agreement No. 276-99, dated May 18, 1999, ("Agreement") is effective as of the latest date below ("CS Effective Date"), and consists of all Exhibits, Schedules, and Attachments incorporated by reference ("Contract Supplement"). Unless expressly stated in this Contract Supplement, the terms and conditions of this Contract Supplement apply only to the Facilities, Software, Managed Services and Services in this Contract Supplement. To the extent that this Contract Supplement conflicts with the Agreement, the terms of this Contract Supplement will control. Where not in conflict, all applicable terms in the Agreement are incorporated by reference.

**The pricing expires on February 28, 2023.**

Customer represents that it does not issue purchase order ("PO") numbers, and Customer agrees that the non-issuance of a PO number, or the issuance of a PO number in the future if Customer changes its policy, does not suspend or negate any Customer duty, including payment, under this Contract Supplement.

**No Warranty of Future Functionality.** Change Healthcare makes no warranty or commitment regarding any functionality not Generally Available as of the CS Effective Date for any of the Products or Services provided under this Contract Supplement and Customer has not relied on the availability of any future version of the Products or Services or any other future offering from Change Healthcare in its decision to execute this Contract Supplement.

Each signatory represents and warrants that it is duly authorized to sign, execute, and deliver this Contract Supplement on behalf of the party it represents.

**KERN COUNTY HOSPITAL AUTHORITY**

Signature: \_\_\_\_\_

Printed Name: Russell Bigler

Title/Position: Chairman, Board of Governors

Customer PO. No.: \_\_\_\_\_

Date: 2/15/2023

**CHANGE HEALTHCARE TECHNOLOGIES, LLC**

Signature: Ken Ho

Printed Name: Ken Ho

Title/Position: Manager, Sales Operations

Date: 1/16/2023

**Submit fully executed contract and a copy of the purchase order to:**

Enterprise Imaging  
Attn: MIG Sales Contracts  
10711 Cambie Road, Richmond, BC, Canada V6X 3G5  
Email: migsalescontracts@changehealthcare.com

APPROVED AS TO FORM  
Legal Services Department

By [Signature]  
Kern County Hospital Authority

## PART II

### GENERAL TERMS AND CONDITIONS SECTION

#### SECTION 1: LIMITATION OF LIABILITY

1.1 Total Damages. EXCEPT FOR ANY LIABILITY OF CHANGE HEALTHCARE PURSUANT TO SECTION I, PARAGRAPH 8 OF INFORMATION SYSTEMS AGREEMENT NO. C9801004/KERN COUNTY AGREEMENT NO. 276-99, DATED MAY 18, 1999, CHANGE HEALTHCARE'S TOTAL CUMULATIVE LIABILITY UNDER THIS CONTRACT SUPPLEMENT FOR BREACH OF CONTRACT, WARRANTY, TORT, PRODUCT LIABILITY, OR OTHERWISE, IS LIMITED TO THE TOTAL FEES PAID (LESS ANY REFUNDS, CREDITS, AND PASS THROUGH FEES) BY CUSTOMER TO CHANGE HEALTHCARE UNDER THIS CONTRACT SUPPLEMENT FOR THE PRODUCT OR SERVICE GIVING RISE TO THE CLAIM DURING THE 12-MONTH PERIOD PRECEDING THE DATE OF THE CLAIM.

1.2 Exclusion of Damages. CHANGE HEALTHCARE IS NOT LIABLE TO CUSTOMER UNDER THIS CONTRACT SUPPLEMENT, FOR ANY SPECIAL INCIDENTAL, INDIRECT, OR CONSEQUENTIAL DAMAGES, OR LOST PROFITS, LOST REVENUE, OR LOSS OF REPUTATION OR GOODWILL, WHETHER BASED ON BREACH OF CONTRACT, WARRANTY, TORT, PRODUCT LIABILITY, OR OTHERWISE, EVEN IF CHANGE HEALTHCARE HAS BEEN ADVISED OF THE POSSIBILITY OF THE DAMAGE.

1.3 Material Consideration. THE LIMITATION OF LIABILITY DESCRIBED IN THIS SECTION IS A MATERIAL CONDITION FOR CHANGE HEALTHCARE'S ENTRY INTO THIS CONTRACT SUPPLEMENT.

1.4 NOTHING IN THIS SECTION SHOULD BE CONSTRUED TO LIMIT EITHER PARTY'S LIABILITY DIRECTLY TO ANY THIRD PARTY.

#### SECTION 2: INTERNET DISCLAIMER

2.1 CHANGE HEALTHCARE IS NOT RESPONSIBLE FOR INTERNET OUTAGES OR OTHER FAULTS IN INTERNET SERVICE.

#### SECTION 3: RETAINED RIGHTS

3.1 Change Healthcare reserves all rights not expressly granted to Customer in this Contract Supplement including all right, title, and interest to all work developed for or delivered to Customer under this Contract Supplement. Change Healthcare solely owns all changes, modifications, improvements, or new modules to the Products or Services, whether made or developed by Customer, at Customer's request, or in cooperation with Customer. All feedback, statements, suggestions, or ideas given by Customer to Change Healthcare may be used to develop new and existing products and services that will be owned solely by Change Healthcare.

#### SECTION 4: DEFINITIONS

"Change Healthcare Solution" means any Change Healthcare-owned Product or Change Healthcare-owned Service provided to Customer under a Contract Supplement.

"Facility" means an establishment that is (a) located in USA, (b) operated by Customer or a Change Healthcare-approved third party, and (c) identified in a Contract Supplement.

"Permitted User" means any individual authorized by Customer to use the Products and Services, whether at a Facility or from a remote location, who is a (a) Customer employee, (b) medical professional authorized to perform services at a Facility, or (c) consultant or independent contractor who has a need to use the Products or Services based upon a contractual relationship with Customer and is not a Change Healthcare competitor. A consultant or independent contractor may be a "Permitted User" only if (i) Customer remains responsible for use of the Products and Services by the individual, and (ii) the

individual is subject to confidentiality and use restrictions at least as strict as those contained in the Agreement.

“Products” means any software, equipment, content, or any other product that Change Healthcare provides to Customer under a Contract Supplement. Change Healthcare may provide Products through technological means, including artificial intelligence and machine learning.

“Services” means any computing, processing, technology, subscription, hosting, software as a service, implementation, maintenance, professional, consulting, or any other service that Change Healthcare provides to Customer under a Contract Supplement. Change Healthcare may provide Services from any of its business locations through technological means, including artificial intelligence and machine learning.

#### **SECTION 5: REVOCATION**

5.1 Change Healthcare may revoke any license to Software granted under the Agreement if Customer violates the scope of the license. Change Healthcare may revoke any license to Software regulated as a medical device granted under the Agreement if (a) Customer is using a version of the Software other than one of the two most recent versions, or (b) the Software reaches the end of its useful life as stated in the Documentation.

#### **SECTION 6: CHANGE HEALTHCARE-OWNED EQUIPMENT**

6.1 All Change Healthcare-owned equipment, including migration servers, supplied by Change Healthcare for use with any data migration services provided by Change Healthcare under this Contract Supplement ( “CHC Equipment” ) is and will remain the personal property of Change Healthcare. Customer will have no right, title, or interest to any CHC Equipment. Customer will provide a secure location for the CHC Equipment while it is located at a Customer’ s Facility. Upon the earlier of (i) the expiration or termination of this Contract Supplement, or (ii) Change Healthcare’ s completion of the data migration services, Customer will promptly cease using and, at its sole expense, return all CHC Equipment to the location designated by Change Healthcare. Customer will return all CHC Equipment in good condition and repair, ordinary wear and tear expected, and free of any Customer data or patient information.

#### **SECTION 7: RESCHEDULING**

7.1 Change Healthcare will schedule the installation of the applicable Products and Services with Customer, following both parties’ execution of this Contract Supplement. If any Customer initiated rescheduling occurs less than 60 days before the scheduled commencement of the Services, then Change Healthcare may invoice Customer an amount equal to (a) 15% of the total applicable Services fees and (b) the expenses incurred by Change Healthcare in connection with the Customer initiated rescheduling including, without limitation, travel cancellation fees, equipment storage fees, and equipment restocking fees by third party suppliers.

**PART III**  
**FACILITY AND PAYMENT SCHEDULE**

**FACILITIES:**

| <b>Customer No.:</b> | <b>Data Center Facility:</b>   | <b>Full Address:</b>                             |
|----------------------|--------------------------------|--|
| 1009312              | Kern County Hospital Authority | 1700 Mt Vernon Ave<br>Bakersfield, CA 93306-4018 |

| <b>Customer No.:</b> | <b>Facility:</b>               | <b>Full Address:</b>                             |
|----------------------|--------------------------------|--|
| 1009312              | Kern County Hospital Authority | 1700 Mt Vernon Ave<br>Bakersfield, CA 93306-4018 |

**PAYMENT SCHEDULE:**

|                       |                                    |
|-----------------------|------------------------------------|
| <b>One-Time Fees:</b> | 100% due on the CS Effective Date. |
|-----------------------|------------------------------------|

This Contract Supplement and any discounts provided under this Contract Supplement, are intended to comply with the discount safe harbor of the federal Anti-Kickback Statute, 42 U.S.C. § 1320a-7b(b). To the extent required by the discount safe harbor of the Anti-Kickback Statute or other similar applicable state laws and regulations, Customer and its affiliates must fully and accurately reflect in cost reports or other submissions to federal healthcare programs all discounts provided under this Contract Supplement and, upon request by the Secretary of the U.S. Department of Health and Human Services or a state agency, make available information provided to Customer by Change Healthcare about the discount.

Change Healthcare's pricing does not include sales, use, value-added, withholding, or other taxes and duties. Change Healthcare will invoice Customer for applicable taxes and duties unless Customer provides Change Healthcare with satisfactory evidence of an applicable tax exemption (including evidence of renewal if applicable). Customer will promptly pay, and indemnify Change Healthcare against, all taxes and duties (except for taxes on Change Healthcare's net income).

**PART IV**  
**PRODUCT(S), PRICING AND CUSTOMER ADMINISTRATION**  
**[SEE FOLLOWING PAGES]**



**Contract:** OPTY-708442  
**Customer No.:** 1009312  
**Project:** Report Extract

**Quoted On:** January 12, 2023  
**Quote Expiry Date:** See page 1 of contract  
**Quote Number:** 117091  
**Initial CS:** 1-EP8CZ3/25/2008

.....

### Fees Summary

|                       | One-Time Fees    | Recurring Fees |
|-----------------------|------------------|----------------|
| Professional Services | 37,400.00        |                |
| <b>GRAND TOTALS</b>   | <b>37,400.00</b> |                |

**Contract:** OPTY-708442  
**Customer No.:** 1009312  
**Project:** Report Extract

**Quoted On:** January 12, 2023  
**Quote Expiry Date:** See page 1 of contract  
**Quote Number:** 117091  
**Initial CS:** 1-EP8CZ3/25/2008

**Proposal Summary - All prices are stated in USD**

| <b>One Time Fee Summary</b>             |                                       |                  |                  |
|---|---------------------------------------|------------------|------------------|
| Quote Ref.                              | Product                               | Prof Services    | Net Price        |
| 117091-1                                | Change Healthcare Radiology Solutions | 37,400.00        | 37,400.00        |
| Kern County Hospital Authority Subtotal |                                       | 37,400.00        | 37,400.00        |
|   |                                       |                  | Total            |
|   | Proposal List Price                   | 44,000.00        | 44,000.00        |
|   | Proposal Discount                     | 6,600.00         |                  |
|   | Discount %                            | 15.00            |                  |
|   | <b>Proposal Net Total</b>             | <b>37,400.00</b> | <b>37,400.00</b> |

\*Pricing on this quote does NOT include any taxes or duties.

A-1-2

|                      |                |                           |                        |
|----------------------|----------------|---------------------------|------------------------|
| <b>Contract:</b>     | OPTY-708442    | <b>Quoted On:</b>         | January 12, 2023       |
| <b>Customer No.:</b> | 1009312        | <b>Quote Expiry Date:</b> | See page 1 of contract |
| <b>Project:</b>      | Report Extract | <b>Quote Number:</b>      | 117091                 |
|                      |                | <b>Initial CS:</b>        | 1-EP8CZ3/25/2008       |

.....

## Proposal Notes

This quote includes the following effort:

- 1 x Report Extract
- 1 x Report for Study Extract

Does not include image migration or report migration.  
Please see SOW for details.

**See Statement of Work for Implementation Services for additional terms, if applicable.**

**Contract:** OPTY-708442  
**Customer No.:** 1009312  
**Project:** Report Extract

**Quoted On:** January 12, 2023  
**Quote Expiry Date:** See page 1 of contract  
**Quote Number:** 117091  
**Initial CS:** 1-EP8CZ3/25/2008

### Line Item Details

| Kern County Hospital Authority |     |           |                | Change Healthcare Radiology Solutions   |                | 117091-1           |                        |
|--------------------------------|-----|-----------|----------------|---|----------------|--------------------|------------------------|
| No                             | Qty | Part      | SAP/MNT        | Description   | Unit Net Price | Extended Net Price | Extended Net Recurring |
| Professional Services          |     |           |                |   |                |                    |                        |
| 1                              | 2   | PCSDM8637 | 74050386<br>NA | Radiology DB Services - Report Extract Services: To extract reports with zero(0) to one(1) field modifier from Change Healthcare Radiology Solutions PACS. Report data to be provided in a delimited text or HL7 file. See SOW for full project scope and details | 18,700.00      | 37,400.00          |                        |
| <b>Total:</b>                  |     |           |                |   |                | <b>37,400.00</b>   |                        |

The pricing set forth in this proposal represents Change Healthcare's complete proposal for the Products and or Customer's Facilities set forth herein (the "Pricing Proposal"), regardless of other proposals made by Change Healthcare either simultaneously with this Pricing

| ADMINISTRATION:  |  |
|--|--|
| Sold To:   | Ship To: *   |
| Kern County Hospital Authority   | Kern County Hospital Authority   |
| 1700 Mt Vernon Ave   | 1700 Mt Vernon Ave   |
| Bakersfield, CA, 93306-4018  | Bakersfield, CA, 93306-4018  |
|  |  |
| Federal Tax ID No: 95-6000-925   | Telephone: (661) 326-5364  |
|  | E-Mail: tony.mestaz@kernmedical.com  |
|  |  |
|  | *Ship To details can change based on Customer's request or based on PO provided by Customer. |
| Bill To: *   | Paid By:   |
| Kern County Hospital Authority   | Kern County Hospital Authority   |
| 1700 Mt Vernon Ave   | 1700 Mt Vernon Ave   |
| Bakersfield, CA, 93306-4018  | Bakersfield, CA, 93306-4018  |
| PO Box:  |  |
|  |  |
| Attention:   |  |
| Telephone:   |  |
| Email:   |  |
|  |  |
| *If Customer provides a PO with Bill To details different from above, use Bill To details in the PO. |  |
|  |  |
| Maintenance / Recurring Fees Bill To: (If different from above Bill To, please fill in below.)       |  |
|  |  |
|  |  |
|  |  |
|  |  |
|  |  |

**PART V**  
**PRODUCT SPECIFIC TERMS AND CONDITIONS**

**EXHIBIT A**  
**STATEMENT OF WORK**  
**[SEE FOLLOWING PAGES]**

**CHANGE HEALTHCARE RADIOLOGY SOLUTIONS  
PICTURE ARCHIVING AND COMMUNICATIONS SYSTEM ("PACS")**

**REPORT EXTRACT STATEMENT OF WORK**

**Project Specifications**

The goal of this project is to extract American Standard Code for Information Interchange ("ASCII") reports of existing studies within the Change Healthcare Radiology Solutions PACS production database.

The project will take place in the following steps:

1. Customer will specify if the data is to be extracted to a flat file format or to a HL7 file format.
2. Change Healthcare will run database validation checks on the Change Healthcare Radiology Solutions PACS production database.
3. Change Healthcare will restore a copy of the Change Healthcare Radiology Solutions PACS production database to the test environment or to an in-house assessment server.
4. Change Healthcare will develop custom database extraction scripts to extract report data from the Change Healthcare Radiology Solutions PACS database.
5. Change Healthcare will work with Customer to identify available fields within the Change Healthcare Radiology Solutions PACS database to be included in the extract.
6. A sample of the extracted data will be provided to Customer for testing and validation purposes.
  - If any changes are required, Customer will provide Change Healthcare with an updated list of data fields to extract.
  - Change Healthcare will then update the custom extraction scripts based on the updated list of required fields.
  - A new sample of the extracted data will be generated and provided to Customer for testing and validation purposes.
7. Once testing and validation is completed, Change Healthcare will extract available report data from the Change Healthcare Radiology Solutions PACS database and provide the resulting flat file or HL7 file(s) to Customer.
8. Change Healthcare will provide exception lists to Customer for any data points that were not able to be extracted. It is Customer's responsibility to address these records as needed.
9. Change Healthcare will host a project close meeting to conclude the project.

The scope of this work does not include resolving exception cases or the cleanup of inconsistent data such as duplicated Medical Record Numbers (MRN's) or duplicated users. Exception cases will be reported in a log file.

**Prerequisites**

1. Change Healthcare must have full access to the Change Healthcare Radiology Solutions PACS test environment during this project.
2. The Change Healthcare Radiology Solutions PACS servers will be connected via Ethernet Network and accessible through MS Windows TCP-IP protocol.

### **Customer Responsibilities**

Customer will:

- Work with Change Healthcare to develop the project plan timeline.
- Provide access to the Change Healthcare Radiology Solutions PACS production database as needed by Change Healthcare.
- Provide access to the Change Healthcare Radiology Solutions PACS test database as needed by Change Healthcare.
- Provide guidance on output content and file format.
- Provide resource(s) to test and validate sample files.

### **Change Healthcare Responsibilities**

Change Healthcare will:

- Assign a resource who will manage the project and interaction with other Change Healthcare teams.
- Assign a database administration (DBA) resource who will perform the data extraction requirements.
- Provide regular progress feedback to Customer.
- Conduct meetings to address any issues that arise from the updates and conversions.





**BOARD OF GOVERNORS  
KERN COUNTY HOSPITAL AUTHORITY REGULAR MEETING**

February 15, 2023

**Subject:** Proposed Quote 2023-1781675 with Schneider Electric IT Corp. for on-site maintenance of data center chillers

**Recommended Action:** Approve; Authorize Chairman to Sign; Authorize Chief Executive Officer to Sign Receipt of Delivery

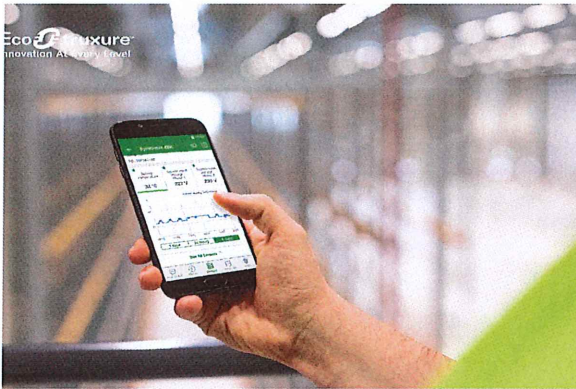
**Summary:**

Kern Medical requests your Board approve the proposed Quote 2023-1781675 with Schneider Electric IT Corp., in the estimated amount of \$3,500 plus applicable taxes, effective February 15, 2023 until completion of maintenance.

Schneider Electric IT Corp. will perform the necessary maintenance on the cooling units required to maintain Kern Medical's data center. The cooling units require routine maintenance and are a specialized equipment that cannot be maintained by Kern Medical's Engineering department. If these units are not properly maintained and fail to keep Kern Medical's core network at an appropriate temperature, the Data Center will quickly overheat and shutdown, causing a mass outage and cripple Kern Medical's ability to use and maintain information.

The Agreement contains non-standard terms and conditions that cannot be approved as to form by Counsel including, but not limited to, limitation of liability to the amount of the agreement, no indemnification, no insurance, and venue and law, the inability to terminate without cause, liability is limited to the cost of the agreement, and is governed by Massachusetts laws and venue. Efforts were made to negotiate these terms that cannot be approved as to form to no avail.

Although Counsel is unable to approve as to form, Kern Medical still recommends that your Board approve the proposed Quote 2023-1781675 with Schneider Electric IT Corp. for on-site maintenance of data center chillers, beginning on February 15, 2023 and ending upon completion, for an estimated amount of \$3,500 plus applicable taxes, and authorize the Chairman to sign and the Chief Executive Officer to sign for receipt of delivery.



|  |   |
|--|---|
| Quote No.                                | 2023-1781675                                |
| Case Number                              | 94320973                                    |
| Quote Date                               | 1/26/2023                                   |
| Prepared By                              | Jose Hernandez                              |
| Title                                    | Technical Support Senior Engineer (Cooling) |
| Email                                    | ccc.sststm@se.com                           |
| <b>TIME &amp; MATERIAL AUTHORIZATION</b> |   |

## Billing and site Information

Please fill out this section completely; we must verify the location of the service and where to send the invoice. \*Indicates a required field

| Site Information          |   | <input type="checkbox"/> Check if same address | Billing Information |
|---------------------------|---|--|---------------------|
| Company Name              | Emcor Services/Mesa Energy Systems - Emcor Group - El Cajon, California | Company Name                                   |                     |
| Address                   | 2 Cromwell<br>Irvine, California, 92618-1816                            | Address  |                     |
| Company Phone             |   | Company Phone                                  |                     |
| FAX Number                |   | FAX Number                                     |                     |
| Site Contact              |   | *Send Invoice to the Attention of              |                     |
| Site Contact Email        |   | *Accounts Payable (AP) Contact                 |                     |
| Site Contact Cell Phone   |   | *AP Phone                                      |                     |
| Site Contact Mobile Phone |   | *AP Email Address                              |                     |
|                           |   | VAT/TAX Registration                           |                     |

This Estimate is valid until: 2/25/2023 --- Quote Number 2023-1781675

1

## Installed Product

| Installed Product                          | Serial Number | Product |
|--|---------------|---------|
| InRow RD 600mm Air Cooled 460-480V<br>60Hz | JK1746001034  | ACRD601 |

## Time and Materials Rates

Hourly labor rates are billed – Portal to Portal (Field Engineers' travel time will be billed)

|   |  |
|---|--|
| Minimum Billing Per Service Visit   | 4.00hour minimum for <b>each</b> service visit   |
| <b>This quote does not include taxes. Final billing will be in local currency and include applicable taxes.</b> |  |
| \$ 288.00   | Per Hour Service Labor Rate during Normal Business Hours   |
| \$ 347.00   | Per Hour Service Labor Rate for After Hours Service during Normal Business Days  |
| \$ 432.00   | Per Hour Service Labor Rate during Weekends and Holidays   |
| Actual List Price   | Parts used during service call   |
| Actual Travel Cost  | Expenses incurred, including but not limited to: hotel, airfare, rental car, etc.  |
| Travel Per Hour To Location – Portal to Portal  | * Schneider Electric may require more than one field engineer be dispatched for a service call due to system or safety requirements. Labor and travel time charges will be billed for each engineer. |
| <b>Please initial here to indicate you have reviewed and understand the pricing above _____</b>                 |  |

\* Normal Business Days are Monday through Friday and Normal Business Hours are 8AM to 5PM Local Time

| Product      | Product Description                                      | Qty | Unit Price | Discount     | Extended Price     |
|--------------|--|-----|------------|--------------|--------------------|
| W5X8NBH      | Per Hour Service Labor Rate during Normal Business Hours | 6   | \$ 288.00  |              | \$ 1,728.00        |
| WSHIPPING    | Service Related Shipping Fees                            | 1   | \$ 200.00  |              | \$ 200.00          |
| 0J-875-2013A | KIT QTY 4, FILTER AIR 30%<br>418X470X96MM                | 2   | \$ 480.00  |              | \$ 960.00          |
|              |  |     |            | <b>TOTAL</b> | <b>\$ 2,888.00</b> |

**Additional Charge Estimates:** This is an estimate only. Actual charges will be calculated and billed at completion.

**This quote does not include taxes. Final billing will be in local currency and include applicable taxes.**

TIME & MATERIAL AUTHORISATION  
Please complete and send this signed form as well as any appropriate paperwork to  
Fax : (401) 792-2303 - Email : [CCC.SSTSTM@SCHNEIDER-ELECTRIC.COM](mailto:CCC.SSTSTM@SCHNEIDER-ELECTRIC.COM)



[Click HERE to Rate your Quotation Experience.](#)

Unused parts may be returned within 30 days of service completion. Contact Schneider Electric at (800) 800-4272 to obtain a return authorization and address details. Invoice credits can be issued only if tracking details are provided.

**Tax Status**

- Select one:  Taxable (Agrees to pay all state and federal taxes)  
 Tax Exempt (Please provide a copy of tax exempt certification at the time of quotation or taxes will be charged)

**Taxes are calculated based upon the state in which service is being performed**

## Payment Options

---

Select one of the options described below:

Purchase Order – Net 30 days, PO# (required) \_\_\_\_\_

Your purchase order indicates your commitment to pay services rendered. As this is a time and materials call, the invoiced amount can only be determined after completion of the service. For all estimates, Schneider Electric requires a hard copy of your PO. For quotes including labor, the PO must include a "not to exceed \$" statement. That amount will be determined at the time of quotation.

### Purchase Orders should be issued to:

SCHNEIDER ELECTRIC IT CORP.  
70 Mechanic Street  
Foxboro, MA 02035

My company is not able to issue a purchase order prior to the date that the services are being scheduled. By selecting this box, I confirm to Schneider Electric that a purchase order will be received by Schneider Electric within two weeks of the start of the service. If a PO is not received within the two week period, SCHNEIDER ELECTRIC IT CORP. may invoice, and my company shall pay, all undisputed invoices notwithstanding the fact that the invoice is not accompanied by a purchase order number.

Credit Card

Credit card details will be required at the time of payment.

|   |  |
|---|--|
| Cardholder's Name:  |  |
| Cardholder's Phone Number:  |  |
| Cardholder's Email Address:   |  |
| In the event the provided credit card is declined; a copy of the invoice will be sent to your company's Accounts Payable department for processing. |  |

## Authorization to perform Services - Signatures

This Time & Material Authorization, together with the Terms and Conditions of Service located at "Terms & Conditions" section of this document or any valid written agreement between SCHNEIDER ELECTRIC IT CORP. and Customer that has precedent (the "SEIT Terms"), will constitute the entire agreement between the parties. Customer acknowledges that SCHNEIDER ELECTRIC IT CORP. ("SEIT") has officially fulfilled its obligation under any applicable law to inform Customer of the SEIT Terms. All references to substitution or addition of any other terms and conditions on this or any other document are hereby specifically and unequivocally rejected. The pricing above does not include taxes. Rates can change without notice. By signing below, Customer acknowledges that Customer has read, understands, and agrees to be bound by the SEIT Terms. Customer hereby authorizes SEIT to proceed with the suggested work and approves payment to SEIT by the method listed below.

We cannot provide service unless you provide a signature below:

|   |                         |
|---|-------------------------|
| Your Name: (please print) <b>Russell Bigler</b> | Date: <b>02/15/2023</b> |
| Your Signature:                                 |                         |

Remit Payments To:

|                                    |
|------------------------------------|
| <b>SCHNEIDER ELECTRIC IT CORP.</b> |
| 5081 Collections Center Drive      |
| Chicago, Illinois 60693            |
|                                    |

REVIEWED ONLY  
NOT APPROVED AS TO FORM

By   
Legal Services Department

TIME & MATERIAL AUTHORISATION

Please complete and send this signed form as well as any appropriate paperwork to

Fax : (401) 792-2303 - Email : [CCC.SSTSTM@SCHNEIDER-ELECTRIC.COM](mailto:CCC.SSTSTM@SCHNEIDER-ELECTRIC.COM)

## Terms and Conditions

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ANY ORDER PLACED PURSUANT TO THIS QUOTATION SHALL BE GOVERNED SOLELY BY THE TERMS AND CONDITIONS SET FORTH AT

[https://www.apc.com/salestools/CFOT-AHJOSX/CFOT-AHJOSX\\_R0\\_EN.pdf](https://www.apc.com/salestools/CFOT-AHJOSX/CFOT-AHJOSX_R0_EN.pdf)



## TERMS AND CONDITIONS

The following Terms and Conditions shall govern the attached Service Contract between Customer and Company, unless an executed, valid Agreement already exists on file between the parties. The Service Contract, these Terms and Conditions, and any documents incorporated by reference therein shall hereafter be referred to as the "Agreement". In the case of a conflict between these Terms and Conditions and the Service Contract, these Terms and Conditions shall prevail.

### ARTICLE 1. DEFINITIONS

#### 1.1 Certain Definitions.

A. "Affiliate" means any entity controlling, controlled by or under common control with either party. "Control" shall mean the direct or indirect ownership of more than fifty per cent (50%) of the voting rights or income interest in a company or other business entity or such other relationship as, in fact, constitutes actual control.

B. "Change" means any alteration to a Purchase Order or to this Agreement, or any extra work, delay or other circumstance which results in an adjustment to any of the cost, delivery schedule, and/or any other affected provision of this Agreement.

C. "Commissioning" means on site Start-up and testing of the Products, in accordance with the Company's standards.

D. "Documentation" means the Company user guides, operating manuals, education materials, product descriptions and specifications, technical manuals, supporting materials, and other information relating to the Products or Services made available by the Company, whether distributed in print, magnetic, electronic, or video format, in effect as of the date the applicable Service is provided to Customer, or at the Customer's request, to the End User.

E. "End User" means the third party, final user of the Product or Service.

F. "Product" means (individually or collectively, as appropriate) the hardware, Software, Documentation, supplies, spare parts, accessories, and other commodities, on which Services shall be provided by the Company pursuant to this Agreement.

G. "Purchase Order" means a written or electronic order from Customer for the purchase of Services.

H. "Services" means the Start-up, Commissioning, repair, and/or maintenance activities to be performed by the Company pursuant to this Agreement.

I. "Software" means machine-readable instructions and data (and copies thereof) including middleware and firmware and related updates and upgrades, licensed materials, user documentation, user manuals, and operating procedures, but specifically excluding the Company proprietary software that is not commercially available.





J. "Specifications" means the manufacturer's published specifications for the Products or Services.

K. "Start-up" means installation of the Product at the End User's site and verification by the Company that the Product is in substantial conformance with the Specifications.

L. "Substantial Completion" means the point in time at which the Products have been installed such that Commissioning and Start-up of the Products may thereafter commence, as further defined herein.

M. "Trademarks" means all applicable trademarks, and service marks legally registered to and claimed or used by the Company and its Affiliates.

## **ARTICLE 2. PURCHASE ORDERS**

2.1 Customer shall reference this Agreement on all Purchase Orders related to this Agreement. All Purchase Orders are subject to acceptance by the Company. These terms and conditions supersede and replace in their entirety any and all terms and conditions set forth on the face or reverse side of any Purchase Order or other document presented by Customer, except for the specific terms of the Purchase Order setting forth the price, quantity, and delivery location, unless different terms are mutually agreed to between the parties. All Purchase Orders placed with the Company for Service(s) shall be subject to availability and Customer's favorable credit status with the Company.

## **ARTICLE 3. PROVISION OF SERVICES AND CERTAIN CONDITIONS**

3.1 Installation. If installation is provided for, the Company shall install the Product in good working order at the designated location in accordance with the standards agreed to between the parties. Company shall not be liable for any differing, subsurface, latent or concealed conditions encountered in the performance of any Services. The existence of such differing, subsurface, latent or concealed conditions shall constitute a Change.

3.2 Site Preparation. Any specific environmental conditions which are required for the provision of the Services shall be the responsibility of Customer unless otherwise specified herein. The Company shall be entitled to rely on the sufficiency and accuracy of any documentation or data, whether written or oral, provided by Customer to the Company regarding site conditions and site preparation requirements.

3.3 Health and Safety. If the Customer is subject to health and safety laws or regulations which are more stringent than the health and safety standards governing Company, or if Customer elects to operate under more stringent health and safety standards than those to which Company is subject, and Customer requires the Company to comply with those higher standards, the Company shall be entitled to charge the Customer any extra costs incurred in so complying. Furthermore, the Company may refuse, without any liability to Customer whatsoever, to perform in whole or in part the Services provided for in this Agreement if the site presents unhealthy or unsafe conditions.

3.4 Relocation. If Customer relocates any of the Products which are subject to the terms of this Agreement without the Company agreeing to perform maintenance work as provided under this Agreement at the new site, the Company shall have the right, without any liability to Customer, to terminate the portion of the Agreement that relates to the new site without any liability to Customer. Any such termination shall not relieve Customer of any maintenance fees to be paid or invoices due under this Agreement.



3.5 Information. Information and/or notices given by the Company to the Customer in the course of this Agreement shall be deemed to be correctly given if provided to employees or representatives of the Customer.

3.6 Site Access. The Company shall have reasonable access to the sites and the Products specified in this Agreement. The Company will be entitled to charge the Customer at its normal rates for the time lost by the Company's employees as a result of delays from the Customer in granting access to the site.

3.7 Third Party Providers. If a party other than Company services the Products and if in the Company's reasonable opinion, corrective action is required to return the affected Products to their normal operating condition, the Company will offer to perform such work at the service rates and spare part prices in force at the time of the offer. The Company will not be obliged to perform maintenance work under this Agreement until this remedial work has been done.

3.8 Regulatory Requirements. When required by national regulations or safety rules, an employee or representative of the Customer shall be present in the room where the maintenance work takes place. If no employee or representative of the Customer is present, the Company shall have the right to stop its work and to invoice the Customer at its normal labor rate.

#### **ARTICLE 4. PRICE AND PAYMENT**

4.1 Prices and Fees for Services. Prices and fees for the Services shall be as provided for in this Agreement. Any quotes, including but not limited to quotes for price or availability are estimates only and do not include any applicable taxes, duties or other similar costs.

4.2 Prices for Services, Additional Services, Contract Renewal and Multi-year Contracts. If the Initial Term of the Agreement is for more than one year, yearly invoices will be issued by the Company at each anniversary date and shall be paid by the Customer in accordance with the payment terms below. Pricing will be adjusted each year at the anniversary date of the Agreement in accordance with the escalation formula indicated in the specific terms of this Agreement. Payment for any additional work not quoted by the Company which goes beyond the scope of this Agreement which is approved by Customer will be paid within ten (10) days of the date of the invoice unless otherwise stated on the invoice.

4.3 Payment. Customer agrees to pay, without offset, all invoiced amounts within thirty (30) days of the Company's invoice date unless otherwise specifically provided for in this Agreement. Payment by Customer shall not be contingent upon payment by a third party. If the Company places this account in the hands of an agency or a law firm for collection by legal action, Customer will pay an additional charge equal to the costs of collection including agency and attorneys' fees and court costs incurred to the extent permitted by laws governing these transactions. In case any invoice is not paid when due, Company shall be entitled to discontinue any maintenance works with fifteen (15) days' prior notice. Discontinuation of Services does not relieve the Customer of its obligation to pay for the Services previously rendered and to pay the yearly fee in whole for the current year.

4.4 Taxes. Unless Customer provides evidence of exemption, Customer shall pay or reimburse the Company for all taxes which are imposed upon Customer's acquisition of Services. Customer shall not be obligated to pay or reimburse the Company for any taxes imposed on or measured by net or gross income, capital, net worth, franchise, privilege,



any other taxes, or assessments, nor shall any of the foregoing be imposed on or payable by the Company.

#### **ARTICLE 5. SUBSTANTIAL COMPLETION**

5.1 Substantial Completion. If installation is provided for in this Agreement, the Company shall provide written notice to Customer when the Company deems such installation to be Substantially Complete and ready for Commissioning and Start-up. Within five (5) days after receiving notice of Substantial Completion, Customer shall advise the Company in writing of any known defects or deficiencies in the Services. Upon receipt of such notice Company shall then take appropriate corrective action. The installation shall be deemed to have achieved Substantial Completion should Customer fail to reply to the Company's written notice within said five (5) day time period.

#### **ARTICLE 6. WARRANTIES**

6.1 Service Warranties. Company warrants that the Services to be performed hereunder shall be performed in accordance with recognized professional standards customary in the industry in which the Services are being performed. Should the Services fail to comply with such standards, the Company agrees to re-perform such deficient Services at no cost to Customer provided that the Company has received written notification within thirty (30) days following the completion of the specific Services giving rise to the claim. **FURTHERMORE, CUSTOMER AGREES TO HOLD THE COMPANY HARMLESS FROM ANY DAMAGES THAT ARISE FROM SERVICES PERFORMED IN STRICT ACCORDANCE WITH THE CUSTOMER'S SPECIFICATIONS OR DIRECTIONS WHICH ARE CONTRARY TO THE TERMS OF THIS AGREEMENT OR THE COMPANY'S STANDARD PRACTICES.**

6.2 Exclusive Warranties. **THE FOREGOING WARRANTIES AND REMEDIES ARE EXCLUSIVE AND IN LIEU OF ALL OTHER WARRANTIES, REPRESENTATIONS, OR CONDITIONS, EXPRESS OR IMPLIED, EITHER IN FACT OR BY OPERATION OF LAW, STATUTORY OR OTHERWISE, INCLUDING WARRANTIES OR CONDITIONS OF MERCHANTABILITY, TITLE, NON-INFRINGEMENT AND FITNESS FOR A PARTICULAR PURPOSE. THE COMPANY'S WARRANTIES CONTAINED HEREIN RUN ONLY TO CUSTOMER, AND ARE NOT EXTENDED TO ANY THIRD PARTIES.**

6.3 Exclusions. The Company shall not warrant nor is the Company required to provide any Service on any Product defects (i) resulting from (a) the Product being modified by any person other than the Company, (b) incorrect use of the Product (c) unsuitable environmental conditions, or (d) causes not attributable to the Product, or (ii) which were not apparent at the time of the Service visit. For multi-year Agreements, the Company also reserves the right to perform an annual evaluation of any equipment covered by this Agreement to determine the existence of any of the aforementioned conditions and its suitability for continued coverage. The Company will have the option to submit to the Customer an estimate for the additional repair work required to correct any such defects, or deny Services. Estimates will be based on the Company labour and spare parts price list in force when the estimate is issued. The Company does not guarantee parts availability for obsolete equipment or equipment/components approaching end of life, nor will the Company perform any additional Services without having obtained the Customer's written agreement to the estimate. The opinion of the Company as to whether or not the work is additional maintenance work and therefore not covered under this Agreement shall be conclusive. Furthermore, the Company is not responsible for any firmware upgrades or software updates on any third party equipment, or any software, firmware, information, or memory data of Customer or End Users, contained in, stored on, or integrated with, any



Company Products, or otherwise, whether or not that equipment is under manufacturer's warranty. The Company also makes no warranty or representation that its Software will work in combination with any hardware or applications software products provided by third parties, that the operation of the Software will be uninterrupted or error-free, or that all defects in the Software will be corrected.

## **ARTICLE 7. LICENSE AND RESTRICTIONS**

7.1 Trademarks. Neither Customer nor its Affiliates have any right to incorporate any Trademark into Customer's or Affiliate's company name or trade name. Neither Customer nor its Affiliates will alter, cover, obfuscate or remove any Trademarks placed by the Company on the Products or any material contained therein.

## **ARTICLE 8. LIABILITIES**

8.1 Limitation of Liability. THE COMPANY'S MAXIMUM LIABILITY TO CUSTOMER FOR DIRECT DAMAGES WILL BE LIMITED TO THE AMOUNT PAID BY CUSTOMER PURSUANT TO THIS AGREEMENT. THE FOREGOING LIMITATION WILL NOT REDUCE THE COMPANY'S OBLIGATIONS RESULTING FROM A BREACH OF THE INTELLECTUAL PROPERTY INDEMNIFICATION SECTION OF THIS AGREEMENT, OR THE COMPANY'S LIABILITY FOR BODILY INJURY CAUSED BY THE COMPANY'S NEGLIGENCE. **NOTWITHSTANDING ANY PROVISION IN THIS AGREEMENT TO THE CONTRARY, IN NO EVENT SHALL EITHER PARTY, ITS OFFICERS, DIRECTORS, AFFILIATES OR EMPLOYEES BE LIABLE FOR ANY FORM OF INDIRECT, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, WHETHER SUCH DAMAGES ARISE IN CONTRACT OR TORT, IRRESPECTIVE OF FAULT, NEGLIGENCE OR STRICT LIABILITY OR WHETHER SUCH PARTY HAS BEEN ADVISED IN ADVANCE OF THE POSSIBILITY OF SUCH DAMAGES.**

8.2 Applicability of Limitations of Liability. The limitation of liability in Section 8.1 shall apply to the full extent permitted by law, and shall apply whether liability is grounded in contract, tort, or otherwise, and shall extend to each party and their respective Affiliates, directors, officers, and employees.

8.3 Survival of Article 8. The provisions of this Article 8 shall survive the expiration or termination of this Agreement for any reason.

## **ARTICLE 9. TERM AND TERMINATION**

9.1 Term. The Initial Term of this Agreement is provided for elsewhere in this Agreement. At the end of the Initial Term, if not explicitly stated otherwise in this Agreement, this Agreement shall be automatically renewed for successive one-year periods thereafter (each a "Renewal Term") unless either party gives notice of cancellation in writing to the other party at least ninety (90) days prior to expiration.

9.2 Termination for Non-Payment. Company may terminate this Agreement, or any portion thereof, if Customer fails to pay when due any amounts due pursuant to any Purchase Order and such failure continues for a period of thirty (30) days after written notice is given to Customer.

9.3 Termination for Cause. Except as provided in the previous section, this Agreement may be terminated immediately on written notice by either party (i) in the event the other party breaches any term of this Agreement and fails to cure such breach within thirty (30) days following receipt of written notice thereof from the non-breaching party; (ii) if the other



party becomes insolvent or upon the institution by the other party of insolvency, receivership or bankruptcy proceedings or any other proceedings for the settlement of its debts; or (iii) following the institution of such proceedings against the other party, which proceedings are not dismissed or otherwise resolved in that party's favor within sixty (60) days thereafter or upon the other party's making a general assignment for the benefit of creditors or the other party's dissolution or ceasing to conduct business in the normal course. Furthermore, the Company shall have the right without liability and without limiting any other right or remedy available, to suspend all Services to Customer. Suspension of Services by the Company does not relieve Customer of its obligation to pay the appropriate service fees. In the event of a dispute regarding fees owed to the Company, the Parties agree to use commercially reasonable efforts to resolve the dispute in a timely manner.

9.4 Termination for Convenience. This Agreement may be terminated by either party at any time upon thirty (30) days written notice to the other party, and Customer shall be obligated to pay Company the agreed upon prices for parts provided and labor performed up to the date of termination minus payments made, within thirty (30) days of such termination.

#### **ARTICLE 10. INTELLECTUAL PROPERTY INFRINGEMENT**

10.1 Third-Party Claims. The Company will defend or settle any claim against Customer alleging that a Service provided under this Agreement infringes a third party's intellectual property right, if Customer:

- (a) promptly notifies the Company of the claim in writing;
- (b) cooperates with the Company in the defense of the claim; and
- (c) grants the Company sole control of the defense or settlement of the claim.

Company will pay infringement claim defense costs, Company-negotiated settlement amounts, and court-awarded damages with respect to any such claim.

10.2. Remedies. If a claim under Section 10.1 above appears likely, then the Company may modify the Company Products or Services, procure any necessary license, or replace the affected item with one that is functionally equivalent. If the Company determines that none of these alternatives is reasonably available, then the Company will issue Customer a refund equal to the depreciated value of the affected item.

10.3. Exclusions. The Company has no obligation for any claim of infringement arising from:

- (a) Company's compliance with Customer or Customer sponsored third party designs, specifications, instructions, or technical information;
- (b) Modifications made by Customer or a third party;
- (c) Customer non-compliance with the Documentation, or
- (d) Customer use of Products with non-Company products, software, or services.

#### **ARTICLE 11. MISCELLANEOUS**

11.1 Binding Nature, Assignment, and Subcontracting. This Agreement shall be binding on the parties and their respective successors in interest and permitted assigns. Neither party shall have the power to assign, except to an Affiliate of such party, this Agreement



without the prior written consent of the other party, which consent shall not be unreasonably withheld.

11.2 Intellectual Property Rights. Customer shall not have or obtain title to any tangible or intangible property or materials which the Company may supply, and all such items may be used only for the performance of this Agreement.

11.3 Counterparts. This Agreement may be executed in several counterparts, all of which taken together shall constitute one single agreement between the parties.

11.4 Headings. The Article and Section headings used in this Agreement are for reference and convenience only and shall not affect the interpretation hereof.

11.5 Relationship of Parties. The Company is performing only as an independent contractor. Nothing set forth herein shall be construed to create the relationship of principal and agent between the Company and Customer.

11.6 Confidentiality. Each party acknowledges that in the course of performance of its obligations pursuant to this Agreement, such party may obtain confidential and/or proprietary information of the other party. "Confidential Information" includes: any information relating to development plans, costs, finances, marketing plans, equipment configurations, data, access or security codes or procedures utilized or acquired, business opportunities, names of customers, research, and development; the terms, conditions and existence of this Agreement; any information designated as confidential in writing or identified as confidential at the time of disclosure if such disclosure is verbal or visual; and any copies of the prior categories or excerpts included in other materials created by the recipient party. Each party agrees that, for a period of five (5) years following its receipt of Confidential Information from the other party, whether before or after the effective date of this Agreement, such recipient party shall use the same means it uses to protect its own confidential and proprietary information, but in any event not less than reasonable means to prevent the disclosure and to protect the confidentiality of the Confidential Information. Further, the recipient party shall only use the Confidential Information for the purposes of this Agreement, and shall not disclose the Confidential Information without the prior written consent of the other party. This provision shall not apply to Confidential Information which is (i) already known by the recipient party without an obligation of confidentiality, (ii) publicly known or becomes publicly known through no unauthorized act of the recipient party, (iii) rightfully received from a third party (other than an Affiliate or customer of the party owning the Confidential Information) without an obligation of confidentiality, (iv) disclosed without similar restrictions by the party owning the Confidential Information to a third party (other than an Affiliate or customer of the party owning the Confidential Information), (v) approved by the party owning the Confidential Information, in writing, for disclosure, or (vi) required to be disclosed pursuant to a requirement of a governmental agency or law so long as the recipient party provides the other party with timely prior written notice of such requirement.

11.7 Electronic Communications. If the Company and Customer mutually agree, business communications between the parties, including, but not limited to, Purchase Orders, invoices, and payment, may be submitted electronically. In such case, the parties shall mutually agree in writing upon supplemental terms and conditions, including technical standards, for the electronic exchange of such items including refresh frequency.

11.8 Notices. All notices that are required under this Agreement will be in writing and will be considered effective when delivered in hand, when mailed by registered or certified mail, return receipt requested, postage prepaid, or when sent by a third party courier service where receipt is verified by the receiving party's acknowledgement to the address provided on the first page of this Agreement or as those addresses are modified from time to time.



11.9 Force Majeure. Neither party will be liable for performance delays nor for non-performance due to causes beyond its reasonable control; however, this provision shall not apply to Customer's payment obligations.

**DISCLAIMER:** Customer acknowledges that the products or parts thereof are produced in, or otherwise sourced from, or will be installed in areas already affected by, or that may be affected in the future by, the prevailing COVID-19 pandemic and that the situation may trigger stoppage, hindrance or delays in Company's (or its subcontractors') capacity to produce, deliver, install, or service the products, irrespective of whether such stoppage, hindrance, or delays are due to measures imposed by authorities or deliberately implemented by the Company (or its subcontractors) as preventive or curative measures to avoid harmful contamination exposure of Company's (or its subcontractors') employees. Customer therefore recognizes that such circumstances shall be considered as a cause for excusable delay not exposing the Company to contractual sanctions including without limitation, delay penalties, liquidated or other damages, or termination for default.

11.10 Severability. If for any reason a court of competent jurisdiction finds any provision of this Agreement, or portion thereof, to be unenforceable, that provision of the Agreement shall be enforced to the maximum extent permissible so as to affect the intent of the parties, and the remainder of this Agreement shall continue in full force and effect.

11.11 Waiver. Any waiver of this Agreement or of any covenant, condition, or agreement to be performed by a party under this Agreement shall (i) only be valid if the waiver is in writing and signed by an authorized representative of the party against which such waiver is sought to be enforced, and (ii) apply only to the specific covenant, condition or agreement to be performed, the specific instance or specific breach thereof and not to any other instance or breach thereof or subsequent instance or breach.

11.12 Remedies. The remedies set forth in this Agreement shall be the exclusive remedies of the parties and shall constitute each party's exclusive liability and sole remedies for claims arising out of this Agreement.

11.13 Survival of Terms. Termination or expiration of this Agreement for any reason shall not release either party from any liabilities or obligations set forth in this Agreement which (i) the parties have expressly agreed shall survive any such termination or expiration, or (ii) remain to be performed or by their nature would be intended to be applicable following any such termination or expiration.

11.14 Export Control. The deliverables provided by Company under this Agreement contain or may contain components and/or technologies from the United States of America ("US"), the European Union ("EU") and/or other nations. Customer acknowledges and agrees that the supply, assignment and/or usage of the products, software, services, information, other deliverables and/or the embedded technologies (hereinafter referred to as "Deliverables") under this Agreement shall fully comply with related applicable US, EU and other national and international export control laws and/or regulations. Unless applicable export license(s) have been obtained from the relevant authority and the Company has approved, the Deliverables shall not (i) be exported and/or re-exported to any destination and party (may include but not limited to an individual, group and/or legal entity) restricted by the applicable export control laws and/or regulations; or (ii) be used for those purposes and fields restricted by the applicable export control laws and/or regulations. Customer also agrees that the Deliverables will not be used either directly or indirectly in any rocket systems or unmanned air vehicles; nor be used in any nuclear weapons delivery systems; and will not be used in any design, development, production or use for any weapons which may include but not limited to chemical, biological or nuclear weapons. If any necessary or advisable licenses, authorizations or approvals are not obtained, whether arising from inaction by any relevant government authority or otherwise, or if any such licenses, authorizations or approvals are denied or revoked, or if the



applicable export control laws and/or regulations would prohibit Company from fulfilling any order, or would in Company's judgment otherwise expose Company to a risk of liability under the applicable export control laws and/or regulations if it fulfilled the order, Company shall be excused from all obligations under such order and/or this Agreement.

11.15 Data Protection. (a) In this Section "the Directive" means Directive 95/46/EC of the European Parliament and the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data, and where appropriate, terms used in this clause shall have meanings ascribed to them in the Directive. (b) In the event that either party (the "Receiving Party"), its agents, contractors or employees are permitted access to personal data held by the other party for any reason or are supplied with or otherwise provided personal data by the other party for any purpose, the Receiving Party, its agents, contractors, or employees shall: (i) use and/or hold such personal data only for the purposes and in the manner directed by the other party and shall not otherwise modify, amend or alter the contents of such personal data unless specifically authorized in writing by the other party and shall take all such steps as may be necessary to safeguard such personal data; (ii) comply in all respects with the Directive as well as local applicable law and shall not do or permit anything to be done which might jeopardize or contravene the terms of the other party's notification under the Directive or local applicable law; and (iii) indemnify the other party against all liability, damages, costs, claims and expense which it may incur by reason of any default under this clause or any breach of the Directive or local applicable law attributable to or caused, directly or indirectly, by Receiving Party, its employees, agents or contractors, including without limitation, the failure to prevent disclosure thereof in contravention of the Directive or local applicable law.

11.16 Governing Law and Dispute Resolution. THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT SHALL NOT BE GOVERNED BY THE PROVISIONS OF THE 1980 UNITED NATIONS CONVENTION ON CONTRACTS FOR THE INTERNATIONAL SALE OF GOODS.

[If this Agreement is for Services to be performed in the United States the following shall be inserted here: RATHER THESE RIGHTS AND OBLIGATIONS SHALL BE GOVERNED BY THE LAWS, OTHER THAN CHOICE OF LAW RULES, OF THE STATE OF MASSACHUSETTS.]

[If this Agreement is for Services to be performed in Europe, Middle East or Africa: RATHER THESE RIGHTS AND OBLIGATIONS SHALL BE GOVERNED BY THE LAWS, OTHER THAN THE CHOICE OF LAW RULES, OF THE REPUBLIC OF IRELAND.

[If this Agreement is for Services to be performed in the PEOPLE'S REPUBLIC OF CHINA:

(A) RATHER THESE RIGHTS AND OBLIGATIONS SHALL BE GOVERNED BY THE LAWS, OTHER THAN CHOICE OF LAW RULES, OF THE PEOPLE'S REPUBLIC OF CHINA:

(B) The parties agree that any and all disputes, claims, controversies or causes of action (each, a "Dispute") which the parties are unable to resolve for any reason after applying the process set out above, shall be completely and finally settled by submission of any such Dispute to arbitration under the rules of conciliation and arbitration of the Shanghai Branch of China International Economic and Trade Arbitration Commission ("CIETAC") then in effect. For resolution of any Dispute, the parties shall select three (3) arbitrators in accordance with such CIETAC rules. Any arbitration proceeding shall take place in Shanghai and shall apply the laws of People's Republic of China. Any award made by the arbitrators shall be final and binding on the parties. Judgment on such award may be entered in any court of appropriate jurisdiction, or application may be made to that court for a judicial acceptance of the award and an order of enforcement, as the party seeking to enforce that award may





elect. The parties expressly subject themselves to the personal jurisdiction of such court for the entry of any such judgment and for the resolution of any dispute, action or suit arising in connection with the entry of such Judgment. The language of the arbitration shall be English.]

#### 11.17 Customer's Cybersecurity Obligations.

Customer's Obligations for Its Systems: Customer is solely responsible for the implementation and maintenance of a comprehensive security program ("Security Program") that contains reasonable and appropriate security measures and safeguards to protect its computer network, systems, machines, and data (collectively, "Systems"), including those Systems on which it runs Company products or which it uses with Company services, against Cyber Threats. "Cyber Threat" means any circumstance or event with the potential to adversely impact, compromise, damage, or disrupt Customer's Systems or that may result in any unauthorized access, acquisition, loss, misuse, destruction, disclosure, and/or modification of Customer's Systems, including any data, including through malware, hacking, or similar attacks.

Without limiting the foregoing, Customer shall at a minimum:

- (a) have qualified and experienced personnel with appropriate expertise in cybersecurity maintain Customer's Security Program, and have such personnel regularly monitor cyber intelligence feeds and security advisories applicable to Customer's Systems or Customer's industry;
- (b) promptly update or patch its Systems or implement other appropriate measures based on any reported Cyber Threats and in compliance with any security notifications or bulletins, whether publicly disclosed on Schneider's security notification webpage at:  
<https://www.se.com/ww/en/work/support/cybersecurity/security-notifications.jsp> or otherwise provided to Customer;
- (c) regularly monitor its Systems for possible Cyber Threats;
- (d) regularly conduct vulnerability scanning, penetration testing, intrusion scanning, and other cybersecurity testing on its Systems; and
- (e) meet the recommendations of Company's Recommended Cybersecurity Best Practices, available at:  
<https://www.se.com/us/en/download/document/7EN52-0390/>, as may be updated by Company from time to time, and then-current industry standards.

Customer's Use of the Products, Software, and Services: Company may release Updates and Patches for its Products, Software, and Services from time to time. Customer shall promptly install any Updates and Patches for such products, software, or services as soon as they are available in accordance with Company's installation instructions and using the latest version of the Products or Software, where applicable. An "Update" means any software that contains a correction of errors in a product, software, or service and/or minor enhancements or improvements for a product, software, or service, but does not contain significant new features. A "Patch" is an Update that fixes a vulnerability in a product, software, or service. Customer understands that failing to promptly and properly install Updates or Patches for the products, software, or services may result in the products, software, or services or Customer's Systems becoming vulnerable to certain Cyber Threats or result in impaired functionality, and Company shall not be liable or responsible for any losses or damages that may result.

Identification of Cyber Threats: If Customer identifies or otherwise becomes aware of any vulnerabilities or other Cyber Threats relating to the products, software, or services for which Company has not released a Patch, Customer shall promptly notify Company of



such vulnerability or other Cyber Threat(s) via the Company Report a Vulnerability page at (<https://www.se.com/ww/en/work/support/cybersecurity/report-a-vulnerability.jsp#Customers>)

and further provide Company with any reasonably requested information relating to such vulnerability (collectively, "Feedback"). Company shall have a non-exclusive, perpetual and irrevocable right to use, display, reproduce, modify, and distribute the Feedback (including any confidential information or intellectual property contained therein) in whole or part, including to analyze and fix the vulnerability, to create Patches or Updates for its customers, and to otherwise modify its products, software, or services, in any manner without restrictions, and without any obligation of attribution or compensation to Customer; provided, however, Company shall not publicly disclose Customer's name in connection with such use or the Feedback (unless Customer consents otherwise). By submitting Feedback, Customer represents and warrants to Company that Customer has all necessary rights in and to such Feedback and all information it contains, including to grant the rights to Company described herein, and that such Feedback does not infringe on any proprietary or other rights of third parties or contain any unlawful information.

11.18 Anti-Corruption. Customer acknowledges that Company is committed to eliminating all risk of bribery and corruption, influence peddling, money laundering, and tax evasion or the facilitation thereof, in its business activities. Customer must immediately notify Company of any suspected, or known, breaches of Anti-Corruption Law. Schneider Electric's Code of Conduct (Trust Charter) can be consulted at:

[Trust Charter, Schneider Electric's Code of Conduct Brochure | Schneider Electric \(se.com\)](#)

In the event Customer has concerns related to ethics, compliance, or Schneider Electric's Code of Conduct (Trust Charter), and/or any potential violations of these policies, Customer is welcome to raise an alert through Schneider Electric's Trust Line. The Trust Line is Schneider Electric's global helpline for external stakeholders. It is a confidential channel through which Customers can ask questions and raise concerns. Reports can be made using the link below:

[EthicsPoint - Schneider Electric Trust Line](#)



**BOARD OF GOVERNORS  
KERN COUNTY HOSPITAL AUTHORITY REGULAR MEETING**

February 15, 2023

**Subject:** Proposed Order Number 369983.1 with Nuance Communications, Inc. for dictation services in the transition of the Picture Archiving and Communication System (PACS)

**Recommended Action:** Approve; Authorize Chairman to sign

**Summary:**

Kern Medical requests your Board approve the proposed Order Number 369983.1 with Nuance Communications, Inc., to facilitate the integration of Nuance dictation services with the new Novarad Corporation's PACS. The transition process will occur within the next two (2) years with a one-time cost of \$2,500.

Nuance will provide dictation integration services for our new Novarad PACS. The current agreement with Nuance (683-2011) only covers integration with our current Change Healthcare PACS so in order to begin migration and utilization of our Novarad PACS, we need to ensure our dictation software is migrated from the Change Healthcare PACS to the Novarad PACS for integration into the electronic health record system.

Therefore, it is recommended that your Board approve the proposed Order Number 369983.1 with Nuance Communications, Inc., for the purchase of dictation software, for a term of two (2) years, with a total cost of \$2,500, and authorize the Chairman to sign.



# ORDER

This Order is effective on the date signed by the party ('Order Effective Date'). If the entity to which this quote is issued (the 'Customer') has signed a Nuance Healthcare Master Agreement (or equivalent) that is in effect (a 'Master Agreement'), and that agreement and applicable Schedule(s) cover the products and services quoted, the terms of the Master Agreement and applicable Schedule(s) shall apply to the products and/or services listed below.

If the Customer has signed a Master Agreement, but the Master Agreement does not include a product Schedule covering the products and services quoted herein, all items quoted herein shall be subject to the Master Agreement and the applicable product Schedule(s) located at [www.nuance.com/terms-and-conditions/healthcare/](http://www.nuance.com/terms-and-conditions/healthcare/).

In the absence of a valid Master Agreement which covers the products and/or services listed below, the parties agree that all items quoted herein shall be subject to Nuance's general terms and conditions of sale and the applicable product Schedule(s), which can be found at [www.nuance.com/terms-and-conditions/healthcare/](http://www.nuance.com/terms-and-conditions/healthcare/).

No other terms and conditions (e.g. standard terms and conditions of purchase pre-printed on or referenced in a purchase order if Customer places a purchase order in response to this quote) shall apply.

## CONFIDENTIAL\*\*

### Customer Information

Customer Acct: 261556  
 Name: **KERN MEDICAL CENTER**  
 Address: 1700 MT. VERNON AVE.  
 City: BAKERSFIELD, CA93306  
 Attn: Suzanne Knight  
 Contact Phone: 661-326 2534

### Nuance Contact Information

Quoted: 09-JAN-2023  
 Contact: Zimmerman, Susan  
 Contact Phone: 321-576-4286  
 Fax Number: 866-402-9304  
 Sales Rep Email: Susan.Zimmerman@nuance.com

Nuance Quote Number: 369983.1  
 Expires: 09-APR-2023

Nuance Internal Use: 15220.0000926890

| Qty                   | Model | Product | Promo | Unit List (USD) | Ext List (USD) | Total Adjustment (USD) | Total (USD) |
|-----------------------|-------|---------|-------|-----------------|----------------|------------------------|-------------|
| <b>Products Total</b> |       |         |       |                 | 0.00           | 0.00                   | 0.00        |

(NI), (A), (B) following the descriptions above indicate:  
 (NI) There are no installation costs associated with this item.  
 (A) This item is included in the Maintenance cost on quote.  
 (B) This item includes a one-year warranty. Maintenance fees billed beginning in year two.  
 Any other item is not covered under the Nuance Maintenance Contract.

### SERVICES

|                       |                    |   |  |          |          |      |          |
|-----------------------|--------------------|---|--|----------|----------|------|----------|
| 1                     | PS360PM-ADDON-PACS | PS360 Reporting Add-on Project Management Services - PACS Desktop Integration |  | 2,500.00 | 2,500.00 | 0.00 | 2,500.00 |
| <b>Services Total</b> |                    |   |  |          | 2,500.00 | 0.00 | 2,500.00 |

|  |                    |
|--|--------------------|
| <b>Subtotal</b>  |                    |
| <b>Products</b>  | Net Price 0.00     |
| <b>Services</b>  | Net Price 2,500.00 |
| <b>Total(USD) (Exclusive of Taxes and Delivery)</b> 2,500.00 |                    |

**Ship-To Information**

---

Name: KERN MEDICAL CENTER  
Address: 1700 MT VERNON AVE.  
City: BAKERSFIELD, KERN,CA 93306

**Project Information**

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Name: KERN MEDICAL CENTER  
Strategic:

**Shipping Priority**

---

\_\_\_\_\_ Regular/Ground  
\_\_\_\_\_ Second Day Air  
\_\_\_\_\_ Priority Air / Next Day

**Additional Terms:**

**\*\*By its receipt of this quote, Customer acknowledges and agrees that the pricing and product configuration contained herein are Confidential in nature, and, as such cannot be shared with any other party, including, but not limited to, any affiliate of Customer, without Nuance's prior written consent, **UNLESS REQUIRED BY LAW**. In addition to Nuance pursuing any other remedies available to it in law or equity, in the event Customer violates the terms of this provision, this quote shall immediately terminate or, if Customer has entered into an Agreement with Nuance for the purchase of the above Products and/or Services, the foregoing pricing shall be null and void and Customer shall immediately pay an amount equal to the list price of the Products and/or Services less any amounts paid (or currently owed) to Nuance for such Products and/or Services.**

KERN MEDICAL CENTER

Customer

Russell Bigler

Name

Chairman, Board of Govenors

Title

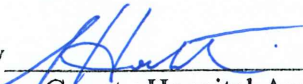
Signature

Date

contracts@kernmedical.com

Email Address

APPROVED AS TO FORM  
Legal Services Department

By   
Kern County Hospital Authority



**BOARD OF GOVERNORS  
KERN COUNTY HOSPITAL AUTHORITY REGULAR MEETING**

February 15, 2023

**Subject:**

Proposed Amended and Restated Credit Agreement with PNC Bank, National Association (PNC Bank) for a revolving line of credit, extending the maturity date of the Line of Credit to a date not later than March 1, 2024, amending and restating the Credit Agreement previously approved by the Board of Governors and certain administrative amendments necessary to comply with PNC Bank current policies, provided that the Line of Credit shall otherwise be substantially on the same terms set out in the Credit Agreement (as amended and previously approved by the Board of Governors), and providing further that the maximum available principal amount of credit provided under the Credit Agreement may not exceed \$20,000,000 and that any indebtedness incurred thereunder at any time shall be secured only by personal property, substantially the same as the personal property described in the previously executed General Security and Pledge Agreement, in favor of PNC Bank, and delegating authority to certain officers

**Recommended Action:**

Approve; Adopt Resolution; Authorize and direct any two of the following officers (each, an "Authorized Officer") of the Authority, for and in the name of and on behalf of the Authority, to execute the Amended and Restated Credit Agreement and an amendment to the Note, or a new note if the Authorized Officers determine that a new note is advisable, as the Authorized Officers executing the same, together with the Vice President & General Counsel of the Authority, shall approve: Chairman of this Board, Vice-Chairman of this Board, Chief Executive Officer of the Authority or Chief Financial Officer of the Authority

**Summary:**

Pursuant to the authority granted in Resolution No. 2019-004 adopted by your Board on February 20, 2019, and Resolution No. 2019-040, adopted by the Kern County Board of Supervisors on February 26, 2019, the Authority entered into a Credit Agreement with PNC Bank, effective March 1, 2019, to establish a revolving line of credit for the purpose of obtaining funding from time to time for the Authority's working capital and other financial needs.

The Credit Agreement provided for a maximum available principal amount of credit not in excess of \$50,000,000 for a 120-day period and not in excess of \$20,000,000 at any other time (the "Line of Credit") and executed and delivered to PNC Bank a General Security and Pledge Agreement that provided for all indebtedness under the Credit Agreement to be secured by certain personal property of the Authority.

On February 16, 2022, your Board adopted Resolution No. 2022-004, which, among other things, approved the most recent extension of the maturity date of the Line of Credit to March 1, 2023 and the terms and provisions of the Third Amendment to Credit Agreement, including the provision for an alternate interest rate for draws under the Line of Credit based on the One Month Bloomberg Short-Term Bank Yield Index.

PNC Bank has advised that it is willing to extend the maturity date of the Line of Credit to March 1, 2024, and has advised that it will be desirable to amend and restate the Credit Agreement to reflect amendments included pursuant to the Second Amendment to Credit Agreement and the Third Amendment to Credit Agreement and to include certain administrative amendments necessary to comply with PNC Bank's current policies.

Extending the maturity date of the Line of Credit and further amending the Credit Agreement by executing the Amended and Restated Credit Agreement and further amending certain related instruments and documents to provide for the Amended and Restated Credit Agreement is advisable and in the best interests of the Authority. To do so requires that your Board authorize and approve the extension of the maturity date of the Line of Credit to a date not later than March 1, 2024 and the amendment and restatement of the Credit Agreement previously approved by your Board and certain administrative amendments necessary to comply with PNC Bank's current policies, provided that the Line of Credit shall otherwise be substantially on the same terms set out in the Credit Agreement (as amended and previously approved by your Board) and provided further that the maximum available principal amount of credit provided to the Authority thereunder may not exceed \$20,000,000 and that any indebtedness incurred thereunder at any time shall be secured only by personal property, substantially the same as the personal property described in the General Security and Pledge Agreement previously executed by the Authority, in favor of PNC Bank.

Therefore, it is recommended that your Board approve the above-referenced recommended action.



**BEFORE THE BOARD OF GOVERNORS  
OF THE KERN COUNTY HOSPITAL AUTHORITY**

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In the matter of:

Resolution No. 2023-\_\_\_\_

**APPROVING THE AMENDED AND RESTATED  
CREDIT AGREEMENT, BETWEEN THE  
AUTHORITY AND PNC BANK, NATIONAL  
ASSOCIATION, AND DELEGATING AUTHORITY  
TO CERTAIN OFFICERS**

---

I, MONA A. ALLEN, Authority Board Coordinator for the Kern County Hospital Authority, hereby certify that the following Resolution, on motion of Director \_\_\_\_\_, seconded by Director \_\_\_\_\_, was duly and regularly adopted by the Board of Governors of the Kern County Hospital Authority at an official meeting thereof on the 15th day of February, 2023, by the following vote, and that a copy of the Resolution has been delivered to the Chairman of the Board of Governors.

AYES:

NOES:

ABSENT:

**MONA A. ALLEN**  
Authority Board Coordinator  
Kern County Hospital Authority

---

Mona A. Allen

---

**RESOLUTION**

Section 1. WHEREAS:

(a) On February 20, 2019, the Board of Governors adopted Resolution No. 2019-004, which, among other things, authorized and approved the Kern County Hospital Authority (the "Authority") to incur debt pursuant to a revolving line of credit to be provided by PNC Bank, National Association ("PNC Bank"), and authorized certain officers of the Authority to execute, acknowledge, deliver, record and file such agreements,

documents, instruments and certificates necessary to effect the purposes of Resolution No. 2019-004;

(b) On February 26, 2019, the County of Kern, by action of its Board of Supervisors, adopted Resolution No. 2019-040, which approved the Authority's incurrence of debt under a revolving line of credit to be provided by PNC Bank;

(c) On March 1, 2019, the Authority entered into a Credit Agreement, with PNC Bank, that provided for a maximum available principal amount of credit not in excess of \$50,000,000 for a 120-day period and not in excess of \$20,000,000 at any other time (the "Line of Credit") and executed and delivered to PNC Bank a General Security and Pledge Agreement that provided for all indebtedness under the Credit Agreement to be secured by certain personal property of the Authority;

(d) The Credit Agreement provided that the Line of Credit would initially mature on March 1, 2021;

(e) On January 20, 2021, the Board of Governors adopted Resolution No. 2021-003, which, among other things, approved the extension of the maturity date of the Line of Credit to March 1, 2022 and the terms and provisions of the Second Amendment to Credit Agreement;

(f) On February 16, 2022, the Board of Governors adopted Resolution No. 2022-004, which, among other things, approved the extension of the maturity date of the Line of Credit to March 1, 2023 and the terms and provisions of the Third Amendment to Credit Agreement;

(g) PNC Bank has advised that it is willing to extend the maturity date of the Line of Credit to March 1, 2024 and has advised that it will be desirable to amend and restate the Credit Agreement to reflect amendments included pursuant to the Second Amendment to Credit Agreement and the Third Amendment to Credit Agreement and to include certain administrative amendments necessary to comply with PNC Bank's current policies;

(h) Management of the Authority has advised this Board that extending the maturity date of the Line of Credit, further amending the Credit Agreement by executing the Amended and Restated Credit Agreement and further amending certain related instruments and documents to provide for the Amended and Restated Credit Agreement is advisable and in the best interests of the Authority.

Section 2. NOW, THEREFORE, IT IS HEREBY RESOLVED by the Board of Governors of the Kern County Hospital Authority, as follows:

1. This Board finds that the facts recited herein are true, and further finds that this Board has jurisdiction to consider, approve, and adopt the subject of this Resolution.

2. This Board hereby authorizes and approves the extension of the maturity date

of the Line of Credit to a date not later than March 1, 2024 and the amendment and restatement of the Credit Agreement to reflect amendments to the Credit Agreement previously approved by this Board and certain administrative amendments necessary to comply with PNC Bank's current policies, provided that the Line of Credit shall otherwise be substantially on the same terms set out in the Credit Agreement (as amended and previously approved by this Board) and provided further that the maximum available principal amount of credit provided to the Authority thereunder may not exceed \$20,000,000 and that any indebtedness incurred thereunder at any time shall be secured only by personal property, substantially the same as the personal property described in the General Security and Pledge Agreement previously executed by the Authority, in favor of PNC Bank.

3. This Board hereby authorizes and directs any two of the following officers (each, an "Authorized Officer"), for and in the name of and on behalf of the Authority, to execute the Amended and Restated Credit Agreement and an amendment to the Note, or a new note if the Authorized Officers determine that a new note is advisable to effect the purposes of this Resolution, as the Authorized Officers executing the same, together with the Vice President & General Counsel of the Authority, shall approve: Chair of this Board, Vice-Chair of this Board, Chief Executive Officer of the Authority, or Chief Financial Officer of the Authority. The execution by any two Authorized Officers shall evidence the approval hereby required.

4. This Board hereby authorizes and directs any two Authorized Officers, for and in the name of and on behalf of the Authority, to execute, acknowledge, deliver, record and file such agreements, documents, instruments and certificates, and revisions and corrections thereof and amendments thereto, in each case in a form approved by the Vice President & General Counsel of the Authority, and to perform such other acts and deeds as may, in any such Authorized Officer's discretion and with the approval of the Vice President & General Counsel of the Authority, be deemed necessary or otherwise proper, to effect the purposes of this Resolution and the actions herein authorized.

5. All actions heretofore taken by any Authorized Officer, which are in conformity with the purposes and intent of this Resolution, whether heretofore or hereafter taken, are hereby ratified, confirmed and approved in all respects.

6. The authority conferred upon each Authorized Officer by this Resolution shall remain in full force and effect until written notice of revocation by further resolutions of this Board shall have been delivered to the other parties to such agreements.

7. The provisions of this Resolution are hereby declared to be severable, and, if any section, phrase or provision shall for any reason be declared to be invalid, such declaration shall not affect the validity of the remainder of the sections, phrases and provisions hereof.

8. The Authority Board Coordinator shall provide copies of this Resolution to the following:

Kern Medical Center  
Legal Services Department  
PNC Bank, National Association

AMENDED AND RESTATED CREDIT AGREEMENT

DATED AS OF  
[FEBRUARY \_\_], 2023

BY AND BETWEEN

KERN COUNTY HOSPITAL AUTHORITY

AND

PNC BANK, NATIONAL ASSOCIATION

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## AMENDED AND RESTATED CREDIT AGREEMENT

This Amended and Restated Credit Agreement is entered into as of [February \_\_], 2023 (as amended, restated, supplemented or modified from time to time pursuant to the terms hereof, the “*Agreement*”), by and between KERN COUNTY HOSPITAL AUTHORITY, a local unit of government, duly created and validly existing under the laws of the State of California (the “*Authority*”), and PNC BANK, NATIONAL ASSOCIATION and its permitted successors and assigns (the “*Bank*”).

### PRELIMINARY STATEMENT

WHEREAS, the Authority and the Bank have previously entered into that certain Credit Agreement dated as of March 1, 2019 (as amended, restated, supplemented or otherwise modified from time to time, the “*Existing Agreement*”), pursuant to which the Bank established a revolving credit facility in favor of the Authority;

WHEREAS, the Authority and the Bank would like to make certain amendments to the Existing Agreement, subject to the terms conditions set forth herein; and

WHEREAS, upon the satisfaction of the terms and conditions set forth herein, this Agreement will amend and restate the Existing Agreement in its entirety, and the Bank agrees to continue to extend a revolving credit facility to the Authority as set forth herein.

NOW, THEREFORE, in consideration of the mutual agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

#### SECTION 1. DEFINITIONS; INTERPRETATION.

*Section 1.1. Definitions.* The following terms when used herein shall have the following meanings:

“*Accounts Receivables Collection Account*” means, (i) prior to the Deposit Account Transfer Date, an account of the Authority maintained at the Depository Bank into which all receivables of the Authority (including Governmental Receivables of the Authority) are and will be deposited and (ii) after the Deposit Account Transfer Date, the account of the Authority maintained at the Bank into which all receivables of the Authority (other than Governmental Receivables of the Authority) will be deposited.

“*Affiliate*” means, with respect to any Person, any Person that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such first Person. A Person shall be deemed to control another Person for the purposes of this definition if such first Person possesses, directly or indirectly, the power to direct, or cause the direction of, the management and policies of the second Person, whether through the ownership of voting securities, common directors, trustees or officers, by contract or otherwise. It is understood that, as of the date of this Credit Agreement, the Authority has no Affiliates, and all references to any

Affiliate of the Authority shall be of no force and effect until such time as an Affiliate of the Authority shall be organized.

“*Agreement*” means this Credit Agreement, as the same may be amended, restated, supplemented or modified from time to time in accordance with the terms hereof.

“*Alternate Rate*” means, for any day, a fluctuating rate of interest per annum equal to the greater of (i) the Prime Rate; and (ii) the Overnight Bank Funding Rate plus 0.50. Any change in the Base Rate (or any component thereof) shall take effect at the opening of business on the day such change occurs.

“*Anti-Corruption Laws*” means the United States Foreign Corrupt Practices Act of 1977, as amended, the UK Bribery Act 2010, and any other similar anti-corruption Laws or regulations administered or enforced in any jurisdiction in which the Authority or any of its Subsidiaries conduct business.

“*Anti-Terrorism Laws*” means any Law in force or hereinafter enacted related to terrorism, money laundering, or economic sanctions, including the Bank Secrecy Act, 31 U.S.C. § 5311 *et seq.*, the USA PATRIOT Act, the International Emergency Economic Powers Act, 50 U.S.C. 1701, *et seq.*, the Trading with the Enemy Act, 50 U.S.C. App. 1, *et seq.*, 18 U.S.C. § 2332d, and 18 U.S.C. § 2339B.

“*Assignment and Assumption*” means an assignment and assumption entered into by the Bank and an assignee (with the consent of the Authority if required pursuant to Section 9.16(b) hereof) in form and substance satisfactory to the Bank.

“*Audited Financial Statements*” has the meaning set forth in Section 5.7 hereof.

“*Authority*” has the meaning set forth in the introductory paragraph hereof.

“*Authority Documents*” means the Support Agreement, the County Resolution and the Authority Resolution.

“*Authority Resolution*” has the meaning set forth in Section 6.2(a)(i) hereof.

“*Authorized Representative*” means any person authorized from time to time in writing by the Authority to perform a designated act or execute a designated document and, with respect to such person prior to such act or execution of a designated document (including a request for Loan in accordance with Section 2.3 hereof), has provided a specimen signature to the Bank.

“*Bank*” has the meaning set forth in the introductory paragraph hereof.

“*Bank Agreement*” means any credit agreement, liquidity agreement, standby bond purchase agreement, reimbursement agreement, direct purchase agreement, bond purchase agreement, or other agreement or instrument (or any amendment, supplement or other modification thereof) under which, directly or indirectly, any Person or Persons undertake(s) to make or provide

funds to make payment of, or to purchase or provide credit enhancement for, bonds or notes of the Authority, or make loans or advances to the Authority.

“*Bank Note*” means the amended and restated promissory note issued by the Authority to the order of the Bank evidencing the Loans and other Obligations under this Agreement, substantially in the form of Exhibit A hereto, with appropriate completions, and any and all renewals, extensions or modifications thereof, as amended, restated, supplemented or otherwise modified from time to time.

“*Base Rate*” means, for any day, a fluctuating rate of interest per annum equal to the greatest of (i) the Prime Rate; (ii) the Overnight Bank Funding Rate plus 0.50%; and (iii) the Daily BSBY Rate then in effect plus 1.00%, so long as the Daily BSBY Rate is offered, ascertainable and not unlawful; *provided, however*, if the Base Rate as determined above would be less than zero, then such rate shall be deemed to be zero. Any change in the Base Rate (or any component thereof) shall take effect at the opening of business on the day such change occurs.

“*Base Rate Portion*” has the meaning set forth in Section 3.1(a) hereof.

“*Bloomberg*” means Bloomberg Index Services Limited (or a successor administrator).

“*BSBY*” means the Bloomberg Short-Term Bank Yield Index rate administered by Bloomberg and published by Bloomberg or another commercially available source providing such quotations as may be designated by the Bank from time to time.

“*BSBY Reserve Percentage*” shall mean, as of any day, the maximum effective percentage in effect on such day, if any, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the reserve requirements (including, without limitation, supplemental, marginal and emergency reserve requirements) with respect to BSBY funding.

“*Business Day*” means any day other than a Saturday or Sunday or legal holiday on which commercial banks are authorized or required to close for business in Bakersfield, California or New York, New York; *provided* that, when used in connection with an amount that bears interest at a rate based on BSBY or any direct or indirect calculation or determination of BSBY, the term “Business Day” means any such day that is also a U.S. Government Securities Business Day.

“*Cash Equivalents*” means (a) marketable direct obligations issued by, or unconditionally guaranteed by, the United States or issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within one (1) year from the date of acquisition thereof, (b) marketable direct obligations issued or fully guaranteed by any state of the United States or any political subdivision of any such state or any public instrumentality thereof maturing within one (1) year from the date of acquisition thereof and, at the time of acquisition, having one of the two highest ratings obtainable from either S&P or Moody’s, (c) commercial paper maturing within one (1) year from the date of creation thereof and, at the time of acquisition, having a rating of at least A-1 from S&P or at least P-1 from Moody’s, (d) certificates of deposit, time deposits, overnight bank deposits or bankers’ acceptances maturing within one (1) year from the date of acquisition thereof issued by any bank organized under the laws of the United States or any state

thereof or the District of Columbia having at the date of acquisition thereof combined capital and surplus of not less than \$250,000,000, (e) deposit accounts maintained with (i) any bank that satisfies the criteria described in clause (d) above, or (ii) any other bank organized under the laws of the United States or any state thereof so long as the full amount maintained with any such other bank is fully insured by the Federal Deposit Insurance Corporation, (f) repurchase obligations of any commercial bank satisfying the requirements of clause (d) of this definition or recognized securities dealer having combined capital and surplus of not less than \$250,000,000, having a term of not more than seven (7) days, with respect to securities satisfying the criteria in clauses (a) or (d) above, provided all such agreements require physical delivery of the securities securing such repurchase agreement, except those delivered through the Federal Reserve Book Entry System, and (g) investments in money market funds substantially all of whose assets are invested in the types of assets described in clauses (a) through (f) above.

“*Change in Law*” means the occurrence, after the Closing Date, of any of the following: (i) the adoption or taking effect of any Law, (ii) any change in any Law or in the administration, interpretation, implementation or application thereof by any Official Body or (iii) the making or issuance of any request, rule, guideline or directive (whether or not having the force of Law) by any Official Body; provided that notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, regulations, guidelines, interpretations or directives thereunder or issued in connection therewith (whether or not having the force of Law) and (y) all requests, rules, regulations, guidelines, interpretations or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities (whether or not having the force of Law), in each case pursuant to Basel III or any future Basel accord, shall in each case be deemed to be a Change in Law regardless of the date enacted, adopted, issued, promulgated or implemented.

“*Closing Date*” means [February \_\_], 2023, which, subject to the satisfaction, or waiver by the Bank, of the conditions precedent set forth in Section 6.2 hereof is the date on which this Agreement shall become effective or such later Business Day upon which the conditions precedent set forth in Section 6.2 hereof shall have been satisfied in a manner acceptable to the Bank in its sole discretion or waived by the Bank in its sole discretion.

“*Code*” means the Internal Revenue Code of 1986, as amended, and, where appropriate any statutory predecessor or any successor thereto.

“*Collateral*” has the meaning set forth in the Security Agreement.

“*Commitment*” means \$20,000,000.

“*Compliance Certificate*” means a compliance certificate substantially in the form of Exhibit C attached hereto.

“*County*” means Kern County, California.

“*County Resolution*” has the meaning set forth in Section 6.2(a)(ii) hereof.

*“Covered Compliance Entity”* means (a) the Authority, the Authority’s Subsidiaries, if any, and (b) each Person that is in control of a Person described in clause (a) above. For purposes of this definition, control of a Person means the direct or indirect (x) ownership of, or power to vote, 25% or more of the issued and outstanding equity interests having ordinary voting power for the election of directors of such Person or other Persons performing similar functions for such Person, or (y) power to direct or cause the direction of the management and policies of such Person whether by ownership of equity interests, contract or otherwise.

*“Daily BSBY Rate”* means, for any day, the rate per annum determined by the Bank by dividing (the resulting quotient rounded upwards, at the Bank’s discretion, to the nearest 1/100th of 1%) (A) the Published Rate for such day, by (B) a number equal to 1.00 minus the BSBY Reserve Percentage; *provided, however*, if the Daily BSBY Rate determined as provided above would be less than the Floor, then such rate shall be deemed to be the Floor. The rate of interest will be adjusted automatically as of each Business Day based on changes in the Daily BSBY Rate without notice to the Authority.

*“Debt”* means, at any date, without duplication, (a) all obligations of the Authority for borrowed money, (b) all obligations of the Authority evidenced by bonds, debentures, notes or other similar instruments, (c) all obligations of the Authority to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (d) all obligations of the Authority as lessee under capital leases, (e) all Debt of others secured by a lien on any asset of the Authority, whether or not such Debt is assumed by the Authority, (f) all guarantees by the Authority of Debt of other Persons and (g) all obligations of the Authority under any Swap Agreement; *provided, however*, that Debt shall not mean any obligation of the Authority or Kern Medical Center with respect to any advance provided to the Authority or Kern Medical Center by a Governmental Authority in connection with an intergovernmental transfer arrangement between the Authority, on behalf of itself and/or Kern Medical Center, and a Governmental Authority.

*“Debt Service Coverage Ratio”* means, net income plus interest expense plus depreciation and amortization plus unrealized investment losses minus unrealized investment gains plus/minus other non-cash charges divided by interest expense plus current maturities of long term debt (and, for the avoidance of doubt, Loans under this Agreement shall not constitute long-term debt).

*“Deed of Trust”* means the Deed of Trust with Assignment of Rents dated June 30, 2016, between the Authority and the County.

*“Deed of Trust Amendment Effective Date”* has the meaning set forth in Section 7.28 hereof.

*“Default”* means any event or condition which, with notice, the passage of any timeframe specifically set forth in this Agreement (including, without limitation, the events described in Section 8.1(c), 8.1(d), 8.1(j), and 8.1(m) hereof) or any of the Loan Documents, as applicable, or any combination of the foregoing, would constitute an Event of Default.

“*Default Rate*” means, for any day, a rate of interest per annum equal to the sum of the Base Rate in effect on such day plus three percent (3.00%).

“*Deposit Account Control Agreement*” means the Deposit Account Control Agreement dated March 1, 2019, by and among the Authority, the Bank and PNC Bank National Association, as depository bank, as amended, supplemented, modified or restated from time to time in accordance with the terms hereof and thereof.

“*Depository Bank*” means Wells Fargo Bank, National Association.

“*Dollar*” or “*\$*” means lawful money of the United States.

“*Environmental Laws*” means any and all federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including those related to hazardous substances or wastes, air emissions and discharges to waste or public systems.

“*ERISA*” means the Employee Retirement Income Security Act of 1974, as amended, and any successor statute of similar import, and regulations thereunder, in each case as in effect from time to time. References to Sections of ERISA shall be construed also to refer to any successor Sections.

“*Event of Default*” means any event or condition set forth in Section 8.1 hereof.

“*Excess Interest*” has the meaning set forth in Section 3.10 hereof.

“*Excluded Taxes*” means, with respect to the Bank, or any other recipient of any payment to be made by or on account of any Obligation of the Authority hereunder, Taxes imposed on or measured by its overall net income (however denominated), franchise Taxes and branch profit Taxes imposed on it (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under the Laws of which such recipient is incorporated or is organized or in which its principal office is located or, in the case of the Bank, in which its applicable Lending Office is located.

“*Existing Agreement*” has the meaning set forth in the recitals hereof.

“*Fiscal Year*” means the twelve month period from July 1 through the following June 30.

“*Floor*” means a rate of interest equal to 0 basis points (0.00%).

“*FRB*” means the Board of Governors of the Federal Reserve System of the United States, together with any successors thereof.

“*General Intangibles*” has the meaning set forth in the Uniform Commercial Code of the State.

*“Generally Accepted Accounting Principles”* or *“GAAP”* means generally accepted accounting principles in effect from time to time in the United States and applicable to entities such as the Authority.

*“Governmental Approval”* means an authorization, consent, approval, license, or exemption of, registration or filing with, or report to any Governmental Authority.

*“Governmental Authority”* means the government of the United States of America or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including, without limitation, any supra-national bodies such as the European Union or the European Central Bank) and any group or body charged with setting financial accounting or regulatory capital rules or standards (including, without limitation, the Financial Accounting Standards Board, the Bank for International Settlements or the Basel Committee on Banking Supervisory Practices or any successor or similar authority to any of the foregoing).

*“Governmental Payor Program”* means any “federal health care program” as defined in 42 U.S.C. §1320a-7b(f), which includes (as applicable) Medicare, Medicaid, TRICARE, CHAMPVA and any “state health care program” as defined in 42 U.S.C. §1320a-7(h).

*“Governmental Receivables”* means any receivables of the Authority derived from any Governmental Payor Program.

*“Governmental Receivables Collection Account”* means the account of the Authority maintained at the Bank into which all Governmental Receivables of the Authority will be deposited.

*“Gross Receivables”* has the meaning set forth in the Security Agreement.

*“Health Care Laws”* means all relevant federal and state laws regulating health services or payment, including, but not limited to, Section 1128B(b) and Section 1877 of the Social Security Act, the federal Anti-Kickback Statute (42 U.S.C. § 1320a-7b(b)), the Stark Law (42 U.S.C. § 1395nn), the Anti-Inducement Law (42 U.S.C. § 1320a-7a(a)(5)), the civil False Claims Act (31 U.S.C. § 3729 *et seq.*), the administrative False Claims Law (42 U.S.C. § 1320a-7b(a)), the exclusion laws (42 U.S.C. § 1320a-7), the civil monetary penalty laws (42 U.S.C. § 1320a-7a), the administrative simplification provisions of the Health Insurance Portability and Accountability Act of 1996 (42 U.S.C. §§ 1320d-1320d-8), Medicare, Medicaid, and any other state or federal law, regulation, guidance document, manual provision, program memorandum, opinion letter, or other issuance which regulates kickbacks, patient or program charges, recordkeeping, referrals, the hiring of employees or acquisition of services or supplies from those who have been excluded from government health care programs, quality, safety, privacy, security, licensure, accreditation, or any other aspect of providing health care.

*“Health Care Reportable Event”* means (a) the Authority becomes subject to any civil or criminal investigations, or any material inquiries, validation reviews, program integrity reviews,



reimbursement audits or statements of deficiencies, involving and/or related to its compliance with Health Care Laws that, in the reasonable judgment of the Authority, is reasonably likely to be determined in a manner that is adverse to the Authority, and the result of which could reasonably be expected to materially impair the ability of the Authority to satisfy its payment obligations hereunder and under the other Loan Documents; (b) any material exclusion, voluntary disclosure, notice of claim to recover material overpayments, revocation, suspension, termination, probation, restriction, limitation, denial, or non-renewal affecting the Authority with respect to any material Program; or (c) the occurrence of any reportable event under any settlement agreement or corporate integrity agreement involving and/or related to its compliance with Health Care Laws entered into with any Governmental Authority.

*“Indemnified Taxes”* means Taxes imposed on or with respect to any payment made by or on account of any obligation of the Authority under any Loan Document, other than Excluded Taxes and Other Taxes.

*“Laws”* means, collectively, all international, foreign, Federal, state and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law.

*“Lending Office”* means the office or offices of the Bank or such other office or offices as the Bank may from time to time notify the Authority in writing.

*“Lien”* means any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge, or preference, priority or other security interest or preferential arrangement in the nature of a security interest of any kind or nature whatsoever (including any conditional sale or other title retention agreement, any easement, right of way or other encumbrance on title to real property, and any financing lease having substantially the same economic effect as any of the foregoing).

*“Loan”* and *“Loans”* has the meaning set forth in Section 2.2 hereof.

*“Loan Documents”* means this Agreement, the Security Agreement, the Deposit Account Control Agreement, the Bank Note, the Authority Documents and each other instrument or document to be delivered hereunder or thereunder or otherwise in connection therewith.

*“Margin Stock”* has the meaning ascribed to such term in Regulation U promulgated by the FRB, as now and hereafter from time to time in effect.

*“Material Adverse Effect”* means: (a) a material adverse change in, or a material adverse effect upon, the operations, business, properties, liabilities (actual or contingent) or condition (financial or otherwise) of the Authority; (b) a material impairment of the ability of the Authority to perform its obligations under any Loan Document to which it is a party; or (c) a material adverse

effect upon the legality, validity, binding effect or enforceability against the Authority of any Loan Document to which it is a party.

“*Maximum Rate*” means the maximum non-usurious lawful rate of interest permitted by applicable law.

“*Medicaid*” means, collectively, the health care assistance program established by Title XIX of the Social Security Act (42 U.S.C. §§ 1396 *et seq.*) and any statutes succeeding thereto, and all laws, rules, regulations, manuals, orders, guidelines or requirements pertaining to such program including (a) all federal statutes (whether set forth in Title XIX of the Social Security Act or elsewhere) affecting such program; (b) all state statutes and plans for medical assistance enacted in connection with such program and federal rules and regulations promulgated in connection with such program; and (c) all applicable provisions of all rules, regulations, manuals, orders and administrative and reimbursement guidelines and requirements of all government authorities promulgated in connection with such program (whether or not having the force of law), in each case, as the same may be amended, supplemented or otherwise modified from time to time.

“*Medicare*” means, collectively, the health insurance program for the aged and disabled established by Title XVIII of the Social Security Act (42 U.S.C. §§ 1395 *et seq.*) and any statutes succeeding thereto, and all laws, rules, regulations, manuals, orders or guidelines pertaining to such program including (a) all federal statutes (whether set forth in Title XVIII of the Social Security Act or elsewhere) affecting such program; and (b) all applicable provisions of all rules, regulations, manuals, orders and administrative and reimbursement guidelines and requirements of all governmental authorities promulgated in connection with such program (whether or not having the force of law), in each case, as the same may be amended, supplemented or otherwise modified from time to time.

“*NYFRB*” means the Federal Reserve Bank of New York.

“*Obligations*” means all obligations of the Authority to pay the principal of and interest on the Loans, all fees and charges payable hereunder, and all other payment obligations of the Authority arising under or in relation to any Loan Document, in each case whether now existing or hereafter arising, due or to become due, direct or indirect, absolute or contingent, and howsoever evidenced, held, or acquired.

“*OFAC*” means the U.S. Department of the Treasury’s Office of Foreign Assets Control, and any successor thereto.

“*Official Body*” means the government of the United States of America or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank) and any group or body charged with setting financial accounting or regulatory capital rules or standards (including the Financial Accounting Standards Board, the Bank for

International Settlements or the Basel Committee on Banking Supervision or any successor or similar authority to any of the foregoing).

*“Other Taxes”* means all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document.

*“Overnight Bank Funding Rate”* shall mean, for any day, the rate comprised of both overnight federal funds and overnight Eurocurrency borrowings by U.S.-managed banking offices of depository institutions, as such composite rate shall be determined by the Federal Reserve Bank of New York (*“NYFRB”*), as set forth on its public website from time to time, and as published on the next succeeding Business Day as the overnight bank funding rate by the NYFRB (or by such other recognized electronic source (such as Bloomberg) selected by the Bank for the purpose of displaying such rate); *provided*, that if such day is not a Business Day, the Overnight Bank Funding Rate for such day shall be such rate on the immediately preceding Business Day; *provided, further*, that if such rate shall at any time, for any reason, no longer exist, a comparable replacement rate determined by the Bank at such time (which determination shall be conclusive absent manifest error). If the Overnight Bank Funding Rate determined as above would be less than zero, then such rate shall be deemed to be zero. The rate of interest charged shall be adjusted as of each Business Day based on changes in the Overnight Bank Funding Rate without notice to the Authority.

*“Participant”* has the meaning set forth in Section 9.16(c) hereof.

*“Patriot Act”* means the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), as amended from time to time, and any successor statute.

*“Permit”* means any permit, approval, authorization, certification, license, variance, accreditation or permission required from a Governmental Authority under an applicable law or any accrediting organization.

*“Person”* means any individual, corporation, not for profit corporation, partnership, limited liability company, joint venture, association, professional association, joint stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other form of entity.

*“Plan”* means, with respect to the Authority at any time, an employee pension benefit plan which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code and either (i) is maintained, or has within the preceding five plan years been maintained, by the Authority for employees of the Authority of which the Authority is a part, (ii) is maintained pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and to which the Authority is a part is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions.

*“Portion”* has the meaning set forth in Section 3.1(a) hereof.

*“Prime Rate”* means the interest rate per annum announced from time to time by the Bank at its principal office as its then prime rate, which rate may not be the lowest or most favorable rate then being charged commercial borrowers or others by the Bank. Any change in the Prime Rate shall take effect at the opening of business on the day such change is announced.

*“Program”* has the meaning set forth in Section 5.5(c) hereof.

*“Property”* means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, whether now owned or hereafter acquired.

*“Published Rate”* means the one-month Bloomberg Short-Term Bank Yield Index rate administered by Bloomberg and published by Bloomberg or another commercially available source providing such quotations as may be designated by the Bank from time to time.

*“Reportable Compliance Event”* means that (a) any Covered Compliance Entity becomes a Sanctioned Person, or is charged by indictment, criminal complaint or similar charging instrument, arraigned, or custodially detained in connection with any Anti-Terrorism Law or any predicate crime to any Anti-Terrorism Law, or has knowledge of facts or circumstances to the effect that it is reasonably likely that any aspect of its operations is in actual or probable violation of any Anti-Terrorism Law; (b) any Covered Compliance Entity engages in a transaction that has caused or may cause the Bank to be in violation of Anti-Terrorism Laws, including a Covered Compliance Entity’s use of any proceeds of the Loans to fund any operations in, finance any investments or activities in, or, make any payments to, directly or indirectly, a Sanctioned Person or Sanctioned Jurisdiction; or (c) any Covered Compliance Entity otherwise violates, or reasonably believes that it will violate, any of the representations or covenant (including any negative covenant) of this Agreement.

*“Revolving Credit”* has the meaning set forth in Section 2.1 hereof.

*“Sanctioned Jurisdiction”* means any country, territory, or region that is the subject of sanctions administered by OFAC.

*“Sanctioned Person”* means (a) a Person that is the subject of sanctions administered by OFAC or the U.S. Department of State, including by virtue of being (i) named on OFAC’s list of “Specially Designated Nationals and Blocked Persons”; (ii) organized under the Laws of, ordinarily resident in, or physically located in a Sanctioned Jurisdiction; (iii) owned or controlled 50% or more in the aggregate, by one or more Persons that are the subject of sanctions administered by OFAC; (b) a Person that is the subject of sanctions maintained by the European Union (“E.U.”), including by virtue of being named on the E.U.’s “Consolidated list of persons, groups and entities subject to E.U. financial sanctions” or other, similar lists; (c) a Person that is the subject of sanctions maintained by the United Kingdom (“U.K.”), including by virtue of being named on the “Consolidated List Of Financial Sanctions Targets in the U.K.” or other, similar lists; or (d) a Person that is the subject of sanctions imposed by any Official Body of a jurisdiction whose Laws apply to this Agreement.

“*Scheduled Maturity Date*” means [February \_\_], 2024,<sup>1</sup> as such date may be extended in accordance with Section 3.11 hereof.

“*Security Agreement*” means the Security Agreement dated March 1, 2019, between the Authority and the Bank, as amended, supplemented, modified or restated from time to time in accordance with its terms.

“*Social Security Act*” means the Social Security Act of 1965, as amended.

“*Solvent*” means, with respect to any Person, that as of the date of determination (without duplication) both (i) (a) the sum of such Person’s debt (including contingent liabilities) does not exceed all of its property, at a fair valuation; (b) the Person is able to pay the probable liabilities on such Person’s then existing debts as they become absolute and matured; (c) such Person’s capital is not unreasonably small in relation to its business or any contemplated or undertaken transaction; and (d) such Person does not intend to incur, or believe (nor should it reasonably believe) that it will incur, debts beyond its ability to pay such debts as they become due; and (ii) such Person is “solvent” within the meaning given that term and similar terms under applicable laws relating to fraudulent transfers and conveyances. For purposes of this definition, the amount of any contingent liability at any time shall be computed as the amount that, in light of all of the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability (discounted to present value at rates believed to be reasonable by such Person acting in good faith).

“*State*” means the State of California.

“*Subsidiary*” of a Person means (i) any corporation more than 50% of the outstanding securities having ordinary voting power of which shall at the time be owned or controlled, directly or indirectly, by such Person or by one or more of its Subsidiaries or by such Person and one or more of its Subsidiaries, or (ii) any partnership, limited liability company, association, joint venture or similar business organization more than 50% of the ownership interests having ordinary voting power of which shall at the time be so owned or controlled.

“*Support Agreement*” means that certain Agreement for Health Care Services, Finance and Support dated July 1, 2016, by and between the County of Kern and the Authority, as amended, modified, supplemented or restated in accordance with the terms thereof and hereof.

“*Swap Agreement*” means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), and (c) any and all transactions of any

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<sup>1</sup> To be 1 year from the Closing Date.

kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange master agreement, or any other master agreement (any such master agreement, together with any related schedules, a “*Master Agreement*”), including any such obligations or liabilities under any Master Agreement.

“*Taxes*” means any and all present or future taxes, duties, levies, imposts, deductions, fees, assessments, charges or withholdings, and any and all liabilities with respect to the foregoing, including interest, additions to tax and penalties applicable thereto.

“*Termination Date*” means the earlier to occur of (i) the Scheduled Maturity Date or (ii) such earlier date on which the Commitment is terminated in whole pursuant to Section 8.2 or 8.3 hereof or otherwise terminated in whole as requested in writing by the Authority.

“*U.S. Government Securities Business Day*” means any day except for (A) a Saturday or Sunday or (B) a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in United States government securities.

*Section 1.2. Other Interpretive Provisions.* With reference to this Agreement and each other Loan Document, unless otherwise specified herein or in such other Loan Document:

(a) The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “*include*,” “*includes*” and “*including*” shall be deemed to be followed by the phrase “without limitation.” The word “*will*” shall be construed to have the same meaning and effect as the word “*shall*.” Unless the context requires otherwise, (i) any definition of or reference to any agreement, instrument or other document shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein or in any other Loan Document), (ii) any reference herein to any Person shall be construed to include such Person’s successors and assigns, (iii) the words “*hereto*,” “*herein*,” “*hereof*” and “*hereunder*,” and words of similar import when used in any Loan Document, shall be construed to refer to such Loan Document in its entirety and not to any particular provision thereof, (iv) all references in a Loan Document to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, the Loan Document in which such references appear, (v) any reference to any law shall include all statutory and regulatory provisions consolidating, amending, replacing or interpreting such law and any reference to any law or regulation shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time, and (vi) the words “*asset*” and “*property*” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

(b) In the computation of periods of time from a specified date to a later specified date, the word “*from*” means “*from and including*,” the words “*to*” and “*until*” each mean “*to but excluding*,” and the word “*through*” means “*to and including*.”

(c) Section headings herein and in the other Loan Documents are included for convenience of reference only and shall not affect the interpretation of this Agreement or any other Loan Document.

*Section 1.3. Accounting Terms.*

(a) *Generally.* All accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, GAAP applied on a consistent basis, as in effect from time to time, applied in a manner consistent with that used in preparing the Audited Financial Statements, *except* as otherwise specifically prescribed herein.

(b) *Changes in GAAP.* If at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth in any Loan Document, and either the Authority or the Bank shall so request, the Bank and the Authority shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP; *provided that*, until so amended, (A) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (B) the Authority shall provide to the Bank financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP. Without limiting the foregoing, leases shall continue to be classified and accounted for on a basis consistent with that reflected in the Audited Financial Statements for all purposes of this Agreement, notwithstanding any change in GAAP relating thereto, unless the parties hereto shall enter into a mutually acceptable amendment addressing such changes, as provided for above.

*Section 1.4. Rounding.* Any financial ratios required to be maintained by the Authority pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

*Section 1.5. Times of Day.* Unless otherwise specified, all references herein to times of day shall be references to New York time (daylight or standard, as applicable).

SECTION 2. THE CREDITS.

*Section 2.1. Revolving Credit.* Subject to the terms and conditions hereof, the Bank agrees to extend a revolving credit (the "*Revolving Credit*") to the Authority which may be availed of by the Authority from time to time during the period from and including the date hereof to but not including the Termination Date, at which time the commitment of the Bank to extend credit under the Revolving Credit shall expire. The Revolving Credit may be utilized by the Authority in the form of Loans, as more fully hereinafter set forth, provided that the aggregate principal amount of all Loans outstanding at any one time shall not exceed the Commitment. During the period from and including the date hereof to but not including the Termination Date, the Authority may use the

Commitment by borrowing, repaying, and reborrowing Loans in whole or in part, all in accordance with the terms and conditions of this Agreement.

*Section 2.2. Revolving Credit Loans.* Subject to the terms and conditions hereof, the Revolving Credit may be availed of by the Authority in the form of loans under the Commitment (individually a “*Loan*” and collectively the “*Loans*”). Each Loan shall be in a minimum amount of \$100,000 and integral multiples of \$5,000 in excess thereof. The Loans shall be made against and evidenced by the Bank Note. The Bank Note shall be issued pursuant to the terms of this Agreement, be dated the date of issuance thereof and be expressed to bear interest as set forth in Section 3 hereof. All Loans shall mature and are due and payable in full on the Termination Date. Without regard to the principal amount of the Bank Note stated on its face, the actual principal amount at any time outstanding and owing by the Authority hereunder and on the Bank Note shall be the sum of all Loans made hereunder less all payments of principal actually received by the Bank.

*Section 2.3. Manner and Disbursement of Loans.* An Authorized Representative of the Authority shall give written, electronic or telephonic notice to the Bank (which notice shall be irrevocable once given and, if given by telephone, shall be promptly confirmed in writing) by no later than 12:00 Noon (New York time) on the date the Authority requests the Bank to make a Loan hereunder. Each such notice shall be substantially in the form of Exhibit B hereto with respect to a request for a Loan. Each Loan shall initially constitute a Loan bearing interest with reference to the Daily BSBY Rate (or, to the extent the Base Rate is otherwise in effect pursuant to the terms hereof, with reference to the Base Rate). The Authority agrees that the Bank may rely upon any written, electronic or telephonic notice given by any person the Bank in good faith believes is an Authorized Representative without the necessity of independent investigation and, in the event any telephonic notice conflicts with the written confirmation, such telephonic notice shall govern if the Bank has acted in reliance thereon. Subject to the provisions of Section 6 hereof, the Bank shall make funds available to the Authority by wire transfer pursuant to the wire instructions set forth in the request for a Loan (or as otherwise directed in writing to the Bank) not later than 3:00 p.m. (New York time) on the date requested or otherwise requested to be made pursuant to the terms hereof. With respect to any request for a Loan received by the Bank after the time required by this Section 2.3, the Bank shall be required to make such Loan by 3:00 p.m. (New York time) on the Business Day following the Business Day on which the Bank would otherwise be required to make such Loan had such request been timely presented. Once submitted to the Bank each such request shall be irrevocable.

### SECTION 3. INTEREST AND CHANGE IN CIRCUMSTANCES.

*Section 3.1. Interest Rate.* (a) *Generally.* The outstanding principal balance of the Loans (all of the indebtedness evidenced by the Bank Note bearing interest at the same rate for the same period of time being hereinafter referred to as a “*Portion*”) shall bear interest with reference to the Daily BSBY Rate (the “*Daily BSBY Rate Portion*”); *provided, however,* that in the event the Base Rate becomes applicable pursuant to the terms hereof, all Loans shall bear interest at a rate per annum equal to the Base Rate from time to time in effect (the “*Base Rate Portion*”). The Authority hereby promises to pay interest on each Portion of the Bank Note at the rates and times specified in this Section 3.



(b) *Adjusted BSBY Rate Portion.* (i) The Daily BSBY Rate Portion shall bear interest at a rate per annum equal to the sum of the Daily BSBY Rate as from time to time in effect *plus* [\_\_\_\_\_ **basis points** (\_\_\_\_%)], for each Business Day; *provided* that if the Daily BSBY Rate Portion is not paid when due (whether by lapse of time, acceleration, or otherwise), and from and after the occurrence and during the continuance of any other Event of Default, such Daily BSBY Rate Portion shall automatically be converted into and added to the Base Rate Portion and shall thereafter bear interest, whether before or after judgment until payment in full thereof, at the rate per annum equal to the Default Rate from time to time in effect. Interest on the Daily BSBY Rate Portion shall be payable monthly in arrears on the first Business Day of each calendar month in each year (commencing on the first such date occurring after the date hereof) and on the Termination Date, and interest after maturity of the Bank Note and all payment obligations evidenced thereby (whether by lapse of time, acceleration, or otherwise) shall be due and payable upon demand.

(c) *Base Rate Portion.* There shall be no Base Rate Portion, unless otherwise specifically required pursuant to the terms of this Agreement. The Base Rate Portion shall bear interest at the rate per annum equal to the Base Rate as in effect from time to time, *provided* that if the Base Rate Portion or any part thereof is not paid when due (whether by lapse of time, acceleration, or otherwise), and during the existence of any other Event of Default, such Base Rate Portion shall bear interest, whether before or after judgment until payment in full thereof, at the rate per annum equal to the Default Rate from time to time in effect, payable on demand. Interest on the Base Rate Portion shall be payable monthly in arrears on the first Business Day of each calendar month in each year (commencing on the first such date occurring after the date hereof) and at maturity of the Bank Note, and interest after maturity (whether by lapse of time, acceleration, or otherwise) shall be due and payable upon demand. Any change in the interest rate on the Base Rate Portion resulting from a change in the Base Rate shall be effective on the date of the relevant change in the Base Rate.

*Section 3.2. Repayment of Loans.* The Authority shall repay to the Bank on the Termination Date the aggregate principal amount of Loans outstanding on such date.

*Section 3.3. Computation of Interest.* All interest on any Loans with reference to the Base Rate hereunder shall be computed on the basis of a year of 365 days for the actual number of days elapsed, and all interest on any Loans with reference to the Daily BSBY Rate and all fees payable hereunder shall be computed on the basis of a year of 360 days for the actual number of days elapsed.

*Section 3.4. Change in Law.* Notwithstanding any other provisions of this Agreement or the Bank Note, if any change shall occur in applicable laws, treaties, or regulations, or in the interpretation or administration thereof, that makes it unlawful for the Bank to create or continue to maintain any Daily BSBY Rate Portion, the Bank shall promptly so notify the Authority and the obligation of the Bank to create, continue, or maintain any such Daily BSBY Rate Portion under this Agreement shall be suspended until it is no longer unlawful for the Bank to create, continue, or maintain such Daily BSBY Rate Portion. If the continued maintenance of any such Daily BSBY Rate Portion is unlawful, the Authority shall prepay on demand to the Bank the outstanding principal amount of the affected Daily BSBY Rate Portion together with all interest

accrued thereon and all other amounts payable to the Bank with respect thereto under this Agreement; *provided, however*, the Authority may elect to convert the principal amount of the affected Daily BSBY Rate Portion into the Base Rate Portion, subject to the terms and conditions of this Agreement.

*Section 3.5. Benchmark Replacement Provisions.* If the applicable rate is based on a Benchmark (as defined below) and the Bank determines (which determination shall be final and conclusive) that (A) such Benchmark cannot be determined pursuant to its definition other than as a result of a Benchmark Transition Event (as defined below), or (B) any enactment, promulgation or adoption of or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by a governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by the Bank with any guideline, request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall make it unlawful or impossible for the Bank to make or maintain or fund loans based on such Benchmark, then the Bank shall give notice thereof to the Authority. Thereafter, until the Bank notifies the Authority that the circumstances giving rise to such determination no longer exist, (a) the availability of any Benchmark shall be suspended, and (b) the Daily BSBY Rate Portion shall be converted to the Base Rate Portion either (i) on the last day of the then current applicable interest period(s) if the Bank may lawfully continue to maintain or fund loans based on such Benchmark to such day, or (ii) immediately if the Bank may not lawfully continue to maintain or fund loans based on such Benchmark.

Notwithstanding anything to the contrary herein or in any other Loan Document, if the Bank determines (which determination shall be final and conclusive) that a Benchmark Transition Event has occurred with respect to a Benchmark, the Bank, in consultation with the Authority, may amend this Agreement to replace such Benchmark with a Benchmark Replacement (as defined below); and any such amendment shall be in writing, shall specify the date that the Benchmark Replacement is effective and will not require any further action or consent of the Authority. Until the Benchmark Replacement is effective, amounts bearing interest with reference to a Benchmark will continue to bear interest with reference to such Benchmark as long as such Benchmark is available, and otherwise such amounts automatically will bear interest at the Base Rate. In connection with the implementation and administration of a Benchmark Replacement, the Bank will have the right to make technical, administrative or operational changes from time to time that the Bank decides may be appropriate to reflect the adoption and implementation of such Benchmark Replacement and to permit the administration thereof by the Bank in a manner substantially consistent with market practice or as reasonably necessary as determined by the Bank (which determination shall be final and conclusive) and, notwithstanding anything to the contrary herein or in any other Loan Document, any amendments implementing such technical, administrative or operational changes will become effective without any further action or consent of the Authority. The Bank will promptly notify the Authority of any such technical, administrative or operational changes.

For purposes of this Section, the following terms have the meanings set forth below:

“*Benchmark*” means, at any time, any interest rate index (or tenor of an interest rate index) then used in the determination of an interest rate under the terms of this Agreement.

Once a Benchmark Replacement becomes effective under this Agreement, it is a Benchmark. For example, BSBY is a Benchmark under this Agreement.

“*Benchmark Replacement*” means, for any Benchmark, the sum of (a) an alternate benchmark rate and (b) an adjustment (which may be a positive or negative value or zero), in each case that has been selected by the Bank as the replacement for such Benchmark giving due consideration to any evolving or then- prevailing market convention, including any applicable recommendations made by the official sector or any official sector-sponsored committee or working group, for U.S. dollar-denominated credit facilities at such time; *provided that*, if the Benchmark Replacement as determined pursuant to the foregoing would be less than the Floor, the Benchmark Replacement will be deemed to be the Floor for the purposes of this Agreement and the other Loan Documents.

“*Benchmark Transition Event*” means a public statement or publication by or on behalf of the administrator of a Benchmark, the regulatory supervisor of such administrator, the Board of Governors of the Federal Reserve System, NYFRB, an insolvency official or resolution authority with jurisdiction over the administrator for such Benchmark or a court or an entity with similar insolvency or resolution authority over the administrator for such Benchmark, announcing or stating that (a) such administrator has ceased or will cease to provide such Benchmark permanently or indefinitely, provided that at the time of such statement or publication there is no successor administrator that will continue to provide such Benchmark or (b) such Benchmark is or will no longer be representative.

*Section 3.6. Increased Costs; Capital Adequacy.*

(a) *Yield Protection.* If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge, liquidity ratio or similar requirement against assets held by, or deposits in or for the account of, or loans by, or any other acquisition of funds or disbursements by, the Bank which is not in any instance already accounted for in computing the interest rate applicable to the Loan;

(ii) subject the Bank to any Taxes (other than (A) Indemnified Taxes and (B) Excluded Taxes) on its loans, loan principal, letters of credit, commitments, or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto; or

(iii) change the basis of taxation of payments of principal and interest due from the Authority to the Bank hereunder or under the Bank Note (other than by a change in taxation of the overall net income or gross receipts of the Bank); or

(iv) impose on the Bank or the applicable interbank market any other condition, cost or expense (other than Taxes) affecting this Agreement or Loans made by the Bank or participation therein;

and the result of any of the foregoing shall be to increase the cost to the Bank of making, converting to, continuing or maintaining any Loan or of maintaining its obligation to make any such Loan, or to reduce the amount of any sum received or receivable by the Bank hereunder (whether of principal, interest or any other amount) then, upon request of the Bank, the Authority will pay to the Bank such additional amount or amounts as will compensate the Bank for such additional costs incurred or reduction suffered.

(b) *Changes in Capital Adequacy Regulations.* If the Bank determines that any Change in Law affecting the Bank or any Lending Office of the Bank or such Bank's parent or holding company, if any, regarding capital or liquidity requirements has or would have the effect of reducing the rate of return on the Bank's capital or on the capital of the Bank's parent or holding company, if any, as a consequence of this Agreement, the Commitment or the Loans made by the Bank, to a level below that which the Bank or the Bank's parent or holding company could have achieved but for such Change in Law (taking into consideration the Bank's policies and the policies of the Bank's parent or holding company with respect to capital adequacy and/or Liquidity), then from time to time the Authority will pay to the Bank such additional amount or amounts as will compensate the Bank or the Bank's parent or holding company for any such reduction suffered.

(c) *Certificates for Reimbursement.* A certificate of the Bank setting forth the amount or amounts necessary to compensate the Bank or its parent or holding company, as the case may be, as specified in Sections 3.6(a) and 3.6(b) and delivered to the Authority shall set forth in reasonable detail the reasons for the increased costs or reductions and shall be conclusive absent manifest error. The Authority shall pay the Bank the amount shown as due on any such certificate within thirty (30) days after receipt thereof.

(d) *Delay in Requests.* Failure or delay on the part of the Bank or any such Participant to demand compensation pursuant to this Section 3.6 shall not constitute a waiver of the Bank's or any such Participant's right to demand such compensation; provided, however, the Authority shall not be required to compensate the Bank or any Participant pursuant to this Section 3.6 in an amount greater than that which it would have been required to pay if the Bank had not sold any participation in the Bank Note, or (ii) for any increased costs incurred or reductions suffered more than six (6) months prior to the date that the Bank or any Participant, as the case may be, notifies the Authority of the Change in Law giving rise to such increased costs or reductions, and the Bank's or any Participant's intention to claim compensation therefor (except that if the Change in Law giving rise to such increased costs or reductions is retroactive, then the six (6) month period referred to above shall be extended to include the period of retroactive effect thereof).

*Section 3.7. Taxes.* (a) Any and all payments by or on account of any obligation of the Authority under any Loan Document shall be made without deduction or withholding for any Taxes, except as required by applicable law. If any applicable law requires the deduction or withholding of any Tax from any such payment, then the Authority shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with applicable law and, if such Tax is an Indemnified Tax or Other Tax, then the sum payable by the Authority shall be increased as necessary so that after such deduction or withholding has been made (including such deductions and withholdings

applicable to additional sums payable under this Section 3.7) the Bank receives an amount equal to the sum it would have received had no such deduction or withholding been made.

(b) The Authority shall timely pay to the relevant Governmental Authority in accordance with applicable law or at the option of the Bank timely reimburse it for the payment of, any Other Taxes.

(c) The Authority shall indemnify the Bank, within fifteen (15) days after demand therefor, for the full amount of any Indemnified Taxes and Other Taxes (including Indemnified Taxes and Other Taxes imposed or asserted on or attributable to amounts payable under this Section 3.7) payable or paid by the Bank or required to be withheld or deducted from a payment to the Bank and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes and Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Authority by the Bank shall be conclusive (absent manifest error).

(d) As soon as practicable after any payment of Taxes by the Authority to a Governmental Authority pursuant to this Section 3.7, the Authority shall deliver to the Bank the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Bank.

(e) If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section 3.7 (including by the payment of additional amounts pursuant to this Section 3.7), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section 3.7 with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this paragraph (e) (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that such indemnified party is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this paragraph (e), in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this paragraph (e) the payment of which would place the indemnified party in a less favorable net after-tax position than the indemnified party would have been in if the indemnification payments or additional amounts giving rise to such refund had never been paid. This paragraph shall not be construed to require any indemnified party to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to the indemnifying party or any other Person.

(f) Each party's obligations under this Section 3.7 shall survive the termination of the Commitments and the repayment, satisfaction or discharge of all obligations under any Loan Document.

*Section 3.8. Lending Branch.* The Bank may, at its option, elect to make, fund or maintain the Loans hereunder at such of its branches or offices as the Bank may from time to time elect, so long as such designation is not otherwise disadvantageous to the Authority. To the extent reasonably possible, the Bank shall designate an alternate branch or funding office with respect to the Daily BSBY Rate Portions to reduce any liability of the Authority to the Bank under Section 3.6 or 3.7 hereof or to avoid the unavailability of an interest rate option under Section 3.5 hereof, so long as such designation is not otherwise disadvantageous to the Bank.

*Section 3.9. Discretion of Bank as to Manner of Funding.* Notwithstanding any provision of this Agreement to the contrary, the Bank shall be entitled to fund and maintain its funding of all or any part of the Loans hereunder in any manner it sees fit, it being understood, however, that for the purposes of this Agreement all determinations hereunder (including, without limitation, determinations under Sections 3.5, 3.6 or 3.7 hereof) shall be made as if the Bank had actually funded and maintained each Daily BSBY Rate Portion through the purchase of deposits in the relevant market in the amount of such Daily BSBY Rate Portion.

*Section 3.10. Maximum Rate; Payment of Fee.* If the rate of interest payable hereunder or under the Bank Note shall exceed the Maximum Rate for any period for which interest is payable, then (i) interest at the Maximum Rate shall be due and payable with respect to such interest period, and (ii) interest at the rate equal to the difference between (A) the rate of interest calculated in accordance with the terms hereof, and (B) the Maximum Rate (the “*Excess Interest*”), shall be deferred until such date as the rate of interest calculated in accordance with the terms hereof ceases to exceed the Maximum Rate, at which time the Authority shall pay to the Bank, with respect to amounts then payable to the Bank that are required to accrue interest hereunder and under the Bank Note, such portion of the deferred Excess Interest as will cause the rate of interest then paid to the Bank to equal the Maximum Rate, which payments of deferred Excess Interest shall continue to apply to such unpaid amounts hereunder and under the Bank Note until all deferred Excess Interest is fully paid to the Bank. Upon the termination of this Agreement, in consideration for the limitation of the rate of interest otherwise payable hereunder and under the Bank Note, the Authority shall pay to the Bank a fee equal to the amount of all unpaid deferred Excess Interest.

*Section 3.11. Extension of Scheduled Maturity Date.* At least sixty (60) days prior to the Scheduled Maturity Date, the Authority may make a request to the Bank, upon written notice, to extend the Scheduled Maturity Date. Not more than thirty (30) days from the date on which the Bank shall have received any such notice from the Authority pursuant to the preceding sentence, the Bank shall notify the Authority of the initial consent or non-consent of the Bank to such extension request, which consent shall be given at the sole and absolute discretion of the Bank. The consent of the Bank, if granted, shall be conditioned upon the preparation, execution and delivery of documentation in form and substance satisfactory to the Bank which may include, but not be limited to, the delivery of an opinion of counsel to the Authority. Failure of the Bank to respond to a request for extension of the Scheduled Maturity Date shall constitute denial of such extension.

SECTION 4. FEES, PREPAYMENTS, TERMINATIONS AND APPLICATIONS.

*Section 4.1. Fees.* (a) *Commitment Fee* For the period from and including the date hereof to but not including the Termination Date, the Authority shall pay to the Bank a non-refundable commitment fee at the rate per annum equal to [\_\_\_\_\_ **basis points** (\_\_\_%)] for each day in the related fee period from time to time in effect (computed on the basis of a year of 360 days for the actual number of days elapsed) on the unused portion of the Commitment for each day in the related fee period. Such commitment fee shall be payable quarterly in arrears on the first Business Day of each April, July, October and January in each year (commencing on the first such date occurring after the date hereof) and on the Termination Date.

(b) *Amendment, Waiver and Consent Fee.* The Authority hereby agrees to pay to the Bank on the date of any amendment, waiver or consent with respect to this Agreement or any Loan Document an amendment, waiver or consent fee, as applicable, of \$2,500 or such other reasonable amount as determined by the Bank, plus, in each case, the reasonable fees of any legal counsel retained by the Bank in connection therewith.

*Section 4.2. Voluntary Prepayments.* The Authority shall have the privilege of prepaying the Loans in whole or in part (but, if in part, then in an amount not less than \$100,000 and such greater amount which is an integral multiple of \$5,000 in excess thereof), and in each case, in an amount such that the outstanding balance of such Loan after such prepayment is not less than the minimum amount required for a Loan pursuant to Sections 2.2 hereof, upon prior same-day notice to the Bank (such notice if received subsequent to 3:00 p.m. (New York time) on a given day to be treated as though received at the opening of business on the next Business Day) by paying to the Bank the principal amount to be prepaid. In the case of any prepayment, the Authority shall also pay accrued interest thereon to the date of prepayment *plus* all other amounts due and owing hereunder. If such a prepayment prepays the Loans and all other amounts due and owing hereunder and under the Bank Note in full and is accompanied by the termination of the Commitment in whole, the Authority shall pay all accrued interest to the date of prepayment.

*Section 4.3. Place and Application of Payments.* All payments of principal, interest, fees, and all other Obligations payable under the Loan Documents shall be made to the Bank no later than 3:00 p.m. (New York time) on the date any such payment is due and payable. Payments received by the Bank after 3:00 p.m. (New York time) shall be deemed received as of the opening of business on the next Business Day; *provided, however*, that the monthly payment of interest on any Loans and the fees payable pursuant to Section 4.1(a) hereof shall be paid by wire transfer to the Bank at PNC Bank, National Association, Pittsburgh, PA, ABA 043-000-096, BNF: Commercial Loans, Acct #130760016803, Ref: Kern County Hospital Authority Loan #TBD, (unless otherwise directed by the Authority). All such payments shall be made in lawful money of the United States of America, in immediately available funds at the place of payment, without set-off or counterclaim and without reduction for, and free from, any and all present or future taxes, levies, imposts, duties, fees, charges, deductions, withholdings, restrictions, and conditions of any nature imposed by any government or any political subdivision or taxing authority thereof (but excluding any taxes imposed on or measured by the net income of the Bank). Prior to the occurrence of an Event of Default, all payments, proceeds and other amounts received by the Bank hereunder or under the Bank Note (if any) shall be applied (i) first, to any outstanding late fees or

other outstanding fees and charges, (ii) second, to any interest then due and payable, and (iii) third, to the prepayment of principal. After the occurrence of an Event of Default, all payments, proceeds and other amounts received by the Bank hereunder or under the Bank Note (if any) may be applied to any or all obligations of the Authority to the Bank, in such order and manner as the Bank may determine in its sole discretion.

*Section 4.4. Notations.* The status of all amounts evidenced by the Bank Note, and the rates of interest and periods applicable to such Loans shall be recorded by the Bank on its books and records or, at its option in any instance, endorsed on a schedule to the Bank Note (if any), and the unpaid principal balance and status, rates and periods of the Loans so recorded or endorsed by the Bank shall be prima facie evidence in any court or other proceeding brought to enforce the Bank Note and the obligations hereunder of the principal amount remaining unpaid thereon, the status of the Loans evidenced thereby and the interest rates and periods applicable thereto; provided that the failure of the Bank to record any of the foregoing shall not limit or otherwise affect the obligation of the Authority to repay the principal amount of the Loans and the obligations under the Bank Note together with accrued interest thereon.

## SECTION 5. REPRESENTATIONS AND WARRANTIES.

The Authority makes the following representations and warranties to the Bank (which representations and warranties shall survive the execution and delivery of this Agreement and any making of any Loan):

*Section 5.1. Existence and Power.* The Authority is a local unit of government, duly organized and validly existing under the laws of the State of California. The Authority has the power and authority to own its properties and to carry on its businesses as now being conducted and as currently contemplated to be conducted hereafter and is duly qualified to do business in each jurisdiction in which the character of the properties owned or leased by it or in which the transactions of any material portion of its business (as now conducted and as currently contemplated to be conducted) makes such qualification necessary.

*Section 5.2. Due Authorization.* (a) The Authority has the power and has taken all necessary action to authorize the Loan Documents to which it is a party and to execute, deliver and perform its obligations under this Agreement and each of the other Loan Documents to which it is a party in accordance with their respective terms.

(b) The Authority is duly authorized and licensed to own its Property and to operate its business under the laws, rulings, regulations and ordinances of all Governmental Authorities having the jurisdiction to license or regulate such Property or business activity and the departments, agencies and political subdivisions thereof, and the Authority has obtained all requisite approvals of all such governing bodies required to be obtained for such purposes. All Governmental Approvals necessary for the Authority to enter into this Agreement and the other Loan Documents and to perform the transactions contemplated hereby and thereby and to conduct its business activities and own its property have been obtained and remain in full force and effect and are subject to no further administrative or judicial review. No other Governmental Approval or other action by, and no notice to or filing with, any Governmental Authority is required for the



due execution, delivery and performance by the Authority of this Agreement or the due execution, delivery or performance by the Authority of the Loan Documents.

*Section 5.3. Valid and Binding Obligations.* This Agreement has been duly executed and delivered by one or more duly authorized officers of the Authority and is, and each of the other Loan Documents, when executed and delivered by the Authority will be, a legal, valid and binding obligation of the Authority enforceable in accordance with its terms, except as such enforceability may be limited by (a) the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally, and (b) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

*Section 5.4. Noncontravention.* The execution, delivery and performance of this Agreement and each of the other Loan Documents in accordance with their respective terms do not and will not (i) contravene the Authority's enabling legislation, by-laws or other similar organizational documents, (ii) require any consent or approval of the County or the consent or approval of any creditor of the Authority, (iii) violate any Laws (including, without limitation, Regulations T, U or X of the FRB, or any successor regulations), (iv) conflict with, result in a breach of or constitute a default under any contract to which the Authority is a party or by which it or any of its respective Property may be bound or (v) result in or require the creation or imposition of any Lien upon or with respect to any Property now owned or hereafter acquired by the Authority except such Liens, if any, expressly created by a Loan Document.

*Section 5.5. Compliance with Laws.*

(a) *Compliance with Laws.* The Authority is in compliance in all material respects with the requirements of all Laws applicable to it and all orders, writs, injunctions and decrees applicable to it or to its properties (including, without limitation, all Health Care Laws), except in such instances in which (i) such requirement of Law or order, writ, injunction or decree is being contested in good faith by appropriate proceedings diligently conducted or (ii) the failure to comply therewith could not reasonably be expected to have a Material Adverse Effect.

(b) *Health Care Laws.* The Authority has not received notice nor does the Authority have knowledge that any Governmental Authority or accreditation organization is considering limiting, suspending, terminating, or revoking any Permit, except for (1) notices or occurrences for which the Authority is pursuing a plan of compliance or taking similar actions to correct any such deficiency in a manner acceptable to the related Governmental Authority or related accreditation organization such that upon completion of the related plan of compliance the Authority does not reasonably expect a limitation, suspension, termination or revocation of such Permit, or (2) notices or occurrences that are not reasonably expected to result in a Material Adverse Effect. All Permits are valid and in full force and effect.

(c) *Programs.* To the extent it participates in a particular Program, the Authority meets all of the requirements of participation and payment of Medicare, Medicaid, any other state or federal government health care programs and any other public or private third party payor programs (each, a "Program" and, collectively, "Programs") and is a party to valid participation agreements for payment by such Programs. There is no investigation, audit, claim review, or other

action pending or, to the knowledge of the Authority threatened which is reasonably expected to result in a revocation, suspension, termination, probation, material restriction, material limitation, or non-renewal of any Program participation agreement or result in the Authority's exclusion from any Program.

(d) *Exclusion.* Neither the Authority nor any of their respective officers and directors has been or is currently excluded from participation in any government health care programs pursuant to 42 U.S.C. § 1320a-7.

(e) *Settlement Agreements, Etc.* The Authority (A) has no reporting obligations pursuant to a settlement agreement, plan of correction, or other remedial measure entered into with any Governmental Authority, or (B) has not, within the past five years, been served with or received any search warrant, subpoena, civil investigative demand or contact letter from any Governmental Authority related to its business operations, in each case, which could reasonably be expected to result in a Material Adverse Effect. The Authority has complied in all material respects with the terms and conditions of any corporate integrity agreements, settlement agreements, plans of correction, other remedial measures, search warrants, subpoenas, civil investigative demands, or contract letters.

*Section 5.6. Pending Litigation and Other Proceedings.* There is no action, suit or proceeding pending in any court, any other Governmental Authority with jurisdiction over the Authority or any arbitration in which service of process has been completed against the Authority or, to the knowledge of the Authority, any other action, suit or proceeding pending or threatened in any court, any other Governmental Authority with jurisdiction over the Authority or any arbitrator, in either case against the Authority or any of its properties or revenues, or any of the Loan Documents to which it is a party, which (i) is reasonably likely to be determined adversely to the Authority and (ii) if determined adversely to the Authority could reasonably be expected to adversely affect the rights, security, interests or remedies of the Bank hereunder or under any of the other Loan Documents or which is reasonably likely to result in a Material Adverse Effect, except any action, suit or proceeding which has been brought prior to the Closing Date and disclosed to the Bank.

*Section 5.7. Financial Statements.* The audited financial statements of the Authority and its Affiliates as at June 30, 2022, and the related consolidated statement of activities and changes in net assets and the consolidated statement of cash flows for the Fiscal Year then ended, and accompanying notes thereto, which financial statements, accompanied by the audit report of Moss Adams LLP, independent public accountants, heretofore furnished to the Bank, fairly present the financial condition of the Authority and its Affiliates in all material respects as of such dates and the results of its operations for the periods then ended in conformity with GAAP (the "*Audited Financial Statements*"). Since June 30, 2022, there has been no material adverse change in the financial condition or operations of the Authority that could reasonably be expected to result in a Material Adverse Effect.

*Section 5.8. ERISA; Plans.* (a) The Authority is not subject to ERISA and maintains no Plans.

(b) The Authority has no funding liability or obligation currently due and payable with respect to any pension plan which could reasonably be expected to result in a Material Adverse Effect. The Authority is otherwise in compliance with the terms of any such pension plan in which the Authority participates to the extent any such failure to comply could reasonably be expected to result in a Material Adverse Effect.

*Section 5.9. No Defaults.* No default by the Authority has occurred and is continuing in the payment of the principal of or premium, if any, or interest on any of its Debt. No bankruptcy, insolvency or other similar proceedings pertaining to the Authority is pending or presently contemplated. No Default or Event of Default has occurred and is continuing hereunder. The Authority is not presently in default under any agreement pursuant to which the Authority issued or incurred Debt thereunder in an original principal amount or commitment amount in an amount equal to or greater than \$500,000 to which it is a party which default could reasonably be expected to have a Material Adverse Effect. The Authority is not in violation of any material term of the organizational documents applicable to the Authority or any material term of any bond indenture or agreement to which it is a party or by which any of its Property is bound which violation could reasonably be expected to result in a Material Adverse Effect.

*Section 5.10. Insurance.* The Authority currently maintains insurance coverage with insurance companies believed by the Authority to be capable of performing their obligations under the respective insurance policies issued by such insurance companies to the Authority (as determined in its reasonable discretion) and in full compliance with Section 7.4 hereof.

*Section 5.11. Title to Assets.* The Authority has good and marketable title to its assets except where the failure to have good and marketable title to any of its assets would not have a Material Adverse Effect free and clear of all Liens except for those permitted by Section 7.12 hereof.

*Section 5.12. Incorporation by Reference.* The representations and warranties of the Authority contained in the other Loan Documents to which the Authority is a party, together with the related definitions of terms contained therein, are hereby incorporated by reference in this Agreement as if each and every such representation and warranty and definition were set forth herein in its entirety, and the representations and warranties made by the Authority in such Sections are hereby made for the benefit of the Bank. No amendment to or waiver of such representations and warranties or definitions made pursuant to the relevant Loan Document or incorporated by reference herein shall be effective to amend such representations and warranties and definitions as incorporated by reference herein without the prior written consent of the Bank.

*Section 5.13. Correct Information.* All information, reports and other papers and data furnished by or on behalf of the Authority to the Bank were, at the time the same were so furnished, correct in all material respects. Any financial, budget and other projections furnished by or on behalf of the Authority to the Bank were prepared in good faith on the basis of the assumptions stated therein, which assumptions were fair and reasonable in light of conditions existing at the time of delivery of such financial, budget or other projections, and represented, and as of the date of this representation, represent (subject to the updating or supplementation of any such financial, budget or other projections by any additional information provided to the Bank in writing, the

representations contained in this Agreement being limited to financial, budget or other projections as so updated or supplemented), in the judgment of the Authority, a reasonable, good faith estimate of the information purported to be set forth, it being understood that uncertainty is inherent in any projections and that no assurance can be given that the results set forth in the projections will actually be obtained. No fact is known to the Authority that materially and adversely affects or in the future may (as far as it can reasonably foresee) materially and adversely affect the security for the Loans, or the ability of the Authority to repay when due the Obligations, that has not been set forth in the financial statements and other documents referred to in this Section 5.13 or in such information, reports, papers and data or otherwise disclosed in writing to the Bank. The documents furnished and statements made by the Authority in connection with the negotiation, preparation or execution of this Agreement and the Loan Documents, as of their respective effective dates and as of the date of execution and delivery by the Authority of this Agreement, do not contain untrue statements of material facts or omit to state material facts necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

*Section 5.14. Investment Company.* The Authority is not an “investment company” or a company “controlled” by an “investment company,” as such terms are defined in the Investment Company Act of 1940, as amended.

*Section 5.15. Margin Stock.* The Authority is not engaged in the business of extending credit for the purpose of purchasing or carrying Margin Stock, and no part of the proceeds of the Loans will be used to purchase or carry any such Margin Stock or extend credit to others for the purpose of purchasing or carrying any such Margin Stock.

*Section 5.16. Usury.* None of the Loan Documents provide for any payments that would violate any applicable law regarding permissible maximum rates of interest.

*Section 5.17. Security; Perfection of Security.* (a) The Security Agreement creates a Lien on and security interest in the Collateral to secure the prompt payment of Loans and all other Obligations under this Agreement.

(b) The Authority has taken any and all action necessary to perfect the Lien on and security interest in the Collateral granted to the Bank pursuant to the Security Agreement, once such Collateral has been wired or transferred to the account of the Authority maintained at the Bank, by the filing of appropriate financing statements and entering into the Deposit Account Control Agreement. Such Lien on and security interest in the Collateral shall be a first priority security interest with respect to the Collateral (except that the Lien on and security interest in certain of the General Intangibles which constitute Collateral securing the Loans and the other Obligations hereunder shall be subordinate to the Lien on and security interest in certain General Intangibles of the Authority in favor of the County pursuant to the Deed of Trust but only through and including the Deed of Trust Amendment Effective Date).

*Section 5.18. Pending Legislation and Decisions.* To the Authority’s knowledge after reasonable diligence with respect thereto, there is no State law or administrative interpretation of the Constitution of the State or any State law, or any judicial decision interpreting any of the foregoing, or any amendment, or constitution of the State, the effect of which will materially

adversely affect the entering into any of the Loan Documents, the security for any of the Loans, or any Obligations, or the Authority's ability to repay when due its obligations under this Agreement or any other Obligation.

*Section 5.19. Environmental Matters.* To the Authority's knowledge after reasonable diligence with respect thereto, the operations of the Authority are in material compliance with all of the requirements of applicable federal, state and local environmental, health and safety statutes and regulations and are not the subject of any governmental investigation evaluating whether any remedial action is needed to respond to a release of any toxic or hazardous waste or substance into the environment, where a failure to comply with any such requirement or the need for any such remedial action could reasonably be expected to result in a Material Adverse Effect.

*Section 5.20. Solvency.* The Authority is Solvent.

*Section 5.21. Taxes.* All material taxes, assessments, fees and other governmental charges (other than those presently payable without penalty or interest) upon the Authority or upon any of its respective Properties, which are due and payable, have been paid and no material claims are being asserted with respect to any past due taxes, assessments, fees or other governmental charges against the Authority, except, in each case, as are being contested in good faith by appropriate proceedings for which adequate reserves are being maintained in accordance with GAAP.

*Section 5.22. Swap Agreements.* The Authority has not entered into any Swap Agreement.

*Section 5.23. Subsidiaries; Equity Interests.* As of the Closing Date, Authority has no Subsidiaries other than those disclosed in Schedule 5.23(a) hereof nor has any equity investments in any other corporation or entity other than those investments specifically disclosed in Schedule 5.23(b) or otherwise undertaken by the Authority as part of its normal treasury operations and in compliance with the applicable Law.

*Section 5.24. No Immunity.* The Authority is not entitled to claim immunity on the grounds of sovereignty or other similar grounds (including, without limitation, governmental immunity) with respect to itself or its revenues (irrespective of their use or intended use) from (i) any action, suit or other proceeding arising under or relating to this Agreement or any Loan Document, (ii) relief by way of injunction, order for specific performance or writ of mandamus or for recovery of property or (iii) execution or enforcement of any judgment to which it or its Gross Receivables might otherwise be made subject in any action, suit or proceeding relating to this Agreement or any other Loan Document, and no such immunity (whether or not claimed) may be attributed to the Authority or its Gross Receivables.

*Section 5.25. Labor Matters.* The Authority has no knowledge of any existing or pending strike, walkout or work stoppage that is having or is reasonably expected to have, with the passage of time, a Material Adverse Effect.

*Section 5.26. Sanctions and Other Anti-Terrorism Laws; Anti-Corruption Laws.* No Covered Compliance Entity, nor any employees, officers, directors, affiliates, consultants, brokers, or agents acting on a Covered Compliance Entity's behalf in connection with this Agreement: (i)

is a Sanctioned Person; (ii) directly, or indirectly through any third party, is engaged in any transactions or other dealings with or for the benefit of any Sanctioned Person or Sanctioned Jurisdiction, or any transactions or other dealings that otherwise are prohibited by any Anti-Terrorism Laws. Each Covered Compliance Entity has (a) conducted its business in compliance with all Anti-Corruption Laws and (b) has instituted and maintains policies and procedures designed to ensure compliance with such Laws.

*Section 5.27. Transactions with Affiliates.* The Authority is not a party to any agreement with any Affiliate that is on less than favorable and reasonable terms.

*Section 5.28. Authority Documents.* The Authority is not in receipt of notice from the County pursuant to Section 20.b of the Support Agreement.

## SECTION 6. CONDITIONS PRECEDENT.

The obligation of the Bank to make any Loan under this Agreement is subject to the following conditions precedent:

*Section 6.1. All Loans.* As of the time of the making of each extension of credit (including the initial extension of credit) hereunder:

(a) each of the representations and warranties set forth in Section 5 hereof shall be true and correct in all material respects as of such time, except to the extent the same expressly relate to an earlier date and except that the representations contained in Section 5.7 of the Agreement shall be deemed to refer to the most recent financial statements of the Authority delivered to the Bank pursuant to Section 7.5(a) of the Agreement;

(b) no Default or Event of Default shall have occurred and be continuing or would occur as a result of making such extension of credit;

(c) the Bank shall have received a notice of loan substantially in the form of Exhibit B attached hereto in accordance with the requirements hereof;

(d) after giving effect to such extension of credit the aggregate principal amount of all Loans outstanding under this Agreement shall not exceed the Commitment; and

(e) such extension of credit shall not violate any order, judgment, or decree of any court or other authority or any provision of law or regulation applicable to the Bank (including, without limitation, Regulation U of the Board of Governors of the Federal Reserve System) as then in effect.

The Authority's request for any Loan shall constitute its warranty as to the facts specified in subsections (a) through (e), both inclusive, above.

*Section 6.2. Conditions Precedent to Closing.* This Agreement shall become effective on the Closing Date subject to satisfaction of the conditions precedent that the Bank shall have

received, on or before the Closing Date, the items listed below in this Section, each dated and in form and substance as is satisfactory to the Bank:

(a) The following Authority approval documents and financial information:

(i) (A) copies of the resolutions of the governing body of the Authority approving the execution and delivery of the Loan Documents and the other matters contemplated hereby, certified by an Authorized Representative as being true and complete and in full force and effect on the Closing Date (the "*Authority Resolution*") and (B) a copy of the resolution of the Board of Supervisors of the County of Kern (which may be an existing resolution) authorizing (1) the Authority to establish its own treasury outside the County Treasury Pool and (2) the Authority's incurrence of debt in connection with the Authority establishing its own treasury outside of the County Treasury Pool (the "*County Resolution*");

(ii) the Audited Financial Statements;

(iii) a certificate dated the Closing Date and executed by an Authorized Representative certifying the names, titles, offices and signatures of the persons authorized to sign, on behalf of the Authority, the Loan Documents to be executed on the Closing Date and the other documents to be delivered by it hereunder or thereunder.

(b) The following financing documents:

(i) an executed original or certified copy, as applicable, of each of the Loan Documents to be executed on the Closing Date; and

(ii) an executed original of the Bank Note.

(c) An opinion of counsel to the Authority, dated the Closing Date and addressed to the Bank or on which the Bank is otherwise expressly authorized to rely, as to the due authorization, execution, delivery and enforceability of the Loan Documents to be executed on the Closing Date and such other customary matters as the Bank may reasonably request and such other customary matters as the Bank may reasonably request;

(d) The following documents and other information:

(i) a certificate dated the Closing Date and executed by an Authorized Representative certifying (A) that there has been no event or circumstance since June 30, 2022, that has had or could be reasonably expected to have, either individually or in the aggregate, a Material Adverse Effect, (B) that the representations and warranties contained in Section 5 hereof and the other Loan Documents are true and correct in all material respects on the Closing Date, (C) no event has occurred and is continuing, or would result from entry into this Agreement, which would constitute a Default or Event of Default, (D) no action,

suit, investigation, litigation or proceeding is pending or, to such Authorized Representative's knowledge, threatened in any court or before any arbitrator or governmental authority that has or could reasonably be expected to have a Material Adverse Effect on the Authority or any of the transactions contemplated by the Agreement and (E) that the Security Agreement, Deposit Account Control Agreement and the Support Agreement remain in full force and effect and except as previously disclosed to the Bank in writing have not been amended or otherwise modified since their respective dates of execution.

(ii) all other legal matters pertaining to the execution and delivery of this Agreement and the other Loan Documents shall be satisfactory to the Bank and its counsel, and the Bank shall have received such other statements, certificates, agreements, documents and information with respect to the Authority and matters contemplated by this Agreement as the Bank may reasonably request; and

(iii) on or prior to the Closing Date, the Bank shall have received reimbursement (or direct payment) of the Bank's fees and expenses (including the legal fees and expenses of Chapman and Cutler LLP) and any other fees incurred in connection with the transactions contemplated by the Loan Documents.

#### SECTION 7. COVENANTS.

The Authority agrees that it will, so long as any credit is available to or in use by the Authority hereunder or any amount remains due and owing hereunder and under the Bank Note, except to the extent compliance in any case or cases is waived in writing by the Bank:

*Section 7.1. Existence, Etc.* The Authority shall (a) maintain its existence pursuant to its authorizing legislation and the laws of its applicable jurisdiction of organization and (b) take all reasonable action to maintain all Permits necessary for the normal conduct of its business, including, without limitation, the maintenance of its status as a provider of acute care services eligible for reimbursement under the Medicare and Medicaid programs, and such other similar federal and state reimbursement or repayment programs unless the failure to maintain any such Permit could not reasonably be expected to result in a Material Adverse Effect.

*Section 7.2. Maintenance of Properties.* The Authority shall (a) maintain, preserve and protect all of its material properties and equipment necessary in the operation of its business in good working order and condition, ordinary wear and tear excepted; (b) make all necessary repairs thereto and renewals and replacements thereof except where the failure to do so could not reasonably be expected to result in a Material Adverse Effect; and (c) use commercially reasonable efforts to operate and maintain the facilities owned, leased or operated by such Person now or in the future in a manner believed by such Person to be consistent with prevailing industry standards in the locations where the facilities exist from time to time, except to the extent failure to do so could not reasonably be expected to result in a Material Adverse Effect.

*Section 7.3. Compliance with Laws; Taxes and Assessments.* The Authority shall comply with all Laws applicable to it and its Property, except where non-compliance could not reasonably



be expected to result in a Material Adverse Effect, such compliance to include, without limitation, paying all taxes, assessments and governmental charges imposed upon it or its Property before the same become delinquent, unless and to the extent that the same are being contested in good faith and by appropriate proceedings and reserves are provided therefor that in the opinion of the Authority is adequate.

*Section 7.4. Insurance.* The Authority shall maintain insurance believed by the Authority to be financially sound and in such amounts and covering such risks as are usually carried by organizations engaged in the same or a similar business and similarly situated, which insurance may provide for reasonable deductibles from coverage and which coverage may include self-insured retentions for any portion of such coverage, provided such self-insured retention is consistent with proper management and insurance practices. The Authority shall upon request of the Bank furnish a certificate setting forth in summary form the nature and extent of the insurance maintained pursuant to this Section 7.4.

*Section 7.5. Reports.* The Authority shall furnish to the Bank in form and detail satisfactory to the Bank:

(a) *Annual Audited Financial Statements.* As soon as available and, in any event, within one hundred eighty (180) days after the end of each Fiscal Year of the Authority and its Affiliates the unaudited balance sheet, statement of income, and statement of cash flows of the Authority and its Affiliates for such Fiscal Year. Not later than January 31 of each Fiscal Year of the Authority and its Affiliates, the audited annual consolidated financial statements of the Authority and its Affiliates, including a balance sheet, statement of income, statement of cash flows and such other financial information of the Authority and its Affiliates in such detail as the Bank may reasonably request. Such audited financial information shall present fairly the consolidated financial position of the Authority and its Affiliates as of the close of such Fiscal Year and the results of its operations during such Fiscal Year, in accordance with GAAP, and shall be audited and accompanied by the opinion, satisfactory in form and substance to the Bank, of an independent certified public accountant reasonably acceptable to the Bank.

(b) *Quarterly Unaudited Financial Statements.* As soon as available and, in any event, within sixty (60) days after the end of each of the first three fiscal quarters of each Fiscal Year of the Authority and its Affiliates, the quarterly unaudited consolidated financial statements of the Authority and its Affiliates, including a balance sheet, statement of income and such other financial information of the Authority and its Affiliates in such detail as the Bank may reasonably request. Such financial information shall present fairly the consolidated financial position of the Authority and its Affiliates as of the close of such fiscal quarter and the results of its operations during such fiscal quarter, substantially in accordance with GAAP.

(c) *Compliance Certificate.* In connection with the financial statements required to be delivered by the Authority pursuant to Sections 7.5(a) and (b) hereof, a Compliance Certificate signed by an Authorized Representative of the Authority (x) stating that no Default or Event of Default has occurred, or if such Default or Event of Default has

occurred, specifying the nature of such Default or Event of Default, the period of its existence, the nature and status thereof and any remedial steps taken or proposed to correct such Default or Event of Default or Default and (y) demonstrating compliance with the financial covenants set forth in Section 7.22 hereof.

(d) *Budget.* As soon as available, and in any event within forty-five (45) days after the end of the Fiscal Year, the operating and capital budget of the Authority.

(e) *Utilization and Payor Mix Statistics.* As soon as available, and in any event within one hundred eighty (180) days after the end of each Fiscal Year and within sixty (60) days after the end of each of first three fiscal quarters, a schedule of utilization and payor mix statistics for Authority.

(f) *Notice of Default or Event of Default.* (i) Promptly upon the Authority obtaining knowledge of any Default or Event of Default, or notice thereof, and in any event within five (5) days thereafter, a certificate signed by an Authorized Representative specifying in reasonable detail the nature and period of existence thereof and what action the Authority has taken or proposes to take with respect thereto and (ii) promptly following a written request of the Bank, a certificate of an Authorized Representative as to the existence or absence, as the case may be, of a Default or an Event of Default under this Agreement.

(g) *Notice of Material Adverse Change.* Promptly upon the Authority obtaining knowledge of any of the following which could reasonably be expected to result in a Material Adverse Effect, a certificate signed by an Authorized Representative specifying in reasonable detail the nature and period of existence and what action the Authority has taken or proposes to take with respect thereto: (i) any material labor dispute to which the Authority is or may become a party, including any strikes, lockouts or other disputes relating to any of the Authority's plants and other facilities, or (ii) the occurrence of any Health Care Reportable Event.

(h) *Litigation.* As promptly as practicable, written notice to the Bank of all actions, suits or proceedings pending or threatened against the Authority in any court or before any arbitrator of any kind or before any governmental authority which has a reasonable likelihood of being determined adversely to the Authority and which the Authority reasonably believes will have a Material Adverse Effect.

(i) *Actuarial Studies and Reports.* As promptly as practicable following the date on which any actuarial studies and/or reports have been performed and have been made publicly available with respect to the Authority's pension obligations, copies of such actuarial studies and/or reports.

(j) *Patriot Act.* Such information (and take such action) reasonably requested by the Bank in order to assist the Bank in maintaining compliance with the Patriot Act.

(k) *Authority Documents.* A copy of any notice delivered to the Authority from the County pursuant to Section 20 of the Support Agreement.

(l) *Amendments to Support Agreement.* As promptly as practicable and, in any event not later than five (5) Business Days after any amendment to the Support Agreement becomes effective, copies of any such amendment.

(m) *Other Information.* Such other information regarding the business affairs, financial condition and/or operations of the Authority and its Affiliates as the Bank may from time to time reasonably request (including, without limitation, if prepared, consolidating financial statements of the Authority and its Affiliates).

Notwithstanding anything to the contrary set forth in this Section 7.5, the Authority shall be deemed to have complied with the requirements of this Section 7.5 to the extent the applicable information has been duly posted on EMMA and notice of such posting has been given to the Bank within the applicable timeframes set forth in this Section 7.5.

*Section 7.6. Maintenance of Books and Records.* The Authority shall keep proper books of record and account in which full, true and correct entries are made in accordance with GAAP. All financial data (including financial ratios and other financial calculations) required to be submitted to the Bank pursuant to this Agreement shall be prepared in conformity with GAAP applied on a consistent basis, as in effect from time to time, applied in a manner consistent with that used in preparing the Authority's financial statements, except as otherwise specifically prescribed herein. Except as provided in the immediately preceding sentence, in preparing any financial data or statements contemplated or referred to in this Agreement, the Authority shall not vary or modify the accounting methods or principles from the accounting standards employed in the preparation of its audited financial statements described in Section 5.7 hereof.

*Section 7.7. Access to Books and Records.* After receiving the prior written request of the Bank, the Authority shall permit any Person designated by the Bank (at the expense of the Bank, unless and until a Default or Event of Default has occurred, at which time such reasonable expenses shall be borne by the Authority) to visit any of the offices of the Authority to examine the books and financial records (except books and financial records the examination of which by the Bank is prohibited by Law, including, without limitation, any Health Care Law, or by attorney or client privilege), including minutes of meetings of any relevant governmental committees or agencies, and make copies thereof or extracts therefrom, and to discuss the affairs, finances and accounts of the Authority with its principal officers, employees and independent public accountants, all at such reasonable times and as often as the Bank may reasonably request.

*Section 7.8. No Impairment.* The Authority shall not take any action under any Loan Document which would materially adversely affect the rights, interests, remedies or security of the Bank under this Agreement or any other Loan Document or which could otherwise reasonably be expected to result in a Material Adverse Effect.

*Section 7.9. Application of Loan Proceeds.* The Authority shall only use proceeds of the Loans hereunder for general working capital purposes. The Authority shall not take or omit to take any action, which action or omission will in any way result in the proceeds from the issuance

of the Loans being applied in a manner other than as provided in herein. The Authority shall not use or allow to be used, and its directors, officers, employees and agents shall not use or allow to be used, the proceeds of any of the Loans (i) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Terrorism Laws or (ii) in any manner that would result in the violation of any applicable Anti-Corruption Laws.

*Section 7.10. Limitation on Additional Debt.* The Authority shall not issue or incur any additional Debt in an aggregate principal amount that exceeds \$10,000,000 unless (i) no Default or Event of Default shall have occurred and be continuing or would occur as a result of the issuance or incurrence of such Debt, (ii) the Bank has consented in writing to the issuance or incurrence of such additional Debt and (iii) the Authority has demonstrated compliance with Section 7.22 hereof on a pro forma basis after giving effect to the issuance or incurrence of such Debt as of the most recent testing date with respect thereto.

*Section 7.11. Loan Documents.* The Authority shall not modify, amend or consent to any modification, amendment or waiver in any material respect of any Loan Document without the prior written consent of the Bank.

*Section 7.12. Liens.* (a) The Authority shall not create, incur or permit to exist any Lien of any kind on any Collateral, other than as contemplated by this Agreement and the other Loan Documents.

(b) The Authority shall not create, incur or permit to exist any Lien of any kind on any Property (other than Collateral) owned by the Authority; *provided, however*, that the foregoing shall not apply to nor operate to prevent:

(i) Liens arising by statute in connection with worker's compensation, unemployment insurance, old age benefits, social security obligations, Taxes, assessments, statutory obligations or other similar charges, good faith cash deposits in connection with tenders, contracts or leases to which Affiliate is a party or other cash deposits required to be made in the ordinary course of business, provided in each case that the obligation is not for borrowed money and that the obligation secured is not overdue or, if overdue, is being contested in good faith by appropriate proceedings which prevent enforcement of the matter under contest and adequate reserves have been established therefor;

(ii) mechanics', workmen's, materialmen's, landlords', carriers' or other similar Liens arising in the ordinary course of business with respect to obligations which are not due or which are being contested in good faith by appropriate proceedings which prevent enforcement of the matter under contest;

(iii) judgment liens and judicial attachment liens not constituting an Event of Default under Section 8.1(j) hereof and the pledge of assets for the purpose of securing an appeal, stay or discharge in the course of any legal proceeding, provided that the aggregate amount of such judgment liens and attachments and liabilities of the Authority secured by

a pledge of assets permitted under this subsection, including interest and penalties thereon, if any, shall not be in excess of \$1,000,000 at any one time outstanding;

(iv) Liens on equipment of Authority created solely for the purpose of securing indebtedness permitted by Section 7.10 hereof, representing or incurred to finance the purchase price of such Property, provided that no such Lien shall extend to or cover other Property of the Authority other than the respective Property so acquired, and the principal amount of indebtedness secured by any such Lien shall at no time exceed the purchase price of such Property, as reduced by repayments of principal thereon;

(v) any interest or title of a lessor under any operating lease, including the filing of Uniform Commercial Code financing statements solely as a precautionary measure in connection with operating leases entered into by the Authority in the ordinary course of its business;

(vi) easements, rights-of-way, restrictions, and other similar encumbrances against real property incurred in the ordinary course of business which, in the aggregate, are not substantial in amount and which do not materially detract from the value of the Property subject thereto or materially interfere with the ordinary conduct of the business of the Authority;

(vii) bankers' Liens, rights of setoff and other similar Liens in one or more deposit accounts maintained by the Authority, in each case granted in the ordinary course of business in favor of the bank or banks with which such accounts are maintained, securing amounts owing to such bank with respect to cash management and operating account arrangements, including those involving pooled accounts and netting arrangements; *provided* that, unless such Liens are non-consensual and arise by operation of law, in no case shall any such Liens secure (either directly or indirectly) the repayment of any Debt;

(viii) Liens granted in favor of the Bank pursuant to the Loan Documents; and

(ix) Liens in existence on the Closing Date as set forth on Schedule 7.12 attached hereto.

*Section 7.13. Other Agreements.* In the event that the Authority has or shall, directly or indirectly, enter into or otherwise consent to any Bank Agreement related to Debt of the Authority which such Bank Agreement provides the Authority with different or more restrictive covenants, different or additional events of default and/or greater rights and remedies than are provided to the Bank in this Agreement, the Authority shall provide the Bank with a copy of each such Bank Agreement and such different or more restrictive covenants, different or additional events of default and/or greater rights and remedies shall automatically be deemed to be incorporated into this Agreement and the Bank shall have the benefits of such different or more restrictive covenants, different or additional events of default and/or greater rights and remedies as if specifically set forth herein. If requested by the Bank, the Authority shall promptly enter into an amendment to this Agreement to include different or more restrictive covenants, different or additional events of default and/or greater rights and remedies for so long as such other Bank Agreement remains in

effect; *provided* that the Bank shall have and maintain the benefit of such different or more restrictive covenants, different or additional events of default and/or greater rights and remedies for so long as such other Bank Agreement remains in effect even if the Authority fails to provide such amendment. For the sake of clarity only and the avoidance of doubt, this Section 7.13 is not intended to apply to higher or different fees, or higher or different interest rates than as set forth in any such Bank Agreement.

*Section 7.14. Swap Agreements.* Without the prior written consent of the Bank, the Authority shall not enter into any Swap Agreement relating to any of its Debt.

*Section 7.15. Investments, Acquisitions, Loans and Advances.* The Authority shall not, directly or indirectly, make, retain or have outstanding any investments (whether through purchase of stock or obligations or otherwise) in, or loans or advances to (other than for travel advances and other similar cash advances made to employees in the ordinary course of business), any other Person, or acquire all or any substantial part of the assets or business of any other Person or division thereof; *provided, however*, that the foregoing shall not apply to nor operate to prevent:

- (a) Cash Equivalents;
- (b) the Authority's existing investments in its Subsidiaries outstanding on the Closing Date; and
- (c) intercompany advances made from time to time between the Authority and any Affiliate in the ordinary course of business to finance their working capital needs.

*Section 7.16. Environmental Laws.* The Authority shall comply with all applicable Environmental Laws and cure any defect (or cause other Persons to cure any such defect) to the extent necessary to bring such real property owned, leased, occupied or operated by the Authority back into compliance with Environmental Laws and to comply with any cleanup orders issued by a Governmental Authority having jurisdiction thereover. The Authority shall at all times use commercially reasonable efforts to render or maintain any real property owned, leased, occupied or operated by the Authority safe and fit for its intended uses. The Authority shall also immediately notify the Bank of any actual or alleged material failure to so comply with or perform, or any material breach, violation or default under any Environmental Law.

*Section 7.17. Federal Reserve Board Regulations.* The Authority shall not use any portion of the proceeds of the Loans for the purpose of carrying or purchasing any Margin Stock.

*Section 7.18. Mergers, Consolidations and Sales.* The Authority shall not be a party to any merger or consolidation or amalgamation, or sell, transfer, lease or otherwise dispose of all or any part of its Property, including any disposition of Property as part of a sale and leaseback transaction, or in any event sell or discount (with or without recourse) any of its notes or accounts receivable; *provided, however*, that this Section 7.18 shall not apply to nor operate to prevent:

- (a) the sale or lease of inventory in the ordinary course of business;

(b) the sale, transfer, lease or other disposition of Property of the Authority to any Affiliate of the Authority in the ordinary course of its business;

(c) the sale of delinquent notes or accounts receivable in the ordinary course of business for purposes of collection only (and not for the purpose of any bulk sale or securitization transaction); and

(d) the sale, transfer or other disposition of any tangible personal property that, in the reasonable business judgment of the Authority, has become obsolete or worn out, and which is disposed of in the ordinary course of business.

*Section 7.19. Change in Nature of Business.* The Authority shall not engage in any material line of business substantially different from those lines of business conducted by the Authority on the date hereof or any business substantially related or incidental thereto.

*Section 7.20. Burdensome Contracts With Affiliates.* The Authority shall not enter into any contract, agreement or business arrangement with any of its Affiliates on terms and conditions which are less favorable to Authority than would be usual and customary in similar contracts, agreements or business arrangements between Persons not affiliated with each other.

*Section 7.21. No Changes in Fiscal Year.* The Authority shall not change its Fiscal Year from its present basis without the prior written consent of the Bank.

*Section 7.22. Annual Debt Service Coverage.* As of the last day of each Fiscal Year (commencing with the first such date after the Closing Date), the Authority shall maintain Debt Service Coverage Ratio of at least 1.20 to 1.00 for the four fiscal quarters then ended.

*Section 7.23. Sanctions and Other Anti-Terrorism Laws; Anti-Corruption Laws.* (a) The Authority covenants and agrees that (i) it shall immediately notify the Bank in writing of a Reportable Compliance Event. Each Covered Compliance Entity to conduct their business in compliance with all Anti-Corruption Laws and maintain policies and procedures designed to ensure compliance with such Laws.

(b) The Authority covenants and agrees that it and its Subsidiaries will not: (i) become a Sanctioned Person or allow any employees, officers, directors, affiliates, consultants, brokers, or agents acting on its behalf in connection with this Agreement to become a Sanctioned Person; (ii) directly, or indirectly through a third party, engage in any transactions or other dealings with or for the benefit of any Sanctioned Person or Sanctioned Jurisdiction, including any use of the proceeds of the Loans to fund any operations in, finance any investments or activities in, or, make any payments to, a Sanctioned Person or Sanctioned Jurisdiction; or (iii) cause the Bank to violate any Anti-Terrorism Law.

(c) The Authority hereby covenants and agrees that it will not, and will not permit any its Subsidiaries to directly or indirectly, use the Loans or any proceeds thereof for any purpose which would breach any Anti-Corruption Laws in any jurisdiction in which any Covered Compliance Entity conducts business.

*Section 7.24. Immunity from Jurisdiction.* To the fullest extent permitted by applicable law, with respect to its obligations arising under this Agreement or any other Loan Document, the Authority irrevocably agrees that it will not assert or claim any immunity on the grounds of sovereignty or other similar grounds (including, without limitation, governmental immunity) from (i) any action, suit or other proceedings arising under or relating to this Agreement or any other Loan Document, (ii) relief by way of injunction, order for specific performance or writ of mandamus or (iii) execution or enforcement of any judgment to which it or its revenues might otherwise be entitled in any such action, suit or other proceeding, and the Authority hereby irrevocably waives, to the fullest extent permitted by applicable law, with respect to itself and its Gross Receivables (irrespective of their use or intended use), all such immunity.

*Section 7.25. Clean-Down Period.* For a period of at least twenty (20) consecutive calendar days during each Fiscal Year, there will be no Loans outstanding under this Agreement.

*Section 7.26. Deposit Accounts.* (a) All receivables of the Authority (other than Governmental Receivables of the Authority) shall be deposited or directed to be paid, as applicable, into the Accounts Receivable Collections Account, (b) all Governmental Receivables of the Authority shall be deposited or directed to be paid, as applicable, into the Governmental Receivables Collections Account and (c) the Authority hereby authorizes the Bank to transfer any amounts in the Governmental Receivables Collection Account by 5:00 p.m. (New York time) on each Business Day to the Accounts Receivable Collections Account.

*Section 7.27. Authority Documents.* Pursuant to Section 2 of the Support Agreement, upon the occurrence and during the continuance of any Event of Default, the Authority shall request from the County in accordance with the terms of the Support Agreement, an increase to the allocation of general purpose funds.

*Section 7.28. Deed of Trust.* Within ninety (90) days of the Closing Date (the “*Deed of Trust Amendment Effective Date*”), the Authority shall amend (a) the Deed of Trust and (b) the UCC financing statement filed in connection with the Deed of Trust, in each case, removing or subordinating to the Bank’s priority any provisions set forth therein which provide for a grant by the Authority to the County of a security interest in any Collateral subject to the Security Agreement.

## SECTION 8. EVENTS OF DEFAULT AND REMEDIES.

*Section 8.1. Events of Default.* The occurrence of any of the following events (whatever the reason for such event and whether voluntary, involuntary, or effected by operation of Law) shall be an “*Event of Default*” hereunder, unless waived in writing by Bank:

- (a) default in the payment when and as due of all or any part of the principal of or interest on any Loan (whether at the stated maturity thereof or at any other time provided for in this Agreement); or



(b) default in the payment of all or any part of any Obligation hereunder (other than those Obligations covered in paragraph (a) of this Section 8.1) when due and such failure shall continue for three (3) Business Days; or

(c) the Authority shall default in the due performance or observance of any of the covenants set forth in Section 7.1, 7.8, 7.9, 7.10, 7.11, 7.12(a), 7.15, 7.17, 7.18, 7.19, 7.20, 7.21, 7.22, 7.23, 7.24, 7.25 or 7.26 hereof; or

(d) the Authority shall default in the due performance or observance of any other term, covenant or agreement contained in this Agreement or any other Loan Document and such default shall remain unremedied for a period of thirty (30) days after the occurrence thereof; or

(e) any representation or warranty made by or on behalf of the Authority in this Agreement or in any other Loan Document or in any certificate or statement delivered hereunder or thereunder shall be incorrect or untrue in any material respect when made or deemed to have been made or delivered; or

(f) the occurrence of an event of default under any of the other Loan Documents; or

(g) any material provision of this Agreement or any other Loan Document shall at any time for any reason cease to be valid and binding on the Authority as a result of a ruling or finding by a court or a Governmental Authority with competent jurisdiction or shall be declared in a final non appealable judgment by any court with competent jurisdiction to be null and void, invalid, or unenforceable, or the validity or enforceability thereof shall be contested by the Authority or any Governmental Authority of competent jurisdiction;

(h) the Authority shall (i) default on the payment of the principal of or interest on any Debt the outstanding principal amount of which is in excess of \$500,000, beyond the period of grace, if any, provided in the instrument or agreement under which such Debt was created or incurred; or (ii) default in the observance or performance of any agreement or condition relating to any Debt the outstanding principal amount of which is in excess of \$500,000 or contained in any instrument or agreement evidencing, securing or relating thereto, or any other default, event of default or similar event shall occur or condition exist, the effect of which default, event of default or similar event or condition is to cause (determined without regard to whether any notice is required) any such Debt to become immediately due and payable in full as the result of the acceleration, mandatory redemption or mandatory tender of such Debt;

(i) any final, unappealable judgment or judgments, writ or writs or warrant or warrants of attachment, or any similar process or processes, which are not covered in full by insurance, with written acknowledgement of such coverage having been provided by the provider of such insurance coverage to the Bank, singularly or in an aggregate amount not less than \$500,000 shall be entered or filed against the Authority or against any of its

Property and remain unpaid, unvacated, unbonded or unstayed for a period of thirty (30) days; or

(j) the Authority shall (i) have entered involuntarily against it an order for relief under the United States Bankruptcy Code, as amended, (ii) become insolvent or shall not pay, or be unable to pay, or admit in writing its inability to pay, its debts generally as they become due, (iii) make an assignment for the benefit of creditors, (iv) apply for, seek, consent to, or acquiesce in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or any substantial part of its Property, (v) institute any proceeding seeking to have entered against it an order for relief under the United States Bankruptcy Code, as amended, to adjudicate it insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, marshalling of assets, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it, (vi) take any corporate action in furtherance of any matter described in parts (i) through (v) above, or (vii) fail to contest in good faith any appointment or proceeding described in Section 8.1(k) of this Agreement; or

(k) a custodian, receiver, trustee, examiner, liquidator or similar official shall be appointed for the Authority or any substantial part of their respective Property, or a proceeding described in clause (v) Section 8.1(j) shall be instituted against the Authority and such proceeding continues undischarged or any such proceeding continues undismissed or unstayed for a period of thirty (30) or more days; or

(l) a debt moratorium, debt restructuring, debt adjustment or comparable restriction is imposed on the repayment when due and payable of the principal of or interest on any Debt of the Authority by the Authority or any Governmental Authority with appropriate jurisdiction.

*Section 8.2. Non-Bankruptcy Defaults.* When any Event of Default (other than those described in subsection (j), (k) or (l) of Section 8.1 with respect to the Authority) has occurred and is continuing, the Bank may, by notice to the Authority, take one or more of the following actions:

(a) terminate the obligation of the Bank to make Loans or extend any further credit hereunder on the date (which may be the date thereof) stated in such notice;

(b) declare the principal of and the accrued interest on the Loans and the amounts due and owing hereunder to be forthwith due and payable and thereupon the Loans and the amounts due and owing hereunder, including both principal and interest and all fees, charges and other Obligations payable hereunder and under the other Loan Documents, shall be and become immediately due and payable without further demand, presentment, protest or notice of any kind; and

(c) enforce any and all rights and remedies available to it under the Loan Documents or applicable law.

*Section 8.3. Bankruptcy Defaults.* When any Event of Default described in subsection (j), (k) or (l) of Section 8.1 with respect to the Authority has occurred and is continuing, the obligation of the Bank to make Loans or extend any further credit hereunder shall immediately and automatically terminate without notice and the Loans and all amounts hereunder, including both principal and interest, and all fees, charges and other Obligations payable hereunder and under the other Loan Documents, shall immediately become due and payable without presentment, demand, protest or notice of any kind, and the obligation of the Bank to extend further credit pursuant to any of the terms hereof shall immediately terminate. In addition, the Bank may exercise any and all remedies available to it under the Loan Documents or applicable law.

## SECTION 9. MISCELLANEOUS.

*Section 9.1. Non-Business Day.* If any payment hereunder becomes due and payable on a day which is not a Business Day, the due date of such payment shall be extended to the next succeeding Business Day on which date such payment shall be due and payable. In the case of any payment of principal falling due on a day which is not a Business Day, interest on such principal amount shall continue to accrue during such extension at the rate per annum then in effect, which accrued amount shall be due and payable on the next scheduled date for the payment of interest.

*Section 9.2. No Waiver, Cumulative Remedies.* No delay or failure on the part of the Bank or on the part of the holder of the Obligations in the exercise of any power or right shall operate as a waiver thereof or as an acquiescence in any default, nor shall any single or partial exercise of any power or right preclude any other or further exercise thereof or the exercise of any other power or right. The rights and remedies hereunder of the Bank and of the holder of the Obligations are cumulative to, and not exclusive of, any rights or remedies which any of them would otherwise have.

*Section 9.3. Amendments, Etc.* No amendment, modification, termination or waiver of any provision of this Agreement or of any other Loan Document, nor consent to any departure by the Authority therefrom, shall in any event be effective against the Bank unless the same shall be in writing and signed by the Bank. No notice to or demand on the Authority in any case shall entitle the Authority to any other or further notice or demand in similar or other circumstances.

*Section 9.4. Costs and Expenses; Indemnification.* (a) The Authority agrees to pay on demand the costs and expenses of the Bank in connection with the negotiation, preparation, execution and delivery of this Agreement, the other Loan Documents and the other instruments and documents to be delivered hereunder or thereunder, and in connection with the recording or filing of any of the foregoing, and in connection with the transactions contemplated hereby or thereby, and in connection with any consents hereunder or waivers or amendments hereto or thereto, including the reasonable fees and expenses of counsel for the Bank with respect to all of the foregoing (whether or not the transactions contemplated hereby are consummated). The Authority, upon demand by the Bank at any time, shall reimburse the Bank for any legal or other expenses incurred in connection with investigating or defending against any of the foregoing. The obligations of the Authority under this Section 9.4 shall survive the termination of this Agreement.

(b) (i) The Authority agrees to pay to the Bank or any other holder of the Obligations all costs and expenses (including court costs and reasonable attorneys' fees), if any, incurred or paid by the Bank or any other holder of the Obligations in connection with any Default or Event of Default or in connection with the enforcement of this Agreement or any of the other Loan Documents or any other instrument or document delivered hereunder or thereunder (including, without limitation, all such costs and expenses incurred in connection with any proceeding under the United States Bankruptcy Code involving the Authority or any guarantor). To the extent permitted by law, the Authority further agrees to indemnify the Bank, and any security trustee, and their respective directors, officers and employees, against all losses, claims, damages, penalties, judgments, liabilities and expenses (including, without limitation, all expenses of litigation or preparation therefor, whether or not the indemnified Person is a party thereto) which any of them may pay or incur arising out of or relating to any Loan Document or any of the transactions contemplated thereby or the direct or indirect application or proposed application of the proceeds of any extension of credit made available hereunder, other than those which arise from the gross negligence or the willful misconduct of the terms hereof of any party entitled to seek indemnification under this Section 9.4.

(ii) To the extent permitted by Law, the Authority unconditionally agrees to forever indemnify, defend and hold harmless, and covenants not to sue for any claim for contribution against, the Bank for any damages, costs, loss or expense, including without limitation, response, remedial or removal costs, arising out of any of the following: (i) any presence, release, threatened release or disposal of any hazardous or toxic substance or petroleum by the Authority or any Subsidiary or otherwise occurring on or with respect to their Property, (ii) the operation or violation of any environmental law, whether federal, state, or local, and any regulations promulgated thereunder, by the Authority or any Subsidiary or otherwise occurring on or with respect to their Property, (iii) any claim for personal injury or property damage in connection with the Authority or any Subsidiary or otherwise occurring on or with respect to their Property, and (iv) the inaccuracy or breach of any environmental representation, warranty or covenant by the Authority or any Subsidiary made herein or in any mortgage, deed of trust, security agreement or any other instrument or document evidencing or securing any indebtedness, obligations, or liabilities of the Authority or any Subsidiary owing to the Bank or setting forth terms and conditions applicable thereto or otherwise relating thereto, except for damages arising from the Bank's willful misconduct or gross negligence. To the extent permitted by law, this indemnification shall survive the payment and satisfaction of all Obligations owing to the Bank and the termination of this Agreement, and shall remain in force beyond the expiration of any applicable statute of limitations and payment or satisfaction in full of any single claim under this indemnification. This indemnification shall be binding upon the successors and assigns of the Authority and shall inure to the benefit of Bank and its directors, officers, employees, agents, and collateral trustees, and their successors and assigns.

*Section 9.5. Documentary Taxes.* The Authority agrees to pay on demand any documentary, stamp or similar taxes payable in respect of this Agreement or any other Loan Document, including interest and penalties, in the event any such taxes are assessed, irrespective of when such assessment is made and whether or not any credit is then in use or available hereunder.

*Section 9.6. Survival of Representations.* All representations and warranties made herein or in any of the other Loan Documents or in certificates given pursuant hereto or thereto shall survive the execution and delivery of this Agreement and the other Loan Documents, and shall continue in full force and effect with respect to the date as of which they were made as long as any credit is in use or available hereunder.

*Section 9.7. Survival of Indemnities.* All indemnities and other provisions relative to reimbursement to the Bank of amounts sufficient to protect the yield of the Bank with respect to the Loans, including, but not limited to, Sections 2.8, 2.9 and 9.4 hereof, shall survive the termination of this Agreement and the payment of the Bank Note.

*Section 9.8. Notices.* Except as otherwise specified herein, all notices hereunder shall be in writing (including, without limitation, notice by telecopy) and shall be given to the relevant party at its address or telecopier number set forth below, or such other address or telecopier number as such party may hereafter specify by notice to the other given by courier, by United States certified or registered mail, by telecopy or by other telecommunication device capable of creating a written record of such notice and its receipt. Notices hereunder shall be addressed:

The Authority:

Kern County Hospital Authority  
c/o Kern County Medical Center  
1700 Mount Vernon Avenue  
Bakersfield, California 93306  
**[Attention: Scott Thygerson, Chief Executive Officer**  
**Facsimile:** \_\_\_\_\_  
**Telephone:** \_\_\_\_\_  
**Email:** \_\_\_\_\_]

With a copy to:

Kern County Hospital Authority  
c/o Kern County Medical Center  
1700 Mount Vernon Avenue  
Bakersfield, California 93306  
**[Attention: Andrew J. Cantu, Chief Financial Officer**  
**Facsimile: (661) 326-2100**  
**Telephone: (661) 326-2104**  
**Email: andy.cantu@kernmedical.com]**

With a copy to:

Kern County Hospital Authority  
c/o Kern County Medical Center  
1700 Mount Vernon Avenue  
Bakersfield, California 93306  
**[Attention: Vice President & General Counsel**  
**Facsimile: (661) 322-3006**  
**Telephone: (661) 862-8190**  
**Email: karen.barnes@kernmedical.com]**

The Bank: PNC Bank, National Association  
2020 Main Street, Suite 950  
Irvine, California 92614  
Attention: Nick Warner  
Telephone: (856) 745-1372  
Email: nicolas.warner@pnc.com

With a copy to:

PNC Bank, National Association  
121 SW Morrison Street  
Portland, Oregon 97204  
Attention: Kevin Stewart  
Telephone: (859) 757-6777  
Email: kevin.stewart@pnc.com

Each such notice, request or other communication shall be effective (i) if given by telecopier, when such telecopy is transmitted to the telecopier number specified in this Section and a confirmation of such telecopy has been received by the sender, (ii) if given by mail, five (5) days after such communication is deposited in the mail, certified or registered with return receipt requested, addressed as aforesaid or (iii) if given by any other means, when delivered at the addresses specified in this Section; provided that any notice given pursuant to Section 3 or Section 4 hereof shall be effective only upon receipt.

*Section 9.9. Construction.* The provisions of this Agreement relating to Subsidiaries shall only apply during such times as the Authority has one or more Subsidiaries. NOTHING CONTAINED HEREIN SHALL BE DEEMED OR CONSTRUED TO PERMIT ANY ACT OR OMISSION WHICH IS PROHIBITED BY THE TERMS OF ANY OF THE OTHER LOAN DOCUMENTS, THE COVENANTS AND AGREEMENTS CONTAINED HEREIN BEING IN ADDITION TO AND NOT IN SUBSTITUTION FOR THE COVENANTS AND AGREEMENTS CONTAINED IN THE OTHER LOAN DOCUMENTS.

*Section 9.10. Headings.* Section headings used in this Agreement are for convenience of reference only and are not a part of this Agreement for any other purpose.

*Section 9.11. Severability of Provisions.* Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

*Section 9.12. Counterparts.* This Agreement may be executed in any number of counterparts, and by different parties hereto on separate counterpart signature pages, and all such counterparts taken together shall be deemed to constitute one and the same instrument. This Agreement may be delivered by the exchange of signed signature pages by facsimile transmission

or by e-mail with a pdf copy or other replicating image attached, and any printed or copied version of any signature page so delivered shall have the same force and effect as an originally signed version of such signature page.

*Section 9.13. USA Patriot Act.* The Bank hereby notifies the Authority that pursuant to the requirements of the Patriot Act, it is required to obtain, verify and record information that identifies the Authority which information includes the name and address of the Authority and other information that will allow the Bank to identify the Authority in accordance with the Patriot Act. The Authority shall, promptly following a request by the Bank, provide all documentation and other information that the Bank requests in order to comply with its ongoing obligations under applicable “know your customer” and anti-money laundering rules and regulations, including the Patriot Act.

*Section 9.14. Binding Nature, Governing Law, Etc.* This Agreement shall be binding upon the Authority and its successors and assigns, and shall inure to the benefit of the Bank and the benefit of its successors and assigns, including any subsequent holder of the Bank Note. The Authority may not assign its rights hereunder without the written consent of the Bank. This Agreement constitutes the entire understanding of the parties with respect to the subject matter hereof and any prior agreements, whether written or oral, with respect thereto are superseded hereby. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF CALIFORNIA.

*Section 9.15. Waiver of Jury Trial; Venue.* (a) TO THE EXTENT PERMITTED BY LAW, THE PARTIES HERETO HEREBY IRREVOCABLY AGREE TO WAIVE TRIAL BY JURY ARISING OUT OF, OR BASED UPON, OR IN ANY WAY CONNECTED WITH THIS AGREEMENT OR THE LOAN DOCUMENTS OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW OR STATUTORY CLAIMS. IF AND TO THE EXTENT THAT THE FOREGOING WAIVER OF THE RIGHT TO A JURY TRIAL IS UNENFORCEABLE FOR ANY REASON IN SUCH FORUM, EACH OF THE PARTIES HERETO HEREBY CONSENTS TO THE ADJUDICATION OF ALL CLAIMS PURSUANT TO JUDICIAL REFERENCE AS PROVIDED IN CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 638, AND THE JUDICIAL REFEREE SHALL BE EMPOWERED TO HEAR AND DETERMINE ALL ISSUES IN SUCH REFERENCE, WHETHER FACT OR LAW. EACH OF THE PARTIES HERETO REPRESENTS THAT EACH HAS REVIEWED THIS WAIVER AND CONSENT AND EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS AND CONSENTS TO JUDICIAL REFERENCE FOLLOWING CONSULTATION WITH LEGAL COUNSEL ON SUCH MATTERS. IN THE EVENT OF LITIGATION, A COPY OF THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT OR TO JUDICIAL REFERENCE UNDER CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 638 AS PROVIDED HEREIN.

(b) EACH PARTY HERETO CONSENTS TO AND SUBMITS TO IN PERSONAM JURISDICTION AND VENUE IN THE STATE OF CALIFORNIA AND IN THE FEDERAL DISTRICT COURTS WHICH ARE LOCATED IN THE STATE OF CALIFORNIA. EACH PARTY ASSERTS THAT IT HAS PURPOSEFULLY AVAILED ITSELF OF THE BENEFITS OF THE LAWS OF THE STATE OF CALIFORNIA AND WAIVES ANY OBJECTION TO IN PERSONAM JURISDICTION ON THE GROUNDS OF MINIMUM CONTACTS, WAIVES ANY OBJECTION TO VENUE, AND WAIVES ANY PLEA OF FORUM NON CONVENIENS. THIS CONSENT TO AND SUBMISSION TO JURISDICTION IS WITH REGARD TO ANY ACTION RELATED TO THIS AGREEMENT.



*Section 9.16. Successors and Assigns.*

(a) *Successors and Assigns Generally.* The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the Authority may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of Bank and the Bank may not assign or otherwise transfer any of its rights or obligations hereunder except (i) to an assignee in accordance with the provisions of subsection (b) of this Section 9.16, (ii) by way of participation in accordance with the provisions of subsection (c) of this Section 9.16, or (iii) by way of pledge or assignment of a security interest subject to the restrictions of subsection (d) of this Section 9.16 (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in subsection (c) of this Section 9.16 and, to the extent expressly contemplated hereby, the Bank, or any Affiliate of the Bank any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) *Assignments by Bank.* The Bank may at any time assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including the Commitment and the Loans at the time owing to it); *provided* any such assignment shall be subject to the following conditions:

(i) *Minimum Amounts.* The aggregate amount of the Commitment (which for this purpose includes Loans outstanding thereunder) or, if the Commitment is not then in effect, the principal outstanding balance of the Loans subject to each such assignment, determined as of the date the Assignment and Assumption with respect to such assignment is entered into or shall not be less than \$100,000 unless, so long as no Event of Default has occurred and is continuing, the Authority otherwise consents (each such consent not to be unreasonably withheld or delayed);

(ii) *Proportionate Amounts.* Each partial assignment shall be made as an assignment of a proportionate part of all the Bank's rights and obligations under this Agreement with respect to the Loans or the Commitment assigned;

(iii) *Required Consents.* No consent shall be required for any assignment except the consent of the Authority shall be required unless (1) a Default or an Event of Default has occurred and is continuing at the time of such assignment or, (2) such assignment is to an Affiliate of the Bank;

(iv) *Assignment and Assumption.* The parties to each assignment shall execute and deliver an Assignment and Assumption.

(v) *No Assignment to Natural Persons.* No such assignment shall be made to a natural person.

From and after the effective date specified in each Assignment and Assumption, the assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of the Bank under this Agreement, and the Bank shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the Bank's rights and obligations under this Agreement, the Bank shall cease to be a party hereto) but shall continue to be entitled to the benefits of Sections 3.6, 3.7 and 9.4 hereof with respect to facts and circumstances occurring prior to the effective date of such assignment. Any assignment or transfer by the Bank of rights or obligations under this Agreement that does not comply with this subsection shall be treated for purposes of this Agreement as a sale by the Bank of a participation in such rights and obligations in accordance with subsection (c) of this Section 9.16.

(c) *Participations.* The Bank may at any time, without the consent of, or notice to, the Authority, sell participations to any Person (each, a "*Participant*") in all or a portion of the Bank's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans owing to it); provided that (i) the Bank's obligations under this Agreement shall remain unchanged, (ii) the Bank shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Authority shall continue to deal solely and directly with the Bank in connection with the Bank's rights and obligations under this Agreement. Any agreement or instrument pursuant to which the Bank sells such a participation shall provide that the Bank shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement. Subject to subsection (d) of this Section 9.16, the Authority agrees that each Participant shall be entitled to the benefits of Sections 3.6, 3.7 and 9.4 hereof to the same extent as if it were the Bank.

(d) *Certain Pledges.* The Bank may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement (including under the Bank Note) to secure obligations of the Bank, including any pledge or assignment to secure obligations to a Federal Reserve Bank; *provided* that no such pledge or assignment shall release the Bank from any of its obligations hereunder or substitute any such pledgee or assignee for the Bank as a party hereto.

*Section 9.17. No Advisory or Fiduciary Relationship.* In connection with all aspects of each transaction contemplated hereby and in the other Loan Documents (including in connection with any amendment, waiver or other modification hereof or of any other Loan Document), the Authority acknowledges and agrees, and acknowledges its Affiliates' understanding, that: (a) (i) the services regarding this Agreement and the other Loan Documents provided by the Bank and any of its Affiliate are arm's-length commercial transactions between the Authority, on the one hand, and the Bank and its Affiliates, on the other hand, (ii) the Authority has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate, and (iii) the Authority is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the other Loan Documents; (b) (i) the Bank and its Affiliates each is and has been acting solely as a principal (*i.e.*, as a lender) and, except as expressly agreed in writing by the relevant parties, has not been, is not, and will not be acting as an advisor, agent or fiduciary for the Authority or any other Person, (ii) neither the Bank nor any of its Affiliates are acting as an advisor or agent in any capacity, including, without limitation, as a

municipal advisor or financial advisor to the Authority; (iii) neither the Bank nor any of its Affiliates is recommending that the Authority take an action with respect to the transactions described in this Agreement and the other Loan Documents, and before taking any action with respect to such transactions, the Authority should discuss the information contained herein with the such entity's own legal, accounting, tax, financial and other advisors, as it deems appropriate and (iv) neither the Bank nor any of its Affiliates has any obligation to the Authority with respect to the transactions contemplated hereby except those obligations expressly set forth herein and in the other Loan Documents; and (c) the Bank and its Affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Authority, and neither the Bank nor any of its Affiliates has any obligation to disclose any of such interests to the Authority. To the fullest extent permitted by law, the Authority, hereby waives and releases any claims that it may have against the Bank or any of its Affiliates with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transactions contemplated hereby.

*Section 9.18. Electronic Signatures.* The parties agree that the electronic signature of a party to this Agreement shall be as valid as an original signature of such party and shall be effective to bind such party to this Agreement. The parties agree that any electronically signed document (including this Agreement) shall be deemed (i) to be "written" or "in writing," (ii) to have been signed and (iii) to constitute a record established and maintained in the ordinary course of business and an original written record when printed from electronic files. Such paper copies or "printouts," if introduced as evidence in any judicial, arbitral, mediation or administrative proceeding, will be admissible as between the parties to the same extent and under the same conditions as other original business records created and maintained in documentary form. Neither party shall contest the admissibility of true and accurate copies of electronically signed documents on the basis of the best evidence rule or as not satisfying the business records exception to the hearsay rule. For purposes hereof, "electronic signature" means a manually-signed original signature that is then transmitted by electronic means; "transmitted by electronic means" means sent in the form of a facsimile or sent via the internet as a "pdf" (portable document format) or other replicating image attached to an e-mail message; and, "electronically signed document" means a document transmitted by electronic means and containing, or to which there is affixed, an electronic signature.

*Section 9.19. Right of Setoff.* (a) Upon the occurrence of an Event of Default, the Bank may, at any time and from time to time, without notice to the Authority or any other Person (any such notice being expressly waived), set off and appropriate and apply against and on account of any Obligations under this Agreement, without regard to whether or not the Bank shall have made any demand therefor, and although such Obligations may be contingent or unmatured, any and all deposits (general or special, including but not limited to deposits made pursuant to this Agreement and Debt evidenced by certificates of deposit, whether matured or unmatured, but not including trust accounts, such as restricted donor accounts) and any other Debt at any time held or owing by the Bank to or for the credit or the account of the Authority.

(b) The Bank agrees promptly to notify the Authority after any such set-off and application referred to in subsection (a) above, *provided* that the failure to give such notice shall not affect the validity of such set-off and application. Subject to the provisions of subsection (a)

above, the rights of the Bank under this Section 9.19 are in addition to other rights and remedies (including, without limitation, other rights of set-off) which the Bank may have.

(c) From and after the Deposit Account Transfer Date, the Bank agrees to waive all of its existing and future rights of recoupment and set-off and banker's lien against the Governmental Receivables Collections Account for so long and to the extent required by applicable Law.

*Section 9.20. Further Assurances.* From time to time upon the request of either party hereto, the other shall promptly and duly execute, acknowledge and deliver any and all such further instruments and documents as the requesting party may in its reasonable discretion deem necessary or desirable to confirm this Agreement, and the other Loan Documents, to carry out the purpose and intent hereof and thereof or to enable the requesting party to enforce any of its rights hereunder or thereunder. At any time, and from time to time, upon request by the Bank, the Authority will, at the Authority's expense, (a) correct any defect, error or omission which may be discovered in the form or content of any of the Loan Documents, and (b) make, execute, deliver and record, or cause to be made, executed, delivered and recorded, any and all further instruments, certificates, and other documents as may, in the opinion of the Bank, be necessary or desirable in order to complete, perfect or continue and preserve the Lien of the Security Agreement. Upon any failure by the Authority to do so, the Bank may make, execute and record any and all such instruments, certificates and other documents for and in the name of the Authority, all at the sole expense of the Authority, and the Authority hereby appoints the Bank the agent and attorney-in-fact of the Authority to do so, this appointment being coupled with an interest and being irrevocable. Without limitation of the foregoing, the Authority irrevocably authorizes the Bank at any time and from time to time to file any initial financing statements, amendments thereto and continuation statements deemed necessary or desirable by the Bank to establish or maintain the validity, perfection and priority of the security interests granted in the Security Agreement, and the Authority ratifies any such filings made by the Bank prior to the date hereof. In addition, at any time, and from time to time, upon request by the Bank, the Authority will, at the Authority's expense, provide any and all further instruments, certificates and other documents as may, in the opinion of the Bank, be necessary or desirable in order to verify the Authority's identity and background in a manner satisfactory to the Bank.

*Section 9.21. EMMA Postings.* The Authority shall not file or submit or permit the filing or submission, of all or any portion of any document (or any summary thereof) entered into in connection with this Agreement (or any default, event of acceleration, termination event, modification of terms or other similar events relating to this Agreement) with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system (or any successor continuing disclosure vehicle) unless such document or portion thereof (or summary thereof), as applicable, to be so filed or submitted (i) has been provided to the Bank for review in advance of such filing or submission, and (ii) shall have been redacted to the extent required by the Bank; provided that such redaction may be no greater than permitted under applicable federal securities law guidance, if any. The Authority acknowledges and agrees that although the Bank may request a review, edits or redactions of such materials prior to filing, the Bank is not responsible for the Authority's or any other party's compliance or noncompliance with any applicable securities or other laws, including but not limited to Rule 15c2-12.

*Section 9.22. Liability of Authority .* The liabilities or obligations of the Authority with respect to its activities pursuant to this Credit Agreement shall be the liabilities or obligations solely of the Authority and shall not be or become the liabilities or obligations of the County of Kern or any other entity, including the state of California.

*Section 9.23. Acknowledgement Regarding Any Supported QFCs.* To the extent that the Loan Documents provide support, through a guarantee or otherwise, for Swap Agreements or any other agreement or instrument that is a QFC (such support, “*QFC Credit Support*” and each such QFC a “*Supported QFC*”), the parties acknowledge and agree as follows with respect to the resolution power of the Federal Deposit Insurance Corporation under the Federal Deposit Insurance Act and Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (together with the regulations promulgated thereunder, the “*U.S. Special Resolution Regimes*”) in respect of such Supported QFC and QFC Credit Support (with the provisions below applicable notwithstanding that the Loan Documents and any Supported QFC may in fact be stated to be governed by the Laws of the State of New York and/or of the United States or any other state of the United States):

(a) In the event a Covered Entity that is party to a Supported QFC (each, a “*Covered Party*”) becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer of such Supported QFC and the benefit of such QFC Credit Support (and any interest and obligation in or under such Supported QFC and such QFC Credit Support, and any rights in property securing such Supported QFC or such QFC Credit Support) from such Covered Party will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if the Supported QFC and such QFC Credit Support (and any such interest, obligation and rights in property) were governed by the Laws of the United States or a state of the United States. In the event a Covered Party or a BHC Act Affiliate of a Covered Party becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights under the Loan Documents that might otherwise apply to such Supported QFC or any QFC Credit Support that may be exercised against such Covered Party are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if the Supported QFC and the Loan Documents were governed by the Laws of the United States or a state of the United States.

(b) As used in this Section 9.23, the following terms have the following meanings:

“*BHC Act Affiliate*” of a party means an “affiliate” (as such term is defined under, and interpreted in accordance with, 12 U.S.C. 1841(k)) of such party.

“*Covered Entity*” means any of the following: (i) a “covered entity” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 252.82(b), (ii) a “covered bank” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 47.3(b); or (iii) a “covered FSI” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 382.2(b).

“*Default Right*” has the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§ 252.81, 47.2 or 382.1, as applicable.

“*QFC*” has the meaning assigned to the term “qualified financial contract” in, and shall be interpreted in accordance with, 12 U.S.C. 5390(c)(8)(D).

*Section 9.24. Amendment and Restatement.* This Agreement amends and restates in its entirety the Existing Agreement and from and after the Closing Date all references made to the Existing Agreement in any Loan Document or in any other instrument or document shall without more, be deemed to refer to this Agreement. This Agreement shall become effective and supersede all provisions of the Existing Agreement upon the execution of this Agreement by each of the parties hereto and the fulfillment of all conditions precedent hereof but is not intended to be or operate as a novation or an accord and satisfaction of the Existing Agreement or the indebtedness, obligations and liabilities of the Authority evidenced or provided for thereunder.

[SIGNATURE PAGE TO FOLLOW]

This Agreement is entered into between us for the uses and purposes hereinabove set forth as of the Closing Date.

*“AUTHORITY”*

KERN COUNTY HOSPITAL AUTHORITY

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

Name: **[Scott Thygerson]**

Title: **[Chief Executive Officer]**

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

Name: **[Andrew J. Cantu]**

Title: **[Chief Financial Officer]**

APPROVED AS TO FORM:

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

Name: **[Karen S. Barnes]**

Title: **[Vice President & General  
Counsel, Kern County Hospital  
Authority]**

*“BANK”*

PNC BANK, NATIONAL ASSOCIATION

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

Name: Kevin Stewart

Title: Vice President



## EXHIBIT A

### FORM OF AMENDED AND RESTATED BANK NOTE

Dated: [FEBRUARY \_\_\_], 2023

FOR VALUE RECEIVED, the undersigned, KERN COUNTY HOSPITAL AUTHORITY (the “*Authority*”), HEREBY PROMISES TO PAY to the order of PNC BANK, NATIONAL ASSOCIATION (the “*Bank*”), (i) \$20,000,000, or, in any case, if less, the aggregate unpaid principal amount of all Loans (as such term is defined in the Agreement hereinafter defined) made by the Bank to the Authority, payable at such times as are specified in the Agreement (as defined below), and (ii) interest on the unpaid principal amount of each Loan made by the Bank, from the date of each such Loan until such principal amount is paid in full, at such interest rates, and payable at such times, as are specified in the Agreement; *provided, however*, all principal of, and all earned interest then accrued on, this Bank Note shall be fully and finally due and payable on the dates set forth in the Agreement.

Both principal and interest are payable in lawful money of the United States of America and in immediately available funds as specified in the Agreement. Each Loan made by the Bank to the Authority pursuant to the Agreement and all payments made by the Authority on account of principal hereof and interest hereon shall be recorded by the Bank and, prior to any transfer hereof, endorsed on the schedule attached hereto (which is a part of this Bank Note); *provided* that the failure of the Bank to make any recordation or endorsement shall not affect the obligations of the Authority hereunder or under the Agreement. Notwithstanding any other provision of this Bank Note, interest paid or becoming due hereunder shall in no event exceed the maximum rate permitted by applicable law.

This Amended and Restated Bank Note (this “*Bank Note*”) is the Bank Note referred to in, and is entitled to the benefits of, the Amended and Restated Credit Agreement dated as of [February \_\_\_], 2023 (as amended, restated, supplemented or otherwise modified from time to time, the “*Agreement*”), between the Authority and the Bank. The Agreement, among other things, provides for the making of Loans by the Bank to the Authority from time to time in an aggregate principal amount not to exceed at any time outstanding the U.S. dollar amount first above mentioned, the indebtedness of the Authority to the Bank resulting from each such Loan being evidenced by this Bank Note.

The execution and delivery of this Bank Note by the Authority and the acceptance by the Bank of this Bank Note shall not be deemed or construed to create any commitment to lend or otherwise provide financing or other financial accommodations by the Bank to the Authority or contain any promise by the Bank to make or deliver such a commitment. This Bank Note evidences the Authority’s obligation to repay any Loans that the Bank so elects to make to the Authority. The Bank may, for any reason or no reason at all, refuse to make any Loan at any time without prior notice to the Authority, including without limitation, whether or not a Default or an Event of Default has occurred or exists or whether or not the Bank has made any Loans under similar circumstances. The fact that the Bank may from time to time elect to make Loans to the Authority will not be deemed to establish a course of conduct so as to justify an expectation by the

Authority that the Bank will make any Loans to the Authority in the future or under similar circumstances. Furthermore, the execution and delivery of this Bank Note, the Agreement or any other Loan Document (as such term is defined in the Agreement) does not create an agreement by the Bank and the Authority to negotiate regarding the conditions to any agreement by the Bank to make any Loans or any other terms or provisions relating thereto.

This Bank Note amends and restates in its entirety the Authority's existing \$20,000,000 Bank Note dated March 1, 2019 (as amended, the "*Existing Note*") issued by the Authority under and in connection with the Existing Agreement. All amounts under such Existing Note constitute amounts outstanding under this Bank Note. This Bank Note shall become effective and supersede all provisions of the Existing Note upon the issuance of this Bank Note by the Authority and the fulfillment of all conditions precedent hereof but is not intended to be or operate as a novation or an accord and satisfaction of the Existing Note or the indebtedness, obligations and liabilities of the Authority evidenced or provided for thereunder. The Authority agrees that this Bank Note does not extinguish or discharge the obligations of the Authority under the Existing Note. Reference to this specific Bank Note need not be made in any agreement, document, instrument, letter or certificate, the Existing Note itself or any communication issued or made pursuant to or with respect to the Existing Note, from and after the date hereof, all references made to the Existing Note in any instrument or document shall be deemed to refer to this Bank Note.

[SIGNATURE PAGE TO FOLLOW]

This Bank Note shall be governed by, and construed in accordance with, the laws of the State of California.

KERN COUNTY HOSPITAL AUTHORITY

By: \_\_\_\_\_  
Name: **[Scott Thygerson]**  
Title: **[Chief Executive Officer]**

By: \_\_\_\_\_  
Name: **[Andrew J. Cantu]**  
Title: **[Chief Financial Officer]**

APPROVED AS TO FORM:

By: \_\_\_\_\_  
Name: **[Karen S. Barnes]**  
Title: **[Vice President & General  
Counsel, Kern County Hospital  
Authority]**

**SCHEDULE FOR AMENDED AND RESTATED BANK NOTE  
DATED [FEBRUARY \_\_], 2023**

| DATE OF<br>LOAN | AMOUNT<br>OF LOAN | INTEREST<br>COMPONENT | PRINCIPAL<br>COMPONENT | MATURITY<br>OF LOAN | DATES<br>OF PAYMENT | AMOUNT<br>OF<br>PAYMENT | NAME AND<br>SIGNATURE<br>OF BANK<br>OFFICER |
|-----------------|-------------------|-----------------------|------------------------|---------------------|---------------------|-------------------------|---|
|-----------------|-------------------|-----------------------|------------------------|---------------------|---------------------|-------------------------|---|

**EXHIBIT B**

**NOTICE OF LOAN**

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

To: PNC Bank, National Association  
2020 Main Street, Suite 950  
Irvine, California 92614  
Attention: Nick Warner  
Telephone: (856) 745-1372  
Email: nicolas.warner@pnc.com

with a copy to:

PNC Bank, National Association  
121 SW Morrison Street  
Portland, Oregon 97204  
Attention: Kevin Stewart  
Telephone: (859) 757-6777  
Email: kevin.stewart@pnc.com

Ladies and Gentlemen:

The undersigned, an Authorized Representative of Kern County Hospital Authority (the “*Authority*”), refers to the Amended and Restated Credit Agreement dated as of **[February \_\_]**, 2023 (as amended, restated, supplemented or otherwise modified from time to time, the “*Agreement*”), between the Authority and the Bank, the terms defined therein being used herein as therein defined, and hereby gives you notice irrevocably, pursuant to Section 3.3 of the Agreement, of the Loan specified below:

1. The Business Day of the proposed Loan is \_\_\_\_\_, \_\_\_\_.
2. The aggregate amount of the proposed Loan is \$\_\_\_\_\_.
3. **[Such Loan shall be made available to the Authority by wire at \_\_\_\_\_.]**

The undersigned hereby certifies on behalf of the Authority that the following statements are true on the date hereof, and will be true on the date of the proposed Loan, before and after giving effect thereto and to the application of the proceeds therefrom:

- (a) the representations and warranties of the Authority contained in Section 5 of the Agreement are true and correct in all material respects as though made on and as of such date; and
- (b) no Default or Event of Default has occurred and is continuing or would result from such proposed Loan.

The Person executing this notice and making the certifications herein shall not be liable personally or subject to any personal liability or accountability by reason of the certifications herein. Any action brought as a result of delivery of this notice or the certifications made herein shall be brought against the Authority.

KERN COUNTY HOSPITAL AUTHORITY

By \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_

By \_\_\_\_\_  
Name \_\_\_\_\_  
Title \_\_\_\_\_

**EXHIBIT C**

**FORM OF COMPLIANCE CERTIFICATE**

Financial Statement Date: \_\_\_\_\_, \_\_\_\_\_

To: PNC Bank, National Association  
2020 Main Street, Suite 950  
Irvine, California 92614  
Attention: Nick Warner  
Telephone: (856) 745-1372  
Email: nicolas.warner@pnc.com

with a copy to:

PNC Bank, National Association  
121 SW Morrison Street  
Portland, Oregon 97204  
Attention: Kevin Stewart  
Telephone: (859) 757-6777  
Email: kevin.stewart@pnc.com

Ladies and Gentlemen:

Reference is made to that certain Amended and Restated Credit Agreement dated as of **[February \_\_]**, 2023 (as amended, restated, supplemented or otherwise modified from time to time, the “*Agreement*”), between the Kern County Hospital Authority (the “*Authority*”) and PNC Bank National Association (the “*Bank*”). Unless otherwise defined herein, the terms used in this Certificate shall have the meanings assigned thereto in the Agreement.

The undersigned Authorized Representative hereby certifies as of the date hereof that he/she is the \_\_\_\_\_ of the Authority, and that, as such, he/she is authorized to execute and deliver this Certificate to the Bank on the behalf of the Authority, and that:

*[Use following paragraph 1 for fiscal year-end financial statements]*

1. Attached hereto as Schedule 1 are the year-end audited financial statements required by Section 7.5(a) of the Agreement for the fiscal year of the Authority ended as of the above date, together with the report and opinion of an independent certified public accountant required by such section.

*[Use following paragraph 1 for fiscal quarter-end financial statements]*

1. Attached hereto as Schedule 1 are the quarter-end unaudited financial statements required by Section 7.5(b) of the Agreement for the fiscal year of the Authority ended as of the above date, which includes the balance sheet as of the end of the quarter and a statement of income and expenses.

2. The undersigned has reviewed and is familiar with the terms of the Agreement and has made, or has caused to be made under his/her supervision, a review of the transactions and condition (financial or otherwise) of the Authority during the accounting period covered by the attached financial statements.

3. A review of the activities of the Authority during such fiscal period has been made under the supervision of the undersigned with a view to determining whether during such fiscal period the Authority performed and observed all its Obligations under the Loan Documents, and

**[select one:]**

**[to the best knowledge of the undersigned during such fiscal period, the Authority performed and observed each covenant and condition of the Loan Documents applicable to it, and no Default or Event of Default has occurred and is continuing.]**

**--or--**

**[the following covenants or conditions have not been performed or observed and the following is a list of each such Default or Event of Default and its nature and status:]**

4. The representations and warranties of the Authority contained in Article V of the Agreement are true and correct on and as of the date hereof, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct as of such earlier date, and except that for purposes of this Certificate, the representations and warranties contained in Section 5.7 of the Agreement shall be deemed to refer to the most recent statements furnished pursuant to Section 7.5 of the Agreement, including the statements in connection with which this Certificate is delivered.

Delivery of an executed counterpart of a signature page of this Certificate by fax transmission or other electronic mail transmission (*e.g.* “pdf” or “tif”) shall be effective as delivery of a manually executed counterpart of this Certificate.



IN WITNESS WHEREOF, the undersigned has executed this Certificate as of \_\_\_\_\_,  
\_\_\_\_\_.

KERN COUNTY HOSPITAL AUTHORITY

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**SCHEDULE 5.23(a)**

**SUBSIDIARIES**

Kern County Surgery Center, LLC

**SCHEDULE 5.23(b)**

**EQUITY INVESTMENTS**

None.



**BOARD OF GOVERNORS  
KERN COUNTY HOSPITAL AUTHORITY REGULAR MEETING**

February 15, 2023

**Subject:** Proposed Amendment No. 7 to Agreement 20119 with Juan M. Lopez, M.D., for professional medical and administrative services in the Department of Obstetrics and Gynecology

**Recommended Action:** Approve; Authorize the Chairman to sign

**Summary:**

Kern Medical requests your Board approve Amendment No. 7 to Agreement 20119 with Juan M. Lopez, M.D., a contract employee, for professional medical and administrative services in the Department of Obstetrics and Gynecology, for the period July 1, 2019 through March 31, 2023. Dr. Lopez, a board-certified obstetrician and gynecologist, has been employed by Kern Medical Center since 2004. Currently he serves as Chair of the Department.

The proposed Amendment is extending the term of the Agreement for one month through March 31, 2023, during which time a new agreement will be negotiated with Dr. Lopez. The Amendment increases the maximum payable by \$40,000, from \$1,660,000 to \$1,700,000, to cover the extended term.

Therefore, it is recommended that your Board approve Amendment No. 7 to Agreement 20119 with Juan M. Lopez, M.D., for professional medical and administrative services in the Department of Obstetrics and Gynecology, extending the term for one month through March 31, 2023, increasing the maximum payable by \$40,000, from \$1,660,000 to \$1,700,000, to cover the extended term, and authorize the Chairman to sign.

**AMENDMENT NO. 7  
TO  
AGREEMENT FOR PROFESSIONAL SERVICES  
CONTRACT EMPLOYEE  
(Kern County Hospital Authority – Juan M. Lopez, M.D.)**

This Amendment No. 7 to the Agreement for Professional Services is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 2023, between Kern County Hospital Authority, a local unit of government (“Authority”), which owns and operates Kern Medical Center (“KMC”), and Juan M. Lopez, M.D. (“Physician”).

**RECITALS**

(a) Authority and Physician have heretofore entered into an Agreement for Professional Services (Agt. #20119, dated May 30, 2019), Amendment No. 1 (Agt. #55319, dated November 26, 2019), Amendment No. 2 (Agt. #05321, dated February 15, 2022), Amendment No. 3 (Agt. #074-2022, dated July 20, 2022), Amendment No. 4 (Agt. #074-2022, dated July 20, 2022) (the “Agreement”), Amendment No. 5 (Agt. #146-2022, dated December 14, 2022), and Amendment No. 6 (Agt. #012-2023, dated January 18, 2023), for the period July 1, 2019 through February 28, 2023, whereby Physician provides professional medical and administrative services in the Department of Obstetrics and Gynecology at KMC; and

(b) The parties agree to amend certain terms and conditions of the Agreement as hereinafter set forth; and

(c) The Agreement is amended effective March 1, 2023;

NOW, THEREFORE, in consideration of the mutual covenants and conditions hereinafter set forth and incorporating by this reference the foregoing recitals, the parties hereto agree to amend the Agreement as follows:

1. Section 1, Term, shall be deleted in its entirety and replaced with the following:

“1. **Term.** The term of this Agreement shall commence as of July 1, 2019 (the “Commencement Date”), and shall end March 31, 2023 (the “Term”), unless earlier terminated pursuant to other provisions of this Agreement as herein stated. This Agreement may be renewed for additional terms, but only upon mutual written agreement of the parties. As used herein, an “Employment Year” shall mean the annual period beginning on the Commencement date and each annual period thereafter.”

2. Section 5, Compensation Package, paragraph 5.8, Maximum Payable, shall be deleted in its entirety and replaced with the following:

“5.8 **Maximum Payable.** The maximum compensation payable under this Agreement shall not exceed \$1,700,000 over the Term of this Agreement.”

3. All capitalized terms used in this Amendment and not otherwise defined, shall have the meaning ascribed thereto in the Agreement.
4. This Amendment shall be governed by and construed in accordance with the laws of the state of California.
5. This Amendment may be executed in counterparts, each of which shall be deemed an original, but all of which take together shall constitute one and the same instrument.
6. Except as provided herein, all other terms, conditions and covenants of the Agreement and any and all amendments thereto shall remain in full force and effect.

[Intentionally left blank]

IN WITNESS TO THE FOREGOING, the parties have executed this Amendment No. 7 as of the day and year first written above.

PHYSICIAN

By \_\_\_\_\_  
Juan M. Lopez, M.D.

KERN COUNTY HOSPITAL AUTHORITY

By \_\_\_\_\_  
Chairman  
Board of Governors

APPROVED AS TO CONTENT:

By \_\_\_\_\_  
Scott Thygerson  
Chief Executive Officer

APPROVED AS TO FORM:  
LEGAL SERVICES DEPARTMENT

By \_\_\_\_\_  
Vice President & General Counsel  
Kern County Hospital Authority

Amend7.Lopez.021023



**BOARD OF GOVERNORS  
KERN COUNTY HOSPITAL AUTHORITY REGULAR MEETING**

February 15, 2023

**Subject:** Proposed Amendment No. 1 to Agreement 19120 for Personal/Professional Services with Cofer & Oberlies, Inc. dba Open and Shut Enterprises

**Requested Action:** Approve; Authorize Chairman to sign

**Summary:**

Kern Medical requests your Board approve Amendment No. 1 to the Personal/Professional Service Agreement with Cofer & Oberlies, Inc., dba Open and Shut Enterprises, to provide service and maintenance repairs to commercial gate systems located at Kern Medical facilities.

The Personal/Professional Services Agreement term is from March 30, 2020 through March 29, 2023. The Amendment, effective February 15, 2023, extends the term three years, from March 30, 2023 through March 29, 2026, at no extra cost.

Therefore, it is recommended that your Board approve Amendment No. 1 to the Personal/Professional Services Agreement with Cofer & Oberlies, Inc. dba Open and Shut Enterprises, effective February 15, 2022, extending the term three years from March 30, 2023 through March 29, 2026, at no extra cost, and authorize the Chairman to sign.



**AMENDMENT NO. 1  
TO  
PERSONAL/PROFESSIONAL SERVICES AGREEMENT  
(Kern County Hospital Authority – Cofer & Oberlies, Inc. dba Open and Shut Enterprises)**

THIS AMENDMENT TO AGREEMENT, effective February 15, 2023, is between the Kern County Hospital Authority, a local unit of government ("KCHA"), which owns and operates Kern Medical Center ("KMC"), and Cofer & Oberlies, Inc. dba Open and Shut Enterprises ("Consultant") with its principal place of business located at 6612 Downing Avenue, Bakersfield, California 93308.

WITNESSETH:

WHEREAS, KCHA and Consultant entered into a Personal/Professional Services Agreement dated March 30, 2020 (PPSA# 19120) ("Agreement"), for the period March 30, 2020 through March 29, 2023; and

WHEREAS, the parties to the Agreement desire to amend the Agreement as specified herein below;

NOW, THEREFORE, KCHA and Consultant do mutually agree as follows (check those applicable):

  X   **Term.** The Agreement shall be extended from March 29, 2023 to March 29, 2026, unless sooner terminated as provided for in the Agreement.

Except as expressly amended herein, all provisions of the Agreement, as previously amended, shall remain in full force and effect.

IN WITNESS WHEREOF, this Amendment No. 1 to the Agreement has been executed as of the date indicated above.

**KERN COUNTY HOSPITAL AUTHORITY**

By \_\_\_\_\_  
Russell Bigler, Chairman, Board of Governors  
"KCHA"

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

**APPROVED AS TO CONTENT:**

Responsible KCHA Department

By \_\_\_\_\_  
Scott Thygerson, Chief Executive Officer

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

**CONSULTANT**

By  \_\_\_\_\_  
"Consultant"

Date: 1-10-2023

**APPROVED AS TO FORM:**

Legal Services Department

By Jamie A. Mason \_\_\_\_\_  
Hospital Counsel

Date: January 10, 2023



**BOARD OF GOVERNORS  
KERN COUNTY HOSPITAL AUTHORITY REGULAR MEETING**

February 15, 2023

**Subject:** Proposed Personal/Professional Services Agreement with Perspective Design Architects, Inc., doing business as PDA, Inc.

**Recommended Action:** Approve; Authorize Chairman to sign

**Summary:**

Kern Medical requests your Board approve the Personal/Professional Services Agreement with Perspective Design Architects, Inc., doing business as PDA, Inc., to provide design services for budgeted construction project at Kern Medical facilities.

The term of the Agreement is three years, effective February 15, 2023, with a maximum payable not to exceed \$750,000.

Therefore, it is recommended that your Board approve the Personal/Professional Services Agreement with Perspective Design Architects, Inc., doing business as PDA, Inc., effective February 15, 2023, with a maximum payable not to exceed \$750,000 for the three-year term, and authorize the Chairman to sign.

**KERN COUNTY HOSPITAL AUTHORITY  
PERSONAL/PROFESSIONAL SERVICES AGREEMENT  
SCHEDULE TO MASTER TERMS AND CONDITIONS: PPSA**

THIS SCHEDULE shall be effective on: February 15, 2023 ("Effective Date") and shall terminate no later than February 14, 2026.

Kern County Hospital Authority Department: Engineering ("Responsible KCHA Department")

Located at: 1700 Mt. Vernon Avenue, Bakersfield, CA 93306.

Service Provider: Perspective Design Architects, Inc. dba PDA, Inc. ("Consultant")

Located at: 9500 Valley Oak Court, Bakersfield, California 93311

Consultant is (select one):  
 Sole Proprietorship  
 Incorporated in the State of California.  
 Other (specify) \_\_\_\_\_

Consultant shall provide those services described in Exhibit "A" which is attached hereto and incorporated herein by this reference.

Kern County Hospital Authority ("KCHA") shall compensate Consultant for all services to be provided hereunder in an aggregate sum not to exceed \$750,000. Consultant will quote each project and a Purchase Order will be used under this Agreement for each approved Project.

(Select one of the following two)

KCHA shall **not** reimburse Consultant for any costs or travel expenses incurred by Consultant hereunder.  
 KCHA shall reimburse Consultant for all necessary and reasonable actual costs or travel expenses incurred on behalf of KCHA. If the reimbursable expenses include travel, the travel expenses must be reasonable and necessary, approved in advance by the Responsible KCHA Department, and shall not exceed the following KCHA per diems: Lodging, \$116.00 per night plus tax; breakfast, \$14.00; lunch, \$16.00; dinner, \$26.00; economy rental car; and mileage, if by private automobile, at \$.56 per mile; and by common carrier at actual fare charged for economy or coach class.

Consultant shall be required to have the following Insurance coverages, as described in the Master Terms and Conditions, in the minimum amounts indicated: (select all that apply)

Workers' Compensation: As required by California Labor Code Section 3700  
 Commercial General Liability (\$1,000,000/Occurrence & \$2,000,000/Aggregate) or other amounts \_\_\_\_\_ & \_\_\_\_\_  
 Automobile Liability (\$1,000,000/Occurrence) or other amounts \_\_\_\_\_ & \_\_\_\_\_  
 Professional Liability (\$1,000,000/Occurrence & \$2,000,000/Aggregate) or other amounts \_\_\_\_\_ & \_\_\_\_\_

**Note:** If a lesser amount is shown, the Responsible KCHA Department must obtain the prior written approval of KCHA's Risk Manager.

Should any conflicts arise between this Schedule and the Master Terms and Conditions attached hereto and incorporated herein by this reference, the Schedule shall control.

**IN WITNESS WHEREOF**, each party has signed this Schedule upon the date indicated, and agrees, for itself, its employees, officers, partners and successors, to be fully bound by all terms and conditions of this Agreement.

**KERN COUNTY HOSPITAL AUTHORITY**

**APPROVED AS TO CONTENT:**  
Responsible KCHA Department

By \_\_\_\_\_  
Russell Bigler, Chairman, Board of Governors  
"KCHA"

By \_\_\_\_\_  
Scott Thygerson, Chief Executive Officer

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

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

**PERSPECTIVE DESIGN ARCHITECTS,  
INC. dba PDA, INC.**

**APPROVED AS TO FORM:**  
Legal Services Department

By Jamie A. Mason  
Hospital Counsel, Kern County Hospital Authority

By \_\_\_\_\_

Name: ANDREW J ENB  
Title: President  
"Consultant"

Date: February 7, 2023

Date: 2-6-23

## **EXHIBIT A SERVICES**

Consultant shall provide the Services indicated below for the Responsible Authority Department based on the payment schedule and services set forth in each completed Work Authorization Form, the form of which is attached hereto as Exhibit B.

1. Full description of Services:

**1.1 GENERAL SERVICES OF CONSULTANT**

A. Consultant shall provide Architectural/Engineering Services for major maintenance and capital projects for Kern County Hospital Authority facilities at intermittent intervals and shall be prepared to render services at any time and for any period Authority may require. Consultant shall provide services pursuant to the issuance of a "Work Authorization" (the form of which is attached hereto and incorporated herein as Exhibit B) as required by Authority's Construction Services Division.

B. Services shall be provided on an as-needed basis with dates to be determined by Authority pursuant to a fully completed and properly executed Work Authorization Form. No work shall be initiated under this Agreement unless specifically approved by the Construction Services Division.

C. All services performed by Consultant shall be in conformity with this Agreement and shall be performed to the satisfaction of the Director of the General Services Department or his designee ("Director"). All work not conforming to all requirements will be reported to Consultant for resolution by Consultant.

D. Consultant shall coordinate all correspondence and communications regarding services to be provided under this Agreement through Authority's Construction Services Division or their designee.

**1.2 DESIGN SERVICES OF CONSULTANT**

A. Schematic Design Phase:

Consultant shall consult with Authority to ascertain project requirements.

Consultant shall prepare for Authority's review and approval Schematic Design Studies and a general project description as it pertains to the architectural/engineering discipline(s) to be performed by Consultant.

Consultant shall estimate probable project construction cost, subject to revision at the Design Development Phase.

B. Design Development Phase:

Consultant shall prepare (from the approved Schematic Design Documents) Design Development Documents, and technical outline specifications. These documents shall include standards for and kinds of materials and include standards for compliance with the current California Building Code, National Electrical Code, Uniform Plumbing Code, Uniform Mechanical Code, Uniform Fire Code, California Administrative Code Titles 15, 19 and 24 and all State laws and County ordinances, rules of the State or County Health Departments, rules of the National Board of Fire Underwriters and National Fire Protection Associations, and local power company regulations as required for the architectural/engineering discipline(s) to be performed by Consultant.

Based on the Authority approved plans developed in the Schematic Design Phase, the Consultant shall refine these final construction documents.

Consultant shall assist Authority with submissions required for project approvals from appropriate public agencies. Consultant shall incorporate all modifications, changes or comments generated by these agencies on the Design Development Phase drawings.

Consultant shall return corrections, changes, etc., to Authority within fifteen (15) days of receipt, or pursuant to such specific, written authorization from Authority to exceed the fifteen (15) day response time.

**C. Construction Document Phase:**

Consultant shall prepare, from the approved Design Development Documents, working drawings and specifications, setting forth in detail the work to be done, the materials, workmanship, finishes, and equipment required for the architectural/engineering discipline(s) to be performed by Consultant.

Consultant shall assist Authority with submissions required for project approvals from appropriate public agencies. Consultant shall incorporate all modifications, changes or comments generated by these agencies on the Construction Document Phase drawings.

Consultant shall notify Authority whether there is an indicated material adjustment from previous estimates of the project construction cost arising from market fluctuations or approved changes in the Project's scope of requirements.

**D. Construction Phase:**

Consultant, following Authority's approval of the Construction Documents, shall assist Authority in obtaining bids from contractors including, but not limited to, responding to inquiries and preparing and responding to addenda requisite to obtaining bids and awarding the construction contract or contracts.

Consultant shall provide technical assistance and guidance to a Project Inspector to be employed by and be responsible to Authority.

Consultant shall take reasonable precautions to secure the contractor's compliance with the contract requirements but does not guarantee the performance of contractor's contracts.

Consultant shall provide general administration of the Construction Contract, including attendance at construction meetings on site and such periodic visits at the site as Authority deems necessary to assist in obtaining compliance with Contract Documents and endeavor to protect Authority against defects or deficiencies in the work of the contractor; make regular reports as required by applicable public agencies; keep Authority informed of construction progress; review and check schedules and shop drawings for compliance with design; review and make recommendations to Authority for proposed substitutions of materials, equipment, products and systems; review and make recommendations to Authority for submittal of product data and samples proposed for use; and review and forward to Authority, within fifteen (15) working days after receipt, submittal of contractor's shop drawings of fabrication and installation details proposed for use, provided such submittals were requested in Construction Document working drawings and specifications.

Consultant shall not be responsible for construction means, methods, techniques, sequences or procedures, the safety precautions and programs in connection with the work, or the contractor's failure to carry out the work in accordance with the Contract Documents.

Consultant's services shall continue throughout the Construction Phase, notwithstanding any delays in construction of the Project. Consultant, as part of Consultant's services to Authority, shall attempt to expedite the progress of the construction work by means of oral and written communications and by reference to agreed and accepted schedules. Consultant is not responsible for delays in construction occasioned by actions of the general contractor, or by anyone performing work for the

contractor, pursuant to subcontracts or otherwise. Authority will not pay additional compensation to the Consultant, or reimburse Consultant, for any expenses incurred as a result of construction delays.

Consultant, at no additional cost to Authority, shall provide advice to Authority on apparent deficiencies in project construction, which are discovered within one (1) year after the date of the Notice of Completion.

### **1.3 ADDITIONAL SERVICES OF THE CONSULTANT**

The additional professional services listed in this section are not part of the basic services Consultant is to render pursuant to this Agreement.

Consultant agrees to render such of these additional services as the Authority directs in a written authorization which shall include mutually agreed upon terms and conditions, including payment provisions, for rendering them; provided, however, that if the need for the additional services is caused by error, omission or neglect of Consultant or persons employed by Consultant in the rendition of the services required by this Agreement, Consultant shall render the directed additional services without charge or cost to Authority:

A. Revisions and changes in approved documents except those which are required by public agencies other than Authority as conditions for project approvals and are included within the requirements of the design development and construction document phases stated above.

B. Plan preparation for portions of Project construction work to be let on a segregated bid basis.

C. Services for repair of damage to the Project.

D. If directed by Authority, the employment of special consultants and preparation of special delineations and models.

E. Providing detailed quantity surveys or inventories of materials, equipment and labor.

2. Consulting services shall be provided on an as needed basis to be determined by Authority pursuant to a fully completed and properly executed Work Authorization Form.

3. If training is involved, the hours per day that are included in the training and minimum/maximum number of staff/trainees allowed to attend the training: N/A

4. Materials, equipment, facilities, manuals, study guides, etc., will be provided as indicated to assist the Consultant in provision of Services:

#### **By Responsible Authority Department:**

A. Authority shall be responsible for submission to all governing agencies for approvals.

B. Authority shall provide information about the requirements for the Project, including realistic budget limitations and scheduling.

C. Authority shall provide all necessary materials testing such as compaction tests and material sampling.

D. Authority shall pay any required fees of public agencies having jurisdiction over approving the Project.

E. Authority shall review documents submitted by Consultant and shall promptly render decisions pertaining thereto to avoid unreasonable delay in the progress of the Project.

F. Authority shall provide bid and contract administration services.

G. Authority shall furnish continuous inspection services.

H. Authority shall furnish copies of existing information.

By Consultant:

N/A



Standard Hourly Rates for Architectural Services as of January 31, 2023:

|                         |          |
|-------------------------|----------|
| Principal.....          | \$175.00 |
| Architect/Designer..... | \$150.00 |
| Drafting I.....         | \$90.00  |
| Drafting II.....        | \$75.00  |
| Clerical.....           | \$50.00  |



**EXHIBIT B**  
**KERN COUNTY HOSPITAL AUTHORITY**  
**WORK AUTHORIZATION FORM**  
 (To be Completed and Signed Before Work Commences)

1. Number: \_\_\_\_\_ Contract Number: \_\_\_\_\_.

2. Date Prepared: \_\_\_ / \_\_\_ / \_\_\_ Prepared By: \_\_\_\_\_.

3. Narrative Description of Work to be Performed: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

4. Narrative Description of Deliverable Product or Service: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

**5. Direct Costs:**

| <u>Positions Assigned/Person</u> | <u>Hourly Rate</u> | <u>Hours</u> | <u>Cost Extension</u> |
|----------------------------------|--------------------|--------------|-----------------------|
| _____                            | _____              | _____        | _____.                |
| _____                            | _____              | _____        | _____.                |
| _____                            | _____              | _____        | _____.                |
| _____                            | _____              | _____        | _____.                |
| TOTAL:                           |                    |              | _____.                |

**6. Other Direct Costs:**

| <u>Description and Justification</u> | <u>Cost Extension</u> |        |
|--------------------------------------|-----------------------|--------|
| _____                                | _____.                |        |
| _____                                | _____.                |        |
| _____                                | _____.                |        |
| TOTAL:                               |                       | _____. |

**7. Work Authorization Schedule:**

Start Date:   /  /  

Completion Date:   /  /  

**8. Payment Schedule:**

Consultant shall provide the Services indicated below for the Responsible Authority Department based on the following payment schedule:

   Consultant shall invoice monthly for hours expended over the prior thirty (30) days; Authority to retain twenty percent (20%) of all invoiced amounts until final Authority acceptance of services.

   Consultant shall invoice upon the successful completion of milestones:

(Insert percentages next to applicable milestones)

  % Upon completion of hardware installation

  % Upon completion of software installation

  % Upon completion of training

  % Other Milestone (describe)

  % Other Milestone (describe)

  % Other Milestone (describe)

  % Other Milestone (describe)

  % Upon completion and Authority acceptance of services

   Consultant shall invoice Authority as follows: (describe in detail any payment schedule, milestone payments, percentages and retention as applicable)

Individual scope for each project shall define agreed upon payment schedule

**9. Signatures:**

**IN WITNESS WHEREOF**, the parties hereto have caused this Work Authorization to be executed on the day and year first above written.

**APPROVED**

\_\_\_\_\_  
Authority - Special Projects Manager

\_\_\_\_\_  
Consultant

## EXHIBIT "C" Insurance

With respect to performance of work under this Agreement, Consultant shall maintain and shall require all of its subcontractors, consultants, and other agents to maintain insurance as described below unless such insurance has been expressly waived in writing by KCHA. Any requirement for insurance to be maintained after completion of the work shall survive the termination or expiration of this Agreement.

KCHA reserves the right to review any and all of the required insurance policies and/or endorsements, but has no obligation to do so. Failure to demand evidence of full compliance with the insurance requirements set forth in this Agreement or failure to identify any insurance deficiency shall not relieve Consultant from, nor be construed or deemed a waiver of, its obligation to maintain the required insurance at all times during the performance of this Agreement.

### 1. Workers' Compensation and Employers Liability Insurance:

- (a) Required if Consultant has employees. If Consultant currently has no employees, Consultant's written confirmation of such will be required before execution of this Agreement. If Consultant engages any employees during the term of this Agreement or any extensions thereof, Consultant agrees to obtain the specified Workers' Compensation and Employers Liability insurance.
- (b) Workers' Compensation insurance with statutory limits as required by the California Labor Code.
- (c) Employers Liability with limits of \$1,000,000 per Accident; \$1,000,000 Disease per employee; \$1,000,000 Disease per policy.
- (d) Waiver of Subrogation: The Workers' Compensation policy shall be endorsed with a waiver of subrogation in favor of KCHA for all work performed by Consultant, its employees, agents and subcontractors.
- (e) Required Evidence of Insurance: Certificate of Insurance.

### 2. General Liability Insurance:

- (a) Commercial General Liability Insurance on a standard occurrence form, no less broad than Insurance Services Office (ISO) form CG 00 01.
- (b) Minimum Limits: \$1,000,000 per Occurrence; \$2,000,000 General Aggregate; \$2,000,000 Products/Completed Operations Aggregate. The required limits may be provided by a combination of General Liability Insurance and Commercial Umbrella Liability Insurance. If Consultant maintains higher limits than the specified minimum limits, KCHA requires and shall be entitled to coverage for the higher limits maintained by Consultant.
- (c) If Consultant has no Owned automobiles, the General Liability policy shall include Non-Owned and Hired Automobile Liability in the amount of \$1,000,000 combined single limit per accident.
- (d) Any deductible or self-insured retention shall be shown on the Certificate of Insurance. If the deductible or self-insured retention exceeds \$25,000 it must be approved in advance by KCHA. Consultant is responsible for any deductible or self-insured retention and shall fund it upon KCHA's written request, regardless of whether Consultant has a claim against the insurance or is named as a party in any action involving KCHA.
- (e) KCHA shall be named as an additional insured for liability arising out of operations by or on behalf of Consultant in the performance of this Agreement. See section 6 below for full Additional Insured wording.
- (f) The insurance provided to KCHA as an additional insured shall be primary to and non-contributory with any insurance or self-insurance program maintained by KCHA.
- (g) The policy definition of "insured contract" shall include assumptions of liability arising out of both ongoing operations and the products-completed operations hazard (broad form contractual liability coverage including the "f" definition of insured contract in ISO form CG 00 01, or equivalent).
- (h) The policy shall cover inter-insured suits between KCHA and Consultant and include a "separation of insureds" or "severability" clause, which treats each insured separately.
- (i) Required Evidence of Insurance: (i) Copy of the additional insured endorsement or policy language granting additional insured status; and (ii) Certificate of Insurance.

### 3. Automobile Liability Insurance:

- (a) Minimum Limits: \$1,000,000 combined single limit per accident for bodily injury and property damage.
- (b) Insurance shall apply to all Owned autos. If Consultant currently owns no autos, Consultant agrees to obtain such insurance should any autos be acquired during the term of this Agreement or any extensions thereof.
- (c) Insurance shall include coverage for Non-Owned and Hired autos. (See requirements in section 1(c) above if there is no separate Automobile Liability coverage.)
- (d) KCHA shall be named as an additional insured for liability arising out of operations by or on behalf of Consultant in the performance of this Agreement. See section 6 for full Additional Insured wording.
- (e) Required Evidence of Insurance: Certificate of Insurance.

### 4. Professional Liability Insurance (Errors and Omissions):

- (a) Professional Liability Insurance (Errors and Omissions) appropriate to Consultant's profession.
  - (b) Minimum Limits: \$1,000,000 per Occurrence or Claim; \$3,000,000 Annual Aggregate. If Consultant maintains higher limits than the specified minimum limits, KCHA requires and shall be entitled to coverage for the higher limits maintained by Consultant.
  - (c) Any deductible or self-insured retention shall be shown on the Certificate of Insurance. If the deductible or self-insured retention exceeds \$25,000 it must be approved in advance by KCHA. Consultant is responsible for any deductible or self-insured retention and shall fund it upon KCHA's written request, regardless of whether Consultant has a claim against the insurance or is named as a party in any action involving KCHA.
  - (d) Required Evidence of Coverage: Certificate of Insurance.
5. Standards for Insurance Companies: Insurers shall have an A.M. Best's rating of at least A;VII.
6. Additional Insured Wording: "**Kern County Hospital Authority, its officers, officials, employees and volunteers**" are to be named as Additional Insureds as per each section where noted above.
7. Claims Made Policies: If any of the required policies provide coverage on a claims-made basis:
- (a) The Retroactive Date must be shown and must be before the Effective Date of the Agreement or the beginning of contract work.
  - (b) Insurance must be maintained and evidence of insurance must be provided *for at least five (5) years after completion of the contract work*.
  - (c) If coverage is canceled or non-renewed, and *not replaced with another claims-made policy form with a Retroactive Date* prior to the contract effective date, Consultant must purchase "extended reporting" coverage for a minimum of *five (5) years* after completion of the contract work.
8. Documentation:
- (a) The Certificate of Insurance must include the following reference: "**Agreement for Professional Services – Master Facility Plan.**"
  - (b) All required Evidence of Insurance shall be submitted prior to the execution of this Agreement. Consultant agrees to maintain current Evidence of Insurance on file with KCHA for the entire term of this Agreement and any additional periods if specified in sections 1, 2, 3 or 4 above.
  - (c) The name and address for the Certificates of Insurance and Additional Insured endorsements is: Kern County Hospital Authority, c/o Kern Medical Center, 1700 Mount Vernon Avenue, Bakersfield, California 93306.
  - (d) Required Evidence of Insurance shall be submitted for any renewal or replacement of a policy that already exists, at least 10 days before expiration or other termination of the existing policy.
  - (e) Consultant shall provide immediate written notice if: (i) any of the required insurance policies is terminated; (ii) the limits of any of the required policies are reduced; or (iii) the deductible or self-insured retention is increased.
  - (f) Upon written request, certified copies of required insurance policies must be provided to KCHA within 30 days.
9. Policy Obligations: Consultant's indemnity and other obligations shall not be limited by the foregoing insurance requirements.
10. Primary Coverage: For any claims related to this Agreement, Consultant's insurance coverage shall be primary insurance coverage at least as broad as ISO CG 20 01 04 13 as respects KCHA, its officers, directors, officials, employees, and volunteers. Any insurance or self-insurance maintained by KCHA, its officers, directors, officials, employees, or volunteers shall be excess of Consultant's insurance and shall not contribute with it.
11. Waiver of Subrogation: Consultant hereby grants to KCHA a waiver of any right to subrogation, which any insurer of said Consultant may acquire against KCHA by virtue of the payment of any loss under such insurance. Consultant agrees to obtain any endorsement that may be necessary to affect this waiver of subrogation, but this provision applies regardless of whether or not KCHA has received a waiver of subrogation endorsement from the insurer.
12. Material Breach: If Consultant fails to maintain the insurance required by this Agreement, it shall be deemed a material breach of this Agreement. KCHA, at its sole option, may terminate this Agreement and obtain damages from Consultant resulting from said breach. Alternatively, KCHA may purchase the required insurance, and without further notice to Consultant, KCHA may deduct from sums due to Consultant any premium costs advanced by KCHA for such insurance. These remedies shall be in addition to any other remedies available to KCHA.

[Intentionally left blank]

**EXHIBIT E**  
**ADDITIONAL TERMS APPLICABLE TO CONSTRUCTION/ENGINEERING AGREEMENTS**

The Kern County Hospital Authority (KCHA), a public agency that is a local unit of government, which owns and operates Kern Medical Center, is subject to a variety of statutes (e.g. codes) and regulations that now apply to you as a Consultant/Contractor of KCHA. This Exhibit E outlines some, but not necessarily all of the requirements that you may now be required to meet as a Consultant/Contractor of a public entity.

**I. COMPLIANCE WITH LABOR STANDARDS**

1. KCHA has determined that the work contemplated by this Agreement falls within the definitions of "Public Works" set forth in the California Labor Code. Contractor acknowledges that Contractor is fully aware of prevailing wage requirements for public works projects as set forth in Article 2 (commencing with section 1770) of Chapter 1, Part 7 of the California Labor Code ("Prevailing Wage Requirements") and Contractor agrees to comply with the provisions of that Article to the extent the Prevailing Wage Requirements are applicable to the work conducted under this Agreement. Contractor further agrees that to the extent applicable, Contractor shall require any subcontractor it contracts with to comply with the Prevailing Wage Requirements. Contractor also agrees to indemnify, defend (upon request of KCHA) and hold, its officers, agents and employees, harmless from all claims, costs, causes of action, attorney fees, damages or liability from the failure of Contractor or Contractor's subcontractors to comply with the Prevailing Wage Requirements.

The Department of Industrial Relations of the State of California has determined the general prevailing rate of wages for each craft, classification or type of workers needed in the execution of contracts under the jurisdiction of Kern County. The schedule of rates can be obtained from or are on file with the Engineering Department at Kern Medical Center, located at 1700 Mt. Vernon Avenue, Bakersfield, CA 93305 and is hereby incorporated herein by this reference.

**II. APPRENTICESHIP PROGRAM**

**1. Compliance Required**

Contractor and Subcontractors shall comply with the requirements of California Labor Code §§1776, 1777.5, and 1777.6 concerning the employment of apprentices by Contractor or Subcontractors. Willful failure to comply may result in penalties, including loss of the right to Bid on or receive public works contracts.

**2. Certification of Approval**

California Labor Code §1777.5, as amended, requires a Contractor or Subcontractor employing tradespersons in any apprenticeable occupation to apply to the joint apprenticeship committee nearest the site of a public works project and which administers the apprenticeship program in that trade for a certification of approval. The certificate shall also fix the ratio of apprentices to journeypersons that will be used in performance of the Contract. The ratio of work performed by apprentices to journeypersons in such cases shall not be less than one *hour* of apprentices work for every five *hours* of labor performed by journeypersons (the minimum ratio for the land surveyor classification shall not be less than one apprentice for each five journeypersons), except:

- A. When unemployment for the previous three month period in the area exceeds an average of 15 percent;
- B. When the number of apprentices in training in the area exceeds a ratio of one to five;
- C. When a trade can show that it is replacing at least 1/30 of its membership through apprenticeship training on an annual basis state-wide or locally; or
- D. Assignment of an apprentice to any work performed under a public works contract would create a condition which would jeopardize his or her life or the life, safety, or property of fellow employees or the public at large or if the specific task to which the apprentice is to be assigned is of such a nature that training cannot be provided by a journeyperson.

**3. Fund Contributions**

Contractor is required to make contributions to funds established for administration of apprenticeship programs if Contractor employs registered apprentices or journeypersons in any apprenticeable trade on such contracts and if other contractors on the public works site are making such contributions.

**4. Apprenticeship Standards**

Information relative to apprenticeship standards, wage schedules, and other requirements may be obtained from the Director of the California Department of Industrial Relations, or from the Division of Apprenticeship Standards and its branch offices.

**III. SUPPLEMENTARY CONDITIONS – INSURANCE AND INDEMNIFICATION**

**1. INSURANCE**

- A. In addition to the Insurance requirements in Exhibit C, Contractor, in order to protect the KCHA and its board members, officials, agents, officers, employees and volunteers against all claims and liability for death, injury, loss and damage as a result of

Contractor's actions in connection with the performance of Contractor's obligations, as required in the Contract Documents, shall secure and maintain insurance as described below. Contractor shall not perform any work under the Contract Documents until Contractor has obtained all insurance required under this section and the required certificates of insurance and all required endorsements have been filed with KCHA's authorized insurance representative, Exigis.

**1) Workers' Compensation and Employers Liability Insurance Requirement** -- In the event Contractor has employees who may perform any services pursuant to the Contract Documents, Contractor shall submit written proof that Contractor is insured against liability for workers' compensation in accordance with the provisions of section 3700 of the California Labor Code.

By signing the Agreement, Contractor makes the following certification, required by section 1861 of the Labor Code:

I am aware of the provisions of section 3700 of the Labor Code which require every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that code, and I will comply with such provisions before commencing the performance of the work pursuant to the Contract Documents.

2) If injury occurs to any employee of Contractor, Subcontractor or sub-subcontractor for which the employee, or the employee's dependents in the event of employee's death, is entitled to compensation from KCHA under provisions of the Workers' Compensation Insurance and Safety Act, as amended, or for which compensation is claimed from KCHA, KCHA may retain out of sums due Contractor under the Contract Documents, an amount sufficient to cover such compensation, as fixed by the Workers' Compensation Insurance and Safety Act, as amended, until such compensation is paid, or until it is determined that no compensation is due. If KCHA is compelled to pay compensation, KCHA may, in its discretion, either deduct and retain from the Contract Sum the amount so paid, or require Contractor to reimburse KCHA.

3) Nothing herein shall be construed as limiting in any way the extent to which Contractor or any Subcontractor may be held responsible for payment of damages resulting from their operations.

4) All Subcontractors shall maintain the same insurance required to be maintained by Contractor with respect to their portions of the Work unless otherwise indicated in the Contract Documents, and Contractor shall cause the Subcontractors to furnish proof thereof to KCHA within ten days of KCHA's request.

## 2. INDEMNIFICATION

- A. In addition to the Indemnification requirements in the Agreement, KCHA and each of its officers, employees, consultants and agents including, but not limited to, its Board, Project Manager and any Representative, shall not be liable or accountable in any manner for loss or damage that may happen to any part of the Work; loss or damage to materials or other things used or employed in performing the Work; injury, sickness, disease, or death of any person; or damage to property resulting from any cause whatsoever except their sole negligence, willful misconduct or active negligence, attributable to performance or character of the Work, and Contractor releases all of the foregoing persons and entities from any and all such claims.
- B. To the furthest extent permitted by law (including without limitation California Civil Code §2782), Contractor shall assume defense of, and indemnify and hold harmless, KCHA in accordance with the Agreement and with respect to third-party claims against Contractor, Contractor waives any and all rights to any type of express or implied indemnity against KCHA and each of its officers, employees, consultants and agents including, but not limited to KCHA, the Board, Project Manager and any Representative. KCHA shall provide timely notice to Contractor of any third-party claim relating to the Contract Documents, in accordance with Section 9201 of the California Public Contract Code.
- 1) Approval or purchase of any insurance contracts or policies shall in no way relieve from liability nor limit the liability of Contractor, its Subcontractors of any tier, or the officers or agents of any of them.
  - 2) To the furthest extent permitted by law (including, without limitation, Civil Code §2782), the indemnities, releases of liability and limitations of liability, claims procedures, and limitations of remedy expressed throughout the Contract Documents shall apply even in the event of breach of Contract, negligence (active or passive), fault or strict liability of the party(ies) indemnified, released, or limited in liability, and shall survive the termination, rescission, breach, abandonment, or completion of the Work or the terms of the Contract Documents. If Contractor fails to perform any of these defense or indemnity obligations, KCHA may in its discretion back charge Contractor for KCHA's costs and damages resulting therefrom and withhold such sums from progress payments or other Contract moneys which may become due.
  - 3) The indemnities in the Contract Documents shall not apply to any indemnified party to the extent of its sole negligence or willful misconduct; nor shall they apply to KCHA or other indemnified party to the extent of its active negligence.

**KERN COUNTY HOSPITAL AUTHORITY**  
**PERSONAL/PROFESSIONAL SERVICES AGREEMENT**  
**MASTER TERMS AND CONDITIONS**  
**PPSA-STANDARD**

THIS AGREEMENT ("Agreement") is entered into on the Effective Date shown on the attached Schedule, by and between the KERN COUNTY HOSPITAL AUTHORITY, a local unit of government, which owns and operates Kern Medical Center, as represented by the Chief Executive Officer ("KCHA"), with its principal location at 1700 Mount Vernon Avenue, Bakersfield, CA 93306, and CONSULTANT identified on the Schedule ("Consultant"). KCHA and Consultant are individually referred to as a "Party" and collectively as the "Parties."

**RECITALS**

A. KCHA is authorized, pursuant to Section 101852 of Part 4 of Division 101 of the Health and Safety Code, to contract for special services with individuals specially trained, experienced, expert, and competent to perform those services; and

B. The KCHA Department identified on the Schedule as the Responsible KCHA Department requires those services which are specified in **Exhibit A**.

C. KCHA desires to engage Consultant to provide the services and Consultant, by reason of its qualifications, experience, and facilities for doing this type of work, has offered to provide the required services on the terms set forth in this Agreement.

D. The Chief Executive Officer ("CEO") has been authorized by the Board of Governors to contract for personal/professional services in an amount not to exceed \$250,000 per year of a three (3) year agreement.

**AGREEMENT**

1. **Services to be Rendered.** Consultant shall provide the services and products described in **Exhibit A** ("Services").
2. **Compensation to Consultant.** KCHA shall compensate Consultant in accordance with the compensation selection(s) shown on the Schedule. No additional compensation shall be paid for secretarial, clerical support staff, overhead or any other costs incurred by Consultant by providing the Services to KCHA.
3. **Reimbursement Policy and Billing Requirements.** All invoices for payment shall be submitted in a form approved by KCHA based upon the payment schedule selected on Schedule, shall contain an itemization of all costs and fees broken down monthly (including an itemization of all reimbursable expenses incurred, including travel if applicable) and shall be stated as a cumulative total. Invoices shall be sent for review and processing to the Responsible KCHA Department. Consultant shall also provide an informational copy to the CEO. Payment shall be made to Consultant within 30 days of receipt and approval of the invoice by the Responsible KCHA Department.
4. **Term.** This term of this Agreement ("Term") shall start on the Effective Date and shall terminate on the Termination Date, unless sooner terminated as provided in this Agreement.
5. **Assignment.** Consultant shall not assign, transfer or encumber this Agreement, or any part, and Consultant shall not assign any monies due or which become due to Consultant under this Agreement, without the prior written consent of the CEO.
6. **Audit, Inspection and Retention of Records.** Consultant shall maintain and make available to KCHA accurate books and records relative to the Services under this Agreement. Consultant shall permit KCHA to audit, examine and make excerpts and transcripts from its records and to conduct audits of all invoices, materials, records of personnel or other data related to the Services under this Agreement. Consultant shall maintain its data and records in an accessible location and condition for a period of not less than three years from the date of final payment under this Agreement, or until after the conclusion of any audit, whichever occurs last. The State of California and/or any federal agency having an interest in the subject of this Agreement shall have the same rights as KCHA.
7. **Authority to Bind KCHA.** It is understood that Consultant, in Consultant's performance of any Services under this Agreement, except as otherwise provided in this Agreement, has no authority to bind KCHA to any agreements or undertakings.
8. **Indemnification.**
  - a. **General.** Consultant shall defend, indemnify, and hold harmless KCHA and KCHA's board members, elected and appointed officials, officers, employees, agents, volunteers and authorized representatives ("**KCHA Indemnified Parties**") from any losses, liabilities, charges, damages, claims, liens, causes of action, awards, judgments, costs (including attorneys' fees of in-

house and outside counsel, expert fees, costs of staff time, and investigation costs) ("**Claims**") which arise out of or relate to any act or omission of Consultant or Consultant's officers, employees, agents and subcontractors of any tier hired by Consultant to perform the Services ("**Consultant Representatives**"). This indemnification obligation shall include bodily and personal injury or death to any person; damage to any property, regardless of where located, including the property of KCHA; and any workers' compensation Claim arising from or relating to any Services.

b. **Immigration Reform and Control Act.** Consultant acknowledges that Consultant and Consultant Representatives are aware of and understand the Immigration Reform and Control Act ("**IRCA**"). Consultant is and shall remain in compliance with the IRCA and shall ensure that any Consultant Representatives are and shall remain in compliance with the IRCA. In addition, Consultant shall defend, indemnify and hold harmless KCHA and KCHA Indemnified Parties from any Claims which arise out of or relate to any allegations that Consultant and Consultant Representatives are not authorized to work in the United States and/or any other allegations based upon alleged IRCA violations committed by Consultant or Consultant Representatives.

c. **Infringement Claim.** If any Claim is asserted or action or proceeding brought against KCHA or KCHA Indemnified Parties which alleges that all or any part of the Services in the form supplied by Consultant or KCHA's use, infringes or misappropriates any United States or foreign patent or copyright, or any trade secret or other proprietary right, KCHA shall give Consultant prompt written notice. Consultant shall defend any Claim with counsel of Consultant's choice and at Consultant's sole cost and shall indemnify KCHA for any costs, including attorney's fees and damages actually incurred by KCHA, including steps KCHA may take to avoid entry of any default judgment or other waiver of KCHA's rights. KCHA shall cooperate fully with and may monitor Consultant in the defense of any claim, action or proceeding and shall make employees available as Consultant may reasonably request with regard to the defense, subject to reimbursement by Consultant of all costs incurred by KCHA's cooperation in the defense.

d. **Remedy of Infringement Claim.** If the Services are, in Consultant's opinion, likely to become or do become the subject of a claim of infringement or misappropriation of a United States or foreign patent, copyright, trade secret or other proprietary right, or if a temporary restraining order or other injunctive relief is entered against the use of part or all of the Services, Consultant shall within 90 days:

1. **Replace.** Promptly replace the Services with compatible, functionally equivalent and non-infringing Services;

2. **Modify.** Promptly modify the Services to make them non-infringing without materially impairing KCHA's ability to use the Services as intended;

3. **Procure Rights.** Promptly procure the right of KCHA to continue using the Services; or

4. **Refund.** As a last resort, if none of these alternatives is reasonably available to Consultant, and KCHA is enjoined or otherwise precluded legally from using the Services, Consultant shall, within 120 days of the judgment or other court action, promptly refund to KCHA all fees and costs paid for the Services, and this Agreement shall terminate. All licensed products will be disposed of as ordered by the governing court at the sole cost of Consultant or as determined by KCHA if the court does not so direct.

e. **Modification of Services.** This indemnification does not extend to modifications or additions to the Services made by KCHA or any third party without the prior written consent of Consultant, or to any unauthorized use of the Services by KCHA.

f. **Survival of Indemnification Obligations.** Upon completion of this Agreement, the provisions of this Section 8 shall survive.

9. **Insurance.** With respect to performance of work under this Agreement, Consultant shall maintain and shall require all of its subcontractors, consultants, and other agents to maintain, insurance as described in Exhibit "C," attached hereto and incorporated herein by this reference

10. **Consultant Representations.** Consultant makes the following representations, which the Parties agree are material to and form a part of the inducement for this Agreement:

a. **Expertise and Staff.** Consultant has the expertise, support staff and facilities necessary to provide the Services; and

b. **No Adverse Interests.** Consultant does not have any actual or potential interests adverse to KCHA, nor does Consultant represent a person or firm with an interest adverse to KCHA relating to the subject of this Agreement; and

c. **Timeliness.** Consultant shall diligently provide the Services in a timely and professional manner in accordance with the terms and conditions in this Agreement.



11. **Ownership of Documents.** All reports, documents and other items generated or gathered in the course of providing the Services are and shall remain the property of KCHA, and shall be returned to KCHA upon full completion of the Services or termination of this Agreement, whichever first occurs.

12. **Rights to Contracted Products.**

a. **Belong to KCHA.** For no additional fee or charge, products developed, prepared, generated or gathered by Consultant or Consultant's Representatives under this Agreement, shall be considered creative works for hire and shall be delivered to and become the exclusive property of KCHA and may be used by KCHA in any way it may deem appropriate. Consultant shall have no rights in the products, except the right to use the products for the exclusive purpose of providing the Services, and Consultant shall not copy or disclose to any third party any product, except as is expressly set forth in this Agreement or by separate written agreement between the Parties. These provisions do not apply to Consultant's original licensed software or administrative communications and records, which shall remain the exclusive property of Consultant,

b. **Use by KCHA.** The ideas, concepts, know-how, and techniques developed during the course of this Agreement may be used by KCHA in any way it may deem appropriate, so long as that use does not violate any term in this Agreement or any Applicable Law.

c. **No Publication.** Consultant or Consultant's Representatives shall not publish or disseminate information gained through participation in this Agreement without the specific prior review and written consent by KCHA.

d. **Delivery to KCHA.** Upon termination or expiration of this Agreement, Consultant shall immediately deliver to KCHA all KCHA-owned programs and documentation developed under this Agreement. In addition, Consultant grants to KCHA a perpetual, royalty-free, non-exclusive, irrevocable, and non-transferable license to use, solely for KCHA purposes, any Consultant-owned program, including system software, utilized by Consultant in performance of the Services.

e. **Survival of Covenants.** Upon completion of this Agreement, the provisions of this **Section 12** shall survive.

13. **Termination.** The CEO may at his or her election, without cause, terminate this Agreement by written notice ("**Notice of Termination**"). The Notice of Termination will be deemed effective 15 days after personal delivery, or 20 days after mailing by regular U.S. Mail, postage prepaid. In addition, either Party may immediately terminate this Agreement if the other Party fails to substantially perform in accordance with the terms and conditions of this Agreement through no fault of the Party initiating the termination. In the event this Agreement is terminated by either Consultant or the CEO, Consultant shall submit to the Responsible KCHA Department all files, memoranda, documents, correspondence and other items generated in the course of performing the Services, within 15 days after the effective date of the Notice of Termination. If either Party terminates this Agreement as provided in this **Section 13**, KCHA shall pay Consultant for all satisfactory Services rendered by Consultant prior to the effective date of Notice of Termination in an amount not to exceed the maximum dollar amount shown on the Schedule.

14. **Choice of Law/Venue.** The Parties agree that the provisions of this Agreement shall be construed under the laws of the State of California. This Agreement has been entered into and is to be performed in the County of Kern. Accordingly, the Parties agree that the venue of any action relating to this Agreement shall be in the County of Kern.

15. **Compliance with Applicable Law.** Consultant shall observe and comply with all applicable county, state and federal laws, ordinances, rules and regulations now in effect or later enacted ("**Applicable Law**"), each of which is made a part of this Agreement. While on KCHA property, Consultant will also follow all applicable policies and any direction of staff.

16. **Confidentiality.** Consultant shall not, without the prior written consent of the CEO, communicate confidential information, designated in writing or identified in this Agreement as confidential, to any third party and shall protect confidential information from inadvertent disclosure to any third party in the same manner that it protects its own confidential information, unless disclosure is required in response to a validly issued subpoena or other process of law. Upon completion of this Agreement, the provisions of this **Section 16** shall continue to survive.

17. **Conflict of Interest.** Consultant has read and is aware of the provisions of Government Code Section 1090 et seq. and Section 87100 et seq. relating to conflict of interest of public officers and employees. Consultant acknowledges that it is unaware of any financial or economic interest of any public officer or employee of KCHA relating to this Agreement. If it is further understood and agreed that if a financial interest does exist at the inception of this Agreement, KCHA may immediately terminate this Agreement by giving written notice. Consultant shall comply with the requirements of Government Code Section 1090 et seq. and 87100 et seq. during the Term.

18. **Cooperation with KCHA Compliance Obligations.** Consultant shall cooperate with the compliance program maintained by KCHA and KMC (the "**Compliance Program**") to the extent that such requirements are (i) applicable to the operation of KCHA or KMC and Consultant's provision of services under this Agreement, (ii) consistent with applicable industry standards and laws, and (ii) communicated to Consultant, so that KCHA may meet all requirements imposed by laws and any governing or advisory body

having authority to set standards governing the operation of KCHA and KMC.

19. **Disqualified Persons.** Consultant represents and warrants that no person providing goods and/or services under the terms of this Agreement (i) has been convicted of a criminal offense related to healthcare (unless such individual has been officially reinstated into the federal healthcare programs by the Office of Inspector General ("OIG") and provided proof of such reinstatement to KCHA), (ii) is currently under sanction, exclusion or investigation (civil or criminal) by any federal or state enforcement, regulatory, administrative or licensing agency or is ineligible for federal or state program participation, or (iii) is currently listed on the General Services Administration List of Parties Excluded from the Federal Procurement and Non-Procurement Programs. Consultant agrees that if any individuals providing goods and/or services under the terms of this Agreement becomes involved in a pending criminal action or proposed civil debarment, exclusion or other sanctioning action related to any federal or state healthcare program (each, an "Enforcement Action"), Consultant shall immediately notify KCHA and such individual shall be immediately removed by Consultant from any functions, provided, however, that if Consultant is directly involved in the Enforcement Action, any agreement between KCHA and Consultant shall terminate immediately.

20. **Enforcement of Remedies.** No right or remedy conferred on or reserved to a Party is exclusive of any other right or remedy under law, equity or statute, but each shall be cumulative of every other right or remedy now or in the future existing under law, equity or statute, and may be enforced concurrently or from time to time.

21. **Health Insurance Portability and Accountability Act-HITECH.** Consultant understands that KCHA is a Covered Entity that provides medical and mental health services and that Consultant has no authorization to obtain access to any Protected Health Information ("PHI") in any form while performing services for KCHA. If, in the course of performing services, Consultant sees or hears any PHI, this PHI is to be treated as private and confidential, including the fact that a person has visited this facility(ies) or receives (or previously received) services from KCHA. The privacy and confidentiality of KCHA's patients are protected by KCHA policies and procedures, state laws and regulations and Federal HIPAA Regulations. If appropriate Consultant agrees to execute a business associate agreement with KCHA to supplement this Agreement if requested, to be incorporated herein as Exhibit D if so required.

22. **Liability of KCHA.** The liabilities or obligations of KCHA, with respect to its activities pursuant to this Agreement, shall be the liabilities or obligations solely of KCHA and shall not be or become the liabilities or obligations of the County of Kern or any other entity, including the state of California.

23. **Negation of Partnership.** In the performance of the Services, Consultant shall be, and acknowledges that Consultant is, in fact and law, an independent contractor and not an agent or employee of KCHA. Consultant has and retains the right to exercise full supervision and control of the manner and methods of providing the Services. Consultant retains full supervision and control over the employment, direction, compensation and discharge of all persons assisting Consultant in the provision of the Services. With respect to Consultant's employees, if any, Consultant shall be solely responsible for payment of wages, benefits and other compensation, compliance with all occupational safety, welfare and civil rights laws, tax withholding and payment of employee taxes, whether federal, state or local, and compliance with any Applicable Law regulating employment.

24. **Non-collusion Covenant.** Consultant represents and agrees that (i) it has in no way entered into any contingent fee arrangement with any firm or person concerning the obtaining of this Agreement with KCHA and (ii) it has received from KCHA no incentive or special payments and no considerations not related to the provision of the Services.

25. **Non-discrimination.** Neither Consultant, nor any Consultant Representative, shall discriminate in the treatment or employment of any individual or groups of individuals on the grounds of race, color, religion, national origin, age, sex, or any other classification protected by Applicable Law, either directly, indirectly or through contractual or other arrangements.

26. **Non-waiver.** No covenant or condition of this Agreement can be waived except by the written consent of KCHA. Forbearance or indulgence by KCHA shall not constitute a waiver of the covenant or condition to be performed by Consultant. KCHA shall be entitled to invoke any remedy available to KCHA under this Agreement or by Applicable Law despite the forbearance or indulgence.

27. **Notices.** All notices under this Agreement shall be provided to the KCHA CEO at the address indicated in the opening section of this Agreement and to the Consultant and Responsible KCHA Department at the addresses shown on the Schedule. Delivery shall be by personal delivery or deposit in the U.S. Mail, postage prepaid, registered or certified mail, addressed as specified above. Notices delivered personally shall be deemed received upon receipt; mailed or expressed notices shall be deemed received five days after deposit. A Party may change the address to which notice is to be given by giving notice as provided above. Nothing in this Agreement shall be construed to prevent or render ineffective delivery of notices under this Agreement by leaving the notice with the receptionist or other person of like capacity employed in Consultant's office, or the CEO.

28. **Captions and Interpretation.** Section headings in this Agreement are used solely for convenience, and shall be wholly disregarded in the construction of this Agreement. No provision of this Agreement shall be interpreted for or against a Party because that Party or its legal representative drafted the provision. This Agreement is the product of negotiation and both Parties are equally responsible for its authorship. California Civil Code Section 1654 shall not apply to the interpretation of this Agreement.

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

30. **Modifications of Agreement.** This Agreement may be modified in writing only, signed by the Parties in interest at the time of the modification.

31. **Regulatory Compliance.** In compliance with title 22, California Code of Regulations, section 70713 KMC will retain professional and administrative responsibility for services rendered under this Agreement. Consultant shall apprise Kern Medical of recommendations, plans for implementation and continuing assessment through dated and signed reports which shall be retained by Kern Medical for follow-up action and evaluation of performance.

32. **Access to Books and Records.** Until the expiration of four years after the expiration or termination of this Agreement, Kern Medical and Consultant shall make available, upon written request of the Secretary of the United States Secretary of Health and Human Services ("Secretary") or the Comptroller General of the United States General Accounting Office ("Comptroller General"), or any of their duly authorized representatives, a copy of this Agreement and such books, documents and records of either party as are necessary to certify the nature and extent of costs of the services Consultant provided under this Agreement.

33. **Severability.** If any term or provision of this Agreement is determined by a court to be in conflict with any Applicable Law, or otherwise be unenforceable or ineffectual, the validity of the remaining terms or provisions shall be deemed severable and shall not be affected, provided that the remaining terms or provisions can be construed in substance to constitute the agreement which the Parties intended to enter into on the Effective Date.

34. **Signature Authority.** Each Party has full power and authority to enter into and perform this Agreement, and the person signing this Agreement on behalf of each Party has been properly authorized and empowered to enter into this Agreement.

35. **Sole Agreement.** This Agreement, including the Schedule and Exhibits, contains the entire agreement of the Parties relating to the Services, rights, obligations and covenants contained in this Agreement and assumed by the Parties. No inducements, representations or promises have been made, other than those stated in this Agreement. No oral promise, modification, change or inducement shall be effective or given any force or effect.

36. **Time of Essence.** Time is expressly declared to be of the essence of this Agreement and of each provision, and each provision is declared to be a material, necessary and essential part of this Agreement.

37. **No Third Party Beneficiaries.** The Parties understand and agree that the enforcement of these terms and conditions and all rights of action relating to enforcement, shall be strictly reserved to KCHA and Consultant. Nothing contained in this Agreement shall give or allow any claim or right of action by any other third person. It is the express intention of KCHA and Consultant that any person or entity, other than KCHA or Consultant, receiving services or benefits under this Agreement shall be deemed an incidental beneficiary only.

38. **Gender/Plural.** References to feminine, masculine or neutral include the other, and references to the singular or plural include the other.

39. **Recitals.** Each of the recitals is incorporated in this Agreement, is deemed to be the agreement and a reflection of the intent of the Parties, and is relied upon by the Parties in agreeing to the provisions of this Agreement and in interpreting its provisions.

40. **Exhibits.** The below exhibits attached to this Agreement are incorporated into this Agreement by reference.  
Exhibit A: Services  
Exhibit A-1: IRS Form W-9  
Exhibit B: Work Authorization  
Exhibit C: Insurance  
Exhibit D: Intentionally Omitted  
Exhibit E: Additional Engineering Terms



**BOARD OF GOVERNORS  
KERN COUNTY HOSPITAL AUTHORITY REGULAR MEETING**

February 15, 2023

**Subject:** Proposed Report of Independent Auditors from Moss-Adams, LLP

**Recommended Action:** Receive and File; Refer to Kern County Board of Supervisors

**Summary:**

Kern Medical requests your Board receive and file the Report of Independent Auditors from Moss-Adams, LLP, for the audit of Kern Medical Center's financial statements pursuant to Kern County Hospital Authority Agreement No. 005-2021. The scope of the audit includes the audit of Kern Medical Center financial statements, which comprise the statement of net position as of June 30, 2022, and the related statements of revenue, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.



REPORTS OF INDEPENDENT AUDITORS  
AND FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION

**KERN COUNTY HOSPITAL AUTHORITY**

June 30, 2022 and 2021

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# Kern County Hospital Authority Management's Discussion and Analysis

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The discussion and analysis of the financial performance of Kern County Hospital Authority (the "Authority" or "Kern Medical") provides an overall review of the financial activities for the years ended June 30, 2022, 2021, and 2020. The intent of this discussion and analysis is to provide further information about Kern Medical's financial performance as a whole. Readers should also review the financial statements and the accompanying notes to the financial statements to enhance their understanding of Kern Medical's financial performance.

## Summary of Organization and Business

The County of Kern ("County") established the Kern County Hospital Authority ("Hospital Authority") as a public entity separate from the County to operate Kern Medical Center ("Kern Medical"), a highly specialized tertiary referral center, an academic institution, and a designated public hospital for Kern County. The County transferred the ownership and operations of Kern Medical effective July 1, 2016. The Hospital Authority provides an organizational and operational structure that facilitates and enhances Kern Medical's ability to function with flexibility, responsiveness, and innovation. The creation of an independent Hospital Authority also provides maintenance, operation, management, and control of Kern Medical and its related health care resources in a manner consistent with the County's obligations under Section 17000 of the Welfare and Institutions Code. Further, the Hospital Authority offers an approach to achieve these objectives in a manner that ensures the continued viability of Kern Medical, and it constitutes an ongoing material benefit to the County and its residents. The Hospital Authority is not governed by, or subject to the County's Civil Service Commission regulation or other operational rules of the County, including, but not limited to, those relating to personnel and procurement.

## Key Performance Indicators

|                                   | <u>2022</u> | <u>2021</u> | <u>2020</u> |
|-----------------------------------|-------------|-------------|-------------|
| Admissions (excluding births)     | 9,781       | 9,763       | 9,213       |
| Discharges                        | 12,652      | 10,108      | 11,085      |
| Births                            | 2,166       | 2,331       | 2,241       |
| Patient days (excluding newborns) | 61,095      | 52,567      | 47,427      |
| Average daily census              | 167         | 144         | 130         |

## Overview of the Financial Statements

The financial statements of Kern Medical report information about Kern Medical's use of accounting methods, which are similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities and include the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. In addition, the accompanying notes are an integral part of these financial statements.

The statement of net position includes all of Kern Medical's assets, liabilities, and deferred inflows and outflows and provides information about the nature and amounts of investments in resources (assets) and obligations to Kern Medical's creditors (liabilities). It also provides the basis for evaluating the capital structure of Kern Medical and assessing the liquidity and financial flexibility of Kern Medical.

## **Kern County Hospital Authority Management's Discussion and Analysis**

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The statement of revenues, expenses, and changes in net position reports all of the revenues and expenses during the time period indicated. This statement measures the success of Kern Medical's operations over the past year and can be used to determine whether Kern Medical has successfully recovered all of its costs through its charges at established rates and other revenues. Over time, increases or decreases in net position may serve as a unique indicator of whether or not the financial position of Kern Medical is improving or deteriorating.

The statement of cash flows reports cash receipts; cash payments; changes in cash resulting from operations, investing, and financing activities; and the changes in cash during the reporting period.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about Kern Medical's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events, if any.



**Kern County Hospital Authority  
Management's Discussion and Analysis**

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**Financial Analysis**

**Condensed Statements of Net Position**

|   | June 30,              |                       |                       |
|---|-----------------------|-----------------------|-----------------------|
|   | 2022                  | As restated<br>2021   | 2020                  |
| Current assets  | \$ 331,634,272        | \$ 230,900,729        | \$ 217,002,867        |
| Right-to-use assets   | 7,964,725             | 9,185,312             | -                     |
| Capital assets  | 95,971,821            | 98,236,860            | 97,097,360            |
| Total assets  | 435,570,818           | 338,322,901           | 314,100,227           |
| Deferred outflows of resources  | 99,396,391            | 121,444,788           | 82,017,395            |
| Total assets and deferred<br>outflows of resources                    | <u>\$ 534,967,209</u> | <u>\$ 459,767,689</u> | <u>\$ 396,117,622</u> |
| Current liabilities   | \$ 60,105,009         | \$ 78,474,131         | \$ 108,076,602        |
| Noncurrent liabilities  | 335,595,135           | 431,273,959           | 373,161,809           |
| Total liabilities   | 395,700,144           | 509,748,090           | 481,238,411           |
| Deferred inflows of resources   | 79,254,798            | 30,132,624            | 45,398,646            |
| Net investment in capital assets                                      | 95,971,821            | 98,236,860            | 97,097,360            |
| Unrestricted  | (35,959,554)          | (178,349,885)         | (227,616,795)         |
| Total net position  | 60,012,267            | (80,113,025)          | (130,519,435)         |
| Total liabilities, deferred inflows<br>of resources, and net position | <u>\$ 534,967,209</u> | <u>\$ 459,767,689</u> | <u>\$ 396,117,622</u> |

**Statements of Net Position Highlights:**

**Changes from fiscal 2021 to 2022**

*Current assets* – Current assets increased \$100.7 million, or 44%, from fiscal year 2021 to 2022, mainly due to an increase in receivables from government agencies. The government receivables balance increased \$92.5 million, or 96%, from fiscal year 2021 to 2022. Kern Medical is entitled to receive supplemental funding from various state and federal government sources based on patients served. The increase in receivables from government agencies is due in large part to the timing of when state and federal government agencies issue funds to healthcare providers. Some supplemental programs cross over fiscal and calendar years. This can result in large fluctuations in the receivables balance at fiscal year-end.

## **Kern County Hospital Authority Management's Discussion and Analysis**

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*Deferred outflows of resources* – In connection with Governmental Accounting Standards Board (“GASB”) No. 68 and GASB No. 75, Kern Medical reported a \$22.0 million, or 18%, decrease in deferred outflows of resources related to changes in actuarial assumptions, net differences between projected and actual earnings on pension plan investments, and contributions made subsequent to the measurement date. The deferred outflows of resources reported are \$99.4 million as of June 30, 2022, compared to a balance of \$121.4 million as of June 30, 2021.

*Current liabilities* – Current liabilities decreased from fiscal year 2021 by \$18.4 million, or 23%. The decrease is mainly due to a \$15.9 million decrease in accounts payable. The accounts payable balance reported is \$32.7 million as of June 30, 2022, compared to a balance of \$48.6 million as of June 30, 2021.

*Noncurrent liabilities* – Noncurrent liabilities decreased from fiscal year 2021 by \$95.7 million, or 22%. The decrease is mainly due to a decrease in the net pension liability.

*Deferred inflows of resources* – In connection with GASB No. 68 and GASB No. 75, Kern Medical reported a \$49.1 million increase, or 163%, in deferred inflows of resources related to the net differences between pension plan and other postemployment benefits expected and actual experience and changes in proportion and differences between Kern Medical contributions and proportionate share of contributions. The deferred inflows of resources reported are \$79.3 million as of June 30, 2022, compared to a balance of \$30.1 million as of June 30, 2021.

*Unrestricted net position* – The unrestricted net position increased \$142.3 million, or 80%, from fiscal year 2021 to 2022, due to changes in actuarial assumptions and operating income for 2022. The balance consists mainly of net pension liability. The unrestricted net position reported is a deficit of \$36.0 million as of June 30, 2022, compared to a deficit of \$178.3 million as of June 30, 2021.

### ***Changes from fiscal 2020 to 2021***

*Current assets* – Current assets increased \$13.9 million, or 6%, from fiscal year 2020 to 2021, mainly due to an increase in cash. The cash balance increased \$44.6 million, or 146%, from fiscal year 2020 to 2021. Kern Medical is entitled to receive supplemental funding from various state and federal government sources based on patients served. The increase in cash was due in large part to the timing of when state and federal government agencies issue funds to healthcare providers. Some supplemental programs cross over fiscal and calendar years. This can result in large fluctuations in the cash balance at fiscal year-end.

*Deferred outflows of resources* – In connection with GASB Statement No. 68 and No. 75, Kern Medical reported a \$39.4 million, or 48%, increase in deferred outflows of resources related to changes in actuarial assumptions, net differences between projected and actual earnings on pension plan investments, and contributions made subsequent to the measurement date. The deferred outflows of resources reported are \$121.4 million as of June 30, 2021, compared to a balance of \$82.0 million as of June 30, 2020.

## Kern County Hospital Authority Management's Discussion and Analysis

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*Current liabilities* – Current liabilities decreased from fiscal year 2020 by \$29.6 million, or 27%. The decrease is mainly due to a \$20.2 million decrease in the current portion of long-term debt. The current portion of long-term debt reported is \$3.2 million as of June 30, 2021, compared to a balance of \$23.4 million as of June 30, 2020.

*Noncurrent liabilities* – Noncurrent liabilities increased from fiscal year 2020 by \$58.1 million, or 16%. The increase is mainly due to an increase in the net pension liability.

*Deferred inflows of resources* – In connection with GASB Statement No. 68 and No. 75, Kern Medical reported a \$15.3 million decrease, or 34%, in deferred inflows of resources related to the net differences between pension plan and other postemployment benefits expected and actual experience and changes in proportion and differences between Kern Medical contributions and proportionate share of contributions. The deferred inflows of resources reported are \$30.1 million as of June 30, 2021, compared to a balance of \$45.4 million as of June 30, 2020.

*Unrestricted net position* – The unrestricted net position increased \$49.3 million, or 22%, from fiscal year 2020 to 2021, due to changes in operating income for 2021. The increase was primarily due to improved revenue cycle efficiency realized in large part from the implementation of a new system. The unrestricted net position reported is a deficit of \$178.3 million as of June 30, 2021, compared to a deficit balance of \$227.6 million as of June 30, 2020.

### Condensed Statements of Revenues, Expenses, and Changes in Net Position

|   | 2022                        | As restated<br>2021         | 2020                        |
|---|-----------------------------|-----------------------------|-----------------------------|
|   | <u>                    </u> | <u>                    </u> | <u>                    </u> |
| Operating revenue                         | \$ 601,996,109              | \$ 510,574,798              | \$ 480,384,047              |
| Nonoperating revenue                      | 21,855,297                  | 3,574,614                   | 2,414,140                   |
|   | <u>623,851,406</u>          | <u>514,149,412</u>          | <u>482,798,187</u>          |
| Depreciation and amortization             | 14,360,865                  | 12,451,936                  | 8,767,025                   |
| Operating expenses                        | 468,038,997                 | 449,363,989                 | 416,661,675                 |
| Nonoperating expenses                     | 1,326,252                   | 1,927,077                   | 2,666,435                   |
|   | <u>483,726,114</u>          | <u>463,743,002</u>          | <u>428,095,135</u>          |
| Change in net position                    | 140,125,292                 | 50,406,410                  | 54,703,052                  |
| Beginning net position, beginning of year | <u>(80,113,025)</u>         | <u>(130,519,435)</u>        | <u>(185,222,487)</u>        |
| Ending net position                       | <u>\$ 60,012,267</u>        | <u>\$ (80,113,025)</u>      | <u>\$ (130,519,435)</u>     |

# **Kern County Hospital Authority**

## **Management's Discussion and Analysis**

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### ***Statements of Revenue, Expenses, and Changes in Net Position Highlights:***

#### ***Changes from fiscal 2021 to 2022***

The first component of Kern Medical's net position is its operating revenue. Operating revenue increased by \$91.4 million, or 18%, in fiscal year 2022 as compared to fiscal year 2021. The primary components of operating revenue are as follows:

Net patient service revenue totaled \$277.3 million for the fiscal year ended June 30, 2022. This was a \$22.7 million, or 9% increase from fiscal year 2021 to fiscal year 2022 due primarily to an increase in gross patient revenue. Kern Medical also recognized revenue from various indigent patient funding sources including Intergovernmental Transfer Programs, the Enhanced Payment Program funding, and the Hospital Fee Program totaling \$259.2 million for the year, as compared to fiscal year 2021 of \$192.1 million.

The second component of Kern Medical's net position is its operating expenses. Operating expenses increased \$20.6 million, or 4%, in fiscal year 2022 as compared to fiscal year 2021. The increase is due in large part to increases in nurse registry contract labor expenses. In addition, there were increases in services and medical supplies expenses.

#### ***Changes from fiscal 2020 to 2021***

The first component of Kern Medical's net position is its operating revenue. Operating revenue increased by \$30.2 million, or 6%, in fiscal year 2021 as compared to fiscal year 2020. The primary components of operating revenue are as follows:

Net patient service revenue totaled \$254.6 million for the fiscal year ended June 30, 2021. This was a \$34.6 million, or 16% increase from fiscal year 2020 to fiscal year 2021 due primarily to an increase in gross patient revenue and a decrease in provisions for uncollectible accounts. Kern Medical also recognized revenue from various indigent patient funding sources including Intergovernmental Transfer Programs, the Enhanced Payment Program funding, and the Hospital Fee Program totaling \$192.1 million for the year, as compared to fiscal year 2020 of \$209.2 million.

The second component of Kern Medical's net position is its operating expenses. Operating expenses increased \$36.4 million, or 9%, in fiscal year 2021 as compared to fiscal year 2020. The increase is due mainly to increases in salaries and employee benefits expenses, as well as services and supplies expenses.

## Kern County Hospital Authority Management's Discussion and Analysis

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### **Analysis of Capital Assets**

In fiscal year 2022, Kern Medical's capital assets decreased approximately \$2.3 million due to relatively fewer additions capital assets and Construction in Progress and various other additions as compared to fiscal year 2021. In fiscal year 2021, Kern Medical's capital assets increased approximately \$1.1 million due to additions to Construction in Progress and various other additions, offset by deletions of equipment and additions to accumulated depreciation. The table below provides summarized information for Kern Medical's outstanding capital assets for the years ended June 30, 2022 and 2021:

|   | July 1, 2021         | Additions             | Deletions   | Transfers       | June 30, 2022        |
|---|----------------------|-----------------------|-------------|-----------------|----------------------|
| Capital assets not subject to depreciation      | \$ 10,393,004        | \$ 7,168,765          | \$ -        | \$ (8,714,771)  | \$ 8,846,998         |
| Capital assets subject to depreciation          | 214,064,492          | 2,196,892             | -           | 8,714,771       | 224,976,155          |
| Less: accumulated depreciation and amortization | 126,220,636          | 11,630,696            | -           | -               | 137,851,332          |
| Capital assets subject to depreciation, net     | 87,843,856           | (9,433,804)           | -           | 8,714,771       | 87,124,823           |
| Capital assets, net                             | <u>\$ 98,236,860</u> | <u>\$ (2,265,039)</u> | <u>\$ -</u> | <u>\$ -</u>     | <u>\$ 95,971,821</u> |
|   | July 1, 2020         | Additions             | Deletions   | Transfers       | June 30, 2021        |
| Capital assets not subject to depreciation      | \$ 18,264,928        | \$ 9,752,971          | \$ -        | \$ (17,624,895) | \$ 10,393,004        |
| Capital assets subject to depreciation          | 195,014,657          | 1,424,940             | -           | 17,624,895      | 214,064,492          |
| Less: accumulated depreciation and amortization | 116,182,225          | 10,038,411            | -           | -               | 126,220,636          |
| Capital assets subject to depreciation, net     | 78,832,432           | (8,613,471)           | -           | 17,624,895      | 87,843,856           |
| Capital assets, net                             | <u>\$ 97,097,360</u> | <u>\$ 1,139,500</u>   | <u>\$ -</u> | <u>\$ -</u>     | <u>\$ 98,236,860</u> |

Additional information on Kern Medical's capital assets can be found in Note 4 of this report.

# Kern County Hospital Authority Management's Discussion and Analysis

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## Long-Term Debt Summary

In fiscal year 2022, the decrease in long-term debt is the result of principal payments on existing debt. In fiscal year 2021, the decrease in long-term debt is primarily the result of a decrease in line of credit borrowing. The table below provides summarized information for the Medical Center's outstanding long-term liabilities as of June 30, 2022 and 2021:

|                          | June 30, 2021 | Incurred<br>or Issued | Satisfied<br>or Matured | June 30, 2022 | Amounts<br>Due Within<br>One Year | Amounts Due<br>in More Than<br>One Year |
|--------------------------|---------------|-----------------------|-------------------------|---------------|-----------------------------------|---|
| Pension obligation bonds | \$ 16,352,458 | \$ -                  | \$ 3,208,677            | \$ 13,143,781 | \$ 2,938,587                      | \$ 10,205,194                           |
| Total                    | \$ 16,352,458 | \$ -                  | \$ 3,208,677            | \$ 13,143,781 | \$ 2,938,587                      | \$ 10,205,194                           |

|                          | June 30, 2020 | Incurred<br>or Issued | Satisfied<br>or Matured | June 30, 2021 | Amounts<br>Due Within<br>One Year | Amounts Due<br>in More Than<br>One Year |
|--------------------------|---------------|-----------------------|-------------------------|---------------|-----------------------------------|---|
| Pension obligation bonds | \$ 19,749,154 | \$ -                  | \$ 3,396,696            | \$ 16,352,458 | \$ 3,208,676                      | \$ 13,143,782                           |
| Line of credit           | 20,000,000    | -                     | 20,000,000              | -             | -                                 | -                                       |
| Total                    | \$ 39,749,154 | \$ -                  | \$ 23,396,696           | \$ 16,352,458 | \$ 3,208,676                      | \$ 13,143,782                           |

Additional information on Kern Medical's long-term debt can be found in Note 6 of this report.

## Economic Factors Affecting Next Year

During the past two and a half years, the COVID-19 pandemic has presented unprecedented challenges for the healthcare industry. It is expected that the pandemic will continue to have an impact during 2023. Kern Medical has adjusted to the changing conditions as needed and has maintained the staffing levels necessary to provide coverage for a surge in pandemic activity when necessary. In addition, Kern Medical is participating in all emergency funding programs available at the county, state, and federal levels to help offset lost revenue and increased expenses that may be realized due to the COVID-19 issue.

For fiscal year 2023, Kern Medical will continue to qualify for various governmental funding programs. On December 29, 2021, the State of California announced federal approval of a five-year Medicaid (Medi-Cal) Section 1115 waiver extension. The waiver extension is part of a bigger package of proposals under the California Advancing and Innovating Medi-Cal ("CalAIM") program. Section 1115 waivers allow states to waive certain federal Medicaid rules so that they can pursue innovative strategies to improve care for Medicaid beneficiaries. The extension will allow Kern Medical to continue to receive funding from all components of the waiver including the Global Payment Program ("GPP"). The Whole Person Care ("WPC") component of the previous waiver is being bridged into the new Providing Access and Transforming Health ("PATH") program under CalAIM. As with WPC, PATH is designed to provide integrated, patient-centered care through coordination of physical and behavioral health and social services to meet patients' holistic needs. Under the new waiver the third and largest component of the previous waiver, the Public Hospital Redesign and Incentives in Medi-Cal ("PRIME") program, has been effectively rolled into the Quality Incentive Program ("QIP"). This is favorable because the funding is no longer contingent on the approval of a new waiver. The QIP and the Enhanced Payment Program ("EPP") that Kern Medical also participates in, were developed three years ago due to a Medicaid managed care

## **Kern County Hospital Authority Management's Discussion and Analysis**

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rule implemented by CMS that limits the ability of states to direct payments to health care providers unless certain conditions are met. Exceptions to the rule are payments directed to health care providers that are tied to performance and payments that provide a uniform payment increase that includes a pre-determined increase over contracted rates.

Operating expenses are expected to remain consistent without significant increases.

The timing of State and Federal funding will continue to impact cash flow throughout the year.

### **Contacting Kern Medical's Chief Financial Officer**

This financial report is designed to provide citizens, customers, and creditors with a general overview of Kern Medical's finances and to demonstrate Kern Medical's accountability for the money it receives. If you have any questions about this report, or need additional financial information, please contact the Chief Financial Officer, Kern Medical, 1700 Mount Vernon Ave., Bakersfield, California 93306.

## Report of Independent Auditors

The Board of Governors  
Kern County Hospital Authority

### Report on the Audit of the Financial Statements

#### ***Opinion***

We have audited the financial statements of Kern County Hospital Authority (the “Authority” or “Kern Medical”), a discretely presented component unit of the County of Kern, California, which comprise the statements of net position as of and for the years ended June 30, 2022 and 2021, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Kern Medical’s basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the net position of the Kern County Hospital Authority as of June 30, 2022 and 2021, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States and the California Code of Regulations, Title 2, Section 1131.2, State Controller’s *Minimum Audit Requirements* for California Special Districts. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Kern Medical and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Kern Medical's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Kern Medical's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Kern Medical's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Emphasis of Matter***

As discussed in Note 2 to the financial statements, during the year ended June 30, 2022, Kern Medical adopted the accounting requirements of Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and other post-employment benefit schedules on pages 1-9 and 55-57 respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kern Medical's basic financial statements. The accompanying schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2023 on our consideration of Kern County Hospital Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Kern County Hospital Authority 's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kern County Hospital Authority's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Moss Adams LLP".

San Francisco, California  
February 1, 2023

## Kern County Hospital Authority Statements of Net Position

|   | June 30,       |                     |
|---|----------------|---------------------|
|   | 2022           | As restated<br>2021 |
| <b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>  |                |                     |
| CURRENT ASSETS  |                |                     |
| Cash  | \$ 78,115,911  | \$ 75,199,591       |
| Revolving fund cash   | 2,900          | 5,830               |
| Patient accounts receivable, net of allowances for doubtful<br>accounts of \$17,477,373 in 2022 and \$10,685,628 in 2021 (Note 3) | 46,341,733     | 43,480,755          |
| Due from governmental agencies (Note 9)   | 188,632,200    | 96,098,267          |
| Other receivables   | 8,603,645      | 7,578,926           |
| Inventories   | 5,099,732      | 4,194,515           |
| Prepaid expenses  | 4,838,151      | 4,342,845           |
| Total current assets  | 331,634,272    | 230,900,729         |
| RIGHT-TO-USE ASSETS, NET (Note 18)  | 7,964,725      | 9,185,312           |
| CAPITAL ASSETS, net (Note 4)  | 95,971,821     | 98,236,860          |
| Total assets  | 435,570,818    | 338,322,901         |
| DEFERRED OUTFLOWS OF RESOURCES (Notes 11 and 13)  | 99,396,391     | 121,444,788         |
| Total assets and deferred outflows of resources   | \$ 534,967,209 | \$ 459,767,689      |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>   |                |                     |
| CURRENT LIABILITIES   |                |                     |
| Accounts payable and accrued expenses   | \$ 32,718,559  | \$ 48,655,559       |
| Salaries and employee benefits payable  | 11,764,593     | 9,916,022           |
| Interest payable, current portion (Note 7)  | 65,186         | 3,442,090           |
| Current portion of compensated absences payable (Note 5)  | 6,362,361      | 6,480,909           |
| Current portion of lease liability (Note 18)  | 2,650,200      | 2,647,484           |
| Current portion of estimate for professional liability (Note 14)  | 2,587,893      | 2,953,120           |
| Current portion of estimate for workers' compensation liability (Note 14)   | 1,017,630      | 1,170,271           |
| Current portion of long-term debt (Note 6)  | 2,938,587      | 3,208,676           |
| Total current liabilities   | 60,105,009     | 78,474,131          |
| NONCURRENT LIABILITIES  |                |                     |
| Interest payable, non-current portion (Note 7)  | 6,218,422      | 5,707,331           |
| Compensated absences payable, non-current portion (Note 5)  | 12,724,721     | 12,961,817          |
| Net pension liability (Note 11)   | 284,243,193    | 381,152,811         |
| Net other post-employment benefits (Note 13)  | 7,216,964      | 1,653,757           |
| Estimate for professional liability (Note 14)   | 4,977,378      | 4,916,056           |
| Estimate for workers' compensation liability (Note 14)  | 4,314,780      | 4,903,284           |
| Lease liability, net of current portion (Note 18)   | 5,694,483      | 6,835,121           |
| Long-term debt, net of current portion (Note 6)   | 10,205,194     | 13,143,782          |
| Total liabilities   | 395,700,144    | 509,748,090         |
| DEFERRED INFLOWS OF RESOURCES (Notes 11 and 13)   | 79,254,798     | 30,132,624          |
| NET POSITION  |                |                     |
| Net investment in capital assets  | 95,971,821     | 98,236,860          |
| Unrestricted  | (35,959,554)   | (178,349,885)       |
| Total net position  | 60,012,267     | (80,113,025)        |
| Total liabilities, deferred inflows of resources, and net position  | \$ 534,967,209 | \$ 459,767,689      |

See accompanying notes.

**Kern County Hospital Authority**  
**Statements of Revenues, Expenses, and Changes in Net Position**

|  | Years Ended June 30, |                        |
|--|----------------------|------------------------|
|  | 2022                 | As restated<br>2021    |
| <b>OPERATING REVENUES</b>  |                      |                        |
| Net patient service revenue, net of provisions for uncollectible accounts of \$22,545,058 in 2022 and \$15,191,099 in 2021 | \$ 277,322,517       | \$ 254,596,129         |
| Indigent patient care funding  | 259,189,175          | 192,121,998            |
| County funding   | 34,282,424           | 34,318,740             |
| Other operating revenue  | 31,201,993           | 29,537,931             |
| Total operating revenues   | <u>601,996,109</u>   | <u>510,574,798</u>     |
| <b>OPERATING EXPENSES</b>  |                      |                        |
| Salaries and employee benefits   | 256,985,492          | 275,264,624            |
| Services and supplies  | 205,993,323          | 169,542,657            |
| Other expenses   | 5,060,182            | 4,556,708              |
| Depreciation and amortization  | 14,360,865           | 12,451,936             |
| Total operating expenses   | <u>482,399,862</u>   | <u>461,815,925</u>     |
| <b>OPERATING INCOME</b>  | <u>119,596,247</u>   | <u>48,758,873</u>      |
| <b>NONOPERATING REVENUES (EXPENSES)</b>  |                      |                        |
| Interest on bank deposits and investments, net   | 126,306              | 47,937                 |
| Revenue from other governmental agencies   | 159,322              | 197,401                |
| Other nonoperating revenues  | 21,569,669           | 3,329,276              |
| Interest expense   | <u>(1,326,252)</u>   | <u>(1,927,077)</u>     |
| Total nonoperating revenues, net   | 20,529,045           | 1,647,537              |
| Change in net position   | <u>140,125,292</u>   | <u>50,406,410</u>      |
| NET POSITION, beginning of year  | <u>(80,113,025)</u>  | <u>(130,519,435)</u>   |
| NET POSITION, end of year  | <u>\$ 60,012,267</u> | <u>\$ (80,113,025)</u> |

## Kern County Hospital Authority Statements of Cash Flows

|   | Years Ended June 30, |                     |
|---|----------------------|---------------------|
|   | 2022                 | As restated<br>2021 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                     |                      |                     |
| Cash received for patients/current services                     | \$ 274,461,539       | \$ 264,876,772      |
| Cash received for other operations                              | 231,114,940          | 275,803,890         |
| Cash paid for salaries and benefits                             | (275,668,405)        | (272,949,604)       |
| Cash paid for services and supplies                             | (229,436,078)        | (181,160,826)       |
| Net cash provided by operating activities                       | 471,996              | 86,570,232          |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>          |                      |                     |
| Cash received from various County funds                         | 21,728,991           | 3,526,677           |
| Interest paid – pension obligation bond                         | (3,827,761)          | (6,167,748)         |
| Principal paid – pension obligation bond                        | (3,208,677)          | (3,396,696)         |
| Line of credit interest paid                                    | (61,821)             | (119,892)           |
| Line of credit payment  | -                    | (20,000,000)        |
| Net cash provided by (used in) noncapital financing activities  | 14,630,732           | (26,157,659)        |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b> |                      |                     |
| Acquisition or construction of capital assets                   | (9,365,657)          | (11,177,911)        |
| Payments on lease liability                                     | (2,949,987)          | (4,704,886)         |
| Net cash used in capital and related financing activities       | (12,315,644)         | (15,882,797)        |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                     |                      |                     |
| Interest on bank deposits and investments                       | 126,306              | 47,937              |
| Net cash provided by investing activities                       | 126,306              | 47,937              |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>                | 2,913,390            | 44,577,713          |
| <b>CASH AND CASH EQUIVALENTS, beginning of year</b>             | 75,205,421           | 30,627,708          |
| <b>CASH AND CASH EQUIVALENTS, end of year</b>                   | \$ 78,118,811        | \$ 75,205,421       |

**Kern County Hospital Authority**  
**Statements of Cash Flows (Continued)**

|  | Years Ended June 30, |                      |
|--|----------------------|----------------------|
|  | 2022                 | As restated<br>2021  |
| Reconciliation of cash and cash equivalents to the Statements of Net Position          |                      |                      |
| Cash   | \$ 78,115,911        | \$ 75,199,591        |
| Revolving fund cash  | 2,900                | 5,830                |
| Total cash and cash equivalents at the end of year                                     | <u>\$ 78,118,811</u> | <u>\$ 75,205,421</u> |
| Reconciliation of operating income to net cash provided by operating activities        |                      |                      |
| Operating income   | \$ 119,596,247       | \$ 48,758,873        |
| Adjustments to reconcile operating income to net cash provided by operating activities |                      |                      |
| Provision for bad debts  | 22,545,058           | 15,191,099           |
| Depreciation and amortization  | 14,360,865           | 12,451,936           |
| Changes in assets and liabilities  |                      |                      |
| Patient accounts receivable, net   | (25,406,036)         | (4,910,456)          |
| Due from governmental agencies   | (92,533,933)         | 22,083,817           |
| Other receivables  | (1,024,719)          | (2,258,596)          |
| Inventories  | (905,217)            | 1,618,861            |
| Prepaid expenses   | (495,306)            | (1,044,874)          |
| Deferred outflows of resources   | 22,048,397           | (39,427,393)         |
| Accounts payable and accrued expenses  | (15,937,000)         | (9,108,571)          |
| Salaries and employee benefits payable   | 1,848,571            | (2,084,899)          |
| Compensated absences payable   | (355,644)            | 2,143,818            |
| Estimate for professional liability  | (303,905)            | 1,672,552            |
| Estimate for workers' compensation liability   | (741,145)            | (199,429)            |
| Net pension liability  | (96,909,618)         | 59,049,014           |
| Net other post-employment benefits   | 5,563,207            | (2,099,498)          |
| Deferred inflows of resources  | 49,122,174           | (15,266,022)         |
| Net cash provided by operating activities  | <u>\$ 471,996</u>    | <u>\$ 86,570,232</u> |

**Note 1 – Nature of Operations and Reporting Entity**

Kern County Hospital Authority (the “Authority” or “Kern Medical”) is a 222-bed acute care teaching hospital affiliated with the University of California Schools of Medicine at Los Angeles, San Diego, and Irvine. Kern Medical is responsible for the provision of health care services for emergency, outpatient, and inpatient medical care to all classes of patients including Medicare and Medi-Cal eligible, medically indigent persons, and inmates of the County of Kern (the “County”) institutions and juvenile facilities. The management of Kern Medical reports directly to Kern Medical’s Board of Governors.

Assembly Bill (AB) 2546 passed the California State Legislature on September 26, 2014, and authorized the Board of Supervisors of the County (the “Board”) to establish, by ordinance, the Kern County Hospital Authority to manage, administer, and control Kern Medical Center, an enterprise fund of the County, and other health care facilities, and other functions affiliated or consolidated with Kern Medical Center. The Board has adopted the ordinance organizing the Hospital Authority effective November 6, 2015. Pursuant to the aforementioned legislation, effective July 1, 2016, ownership, control, management, medical facilities, and operation of Kern Medical Center was transferred to the Kern County Hospital Authority. The Kern County Hospital Authority is a local unit of government separate and apart from the County and any other public entity. The Kern County Hospital Authority recognized the carrying values of assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the operations of the Kern Medical Center as of July 1, 2016, the effective transfer date.

On July 1, 2016, the County and the Kern County Hospital Authority also entered into an Agreement for Health Care Services, Finance, and Support (the “Service Agreement”) addressing certain financial relationships between the two parties, including:

- (i) County’s financial support of the Authority in the form of loans and/or grants;
- (ii) Authority’s assumption of certain liabilities of the County, which liabilities the County incurred in connection with prior operations of Kern Medical Center;
- (iii) The continued provision of certain health care services to residents of the County;
- (iv) Authority’s participation in the County Treasury; and
- (v) County’s consent for the Authority to participate in and receive, and otherwise access, certain County general purpose funds and local revenue fund amounts identified or earmarked for health care services to the indigent, including Medi-Cal beneficiaries and uninsured patients.

During the year ended June 30, 2018, Kern Medical formed the Kern Medical Surgery Center (“KMSC”), which operates in Bakersfield, California. KMSC is a wholly owned subsidiary of Kern Medical and is an independently run outpatient surgery center. KMSC is presented as a blended component unit of Kern Medical.



# Kern County Hospital Authority

## Notes to Financial Statements

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### Note 1 – Nature of Operations and Reporting Entity (continued)

In March 2020, the World Health Organization declared the novel coronavirus (“COVID-19”) outbreak a public health emergency. The COVID-19 outbreak has not resulted in facility closures. In response to the decline in net patient service revenue driven by lower patient volumes and increased operating expenses due to the pandemic, federal government funding was made available to health care providers. The Centers for Medicare & Medicaid Services (“CMS”) initiated an Accelerated Payments Program, which represents advance payments based upon historic Medicare volume for services to be provided in the future. Kern Medical received approximately \$11,490,000 of these advance payments during the year ended June 30, 2020. During the year ended June 30, 2021, approximately \$844,000 was recouped by CMS and the remaining balance of \$10,646,000 is recorded in accounts payable and accrued expenses in the accompanying statements of net position as of June 30, 2021. During the year ended June 30, 2022, approximately \$10,404,000 was recouped by CMS and the remaining balance of \$242,000 is recorded in accounts payable and accrued expenses in the accompanying statements of net position as of June 30, 2022.

Additionally, as part of the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), the Department of Health and Human Services (“HHS”) distributed \$175 billion to health care providers as part of the Provider Relief Fund. During the year ended June 30, 2021, Kern Medical received a total of approximately \$566,000 of payments. As Kern Medical met the conditions for these funds, as well as the amount deferred from the previous year, the amount of approximately \$3,010,000 was included in nonoperating revenue in the accompanying statements of revenues, expenses, and changes in net position during the year ended June 30, 2021. During the year ended June 30, 2022, Kern Medical received a total of approximately \$6,788,000 of payments. As Kern Medical met the conditions for these funds, the amount is included in nonoperating revenue in the accompanying statements of revenues, expenses, and changes in net position during the year ended June 30, 2022.

Facility closures or disruption in operations of Kern Medical’s customers, suppliers, or third-party payers could adversely impact Kern Medical’s results of operations to the extent that COVID-19 or any other epidemic harms the economy. The duration and intensity of the impact of the coronavirus and resulting disruption to Kern Medical’s operations is uncertain.

## Kern County Hospital Authority Notes to Financial Statements

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### Note 2 – Summary of Significant Accounting and Reporting Policies

**Basis of accounting and presentation** – The accompanying financial statements have been prepared using the economic resource measurement focus and the accrual basis of accounting, in accordance with U.S. generally accepted accounting principles for health care organizations, and are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statement – and Management’s Discussion and Analysis – for State and Local Governments*. GASB Statement No. 34 and subsequent amendments including GASB Statement No. 63, as discussed below, established standards for external financial reporting and requires that resources be classified for accounting and reporting purposes into the following net position categories:

*Net investment in capital assets* – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

*Restricted net position* – Assets whose use by Kern Medical are subject to externally-imposed constraints that can be fulfilled by actions of Kern Medical pursuant to those constraints or that expire by the passage of time. Restricted resources are used in accordance with Kern Medical’s policies. When both restricted and unrestricted resources are available for use, the determination to use restricted or unrestricted resources is made on a case-by-case basis.

*Unrestricted net position* – This amount represents the amount of net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of the Board of Governors or may otherwise be limited by contractual agreements with outside parties.

**Adoption of GASB No. 87** – During the year ended June 30, 2022, Kern Medical adopted GASB Statement No. 87, *Leases* (GASB 87) and implemented GASB 87 on a retroactive basis by restating June 30, 2021, balances, as required. These changes had an effect on the beginning net position of Kern Medical. Kern Medical evaluated contracts that were formerly accounted for as operating leases to determine whether they meet the definition of a lease as defined in GASB 87. The contracts to lease building space and equipment met the definition of a lease. Kern Medical recognized \$11,579,997 in a lease liability as of July 1, 2020, due to the implementation of GASB 87; however, this entire amount was offset by a right-to-use lease asset. The implementation of GASB 87 had the following effect on net position as reported as of June 30, 2021:

|  |                               |
|--|-------------------------------|
| Net position as of June 30, 2021, as previously reported | \$ (79,872,093)               |
| GASB 87 Leases   | <u>(240,932)</u>              |
| Net position as of June 30, 2021, as restated            | <u><u>\$ (80,113,025)</u></u> |

See Note 18 for additional information.

# Kern County Hospital Authority

## Notes to Financial Statements

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### Note 2 – Summary of Significant Accounting and Reporting Policies (continued)

**Use of estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**Leases** – Kern Medical recognizes lease contracts or equivalents that have a term exceeding one year that meet the definition of an other than short-term lease. Kern Medical uses a discount rate that is explicitly stated or implicit in the contract. When a readily determinable discount rate is not available, the discount rate is determined using the Kern Medical’s incremental borrowing rate at the start of the lease for a similar asset type and term length to the contract. Short-term lease payments are expensed when incurred.

**Cash and revolving cash fund** – Kern Medical considers all highly liquid investments with original maturities of three months or less to be cash or a revolving cash fund. Cash consists of bank deposits, which are carried at cost which approximates fair value.

**Patient accounts receivable** – Kern Medical reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients, and others. Kern Medical provides an allowance for uncollectible accounts based upon a review of outstanding receivables and historical collection information. As a service to the patient, Kern Medical bills third-party payers directly and bills the patient when the patient’s liability is determined. Patient accounts receivable are due in full when billed. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the account.

**Inventories** – Inventories consist of expendable supplies held for consumption. Supply inventories are stated at the lower of cost, or market.

**Capital assets** – Capital assets, which include property, plant, and equipment, are stated at cost if purchased, or fair value on the date received if donated. Kern Medical has established a policy to capitalize expenses for capital assets with an individual cost of \$5,000 for equipment, \$25,000 for intangibles, and \$50,000 for structures with a useful life greater than one year. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets during the year ended June 30, 2021. For the year ended June 30, 2022, interest cost is no longer capitalized during the period of construction based upon the adoption of GASB 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. Intangible assets represent software purchases and are amortized based on estimated useful life. Capital assets other than intangible assets are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

|                             |                |
|-----------------------------|----------------|
| Structures and improvements | 10 to 40 years |
| Equipment and intangibles   | 3 to 20 years  |

**Note 2 – Summary of Significant Accounting and Reporting Policies (continued)**

Capital assets are reviewed for impairment when events or changes in circumstances suggest that the service utility of the capital asset may have significantly and unexpectedly declined. Capital assets are considered impaired if both the decline in service utility of the capital asset is large in magnitude and the event or change in circumstance is outside the normal life cycle of the capital asset. Such events or changes in circumstances that may be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations or other changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of use of a capital asset, and construction stoppage. The determination of the impairment loss is dependent upon the event or circumstance in which the impairment occurred. Impairment losses, if any, are recorded in the statement of revenues, expenses, and changes in net position. There were no impairment losses recorded during the years ended June 30, 2022 and 2021.

**Right-to-use assets** – Kern Medical has recorded right-to-use lease assets as a result of implementing GASB 87. The right-to-use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right-to-use assets are amortized on a straight-line basis over the life of the related lease.

**Compensated absences** – Kern Medical policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment or other post-employment benefit. Expense and the related liability are recognized as vacation benefits and are earned whether the employee is expected to realize the benefit as time off or in cash or other post-employment benefit. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the statement of net position date plus an additional amount for compensation-related payments such as Social Security and Medicare taxes computed using rates in effect at that date.

**Net patient service revenue** – Kern Medical has agreements with third-party payers that provide for payments to Kern Medical at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts receivable from patients, third-party payers, and others for services rendered, including a provision for bad debt and estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis during the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Normal estimation differences between subsequent cash collections on patient accounts receivable and net patient accounts receivable estimated in the prior year are reported as adjustments to net patient service revenue in the current period. Changes in revenue due to changes in estimates of patient accounts receivable allowances for prior years was not significant during the year ended June 30, 2022. A decrease in revenue due to changes in estimates of patient accounts receivable allowances for prior years was approximately \$11 million during the year ended June 30, 2021, due primarily to increased estimation uncertainty in the prior year related to an information system conversion.

# Kern County Hospital Authority

## Notes to Financial Statements

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### Note 2 – Summary of Significant Accounting and Reporting Policies (continued)

**Third-party payers** – Kern Medical is reimbursed for services provided to patients under certain programs administered by governmental agencies. Laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation. Kern Medical believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medi-Cal programs.

The majority of Kern Medical’s receivables are related to the care of patients covered by Medi-Cal, Medicare, and special funding created by legislative acts that subsidize certain health care facilities that treat a disproportionate share of Medi-Cal beneficiaries.

**Uncompensated care** – The County is mandated to provide medical care to indigent and dependent poor County residents under California Welfare and Institutions Code Section 17000. The County fulfills its Section 17000 obligation through services provided at Kern Medical. Through its Medically Indigent Adult Program, patients are charged for services and supplies based on their ability to pay. In assessing a patient’s ability to pay, Kern Medical utilizes state-determined poverty levels. Additionally, Kern Medical provides services to patients that are outside of the Medically Indigent Adult Program and does not receive compensation for those services. Kern Medical maintains records to identify, monitor, and report the level of indigent and uncompensated care provided to the community. These records include the estimates of cost of services and supplies furnished yet uncompensated for, which are based upon a ratio of cost to charges. The following information measures the level of uncompensated care provided during the years ended June 30, 2022 and 2021.

|   | 2022         | 2021         |
|---|--------------|--------------|
| Estimated cost of services provided but uncompensated | \$ 5,000,000 | \$ 5,100,000 |

**Pensions** – For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Government of the County of Kern’s Kern County Employees’ Retirement Association (“KCERA”) plans (the “Plans”) and additions to/deductions from the Plans’ fiduciary net position have been determined on the same basis as they are reported by KCERA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Disclosures about fair value of financial instruments** – The carrying amount of revolving fund cash, patient accounts receivable, other current assets, accounts payable, and accrued expenses approximate fair value because of the short-term maturity of these instruments.

**Note 2 – Summary of Significant Accounting and Reporting Policies (continued)**

**Risk management** – Kern Medical is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illness; natural disasters; and employee health, dental, and accident benefits. As discussed in Note 16, commercial insurance coverage is purchased by Kern Medical for claims arising from such matters where Kern Medical has not retained the risk of loss. Kern Medical is self-insured for medical malpractice claims and judgments. The provision for estimated self-insured medical malpractice includes estimates of the ultimate costs for both reported claims and claims incurred but not reported (“IBNR”), and other allocated claim adjustment expenses.

**Concentration of credit risk** – Receivables from government programs present the only concentrated group of credit risk for Kern Medical. Management does not believe that there are any credit risks associated with these governmental agencies. Negotiated and private receivables consist of receivables from various payers, including individuals involved in diverse activities, subject to differing economic conditions, and do not represent any concentrated credit risk to Kern Medical. Management continually monitors and adjusts its reserves and allowances associated with these receivables, and such allowances have historically been adequate to cover losses realized.

Deposit concentration risk is managed by placing cash and cash equivalents in various financial institutions. The amount of deposits at times may exceed federally insured limits.

**Income taxes** – Kern Medical is exempt from federal and state income tax pursuant to Internal Revenue Code (“IRC”) Section 115 and similar provisions of the California Franchise Tax Code and is also exempt from federal and state income tax filing requirements.

**Operating revenues and expenses** – The statement of revenues, expenses, and changes in net position distinguishes between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, Kern Medical’s principal activity. Non-exchange revenues, including grants, contributions, and income (losses) from investments, are reported as non-operating revenues. Operating expenses are all expenses incurred to provide health care services.

**Reclassifications** – Certain reclassifications were made to prior year amounts to conform to the current year presentation.

**Recent accounting pronouncements** – In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This standard requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which delayed the effective date of Statement No. 89 to reporting periods beginning July 1, 2021. This Statement was implemented by Kern Medical as required during the year ended June 30, 2022 and did not have a significant impact on the financial statements.

# Kern County Hospital Authority

## Notes to Financial Statements

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### Note 2 – Summary of Significant Accounting and Reporting Policies (continued)

The GASB also issued GASB Statement No. 91, *Conduit Debt Obligation* (GASB No. 91). GASB No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. GASB No. 95 extended the effective date for GASB No. 91 to reporting periods beginning July 1, 2022. Kern Medical is currently assessing the impact of this standard on Kern Medical's financial statements.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This standard provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (“SBITAs”), including defining a SBITA, establishing that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability, providing the capitalization criteria for outlays other than subscription payments, and requiring note disclosures regarding a SBITA. The guidance is effective for Kern Medical in the year ending June 30, 2023. Kern Medical is currently assessing the impact of this standard on Kern Medical's financial statements.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting For Internal Revenue Code Section 457 Deferred Compensation Plans-An Amendment of GASB Statements No. 14 and 84, and a Supersession of GASB Statement No. 32*. This standard clarifies certain guidance related to Statement No. 84. The guidance has various effective dates, the majority of which are effective for Kern Medical in the year ending June 30, 2022. This Statement was implemented by Kern Medical as required during the year ended June 30, 2022 and did not have a significant impact on the financial statements.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences* (GASB 101). GASB 101 requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used. The guidance is effective for Kern Medical in the year ending June 30, 2025. Kern Medical is currently assessing the impact of this standard on Kern Medical's financial statements.

**Kern County Hospital Authority**  
**Notes to Financial Statements**

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**Note 3 – Patient Accounts Receivable**

Kern Medical grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payer agreements. Gross patient accounts receivable as of June 30, 2022 and 2021, consisted of:

|  | <u>2022</u>         | <u>2021</u>         |
|--|---------------------|---------------------|
| Medicare                               | 17 %                | 16 %                |
| Medi-Cal                               | 63                  | 63                  |
| Other third-party and commercial payor | 15                  | 16                  |
| Self pay                               | 4                   | 3                   |
| County responsibility                  | <u>1</u>            | <u>2</u>            |
| Total                                  | <u><u>100 %</u></u> | <u><u>100 %</u></u> |



# Kern County Hospital Authority

## Notes to Financial Statements

### Note 4 – Capital Assets, Depreciation, and Amortization

Capital asset activity for the years ended June 30, 2022 and 2021, is shown below:

|   | July 1,<br>2021 | Additions      | Disposals | Transfers    | June 30,<br>2022 |
|---|-----------------|----------------|-----------|--------------|------------------|
| Capital assets not subject to depreciation          |                 |                |           |              |                  |
| Land  | \$ 1,854,424    | \$ -           | \$ -      | \$ -         | \$ 1,854,424     |
| Construction in progress                            | 8,538,580       | 7,168,765      | -         | (8,714,771)  | 6,992,574        |
| Total capital assets not subject to depreciation    | 10,393,004      | 7,168,765      | -         | (8,714,771)  | 8,846,998        |
| Capital assets subject to depreciation              |                 |                |           |              |                  |
| Equipment   | 67,325,056      | 2,147,890      | -         | -            | 69,472,946       |
| Structures and improvements                         | 98,153,403      | 49,002         | -         | -            | 98,202,405       |
| Intangibles   | 48,586,033      | -              | -         | 8,714,771    | 57,300,804       |
| Total capital assets subject to depreciation        | 214,064,492     | 2,196,892      | -         | 8,714,771    | 224,976,155      |
| Less: accumulated depreciation and amortization for |                 |                |           |              |                  |
| Equipment   | 46,957,925      | 5,226,983      | -         | -            | 52,184,908       |
| Structures and improvements                         | 61,925,019      | 3,142,940      | -         | -            | 65,067,959       |
| Intangibles   | 17,337,692      | 3,260,773      | -         | -            | 20,598,465       |
| Total accumulated depreciation and amortization     | 126,220,636     | 11,630,696     | -         | -            | 137,851,332      |
| Total capital assets subject to depreciation, net   | 87,843,856      | (9,433,804)    | -         | 8,714,771    | 87,124,823       |
| Total capital assets, net                           | \$ 98,236,860   | \$ (2,265,039) | \$ -      | \$ -         | \$ 95,971,821    |
|   |                 |                |           |              |                  |
|   | July 1,<br>2020 | Additions      | Disposals | Transfers    | June 30,<br>2021 |
| Capital assets not subject to depreciation          |                 |                |           |              |                  |
| Land  | \$ 1,809,424    | \$ 45,000      | \$ -      | \$ -         | \$ 1,854,424     |
| Construction in progress                            | 16,455,504      | 9,707,971      | -         | (17,624,895) | 8,538,580        |
| Total capital assets not subject to depreciation    | 18,264,928      | 9,752,971      | -         | (17,624,895) | 10,393,004       |
| Capital assets subject to depreciation              |                 |                |           |              |                  |
| Equipment   | 54,625,846      | 1,424,940      | -         | 11,274,270   | 67,325,056       |
| Structures and improvements                         | 91,802,778      | -              | -         | 6,350,625    | 98,153,403       |
| Intangibles   | 48,586,033      | -              | -         | -            | 48,586,033       |
| Total capital assets subject to depreciation        | 195,014,657     | 1,424,940      | -         | 17,624,895   | 214,064,492      |
| Less: accumulated depreciation and amortization for |                 |                |           |              |                  |
| Equipment   | 43,468,598      | 3,489,327      | -         | -            | 46,957,925       |
| Structures and improvements                         | 58,438,957      | 3,486,062      | -         | -            | 61,925,019       |
| Intangibles   | 14,274,670      | 3,063,022      | -         | -            | 17,337,692       |
| Total accumulated depreciation and amortization     | 116,182,225     | 10,038,411     | -         | -            | 126,220,636      |
| Total capital assets subject to depreciation, net   | 78,832,432      | (8,613,471)    | -         | 17,624,895   | 87,843,856       |
| Total capital assets, net                           | \$ 97,097,360   | \$ 1,139,500   | \$ -      | \$ -         | \$ 98,236,860    |

## Kern County Hospital Authority Notes to Financial Statements

### Note 5 – Compensated Absences Payable

Under the terms of union contracts, employees are granted vacation and sick leave in varying amounts depending upon their respective bargaining unit. In the event of termination or death, an employee, or the employee's estate, is compensated 100% of accumulated vacation. In the event of an employee's death or retirement, excluding deferred retirement, an employee, or the employee's estate, is compensated for accumulated sick leave in varying amounts from 50% to 100% depending on the employee's bargaining unit and length of service. The value of accumulated vacation and sick leave as of June 30, 2022 and 2021, is summarized below:

|                     | 2022          | 2021          |
|---------------------|---------------|---------------|
| Current portion     | \$ 6,362,361  | \$ 6,480,909  |
| Non-current portion | 12,724,721    | 12,961,817    |
|                     | \$ 19,087,082 | \$ 19,442,726 |

### Note 6 – Long-Term Debt

The following is a summary of long-term obligation transactions of Kern Medical for the years ended June 30, 2022 and 2021:

|                          | July 1,<br>2021 | Incurred<br>or Issued | Satisfied<br>or Matured | June 30,<br>2022 | Amounts<br>Due Within<br>One Year | Amounts Due<br>in More Than<br>One Year |
|--------------------------|-----------------|-----------------------|-------------------------|------------------|-----------------------------------|---|
| Pension obligation bonds | \$ 16,352,458   | \$ -                  | \$ 3,208,677            | \$ 13,143,781    | \$ 2,938,587                      | \$ 10,205,194                           |
| Total                    | \$ 16,352,458   | \$ -                  | \$ 3,208,677            | \$ 13,143,781    | \$ 2,938,587                      | \$ 10,205,194                           |
|                          | July 1,<br>2020 | Incurred<br>or Issued | Satisfied<br>or Matured | June 30,<br>2021 | Amounts<br>Due Within<br>One Year | Amounts Due<br>in More Than<br>One Year |
| Pension obligation bonds | \$ 19,749,154   | \$ -                  | \$ 3,396,696            | \$ 16,352,458    | \$ 3,208,676                      | \$ 13,143,782                           |
| Line of credit           | 20,000,000      | -                     | 20,000,000              | -                | -                                 | -                                       |
| Total                    | \$ 39,749,154   | \$ -                  | \$ 23,396,696           | \$ 16,352,458    | \$ 3,208,676                      | \$ 13,143,782                           |

# Kern County Hospital Authority

## Notes to Financial Statements

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### Note 6 – Long-Term Debt (continued)

Scheduled principal and interest repayments for long-term debt are as follows:

| Year Ending June 30, | <u>Principal</u>     | <u>Interest</u>     |
|----------------------|----------------------|---------------------|
| 2023                 | \$ 2,938,587         | \$ 365,819          |
| 2024                 | 1,991,965            | 1,436,264           |
| 2025                 | 1,062,281            | 2,542,598           |
| 2026                 | 1,058,183            | 2,730,055           |
| 2027                 | 1,981,763            | 1,986,653           |
| 2028–2030            | <u>4,111,002</u>     | <u>28,674</u>       |
|                      | <u>\$ 13,143,781</u> | <u>\$ 9,090,063</u> |

Total interest costs incurred for the years ended June 30, 2022 and 2021, were approximately \$1,326,000 and \$1,927,000, respectively.

**Pension obligation bonds** – In November 1995, the County issued pension obligation bonds to finance the County’s share of the unfunded accrued actuarial liability of the Kern County Employees’ Retirement Association. As of June 30, 2021, the amount of total 1995 pension obligation bonds outstanding for the County as a whole was approximately \$3,998,000, of which \$571,000 was allocated to Kern Medical. The initial basis of the amount allocated to Kern Medical was determined by Kern Medical’s share of the County-wide retirement contribution for the year ended June 30, 1995. As of June 30, 2022, the total pension obligation bond balance was paid in full and the respective balances are zero.

The bonds had various maturity dates between 2016 and 2022. Interest ranged from 6.16% to 7.26% for the current interest bonds and from 7.56% to 7.61% for the capital appreciation bonds.

In May 2003, the County issued pension obligation bonds to finance the County’s share of the unfunded accrued actuarial liability of the Kern County Employees’ Retirement Association. In August 2008, the County issued pension obligation bonds, Series 2008 A. The Series 2003 B Bonds were redeemed with the proceeds of the Series 2008 A Refunding Bonds. As of June 30, 2022 and 2021, the amounts of total 2003 and 2008 pension obligation bonds outstanding for the County as a whole were approximately \$117,865,000 and \$141,518,000, respectively. Of these amounts, approximately \$13,143,000 and \$15,781,000 were allocated to Kern Medical, respectively. The initial basis of the amount allocated to Kern Medical was determined by Kern Medical’s share of the County-wide retirement contribution for the year ended June 30, 2003.

## Kern County Hospital Authority Notes to Financial Statements

### Note 6 – Long-Term Debt (continued)

The Series 2003 A Bonds were issued as Current Interest Bonds and Capital Appreciation Bonds; the Series 2003 B Bonds were refunded as Adjustable Rate Bonds in August 2008. The bonds have various maturity dates between 2006 and 2023 for the Current Interest Bonds and from 2023 and 2028 for the Capital Appreciation Bonds. Series 2003 A Bonds have fixed interest rates that range from 2.33% to 4.88% for the current interest bonds and 5.50% to 5.57% for the capital appreciation bonds. The 2008 A Bonds have an adjustable rate. Adjustable rates follow LIBOR plus 0.75%. Starting in April 2014, the 2008 A Bonds have a fixed interest rate of 4.185%.

**Line of credit** – In March 2019, Kern Medical entered into a revolving line of credit agreement with a financial institution, secured by revenues and nongovernmental receivables that have been pledged as security pursuant to the agreement with the financial institution. Amounts available under the revolving credit agreement are \$20,000,000 with a mature date of February 28, 2023. Interest is payable on a monthly basis at the current LIBOR rate plus 90 basis points. As of both June 30, 2022 and 2021, there were no outstanding borrowings.

### Note 7 – Interest Payable

The following is a summary of interest payable transactions of Kern Medical for the years ended June 30, 2022 and 2021:

|                                | <u>July 1, 2021</u>  | <u>Amount<br/>Accrued</u> | <u>Amount<br/>Paid</u> | <u>June 30, 2022</u> |
|--------------------------------|----------------------|---------------------------|------------------------|----------------------|
| <u>Current</u>                 |                      |                           |                        |                      |
| Pension obligation bonds (POB) | 3,442,090            | 450,857                   | 3,827,761              | 65,186               |
| Total current interest payable | <u>3,442,090</u>     | <u>450,857</u>            | <u>3,827,761</u>       | <u>65,186</u>        |
| <u>Non-current</u>             |                      |                           |                        |                      |
| POB capital appreciation bonds | 5,707,331            | 511,091                   | -                      | 6,218,422            |
| Total interest payable         | <u>\$ 9,149,421</u>  | <u>\$ 961,948</u>         | <u>\$ 3,827,761</u>    | <u>\$ 6,283,608</u>  |
|                                |                      |                           |                        |                      |
|                                | <u>July 1, 2020</u>  | <u>Amount<br/>Accrued</u> | <u>Amount<br/>Paid</u> | <u>June 30, 2021</u> |
| <u>Current</u>                 |                      |                           |                        |                      |
| Pension obligation bonds (POB) | 5,711,433            | 3,898,405                 | 6,167,748              | 3,442,090            |
| Total current interest payable | <u>5,711,530</u>     | <u>3,898,405</u>          | <u>6,167,748</u>       | <u>3,442,090</u>     |
| <u>Non-current</u>             |                      |                           |                        |                      |
| POB capital appreciation bonds | 8,174,119            | 859,093                   | 3,325,881              | 5,707,331            |
| Total interest payable         | <u>\$ 13,885,649</u> | <u>\$ 4,757,498</u>       | <u>\$ 9,493,629</u>    | <u>\$ 9,149,421</u>  |

# Kern County Hospital Authority

## Notes to Financial Statements

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### Note 8 – Net Patient Service Revenue

Kern Medical has agreements with third-party payers that provide for payments to Kern Medical at amounts different from its established rates. These payment arrangements include:

**Medicare** – Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively-determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, acuity, and other factors. Kern Medical is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by Kern Medical and audits thereof by the Medicare administrative contractor. The Medicare administrative contractor has audited Kern Medical's cost reports through June 30, 2018.

**Medi-Cal** – Inpatient acute services rendered to Medi-Cal program beneficiaries are paid at a prospectively determined rate per discharge (APR-DRG). These rates vary according to a patient classification system based on clinical, diagnostic, and other factors. Outpatient services are reimbursed based upon a fee schedule per procedure, test, or service.

Approximately 88% and 87% of net patient service revenue is from participation in the Medicare and state-sponsored Medi-Cal programs for the years ended June 30, 2022 and 2021, respectively. Laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change in the near term.

Kern Medical has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to Kern Medical under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

## Kern County Hospital Authority Notes to Financial Statements

### Note 9 – Indigent Patient Care Funding

Kern Medical is entitled to receive supplemental funding from various governmental sources based on the patients served. The following information summarizes the major payment arrangements for the years ended June 30, 2022 and 2021:

|   | 2022           | 2021           |
|---|----------------|----------------|
| Global payment program                                      | \$ 41,228,087  | \$ 34,486,438  |
| Public hospital redesign and incentives in Medi-Cal Program | -              | 1,874,024      |
| Whole person care   | 14,822,928     | 15,081,632     |
| Medi-Cal managed care supplemental programs                 | 34,756,866     | 43,925,283     |
| Enhanced payment program                                    | 48,644,208     | 21,934,988     |
| Quality incentive program                                   | 97,611,992     | 40,572,643     |
| Graduate medical education program                          | 4,088,400      | 5,968,215      |
| CalAIM program  | 1,770,120      | -              |
| Other   | 16,266,574     | 28,278,775     |
| Total   | \$ 259,189,175 | \$ 192,121,998 |

**Medi-Cal waiver** – California’s Medi-Cal Hospital/Uninsured Care Demonstration Project (“Demonstration”) is a system for paying selected hospitals, including Kern Medical, for hospital care provided to Medi-Cal and uninsured patients. The Demonstration was negotiated between the State of California’s Department of Health Services (“DHS”) and the Federal Centers for Medicare and Medicaid Services (“CMS”) in 2006 and covers the period from July 1, 2005 to June 30, 2010. The implementing State legislation (SB 1100) was enacted by the Legislature in September 2005. The five-year Demonstration affects payments for 23 public hospitals, including all University of California owned hospitals, identified as Designated Public Hospitals, and private and non-designated public safety net hospitals that serve large numbers of Medi-Cal patients. The program was extended in 2010 to cover the period from July 1, 2010 to June 30, 2015. The program was further extended in 2015 to cover the period from July 1, 2015 to June 30, 2020. During the year ended June 30, 2022, the program was further extended to cover the period through December 31, 2026.

Under the Demonstration, payments for the public hospitals are comprised of: 1) Fee for Service (“FFS”) cost-based reimbursement for inpatient hospital services (exclusive of physician component); 2) Disproportionate Share Hospital (“DSH”) Program payments (formerly SB 855); and 3) distribution from a newly created pool of federal funding for uninsured care, known as the Safety Net Care Pool (“SNCP”). The nonfederal share of these three types of payments will be provided by the public hospitals rather than the State, primarily through certified public expenditures (“CPE”) whereby the hospital would expend its local funding for services to draw down the Federal financial participation (“FFP”), currently provided at a 50% match. For the inpatient hospital FFS cost-based reimbursement, each hospital will provide its own CPE and receive all of the resulting Federal match. For the DSH and SNCP distributions, the CPEs of all the public hospitals will be used in the aggregate to draw down the Federal match. It is therefore possible for one hospital to receive the Federal match that results from another hospital’s CPEs. In this situation, the first hospital is referred to as a “recipient” hospital, while the second is referred to as a “donor” hospital. A recipient hospital is required to “retain” the FFP amounts resulting from donated CPEs.

# Kern County Hospital Authority

## Notes to Financial Statements

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### Note 9 – Indigent Patient Care Funding (continued)

The Demonstration prioritizes payments so that, to the extent possible, total payments to hospitals are at a minimum “baseline” level. For public hospitals, the baseline level is determined and satisfied on a hospital-specific basis. The three funding components that will be utilized to meet each hospital’s baseline level are as follows:

- 1) Medi-Cal inpatient FFS cost-based reimbursement: The FFP that is paid to the hospital represents approximately half of the facility-specific costs or CPE. The hospital’s amounts will fluctuate based on the number of facility-specific Medi-Cal patients served and the facility-specific cost-computations that will be adjusted on an interim and final basis.
- 2) DSH funds: These payments are made to hospitals to take into account the uncompensated costs of care delivered to the uninsured, including undocumented immigrants, as well as shortfalls between Medi-Cal psychiatric and Medi-Cal managed care payments and the cost of care delivered. The nonfederal share of these funds will be a combination of CPEs for these services and Intergovernmental Transfers (IGTs) and as such are subject to interim and final cost settlement. There is an annual fixed allotment of Federal DSH funds, and the waiver allocates almost all of these funds to public hospitals.
- 3) SNCP distributions: Federal payments made to public hospitals and clinics for uncompensated care delivered to uninsured patients and for certain designated non-hospital costs, such as drugs and supplies for the uninsured. The nonfederal share of these funds will be based on CPEs for these services and as such are subject to interim and final cost settlement. Effective January 1, 2016, this program was replaced with the Global Payment Program, described below.

The DSH program was established in 1981 as part of the Medicaid program and requires State Medicaid agencies to make additional payments to hospitals serving disproportionate numbers of low-income patients with special needs. Effective July 1, 1997, the program was amended to limit DSH payments to 100% of the amount of incurred uncompensated care costs (UCC) with a special provision that allowed payments of up to 175% of UCC to those public hospitals qualifying as “high DSH” hospitals in the State of California.

In 2001, the Office of Inspector General (OIG) of the U.S. Department of Health and Human Services conducted an audit of DSH payments to Kern Medical in order to determine that those payments did not exceed the hospital specific limit for fiscal year 1998. In September 2002, the OIG issued its final report, claiming total overpayments to Kern Medical of approximately \$38,700,000, of which approximately \$19,400,000 represents the Federal share.

**Note 9 – Indigent Patient Care Funding (continued)**

The report states that federal law requires the state to recover overpayments, and state law requires that overpayments determined by audit or federal disallowance should be recouped by the state. However, in its conclusions, the report does not specifically request Kern Medical to refund the overpayment.

The DHS and Kern Medical generally disagree with the findings of the OIG and maintain that the DSH payments were properly paid in accordance with the approved State plan. Furthermore, both the State and Kern Medical assert that the governing statute, OBRA 1993, does not require retrospective settlement, as these settlements are extremely disruptive and counter-productive to the purposes of the DSH program. No provision has been made in these financial statements to repay the amounts claimed by the OIG in its report.

DHS has completed its audit and reconciliation of the 2005-2006 Medi-Cal funds and noted that Kern Medical was overpaid in the total amount of \$2,116,022. Kern Medical paid this amount back to DHS on October 9, 2013. Kern Medical hired a third-party consultant to evaluate its outstanding receivables related to the remaining years subject to audit from 2006-2007 through 2013-2014 noting Kern Medical is estimated to have been overpaid by DHS in the amount of approximately \$41,100,000 over the course of these stated 8 years. The amount has been recorded as an offset totaling \$40,394,000 and \$34,811,000 within due from governmental agencies in the accompanying statements of net position as of June 30, 2022 and 2021, respectively, and is subject to audit by DHS.

Included as an offset within due from governmental agencies in the accompanying statements of net position are amounts payable to DHS as of June 30, 2022 and 2021, of approximately \$44,842,000 and \$37,696,000, respectively, which represent the amounts received but not yet earned by Kern Medical under the waiver program net of amounts earned but not yet received by Kern Medical under the program, primarily related to the matter described above and ongoing audits. Kern Medical recorded changes in estimates in amounts expected to be received resulting in increases/(reductions) in indigent patient care funding revenue in the accompanying statements of revenues, expenses, and changes in net position of approximately (\$7,146,000) and \$23,339,000 during the years ended June 30, 2022 and 2021, respectively.

**Global Payment Program (GPP)** – Effective January 1, 2016, California’s Section 1115 Waiver Renewal (Renewal), referred to as Medi-Cal 2020, was approved by CMS. As part of the Renewal, the GPP establishes a statewide pool of funding for the remaining uninsured by combining federal DSH and uncompensated care funding where selected Designated Public Hospital systems, like Kern Medical, can achieve their goal of “global budget” by meeting a service threshold that incentivizes movement from high cost, avoidable services to providing higher value, and preventative services. Kern Medical recognized approximately \$41,228,000 and \$34,486,000 in indigent patient care funding revenue in the accompanying statements of revenues, expenses, and changes in net position during the years ended June 30, 2022 and 2021, respectively, for section 1115 waiver programs including GPP. As of June 30, 2022 and 2021, amounts receivable were approximately \$8,963,000 and \$17,015,000, respectively, for this program which is included in due from governmental agencies on the accompanying statements of net position.



# Kern County Hospital Authority

## Notes to Financial Statements

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### Note 9 – Indigent Patient Care Funding (continued)

**Public Hospital Redesign and Incentives in Medi-Cal program (PRIME)** – As part of the Renewal described above, CMS authorized California to invest savings generated through the Demonstration to achieve critical objectives, such as improved quality of care and better care coordination through safety net providers. Over 5 years, up to approximately \$7,464,000,000 in federal funds will be available to all hospitals participating in the PRIME program. As of December 31, 2020, the PRIME program expired. As a result of participating in PRIME, Kern Medical recorded indigent patient care funding revenue in the accompanying statements of revenues, expenses, and changes in net position of approximately \$0 and \$1,874,000 for the years ended June 30, 2022 and 2021, respectively. No amounts are due to or from governmental agencies as of June 30, 2022 and 2021.

**Whole Person Care (WPC)** – Effective June 1, 2017, CMS approved an amendment to the Special Terms and Conditions of California’s Medi-Cal 2020 Demonstration for the WPC Pilots program. The overarching goal of the WPC Pilots is the coordination of health, behavioral health, and social services, as applicable, in a patient-centered manner with the goals of improved beneficiary health and wellbeing through more efficient and effective use of resources. WPC Pilots provide the option to Kern Medical to receive support to integrate care for a particularly vulnerable group of Medi-Cal beneficiaries who have been identified as high users of multiple systems and continue to have poor health outcomes. Through collaborative leadership and systematic coordination among public and private entities, WPC Pilot entities will identify target populations, share data between systems, coordinate care real time, and evaluate individual and population progress – all with the goal of providing comprehensive coordinated care for the beneficiary resulting in better health outcomes. As a result of participating in WPC, Kern Medical recorded approximately \$14,823,000 and \$15,082,000 in indigent patient care funding revenue in the accompanying statements of revenues, expenses, and changes in net position for the years ended June 30, 2022 and 2021, respectively. Approximately \$0 and \$4,998,000 of amounts receivable are included in the overall balance due from governmental agencies in the accompanying statements of net position as of June 30, 2022 and 2021, respectively.

**Medi-Cal Managed Care Supplemental Programs** – For newly eligible Medi-Cal patients under the ACA effective January 1, 2014, certain portions of the ACA provided Medi-Cal coverage for patients previously covered under risk sharing agreements. The majority of these beneficiaries were enrolled in managed Medi-Cal health plans. Due to payment mechanisms between the State and the health plans (capitation), an opportunity to receive supplemental funding similar to current rate range programs was made available to the DPHs. As a result of the supplemental funding, Kern Medical recorded indigent patient care funding revenue in the accompanying statements of revenues, expenses, and changes in net position of approximately \$34,757,000 and \$43,925,000 for the years ended June 30, 2022 and 2021, respectively. Approximately \$51,446,000 and \$34,689,000 of amounts receivable are included in the overall balance due from governmental agencies in the accompanying statements of net position as of June 30, 2022 and 2021, respectively.

**Note 9 – Indigent Patient Care Funding (continued)**

**Enhanced Payment Program (EPP) and Quality Incentive Program (QIP)** – In 2016, CMS published the Medicaid and Children’s Health Insurance Program Managed Care Final Rule (Managed Care Rule), which went into effect July 1, 2017. The Managed Care Rule limits the ability of states to direct payments to health care providers, unless certain conditions are met. Among the allowable exceptions are payments tied to performance and payments that provide a uniform payment increase that includes a predetermined increase over contracted rates. Some of the existing supplemental payments in managed care did not meet these conditions. In order to retain this critical funding, these payments were restructured into two new CMS approved programs, effective July 1, 2017: the EPP and the QIP. The EPP divides public health care systems into five different classes, with payment terms defined according to class. Enhanced funding available to the class is distributed pro rata based on unitization encounter data reported to the State. The QIP is meant to meet the Managed Care Rule’s exception that allows payments tied to performance. The QIP is structured similar to the PRIME program, however, the QIP does not directly overlap with any of the quality measures being used in PRIME, but are designed to be complementary. As a result of the EPP, Kern Medical recorded indigent patient care funding revenue in the accompanying statements of revenues, expenses, and changes in net position of approximately \$48,644,000 and \$21,935,000 for the years ended June 30, 2022 and 2021, respectively. Approximately \$65,218,000 and \$42,534,000 of amounts receivable are included in the overall balance due from governmental agencies in the accompanying statements of net position as of June 30, 2022 and 2021, respectively. As a result of the QIP, Kern Medical recorded indigent patient care funding revenue in the accompanying statements of revenues, expenses, and changes in net position of approximately \$97,612,000 and \$40,573,000 for the years ended June 30, 2022 and 2021, respectively. Approximately \$99,952,000 and \$47,125,000 of amounts receivable are included in the overall balance due from governmental agencies in the accompanying statements of net position as of June 30, 2022 and 2021, respectively.

**Graduate Medical Education Program (GME)** – Historically, only Medicare has reimbursed hospitals for Graduate Medical Education (GME) expenses. In March 2020, CMS formally approved the Medi-Cal GME State Plan Amendment, which will provide \$150 million of new federal funds to the Public Hospital System to support GME. The payments are retroactive to January 2017. Payments were expedited, allowing Kern Medical to capture some of the retroactive payments during FY 2020. This is an IGT based program; therefore, to take advantage of the funding, hospitals are required to put up IGT funds and small administrative fees. The IGT funds are matched by the federal government at a 50% federal medical assistance percentage rate. Kern Medical recorded indigent patient care funding revenue in the accompanying statements of revenues, expenses, and changes in net position of approximately \$4,088,000 and \$5,968,000 for the years ended June 30, 2022 and 2021, respectively. The revenue amount recognized for the year ended June 30, 2021, relates to the year ended June 30, 2021. Of the revenue amount recognized for the year ended June 30, 2020, approximately \$8,616,000 relates to the year ended June 30, 2019 and prior. Approximately \$1,386,000 and \$2,536,000 of amounts receivable are included in the overall balance due from governmental agencies in the accompanying statements of net position as of June 30, 2022 and 2021, respectively.

# Kern County Hospital Authority

## Notes to Financial Statements

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### Note 10 – Related-Party Transactions

**County funding** – Kern Medical receives funds from the County as funding for providing care for inmates of Kern County jail and inmates of Kern County juvenile hall. The County Board of Supervisors approves a budgeted amount to be paid to Kern Medical. Based on the approved budgeted amount, Kern Medical recognized revenues of approximately \$30,860,000 and \$30,897,000 for the years ended June 30, 2022 and 2021, respectively. These revenues have been classified as county funding revenue in the accompanying statements of revenues, expenses, and changes in net position. As of June 30, 2022 and 2021, Kern Medical recorded amounts receivable of approximately \$3,875,000 and \$1,899,000, respectively, from the County’s General Fund for these services classified in other receivables in the accompanying statements of net position.

Kern Medical provides health care services to Medically Indigent Adults as provided under Section 17000 of the Health and Safety regulations under the State of California. Reimbursement for the services is provided by the County’s General Fund through the use of State Health and Welfare Realignment Revenues. Based on the approved budgeted amount, Kern Medical recognized county funding revenue in the accompanying statements of revenues, expenses, and changes in net position of approximately \$3,422,000 for the years ended June 30, 2022 and 2021. As of June 30, 2022 and 2021, there were no amounts due from the County’s General Fund for these services.

**Service agreements** – Kern Medical has entered into various annual service agreements with two related-party organizations since 2016, whereby the related-party organizations will provide support services related to finance and accounting, information technology, human resources, and organizational advancement at a set monthly fee plus any additional services, costs, or expenses pre-approved by Kern Medical. During the years ended June 30, 2022 and 2021, Kern Medical paid approximately \$10,057,000 and \$10,095,000 for support services, respectively. As of June 30, 2022 and 2021, Kern Medical owed no amounts to the related-party organizations for these services.

### Note 11 – Pension Plan

#### General Information About the Pension Plans

**Plan descriptions** – The County of Kern’s Board of Supervisors established the Kern County Employees’ Retirement Association (KCERA) under the provisions of the County Employees’ Retirement Law of 1937 (CERL) on January 1, 1945. All permanent employees of the County of Kern, Kern Medical, and thirteen related agencies are covered by KCERA, which operates as a cost-sharing multi-employer defined benefit plan. KCERA has the responsibility to function as an investment and administrative agent for the County of Kern with respect to the pension plan. KCERA became independent from the County’s supervision and control as a result of the 1992 passage of Proposition 162, which legally established the independent control of the Board of Retirement. Separate audited financial statements can be obtained through KCERA at 11125 River Run Boulevard, Bakersfield, California 93311. Management of the KCERA plan is vested with the Board of Retirement, which consists of nine members and two alternates.

**Note 11 – Pension Plan (continued)**

The Board of Retirement establishes policy for the operation of the plan, considers applications for disability retirement, recommends contributions on the basis of actuarial valuations, and controls investments of assets. Prior to January 1, 1996, the Kern County Treasurer-Tax Collector was responsible for financial reporting and accounting for all investments as required by Government Code Section 31596 et seq., as amended. On January 11, 1987, the Board of Retirement authorized the retirement fund to incur an administrative expense and hire an Administrator to serve at the Board of Retirement's pleasure. The Administrator is responsible for the processing and computing of applications for retirement benefits, refunds, beneficiary allowances, death benefits, reciprocity, and any other duties the Board of Retirement may assign. The Administrator also acts as Secretary for all Board of Retirement and Committee meetings and performs other activities as directed by the Board of Retirement. The KCERA Plan provides for retirement, disability, death, beneficiary, and cost-of-living benefits.

All regular full-time employees of the County of Kern or contracting districts, including Kern Medical, who work 50% or more of their regular standard hours required become members of KCERA effective on the first day of the payroll period following the date of hire.

General Tier I and Tier II members are eligible to retire at age 70 regardless of service or at age 50 with 10 or more years of retirement service credit. A member with 30 years of service is eligible to retire regardless of age. General Tier III members are eligible to retire at age 70 regardless of service or at age 52 with 5 or more years of retirement service credit. The retirement benefit the member will receive is based on age at retirement, final average compensation, years of retirement service credit, and benefit tier.

The amount of such monthly benefit is determined as a percentage of their final monthly compensation and is based on age at retirement and the number of years of service. The final monthly compensation is the monthly average of the final 12 months' compensation, or, if the member so elects, any other continuous 12-month period in the member's work history. If hired on or after January 1, 2013, the final compensation is measured over a period of 36 months.

An annual 2% cost-of-living adjustment (COLA) for all retirees and continuance beneficiaries was adopted as of April 1, 1973. The liability for this annual retirement benefit increase was funded entirely from the unreserved fund balance until February 5, 1983. After this date (as recommended by the plan's Independent Actuary, adopted by KCERA Board of Retirement, and approved by the County Board) and prior to fiscal year 2003, funding the 2% COLA was included in the employers' contribution. COLA for all retirees and continuance beneficiaries was increased to 2.5% effective April 1, 2002.

# Kern County Hospital Authority

## Notes to Financial Statements

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### Note 11 – Pension Plan (continued)

The Memorandum of Understanding (MOU) adopted March 2012 between the County and its general employees states that all general members hired prior to the first day of payroll period 2004-16 shall start to pay, in the second year of the agreement, one-sixth of the employee's normal contribution to retirement. In the third year, the employee's normal contribution will increase to one-third. All general members hired on or after the first day of payroll period 2005-16 shall pay 100% of the new employee's normal contribution to retirement. The County Administrative Office negotiated an agreement with the Central California Association of Public Employees (CCAPE) adopting Government Code Section 31676.17 which provides enhanced retirement benefits, commonly known as 3% at 60, for General members, in August 2004.

**Basis of accounting** – KCERA follows GASB accounting principles and reporting guidelines. The financial statements are prepared using the accrual basis of accounting and reflect the overall operations of KCERA. Employer and member contributions are recognized in the period in which the contributions are due, and benefits and refunds of prior contributions are recognized when due and payable in accordance with the terms of KCERA.

**Fair valuation of investments** – Fair value for investments is derived by various methods as indicated in the following table:

|  |   |
|--|---|
| Publicly traded stocks                 | Most recent exchange closing price. International securities reflect currency exchange rates in effect as of June 30, 2021.   |
| Short-term investments and bonds       | Institutional evaluations or priced at par.   |
| OTC securities                         | Evaluations based on good faith opinion as to what a buyer in the marketplace would pay for a security.   |
| Commingled funds                       | Net asset value provided by the investments manager.  |
| Alternative investments                | Provided by the Fund manager based on the underlying financial statements and performance of the investments.   |
| Private equity real estate investments | Estimated based on the price that would be received to sell an asset in an orderly transaction between marketplace participants at the measurement date. Investments without a public market are valued based on assumptions made and multiple valuation techniques used by the investment manager. |

**Contributions** – As a condition of participation under the provisions of CERL, members are required to contribute to KCERA a percentage of their salaries. Member contribution rates for fiscal year 2022 ranged from 4.72% to 19.29% and were applied to the member's base pay plus pensionable special pays. For general members hired prior to 2013, contribution rates were determined by benefit tier and KCERA entry age. The contribution rates of general members who first joined KCERA on or after January 1, 2013, are at least 50% of the normal cost rate. Furthermore, the rate of members integrated with Social Security is reduced by one-third on the first \$161 of biweekly salary.

## Kern County Hospital Authority Notes to Financial Statements

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### Note 11 – Pension Plan (continued)

Interest is credited to member contributions semi-annually on June 30 and December 31, in accordance with Article 5.5 of the CERL. Member contributions and credited interest are refundable upon termination of membership.

Each year, an actuarial valuation is performed for the purpose of determining the funded ratio of the retirement plan and the employer contributions that are necessary to pay benefits accruing to KCERA members that were not otherwise funded by member contributions or investment earnings. The employer contribution rates are actuarially determined by using the Entry Age Normal Actuarial Cost method. Employer rates include the “normal cost” and an annual amortization payment toward the Plan’s unfunded actuarial accrued liability. Contribution rates determined in each actuarial valuation (as of June 30) apply to the fiscal year beginning 12 months after the valuation date. Employer rates for fiscal year 2022 ranged from 36.02% to 76.64% of covered payroll. Contributions to the pension plan from Kern Medical were approximately \$38,713,000 and \$38,354,000 for the years ended June 30, 2022 and 2021, respectively.

**Actuarial assumptions** – The total pension liabilities in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions. Total pension liability represents the portion of the actuarial present value projected benefit payments attributable to past periods of service for current and inactive employees.

|                            |  |
|----------------------------|--|
| Inflation                  | 2.75%  |
| Projected salary increases | General: 4.00% to 8.75% and Safety: 3.75% to 12.50%, varying by service, including inflation.  |
| COLA increases             | 2.50% (actual increases contingent upon CPI increases with a 2.50% maximum).   |
| Administrative expenses    | 0.90% of payroll allocated to both the employer and member based on the components of the total contribution rate (before expenses) for the employer and member.   |
| Investment rate of return  | 7.25%, net of pension plan investment expenses, including inflation.   |
| Mortality                  | Pub-2010 General Healthy Retiree Amount-Weighted Mortality Tavel (separate tables for males and females) with rates increased by 15% for females, projected generationally with the two-dimensional mortality improvement scale MP-2019. |

# Kern County Hospital Authority

## Notes to Financial Statements

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### Note 11 – Pension Plan (continued)

The total pension liability as of June 30, 2022, was determined by an actuarial valuation as of June 30, 2021. The total pension liability as of June 30, 2021, was determined by an actuarial valuation as of June 30, 2020. The actuarial assumptions for the June 30, 2022 and 2021 actuarial reports were based on the results of an experience study for the period July 1, 2016 through June 30, 2019.

The Entry Age Normal Actuarial Cost method used in KCERA's annual actuarial valuation has also been applied in measuring the service cost and TPL with one exception. For purposes of measuring the service cost and TPL, KCERA has reflected the same plan provisions used in determining the member's actuarial present value of projected benefits. This is different from the version of this method applied in KCERA's annual funding valuation, where the normal cost and actuarial-accrued liability are determined as if the current benefit accrual rate had always been in effect.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns net of pension plan investment expenses and inflation) are developed for each major asset class. This data is combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions are summarized below:

|                               | <u>Target<br/>Allocation</u> | <u>Long-term Expected<br/>Real Rate of Return</u> |
|-------------------------------|------------------------------|---|
| Global equity                 | 37.00 %                      | 6.51 %  |
| Core fixed income             | 14.00                        | 1.09  |
| High yield corporate credit   | 6.00                         | 3.38  |
| Emerging market debt blend    | 4.00                         | 3.41  |
| Commodities                   | 4.00                         | 3.08  |
| Core real estate              | 5.00                         | 4.59  |
| Private real estate           | 5.00                         | 9.50  |
| Midstream                     | 5.00                         | 8.20  |
| Capital efficiency alpha pool | 5.00                         | 2.40  |
| Hedge funds                   | 10.00                        | 2.40  |
| Private equity                | 5.00                         | 9.40  |
| Private credit                | 5.00                         | 5.60  |
| Cash                          | (5.00)                       | 0.00  |

**Discount rate** – The discount rates used in the actuarial valuation of the total pension liability as of June 30, 2022 and 2021, were both 7.25%. The projection of cash flows used to determine the discount rates assumed member contributions would be made at the current contribution rate and that employer contributions would be made at rates equal to the actuarially determined contribution rates.

**Kern County Hospital Authority**  
**Notes to Financial Statements**

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**Note 11 – Pension Plan (continued)**

For this purpose, only employee and employer contributions intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the actuarial valuation of the total pension liability as of June 30, 2022.

The discount rate assumptions have been developed without taking into consideration any impact of the 50/50 allocation of future excess earnings between the retirement and Supplement Retirement Benefit Reserve (SRBR) asset pools.

**Sensitivity of the net pension liability to changes in the discount rate** – The following presents the net pension liability as of June 30, 2022, calculated using a discount rate of 7.25%, and what the net pension liability would be if it were calculated using a discount rate that is one point lower (6.25%) or one point higher (8.25%) than the current rate:

|  | 1%<br>Decrease<br>(6.25%) | Current<br>Discount Rate<br>(7.25%) | 1%<br>Increase<br>(8.25%) |
|--|---------------------------|-------------------------------------|---------------------------|
| Kern Medical's proportionate share<br>of the net pension liability | \$ 428,082,373            | \$ 284,243,193                      | \$ 165,957,883            |

**Pension fund fiduciary net position** – Detailed information about the pension fund’s fiduciary net position is available in the separately issued KCERA annual report.

**Pension liabilities, pension expenses, and deferred outflows/inflows of resources related to pensions** – Kern Medical’s net pension liability for the Plan is measured as the proportionate share of the net pension liability. As of June 30, 2022, Kern Medical reported a liability of approximately \$284,243,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The net pension liability for each membership class is the total pension liability minus the Plan’s Fiduciary Net Position. The total pension liability for each membership class is obtained from internal valuation results based on the actual participants in each membership class. The Plan’s Fiduciary Net Position for each membership class was estimated by adjusting the valuation value of assets for each membership class by the ratio of the total KCERA Plan’s Fiduciary Net Position (excluding SRBR) to total KCERA valuation value of assets. Based on this methodology, any non-valuation reserves are allocated amongst the membership classes based on each membership class’ valuation value of assets. Kern Medical’s proportion of the net pension liability was based on a projection of Kern Medical’s long-term share of contributions to the pension plan relative to the projected contributions of all participating County departments and agencies, actuarially determined. As of June 30, 2022, Kern Medical’s proportion was 15.04%, which was an increase of 0.73% from its proportion measured as of June 30, 2021.



# Kern County Hospital Authority

## Notes to Financial Statements

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### Note 11 – Pension Plan (continued)

For the years ended June 30, 2022 and 2021, Kern Medical recognized pension expense of approximately \$20,757,000 and \$43,731,000, respectively. Pension expense represents the change in net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or methods, and plan benefits. As of June 30, 2022 and 2021, Kern Medical reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

|  | June 30, 2022                        |                                     |
|--|--------------------------------------|-------------------------------------|
|  | Deferred<br>Outflows<br>of Resources | Deferred<br>Inflows of<br>Resources |
| Differences between expected and actual experience   | \$ -                                 | \$ (10,038,542)                     |
| Changes in assumptions   | 14,443,317                           | -                                   |
| Net difference between projected and actual earnings<br>on pension plan investments                                  | -                                    | (64,502,597)                        |
| Changes in proportion and differences between Kern Medical<br>contributions and proportionate share of contributions | 29,951,753                           | (1,112,176)                         |
| Kern Medical contributions subsequent to the measurement date  | 48,223,726                           | -                                   |
| Total  | <u>\$ 92,618,796</u>                 | <u>\$ (75,653,315)</u>              |
|  | June 30, 2021                        |                                     |
|  | Deferred<br>Outflows<br>of Resources | Deferred<br>Inflows of<br>Resources |
| Differences between expected and actual experience   | \$ -                                 | \$ (15,379,513)                     |
| Changes in assumptions   | 23,513,148                           | -                                   |
| Net difference between projected and actual earnings<br>on pension plan investments                                  | 25,313,397                           | -                                   |
| Changes in proportion and differences between Kern Medical<br>contributions and proportionate share of contributions | 25,470,537                           | (11,222,863)                        |
| Kern Medical contributions subsequent to the measurement date  | 46,187,430                           | -                                   |
| Total  | <u>\$ 120,484,512</u>                | <u>\$ (26,602,376)</u>              |

**Kern County Hospital Authority**  
**Notes to Financial Statements**

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**Note 11 – Pension Plan (continued)**

Deferred outflows and deferred inflows of resources above represent the unamortized portion of changes to the total pension liability to be recognized in future periods in a systematic and rational manner. Approximately \$48,224,000 and \$46,187,000 reported as deferred outflows of resources relate to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability during the years ended June 30, 2022 and 2021, respectively. Other amounts reported as deferred outflows and deferred inflows of resources related to pension will be recognized as pension expense as follows:

|                      |                        |
|----------------------|------------------------|
| Years Ended June 30, |                        |
| 2023                 | \$ (2,426,670)         |
| 2024                 | (3,504,791)            |
| 2025                 | (6,092,266)            |
| 2026                 | (18,719,140)           |
| 2027                 | -                      |
|                      | <u>\$ (30,742,867)</u> |

The changes in net pension liability obligation are as follows as of June 30, 2022 and 2021:

|  | <u>2022</u>           | <u>2021</u>           |
|--|-----------------------|-----------------------|
| Beginning net pension liability  | \$ 381,152,811        | \$ 322,103,797        |
| Pension expense  | 20,756,810            | 43,203,179            |
| Employer contributions   | (38,713,478)          | (38,354,347)          |
| Deferred outflows of resources – change in assumptions   | (2,548,256)           | 21,675,654            |
| Deferred inflows of resources – differences between expected and actual earnings on investments  | (87,123,183)          | 17,776,196            |
| Deferred inflows of resources – differences between expected and actual experience   | (1,949,637)           | (3,435,198)           |
| Deferred outflows of resources – changes in proportion and differences between Kern Medical contributions and proportionate share of contributions | <u>12,668,126</u>     | <u>18,183,530</u>     |
| Ending net pension liability   | <u>\$ 284,243,193</u> | <u>\$ 381,152,811</u> |

# Kern County Hospital Authority

## Notes to Financial Statements

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### Note 12 – Physician Employee Retirement Plan

Kern Medical, through the County, contributes to the Kern County Physician Employee Retirement Plan (the “Plan”), a defined contribution plan. The Plan covers salaried physicians in the employment of the County, except physicians employed under Civil Service and physicians employed and paid on an hourly basis. Kern Medical contributions for each plan year (as defined in the Plan Document) under the amended and restated Plan Document shall be as follows: Kern Medical shall contribute as Kern Medical’s required contribution the sum of \$17,500 for the account of Core Physician for each completed Plan Year of service (as defined in the Plan Document) by Core Physician. Participants are allowed to make voluntary contributions to the Plan. All amounts contributed are vested immediately. Kern Medical contributed approximately \$1,709,000 and \$1,716,000 to the Plan during the years ended June 30, 2022 and 2021, respectively. Audited financial statements for the Plan may be obtained through the Kern County Auditor-Controller-County Clerk, 1115 Truxtun Avenue, Bakersfield, California 93301.

### Note 13 – Post-Retirement Health Care Benefits

**Plan description** – In addition to the pension benefits described in Note 11, the County and its Special Districts (including Kern Medical) provide post-retirement health care benefits in accordance with union contracts and Board of Supervisors’ order. The post-retirement health care benefits are provided through a cost-sharing multiple-employer postemployment health benefit (OPEB) plan established in an irrevocable trust administered by Public Agency Retirement Services (PARS). PARS issues a separate annual financial report that can be obtained by writing to PARS at 4350 Von Karman Ave., Suite 100, Newport Beach, California 92660.

**Benefits provided** – The OPEB plan provides post-retirement health care through two programs in accordance with union contracts and Board orders.

1. The Retiree Health Premium Supplement Program (RHPSP) provides benefits to employees who: 1) elected to participate or were required to participate, 2) retire on or after July 1, 1990, 3) are between the ages of 50 and 64, and 4) have at least 20 years of continuous County service as a permanent employee. The supplement amount is permanently fixed once determined and, depending on years of service, is equal to 50-100% of the active employee monthly health premium for a single individual at the time of retirement.
2. The Retiree Health Stipend (RHS) provides a stipend to employees who choose continuous County health coverage upon retirement. The monthly stipend paid on behalf of each retiree is a maximum of \$39.75 for single coverage, \$53.69 for two-party coverage, and \$61.50 for family coverage, limited to the cost of the plan selected.

**Contributions** – Kern Medical’s Actuarially Determined Contribution (ADC) rate is based off an employer portion and employee portion with Kern Medical contributing all of the RHS portion. The employee contribution for the RHPSP is 2.12% of covered payroll for a majority of the employee union contracts. Employee and employer contributions to the OPEB plan from Kern Medical were approximately \$472,000 and \$451,000, respectively, for the year ended June 30, 2022.

**Kern County Hospital Authority**  
**Notes to Financial Statements**

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**Note 13 – Post-Retirement Health Care Benefits (continued)**

**OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources relating to OPEB** – As of June 30, 2022 and 2021, Kern Medical reported a liability of approximately \$7,217,000 and \$1,654,000, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2022 and 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of these dates. Kern Medical’s proportion of the net OPEB liability was based on the proportion of total OPEB liability for each group, calculated according to classification in census data. As of June 30, 2022 and 2021, Kern Medical’s proportion was 9.781% and 8.25%, respectively.

For the years ended June 30, 2022 and 2021, Kern Medical recognized OPEB expense of approximately \$269,000 and \$(486,000), respectively. As of June 30, 2022 and 2021, Kern Medical reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|   | June 30, 2022                        |                                     |
|---|--------------------------------------|-------------------------------------|
|   | Deferred<br>Outflows<br>of Resources | Deferred<br>Inflows of<br>Resources |
| Changes in proportion and differences between Kern Medical contributions and proportionate share of contributions | \$ 1,248,914                         | \$ (512,431)                        |
| Difference between expected and actual experience   | -                                    | (2,571,098)                         |
| Net difference between actual over projected earnings on OPEB plan investments                                    | 796,430                              | -                                   |
| Changes in assumptions  | 4,732,251                            | (517,954)                           |
| Total   | \$ 6,777,595                         | \$ (3,601,483)                      |
|   |                                      |                                     |
|   | June 30, 2021                        |                                     |
|   | Deferred<br>Outflows<br>of Resources | Deferred<br>Inflows of<br>Resources |
| Changes in proportion and differences between Kern Medical contributions and proportionate share of contributions | \$ 754,706                           | \$ (797,114)                        |
| Difference between expected and actual experience   | -                                    | (1,189,067)                         |
| Net difference between actual over projected earnings on OPEB plan investments                                    | -                                    | (1,003,914)                         |
| Changes in assumptions  | 205,570                              | (540,153)                           |
| Total   | \$ 960,276                           | \$ (3,530,248)                      |

# Kern County Hospital Authority

## Notes to Financial Statements

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### Note 13 – Post-Retirement Health Care Benefits (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

|                      |                       |
|----------------------|-----------------------|
| Years Ended June 30, |                       |
| 2023                 | \$ (254,121)          |
| 2024                 | (349,058)             |
| 2025                 | (691,640)             |
| 2026                 | (1,047,001)           |
| 2027                 | (679,651)             |
| Thereafter           | <u>(153,641)</u>      |
|                      | <u>\$ (3,175,112)</u> |

**Actuarial methods and assumptions** – The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

|                             |   |
|-----------------------------|---|
| Inflation                   | 2.75%   |
| Payroll growth              | Inflation of 2.75% per year plus "across the board" real salary increases of 0.50% per year.  |
| Mortality                   | Pub-2010 General Healthy Retiree Headcount-Weighted Mortality Table, projected generationally with two-dimensional MP-2019 projection scale.  |
| Discount rate               | 6.50%. Based on asset allocation in PARS OPEB Trust and understanding that the County of Kern is contributing \$59 per pay period per eligible employee and eligible employees are contributing 2.12% of payroll. |
| Healthcare cost trend rates |   |
| Supplement                  | 4.25% to 2023/2024, then 8.00% to 2024/2025 grading down by 0.50% per year to an ultimate rate of 4.50%   |
| Stipend                     | 0.00%   |

The non-health actuarial assumptions used in the June 30, 2022 and 2021 valuations were based on the KCERA Experience Study dated August 3, 2020, for the period July 1, 2016 through June 30, 2019.

**Kern County Hospital Authority**  
**Notes to Financial Statements**

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**Note 13 – Post-Retirement Health Care Benefits (continued)**

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

| Asset Class                           | Target Allocation | Long-term Expected Real Rate of Return |
|---------------------------------------|-------------------|--|
| Equity – large cap core               | 29 %              | 6.72 %                                 |
| Equity – mid cap core                 | 4                 | 6.72                                   |
| Equity – small cap core               | 9                 | 6.72                                   |
| Equity – international                | 6                 | 7.12                                   |
| Equity Emerging Market                | 3                 | 8.82                                   |
| Real Estate                           | 2                 | 4.22                                   |
| Fixed income – intermediate term bond | 37                | 0.72                                   |
| Alternatives                          | 5                 | 3.07                                   |
| Cash                                  | 5                 | 0.22                                   |

**Discount rate** – The discount rate used to measure the Total OPEB Liability (TOL) was 6.50% as of June 30, 2022 and 2021. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at a flat \$52 per eligible employee per pay period. For this purpose, only employee and employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Plan’s Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the TOL as of June 30, 2022.

**Sensitivity of the Net OPEB Liability to changes in the discount rate** – The following presents the County’s proportionate share of the net OPEB liability, as well as what the County’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current discount rate:

Sensitivity due to change in discount rate:

|                    | 1% Decrease<br>(5.50%) | Current Discount<br>Rate (6.50%) | 1% Increase<br>(7.50%) |
|--------------------|------------------------|----------------------------------|------------------------|
| Net OPEB liability | \$ 8,692,432           | \$ 7,216,964                     | \$ 5,885,274           |

# Kern County Hospital Authority

## Notes to Financial Statements

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### Note 13 – Post-Retirement Health Care Benefits (continued)

**Sensitivity of the Net OPEB liability to changes in the health care cost trend rates** – The following presents Kern Medical’s proportionate share of the net OPEB liability, as well as what Kern Medical’s proportionate share of the net OPEB liability would be if it were calculated using health care cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current health care cost trend rates:

Sensitivity due to change in healthcare cost trend rate:

|                    | <u>1% Decrease</u> | <u>Current<br/>Trend Rates*</u> | <u>1% Increase</u> |
|--------------------|--------------------|---------------------------------|--------------------|
| Net OPEB liability | \$ 5,863,388       | \$ 7,216,964                    | \$ 8,782,913       |

\*See actuarial methods and assumptions table for current trend rates

### Note 14 – Self-Insurance Programs

**Medical malpractice claims** – Kern Medical is self-insured for medical malpractice claims for the first \$2,000,000 per incident, with a \$10,000,000 total maximum policy limitation. Kern Medical also maintains excess liability coverage for claims in excess of total maximum policy limitation. Insurance coverage is on a claims-made basis.

Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Annual estimated provisions are accrued based on Kern Medical’s past experience as well as other considerations, including the nature of the claim or incident and relevant trend factors. Losses from asserted and unasserted claims identified under Kern Medical’s incident reporting system are actuarially determined based on Kern Medical’s past experience as well as other considerations, including the nature of each claim or incident and relevant trend factors. These unpaid claim liabilities were discounted at 3.5% in both 2022 and 2021, to account for the time value of money to determine the current estimated liabilities as reflected below. It is reasonably possible that this estimate could change materially in the near term.

A reconciliation for professional liability claims (including claims incurred but not reported) for the years ended June 30 are as follows:

|   | <u>2022</u>         | <u>2021</u>         | <u>2020</u>         |
|---|---------------------|---------------------|---------------------|
| Balance, beginning of year  | \$ 7,869,176        | \$ 6,196,624        | \$ 6,572,637        |
| Current year claims incurred and changes in estimates<br>for claims incurred in prior periods | (302,105)           | 2,492,552           | (89,699)            |
| Claims and expenses paid  | <u>(1,800)</u>      | <u>(820,000)</u>    | <u>(286,314)</u>    |
| Balance, end of year  | <u>\$ 7,565,271</u> | <u>\$ 7,869,176</u> | <u>\$ 6,196,624</u> |

**Kern County Hospital Authority**  
**Notes to Financial Statements**

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**Note 14 – Self-Insurance Programs (continued)**

**Workers’ compensation claims** – Under the California Unemployment and Workers’ Compensation Insurance provisions, Kern Medical has elected to pay the actual claims filed for unemployment and workers’ compensation benefits. Reinsurance policies have been purchased by Kern Medical for claims incurred above selected retention levels for a small portion of enrolled members. The liability associated with the self-insurance policies of Kern Medical is based upon Kern Medical’s historical trend analysis and includes amounts for claims incurred but not reported.

A reconciliation for workers’ compensation claims (including claims incurred but not reported), for the years ended June 30 are as follows:

|   | <u>2022</u>         | <u>2021</u>         | <u>2020</u>         |
|---|---------------------|---------------------|---------------------|
| Balance, beginning of year  | \$ 6,073,555        | \$ 6,272,984        | \$ 7,807,204        |
| Current year claims incurred and changes in estimates<br>for claims incurred in prior periods | (660,887)           | (103,253)           | (1,400,629)         |
| Claims and expenses paid  | <u>(80,258)</u>     | <u>(96,176)</u>     | <u>(133,591)</u>    |
| Balance, end of year  | <u>\$ 5,332,410</u> | <u>\$ 6,073,555</u> | <u>\$ 6,272,984</u> |

**Note 15 – Deferred Compensation**

Kern Medical offers its employees a deferred compensation plan created by the County in accordance with IRC Section 457. The plan, available to all County employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, or unforeseeable emergency. Amounts accumulated under the plan have been invested in several investment options at the direction of the employee.

In accordance with requirements of IRC Section 457 and the Small Business Job Protection Act of 1996, the assets in the plan were transferred to a trust as approved by the County Board of Supervisors. The trust holds the plan assets for the exclusive benefit of the participants and their beneficiaries.

Completed financial statements for the Deferred Compensation Plan may be obtained from the Office of the Kern County Treasurer-Tax Collector located at 1115 Truxtun Avenue, Bakersfield, California 93301.

**Note 16 – Commitments and Contingencies**

**Litigation** – Kern Medical is the subject of certain claims and assessments arising in the normal course of its operations. In certain instances, these matters have been tried and awards have been submitted by the respective juries and/or courts.



# **Kern County Hospital Authority**

## **Notes to Financial Statements**

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### **Note 16 – Commitments and Contingencies (continued)**

The County, along with seven other counties, is the plaintiff in a case regarding Medi-Cal outpatient payment rates for current and prior services. The complaint is that the DHS did not comply with certain federal and state requirements in setting current and prior outpatient payment rates. The case was settled during the 2005 year in the County's favor and Kern Medical received one-half of the settlement amount. The other half is contingent upon the Federal government's provision of Federal financial participation for the settlement. Therefore, Kern Medical has not accrued any amounts as a result of this settlement.

**Regulatory matters** – The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, governmental health care program requirements, and reimbursements for patient services. Government activity has continued with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that Kern Medical is in compliance with fraud and abuse, as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory action unknown or unasserted at this time.

In addition, Kern Medical is subject to changes in government legislation that could impact Medicare and Medi-Cal payment levels and is also subject to increased levels of managed care penetration and changes in payer patterns that may impact the level and timing of payments for services rendered.

Final determination of amounts earned under prospective payment and cost reimbursement activities is subject to review by appropriate governmental authorities or their agents. In the opinion of management, adequate provision has been made for any adjustments that could result from such reviews.

### **Note 17 – Construction and Seismic Standards**

Under current California laws, Kern Medical's facilities must comply with specific provisions related to structural and nonstructural seismic standards. These laws generally required hospitals to retrofit, remodel, or upgrade several buildings before 2013, subject to legislative changes and certain available exemptions. Kern Medical is currently working on improvements to noncompliant buildings in order to receive exemptions available under current legislation through 2030. Preliminary cost estimates have been generated for the plan. Kern is currently working to obtain grant funds for the seismic upgrades.

## Kern County Hospital Authority Notes to Financial Statements

### Note 18 – Leases

Kern Medical is a lessee for noncancellable leases of building space and equipment with lease terms through 2029. There are no residual value guarantees included in the measurement of Kern Medical's lease liability nor recognized as an expense for the years ended June 30, 2022 and 2021. Kern Medical does not have any commitments that were incurred at the commencement of the leases. Kern Medical is subject to variable equipment usage payments that are expensed when incurred. There were no amounts recognized as variable lease payments as lease expense on the statement of changes of net position for the years ended June 30, 2022 and 2021. No termination penalties were incurred during the fiscal year.

Kern Medical has the following right-to-use activities as of June 30, 2022:

|                                | July 1              | Additions             | Deletions   | June 30             |
|--------------------------------|---------------------|-----------------------|-------------|---------------------|
| <b>GOVERNMENTAL ACTIVITIES</b> |                     |                       |             |                     |
| Right-to-use assets            |                     |                       |             |                     |
| Building                       | \$ 10,266,761       | \$ -                  | \$ -        | \$ 10,266,761       |
| Equipment                      | 1,313,236           | 1,509,582             | -           | 2,822,818           |
| Total right-to-use assets      | <u>11,579,997</u>   | <u>1,509,582</u>      | <u>-</u>    | <u>13,089,579</u>   |
| Less accumulated amortization  |                     |                       |             |                     |
| Building                       | 1,913,813           | 1,913,813             | -           | 3,827,626           |
| Equipment                      | 480,872             | 816,356               | -           | 1,297,228           |
| Net right-to-use assets        | <u>\$ 9,185,312</u> | <u>\$ (1,220,587)</u> | <u>\$ -</u> | <u>\$ 7,964,725</u> |

Kern Medical has the following right-to-use activities as of June 30, 2021:

|                                | July 1               | Additions             | Deletions   | June 30             |
|--------------------------------|----------------------|-----------------------|-------------|---------------------|
| <b>GOVERNMENTAL ACTIVITIES</b> |                      |                       |             |                     |
| Right-of-use assets            |                      |                       |             |                     |
| Building                       | \$ 10,266,761        | \$ -                  | \$ -        | \$ 10,266,761       |
| Equipment                      | 1,313,236            | -                     | -           | 1,313,236           |
| Total right-to-use assets      | <u>11,579,997</u>    | <u>-</u>              | <u>-</u>    | <u>11,579,997</u>   |
| Less accumulated amortization  |                      |                       |             |                     |
| Building                       | -                    | 1,913,813             | -           | 1,913,813           |
| Equipment                      | -                    | 480,872               | -           | 480,872             |
| Net right-to-use assets        | <u>\$ 11,579,997</u> | <u>\$ (2,394,685)</u> | <u>\$ -</u> | <u>\$ 9,185,312</u> |

Kern Medical recognized approximately \$2,730,000 and \$2,395,000 in amortization expense as of June 30, 2022 and 2021, respectively. Amortization expense is included in the depreciation and amortization expense on the Statements of Revenues, Expenses, and Changes in Net Position.

**Kern County Hospital Authority**  
**Notes to Financial Statements**

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**Note 18 – Leases (continued)**

The future principal and interest lease payments as of June 30, 2022, were as follows:

|                      | Principal    | Interest   | Total        |
|----------------------|--------------|------------|--------------|
| Year Ending June 30, |              |            |              |
| 2023                 | \$ 2,880,245 | \$ 230,045 | \$ 3,110,290 |
| 2024                 | 2,001,774    | 157,264    | 2,159,038    |
| 2025                 | 1,635,562    | 100,604    | 1,736,166    |
| 2026                 | 1,197,139    | 56,013     | 1,253,153    |
| 2027                 | 741,322      | 25,683     | 767,005      |
| 2028-2029            | 473,524      | 15,274     | 488,798      |
|                      | \$ 8,929,566 | \$ 584,883 | \$ 9,514,450 |

Kern Medical evaluated the right-to-use assets for impairment and determined there was no impairment for the year ended June 30, 2022.

## **Required Supplementary Information**

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**Kern County Hospital Authority  
Other Post-Employment Benefits  
Schedule of the Proportionate Share  
of the Net OPEB Liability for Kern Medical**

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Last 10 Fiscal Years\*

| Reporting Date<br>for Employer<br>under GASB 75<br>as of June 30 | Measurement<br>Date as of<br>June 30 | Proportion<br>of the Net<br>OPEB Liability | Proportionate<br>Share of Net<br>OPEB Liability | Covered-employee<br>Payroll | Proportionate<br>Share of the<br>Net OPEB<br>Liability as a<br>Percentage of its<br>Covered-employee<br>Payroll | Plan's Fiduciary<br>Net Position as<br>a Percentage<br>of the Total<br>OPEB Liability |
|--|--------------------------------------|--|---|-----------------------------|---|---|
| 2018   | 2018                                 | 7.2%                                       | \$ 4,306,044                                    | \$ 48,177,262               | 8.9%  | 56.6%   |
| 2019   | 2019                                 | 7.5%                                       | \$ 3,772,716                                    | \$ 49,863,466               | 7.6%  | 62.7%   |
| 2020   | 2020                                 | 8.1%                                       | \$ 3,753,255                                    | \$ 27,390,597               | 13.7%   | 66.0%   |
| 2021   | 2021                                 | 8.2%                                       | \$ 1,653,757                                    | \$ 26,173,524               | 6.3%  | 84.9%   |
| 2022   | 2022                                 | 9.8%                                       | \$ 7,216,964                                    | \$ 23,920,585               | 30.2%   | 57.5%   |

\*Based on the total covered employee payroll for employees classified as Kern Medical in the census data. Fiscal year 2018 was the first year of implementation; therefore, only five years are presented.

**Kern County Hospital Authority  
Pension Plan  
Schedule of the Proportionate Share  
of the Net Pension Liability for Kern Medical**

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Last 10 Fiscal Years\*

| Reporting Date<br>for Employer<br>under GASB 68<br>as of June 30 | Proportion<br>of the Net<br>Pension Liability | Proportionate<br>Share of Net<br>Pension Liability | County's<br>Covered-employee<br>Payroll | Proportionate<br>Share of the<br>Net Pension<br>Liability as a<br>Percentage of its<br>Covered-employee<br>Payroll | Plan's Fiduciary<br>Net Position as<br>a Percentage<br>of the Total<br>Pension Liability |
|--|---|--|---|--|--|
| 2014   | 16.18%  | \$ 343,748,412                                     | \$ 75,331,439                           | 456.31%  | 59.59%   |
| 2015   | 15.97%  | \$ 330,492,938                                     | \$ 77,008,989                           | 429.16%  | 63.49%   |
| 2016   | 17.17%  | \$ 345,262,534                                     | \$ 81,925,123                           | 421.44%  | 62.20%   |
| 2017   | 15.06%  | \$ 329,935,454                                     | \$ 78,433,199                           | 420.66%  | 59.82%   |
| 2018   | 12.41%  | \$ 293,255,458                                     | \$ 78,815,070                           | 372.08%  | 62.49%   |
| 2019   | 13.18%  | \$ 307,234,709                                     | \$ 89,068,706                           | 344.94%  | 64.19%   |
| 2020   | 13.52%  | \$ 322,103,797                                     | \$ 93,857,773                           | 343.18%  | 64.43%   |
| 2021   | 14.32%  | \$ 381,152,811                                     | \$ 104,248,078                          | 365.62%  | 62.00%   |
| 2022   | 15.04%  | \$ 284,243,193                                     | \$ 107,477,006                          | 264.47%  | 73.38%   |

\*Fiscal year 2014 was the first year of implementation; therefore, only nine years are presented.

**Kern County Hospital Authority  
Pension Plan  
Schedule of Contributions for Kern Medical**

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Last 10 Fiscal Years\*

| Reporting Date<br>for Employer<br>under GASB 68<br>as of June 30 | Actuarially<br>Determined<br>Contribution | Kern Medical's<br>Contribution | Contribution<br>Deficiency<br>(Excess) | Kern Medical's<br>Covered-employee<br>Payroll | Contributions as<br>a Percentage of<br>Covered-employee<br>Payroll |
|--|---|--------------------------------|--|---|--|
| 2015   | \$ 34,286,046                             | \$ 34,286,046                  | \$ -                                   | \$ 77,008,989                                 | 44.52%   |
| 2016   | \$ 30,093,110                             | \$ 30,093,110                  | \$ -                                   | \$ 81,925,123                                 | 36.73%   |
| 2017   | \$ 26,222,853                             | \$ 26,222,853                  | \$ -                                   | \$ 78,433,199                                 | 33.43%   |
| 2018   | \$ 28,411,580                             | \$ 28,411,580                  | \$ -                                   | \$ 78,815,070                                 | 36.05%   |
| 2019   | \$ 30,922,108                             | \$ 30,922,108                  | \$ -                                   | \$ 89,068,706                                 | 34.72%   |
| 2020   | \$ 29,801,356                             | \$ 29,801,356                  | \$ -                                   | \$ 93,857,773                                 | 31.75%   |
| 2021   | \$ 38,354,347                             | \$ 38,354,347                  | \$ -                                   | \$ 104,248,078                                | 36.79%   |
| 2022   | \$ 38,713,478                             | \$ 38,713,478                  | \$ -                                   | \$ 107,477,006                                | 36.02%   |

\*Fiscal year 2015 was the first year this schedule was required; therefore, only eight years are presented.

## **Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

To the Board of Governors  
Kern County Hospital Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Kern County Hospital Authority (the “Authority” or “Kern Medical”), which comprise the statement of net position as of June 30, 2022, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise Kern County Hospital Authority’s basic financial statements, and have issued our report thereon dated February 1, 2023.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Kern County Hospital Authority’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Kern County Hospital Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of Kern County Hospital Authority’s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.



### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Kern County Hospital Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Moss Adams LLP".

San Francisco, California  
February 1, 2023





**BOARD OF GOVERNORS  
KERN COUNTY HOSPITAL AUTHORITY REGULAR MEETING**

February 15, 2023

**Subject:** Kern County Hospital Authority Chief Financial Report – December 2022

**Recommended Action:** Receive and File

**Summary:**

**Kern Medical Operations:**

Kern Medical key performance indicators:

- Operating gain of \$261,822 for December is \$152,552 more than the December budget of \$109,271 and \$102,259 more than the \$159,563 average over the last three months
- EBIDA of \$1,326,036 for December is \$146,799 more than the December budget of \$1,179,237 and \$44,437 more than the \$1,281,598 average over the last three months
- Average Daily Census of 167 for December is 18 more than the December budget of 149 and 1 less than the 168 average over the last three months
- Admissions of 793 for December are 235 less than the December budget of 1,028 and 30 less than the 823 average over the last three months
- Total Surgeries of 425 for December are 62 less than the December budget of 487 and 73 less than the 498 average over the last three months
- Clinic Visits of 13,925 for December are 1,615 less than the December budget of 15,540 and 390 less than the 15,930 average over the last three months. The total includes 93 COVID-19 vaccination visits

**The following items have budget variances for the month of December 2022:**

**Patient Revenue:**

Kern Medical operated at 7% under budget for gross patient revenue for the month due to less than average patient billing for the month. On a year-to-date basis there is a small unfavorable budget variance of 1%.

**Indigent Funding Revenue:**

Indigent funding has an unfavorable budget variance for the month and on a year-to-date basis due to a conservative approach to recognizing indigent funding revenue. During each month of fiscal year 2023 Kern Medical will only recognize 95% of the total projected revenue for the Managed Care Rate Range Program, the Medi-Cal Quality Assurance Fee Program, the Physician SPA Program, the Graduate Medical Education (GME) Program, and the AB915 Outpatient Supplemental Funding Program. Kern Medical will recognize 100% of total projected revenue for the Medi-Cal waiver programs including the Global Payment Program (GPP), CalAIM, the Enhanced Payment Program (EPP), and the Quality Incentive Program (QIP).

**Other Operating Revenue:**

Other operating revenue has a favorable budget variance for the month due to the receipt of \$1.4 million of Medi-Cal Administrative Activities (MAA) funds. On a year-to-date basis, revenue for items such as grants and Proposition 56 are received on a quarterly or otherwise periodically. Therefore, actual monthly revenue compared to the budget will fluctuate throughout the year, but should agree with the planned budgeted dollar amount on a year-to-date basis at year-end.

**Other Non-Operating Revenue:**

Other non-operating revenue has an unfavorable budget variance for the month and on a year-to-date basis because federal and state COVID-19 related funding is budgeted evenly throughout FY 2023 as other non-operating revenue; however, COVID-19 funding is not received consistently. Therefore, the actual dollar amount recorded for this line item may fluctuate vs. budget on a monthly basis but should align with budget on a year-to-date basis by year-end.

**Nurse Registry Expense:**

Nurse registry expense is at the budgeted dollar amount for the month and on a year-to-date basis. Kern Medical has substantially decreased its usage of contract nurse services. In addition, the hourly rates charged by the staffing agencies that provide registry nurse services are significantly lower than at various COVID-related peaks. During the past two years, staffing agencies were charging higher than average costs per hour due to nurse shortages during the pandemic. COVID-19 remains active and Kern Medical plans to continue its need for registry services.

**Medical Fees:**

Medical fees are over budget for the month and on a year-to-date basis because of an increase in services provided by the Acute Care Medical Surgery Group. The monthly fees for Regional Anesthesia Associates have also increased. In addition, the budget for this line item was reduced for FY 2023 with the expectation of less usage of contract physician services.

**Other Professional Fees:**

Other professional fees are over budget for the month and on a year-to-date basis because of monthly per-member-per-month (PMPM) payments for Universal Healthcare's Enhanced Care Management (ECM) services. These fees are offset by additional gross patient revenue for ECM services billed by Kern Medical. In addition, IT and other various contract labor expenses are higher than average for the month and on a year-to-date basis.

**Supplies Expense:**

Supplies expense is under budget for the month and on a year-to-date basis because of lower than average costs for pharmaceuticals and for general medical supplies.

**Purchased Services:**

Purchased services are over budget for the month and on a year-to-date basis because of additional revenue cycle support services provided by Signature Performance and by Health Advocates. Health Advocates helps qualify patients for Medi-Cal coverage. Therefore, Health Advocates' expenses are offset by additional Medi-Cal patient revenue. In addition, computer software maintenance fees have increased compared to prior year.

**Other Expenses:**

Other expenses are over budget for the month due in part to higher than average repairs and maintenance expenses. In addition, there are new rental expenses for the new 19<sup>th</sup> Street clinic. On a year-to-date basis, the unfavorable budget variance is primarily because of higher than average costs for utilities.

**Interest Expense:**

Interest expense is over budget for the month and on a year-to-date basis due to higher than anticipated certificate of participation (COP) bond interest.

**Depreciation and Amortization Expense:**

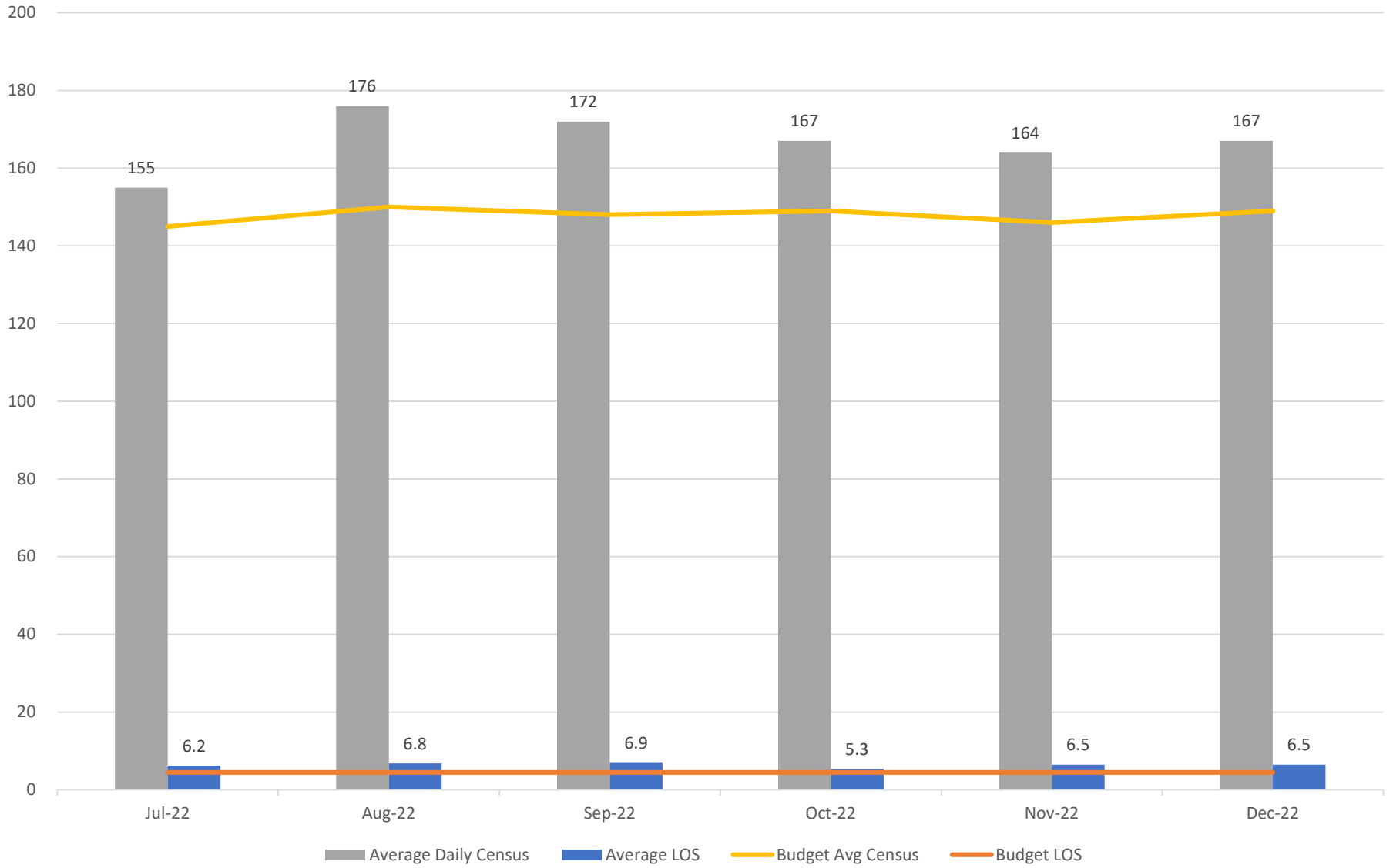
Depreciation and amortization expenses are slightly under the budgeted dollar amount for the month. On a year-to-date basis, these expenses will fluctuate as new equipment is put in service and as capital projects are completed.



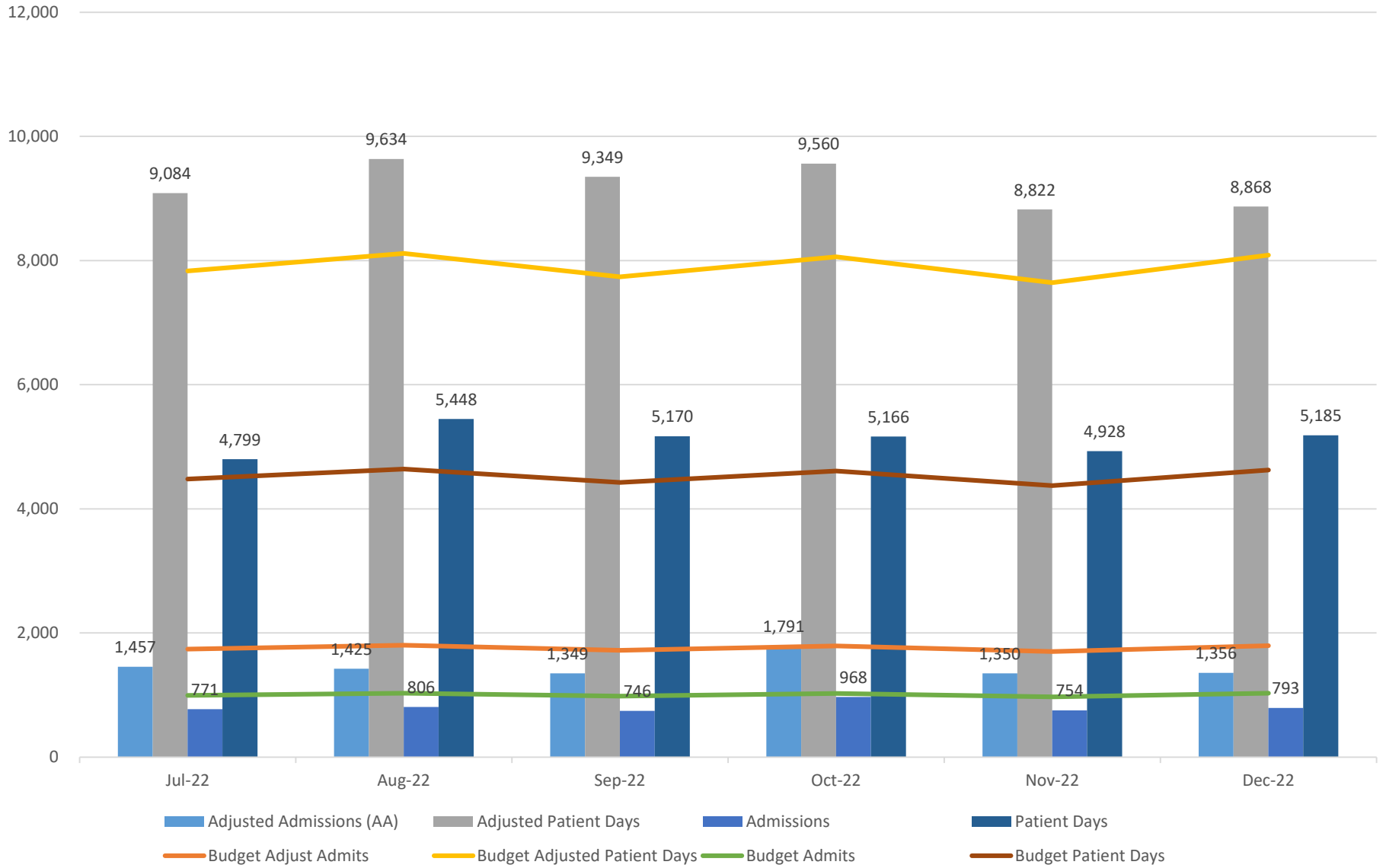
**BOARD OF GOVERNORS' REPORT  
KERN MEDICAL – DECEMBER 2022**



# Census & ALOS

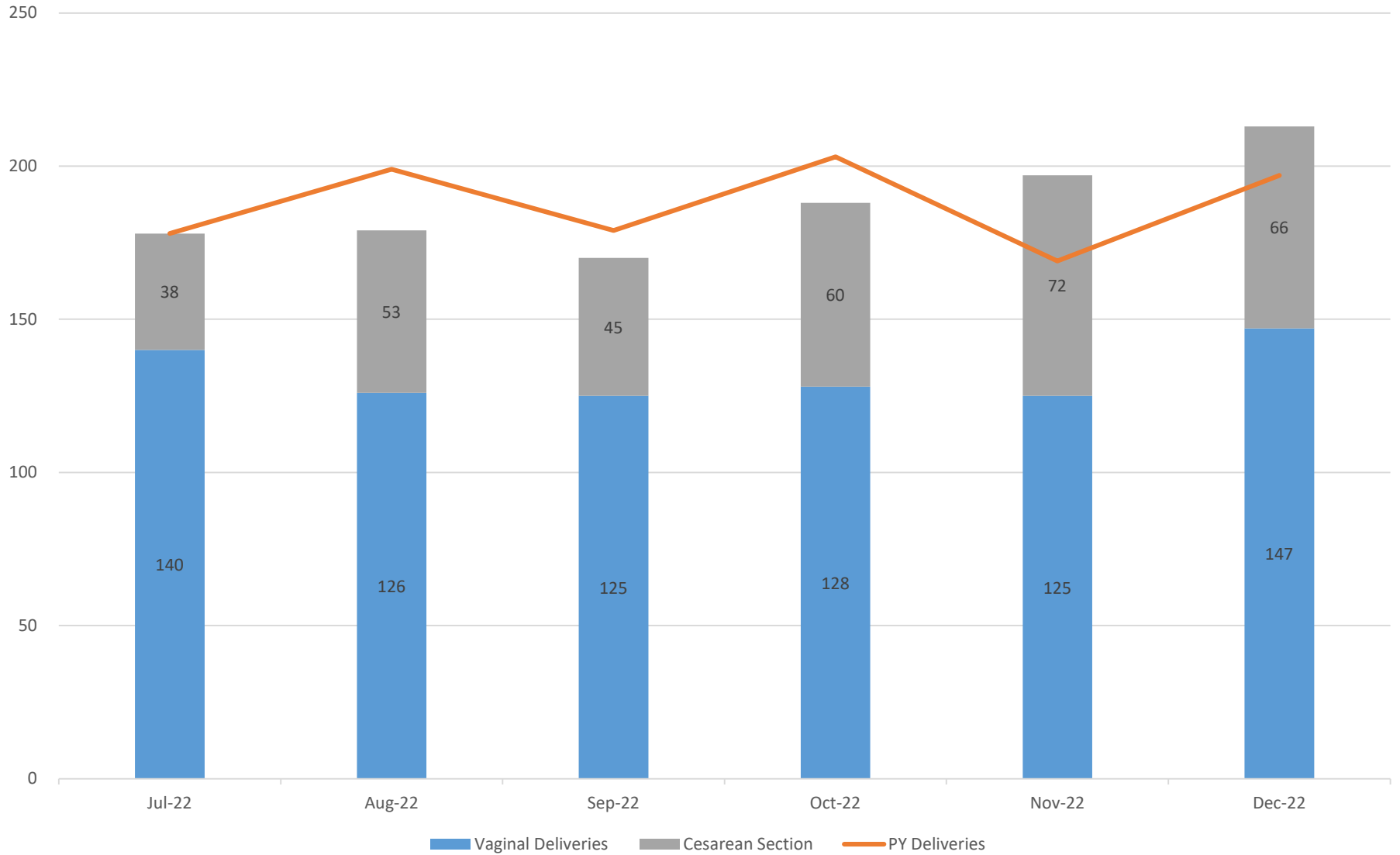


# Hospital Volumes

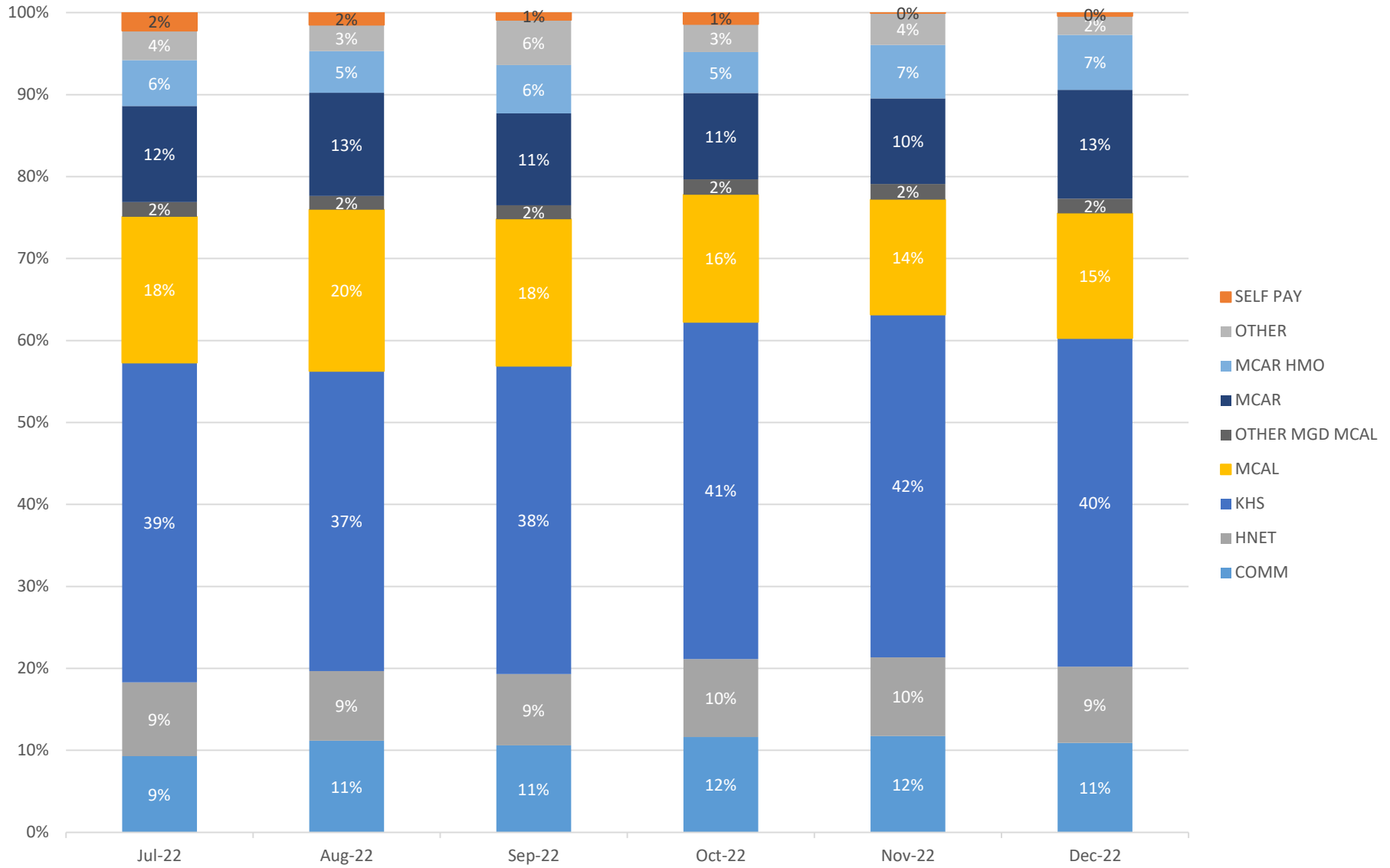




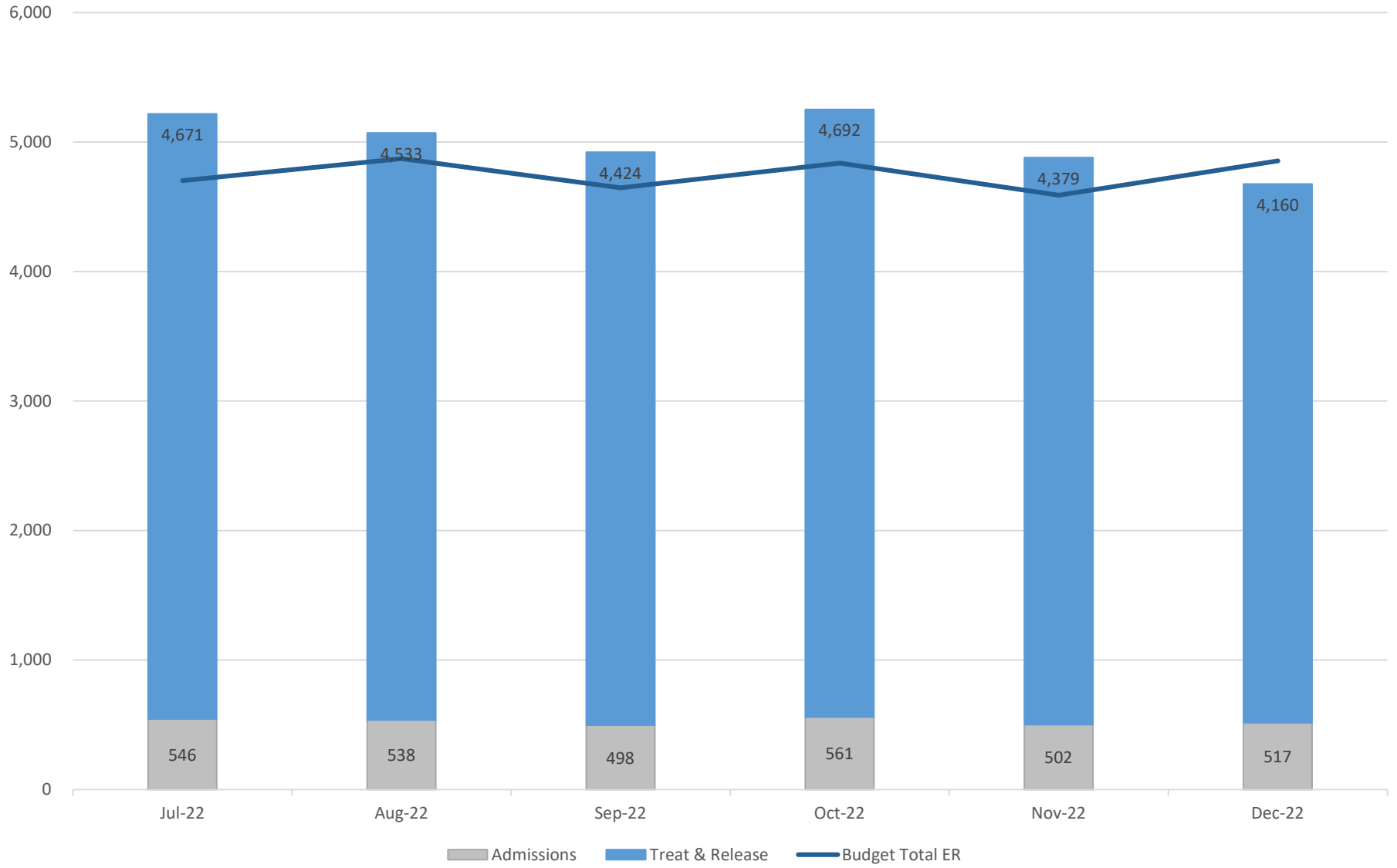
# Deliveries



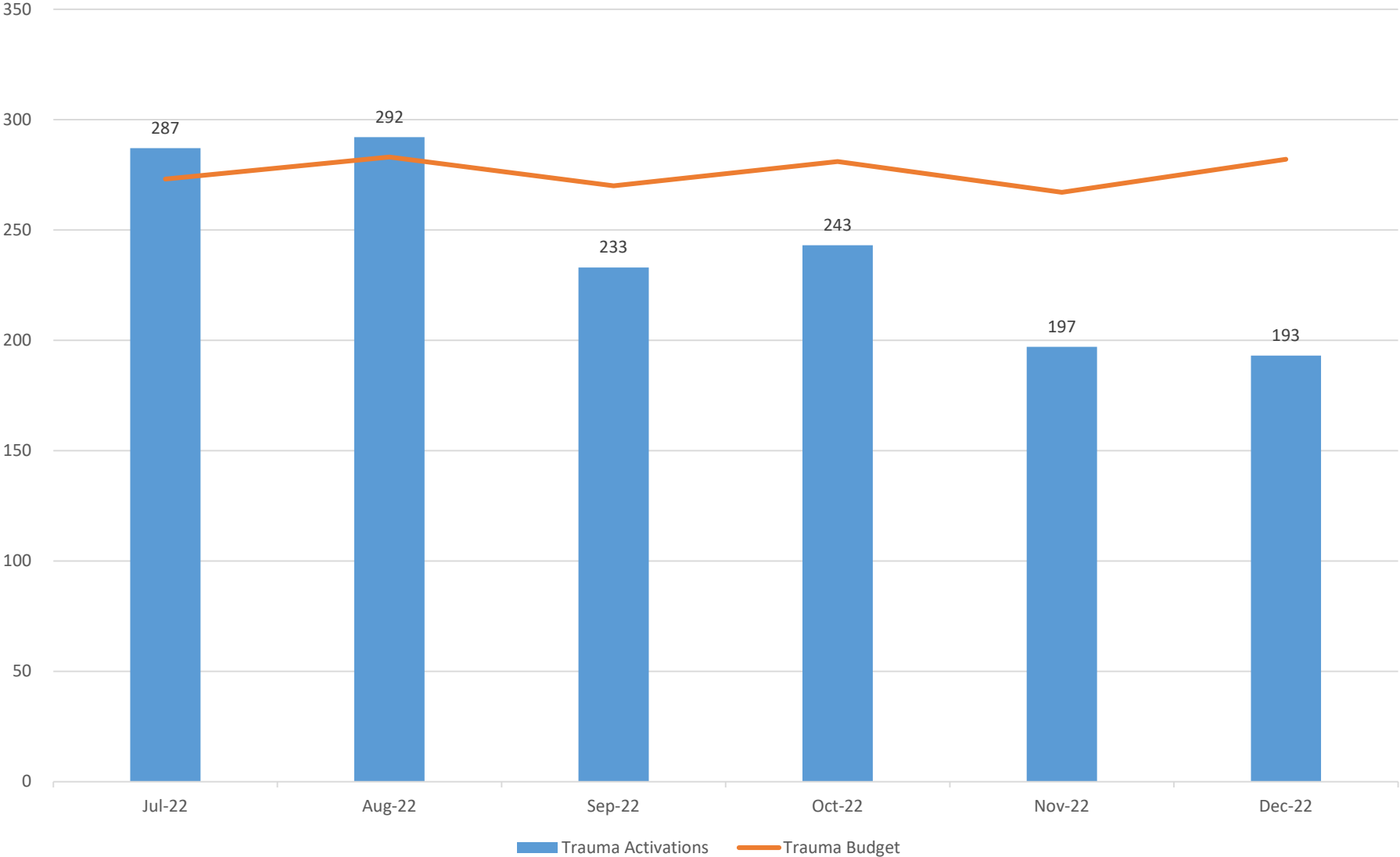
## PAYER MIX



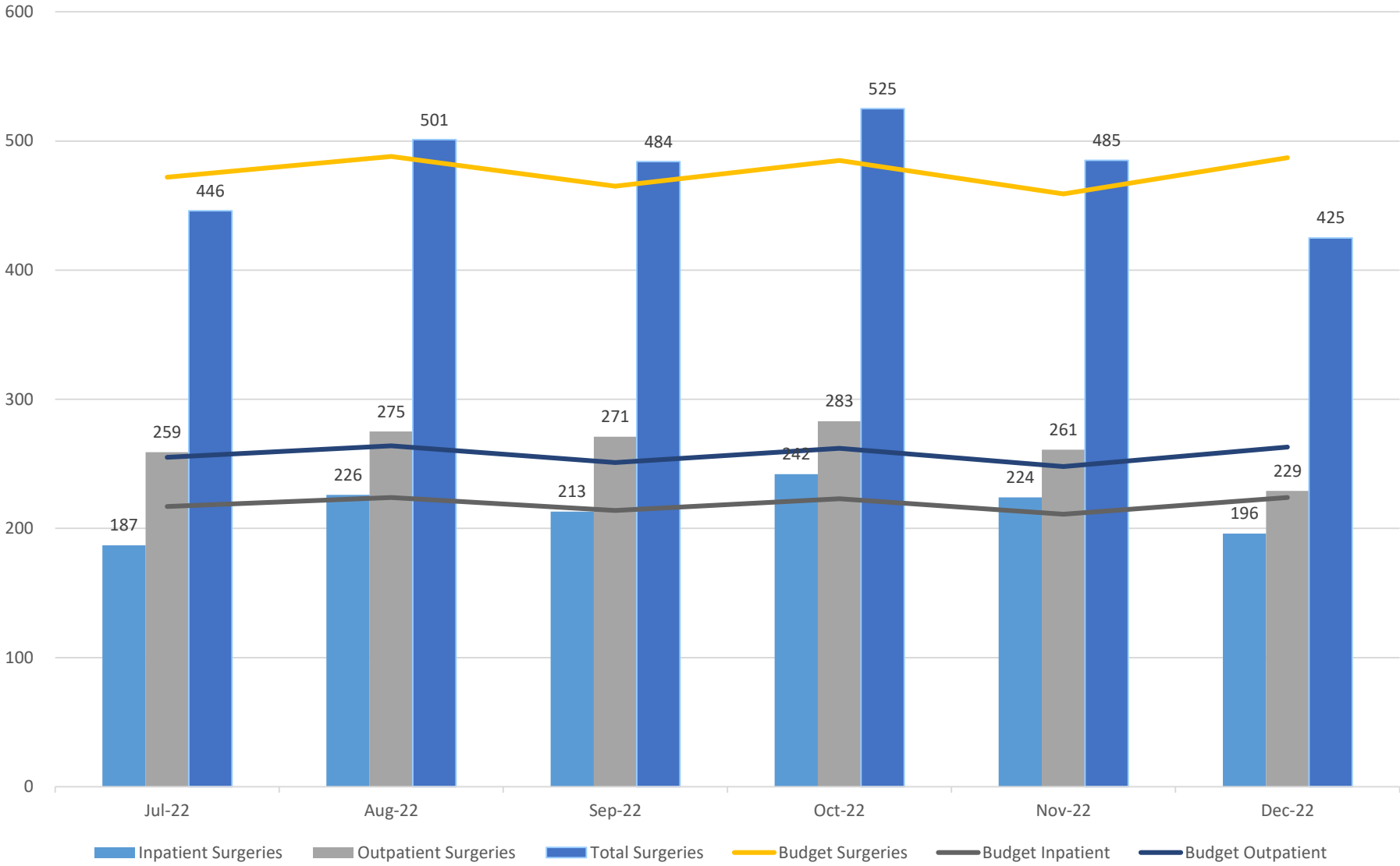
## Emergency Room Volume



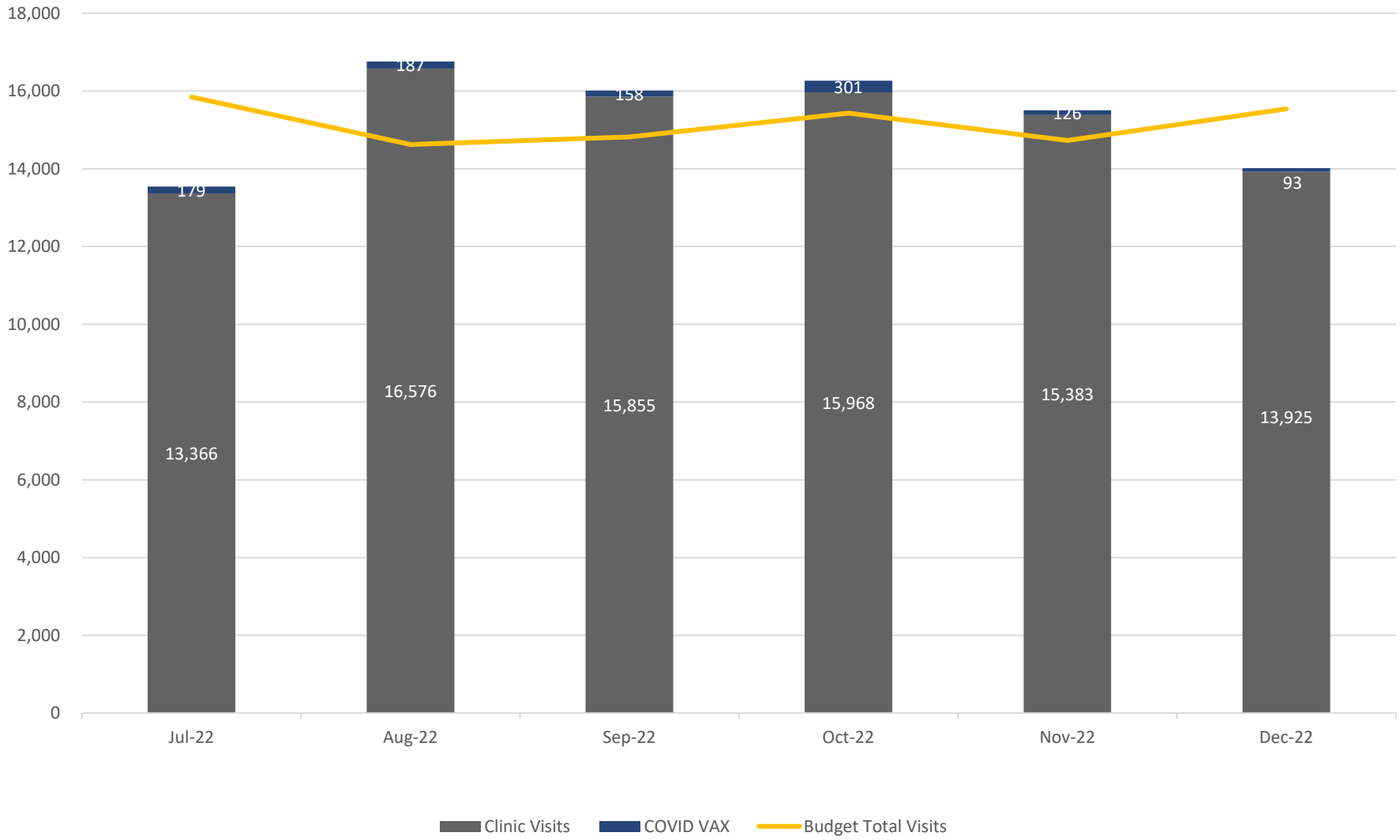
# Trauma Activations



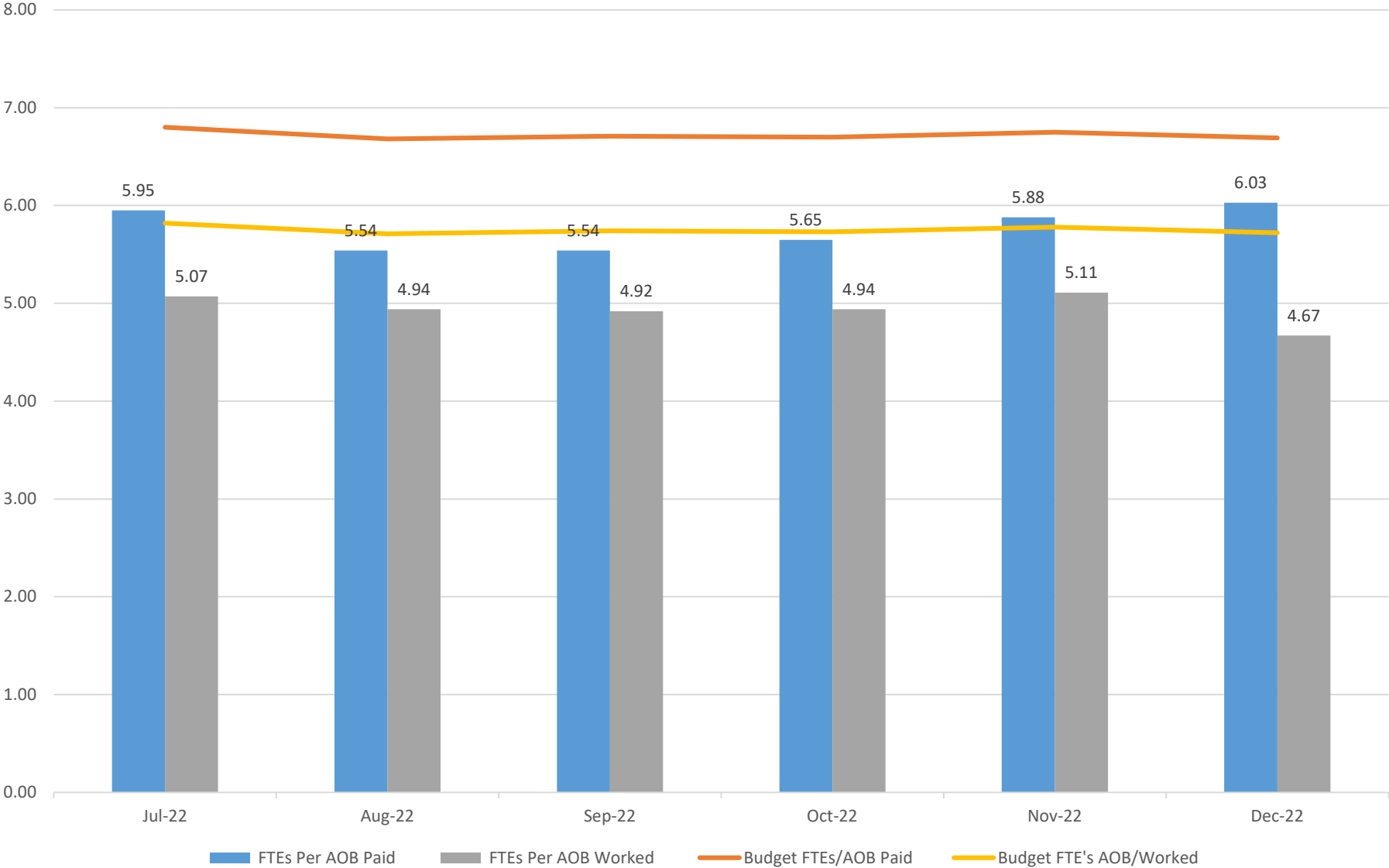
# Surgical Volume



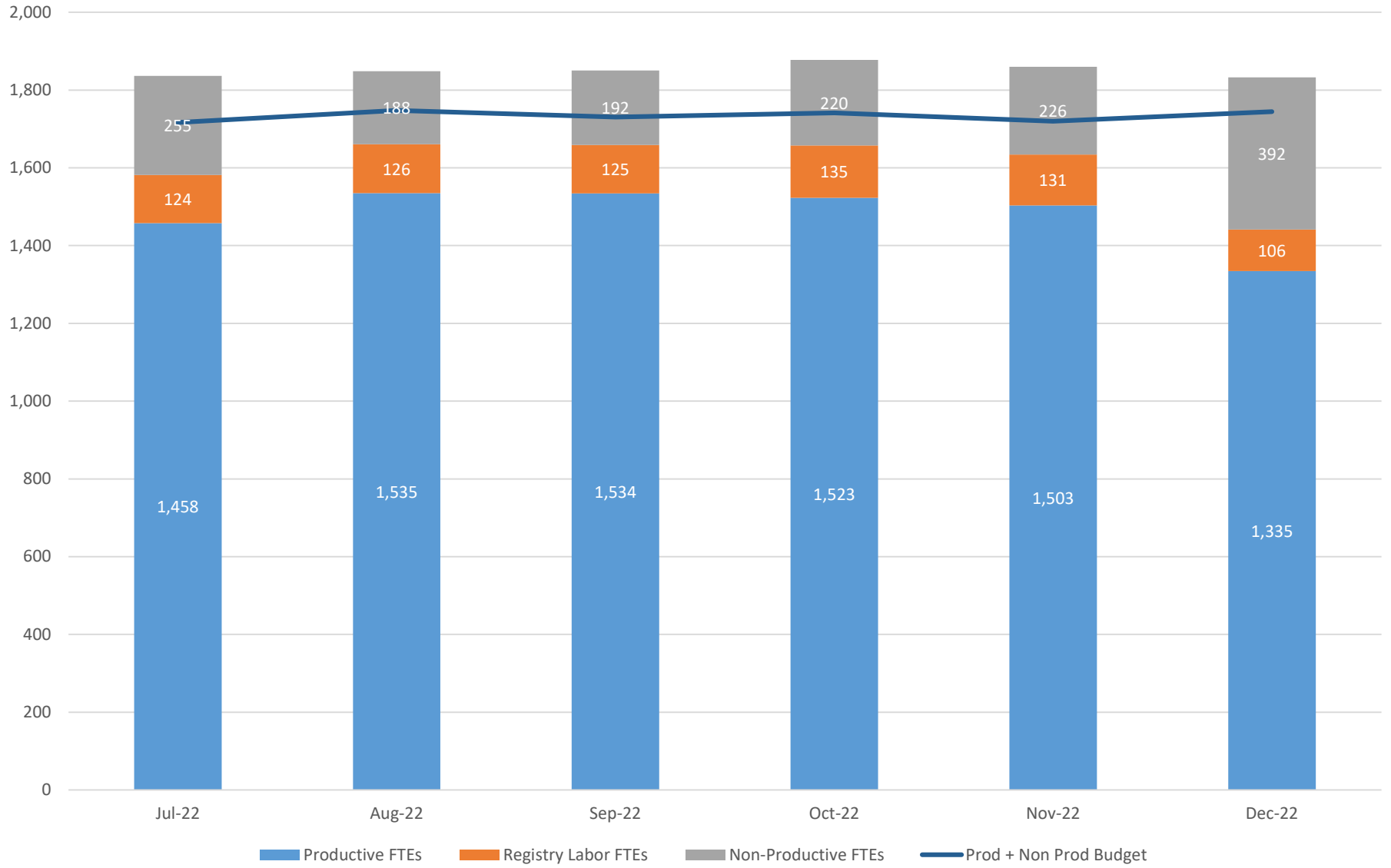
# Clinic Visits



# Labor Metrics

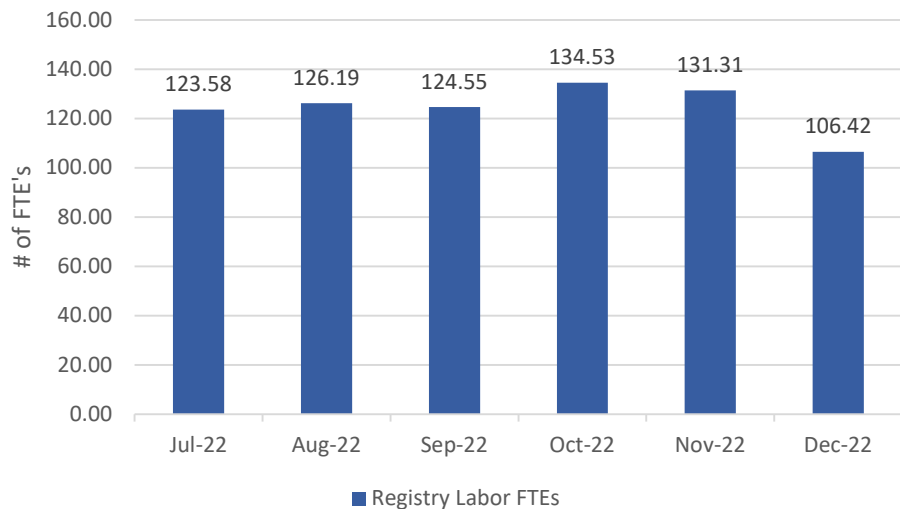


# Productivity

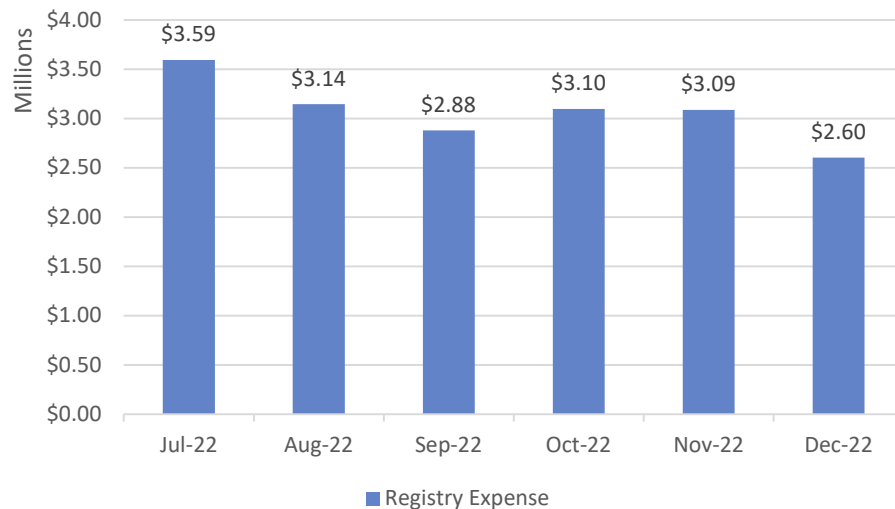




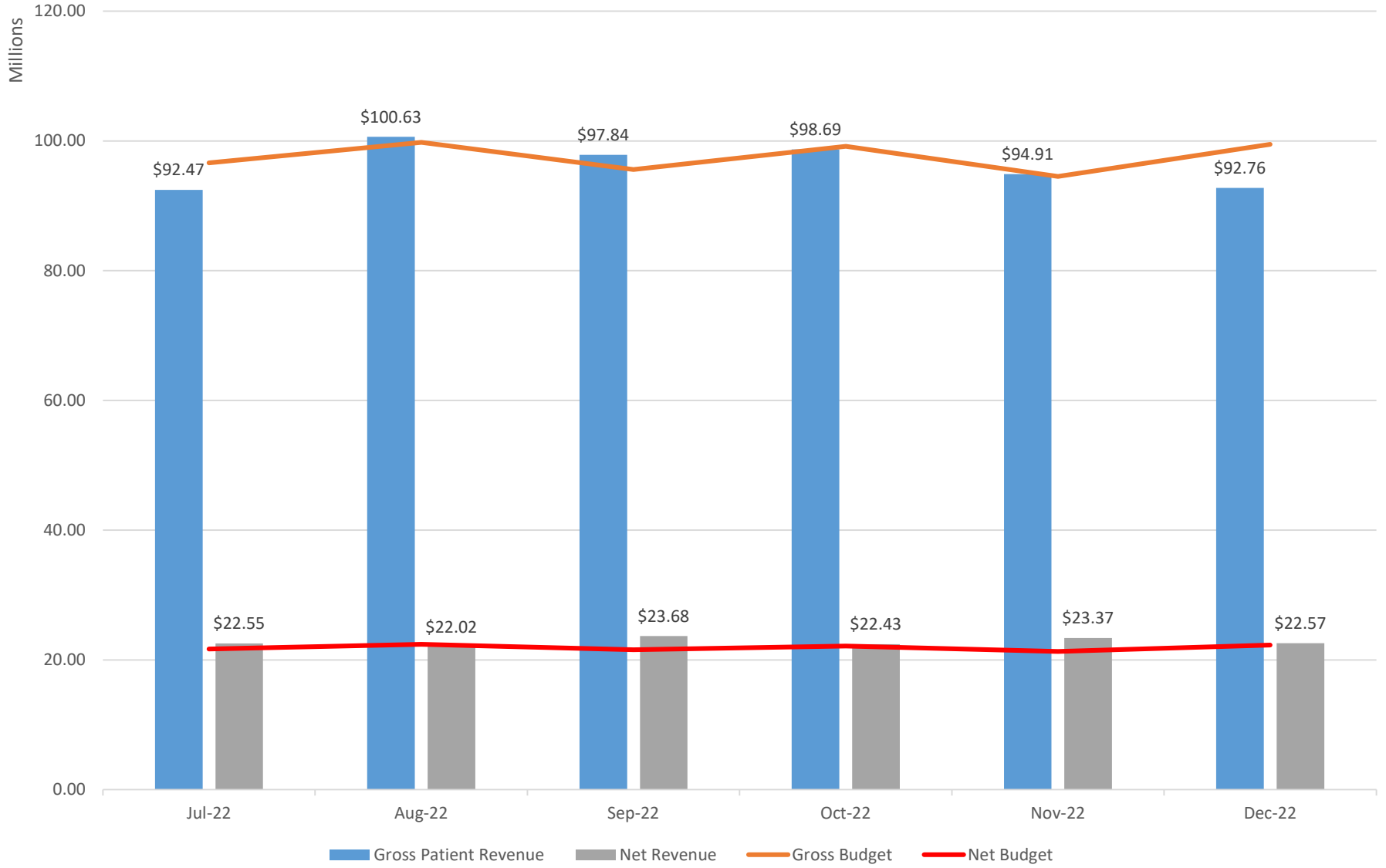
### Registry FTE's



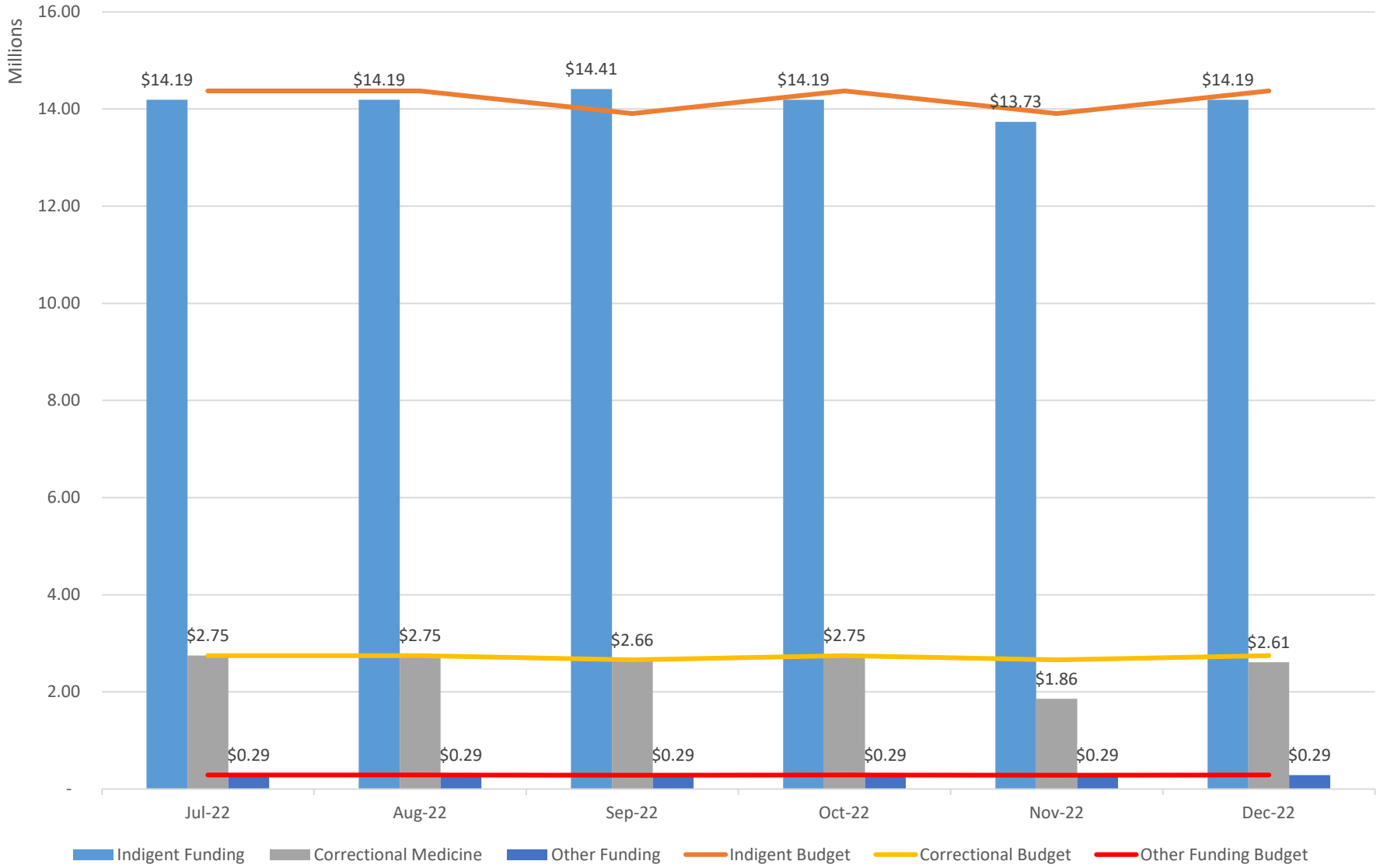
### Registry Expense



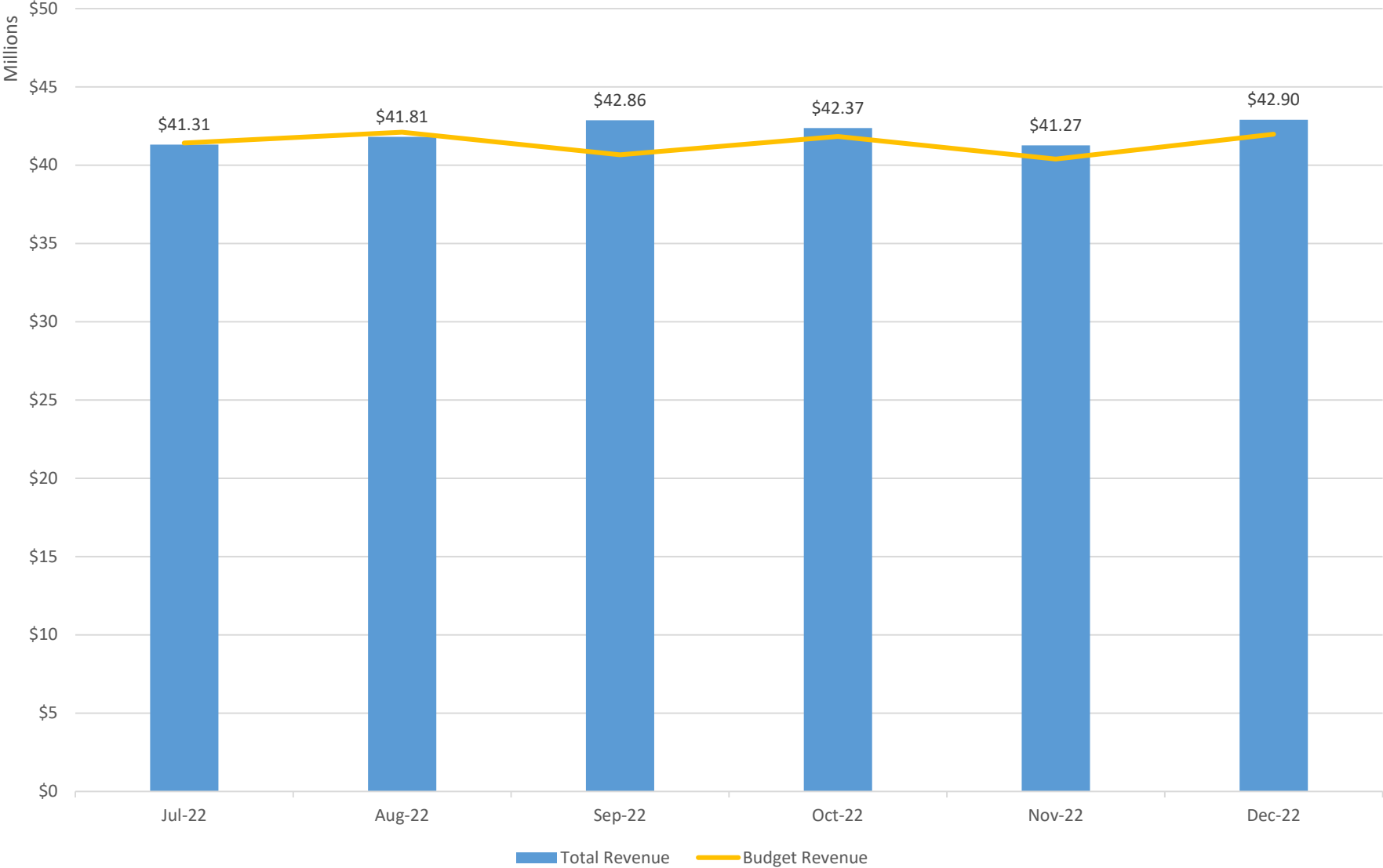
# Patient Revenue



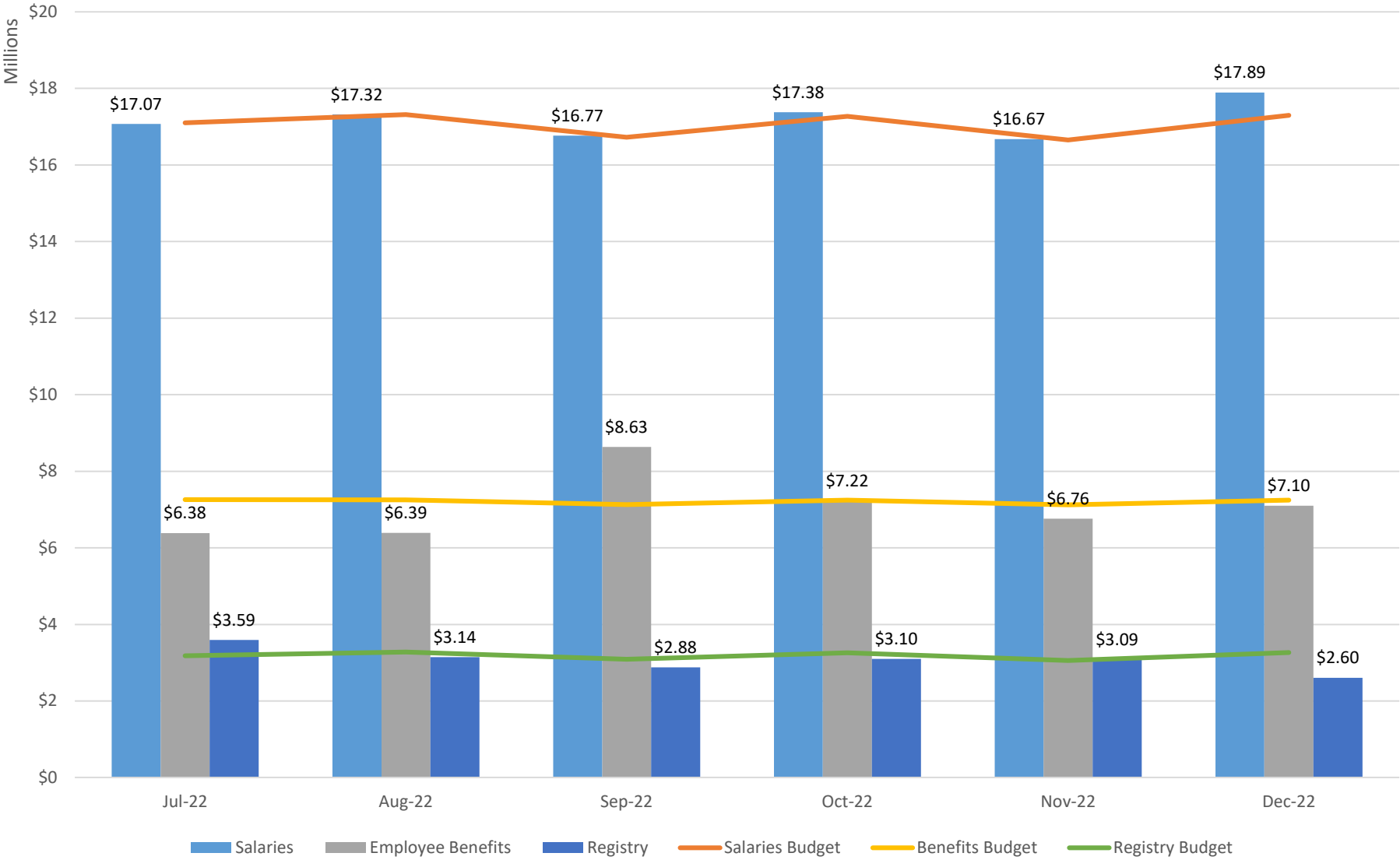
## Indigent & Correctional Revenue



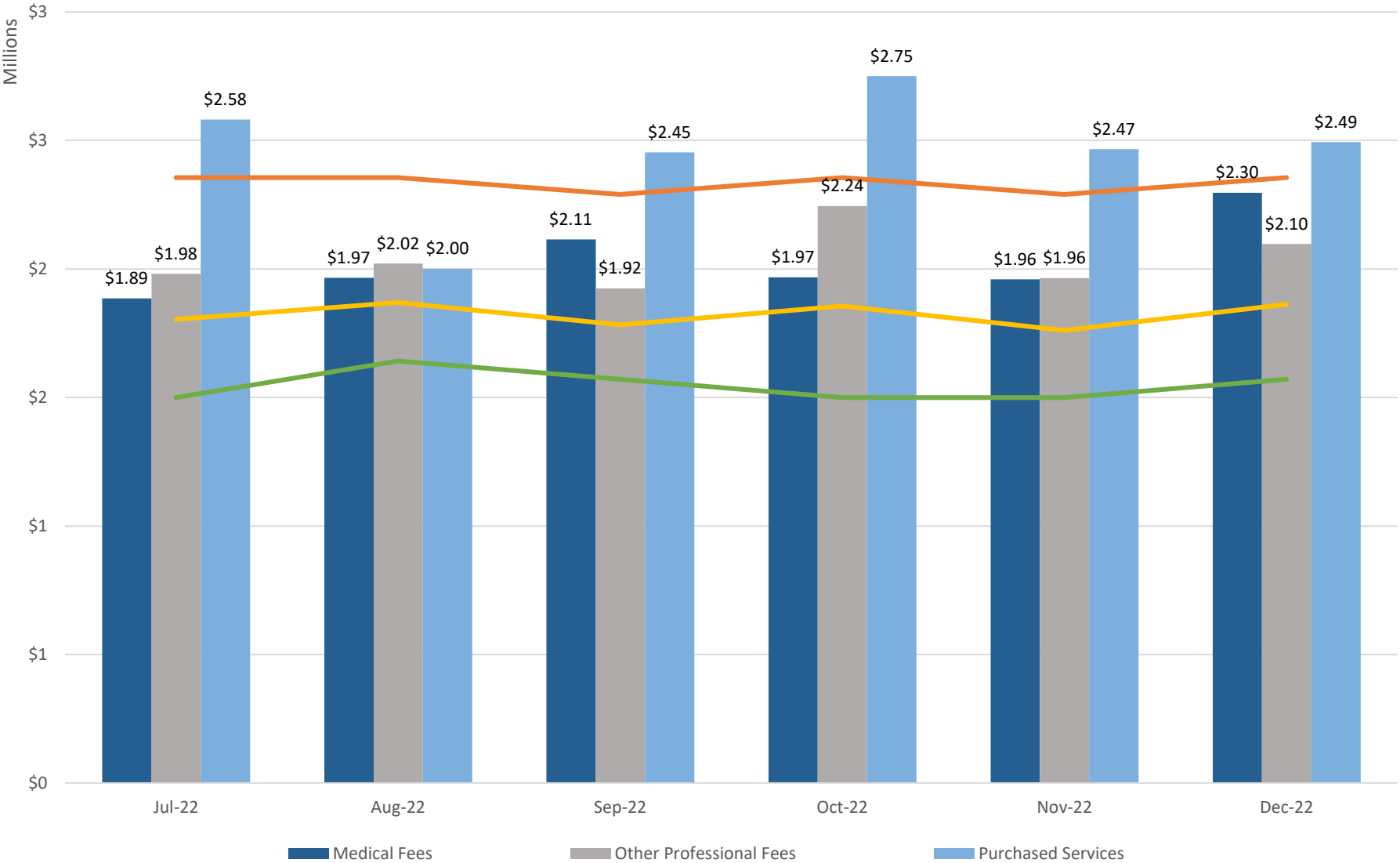
# Total Revenue



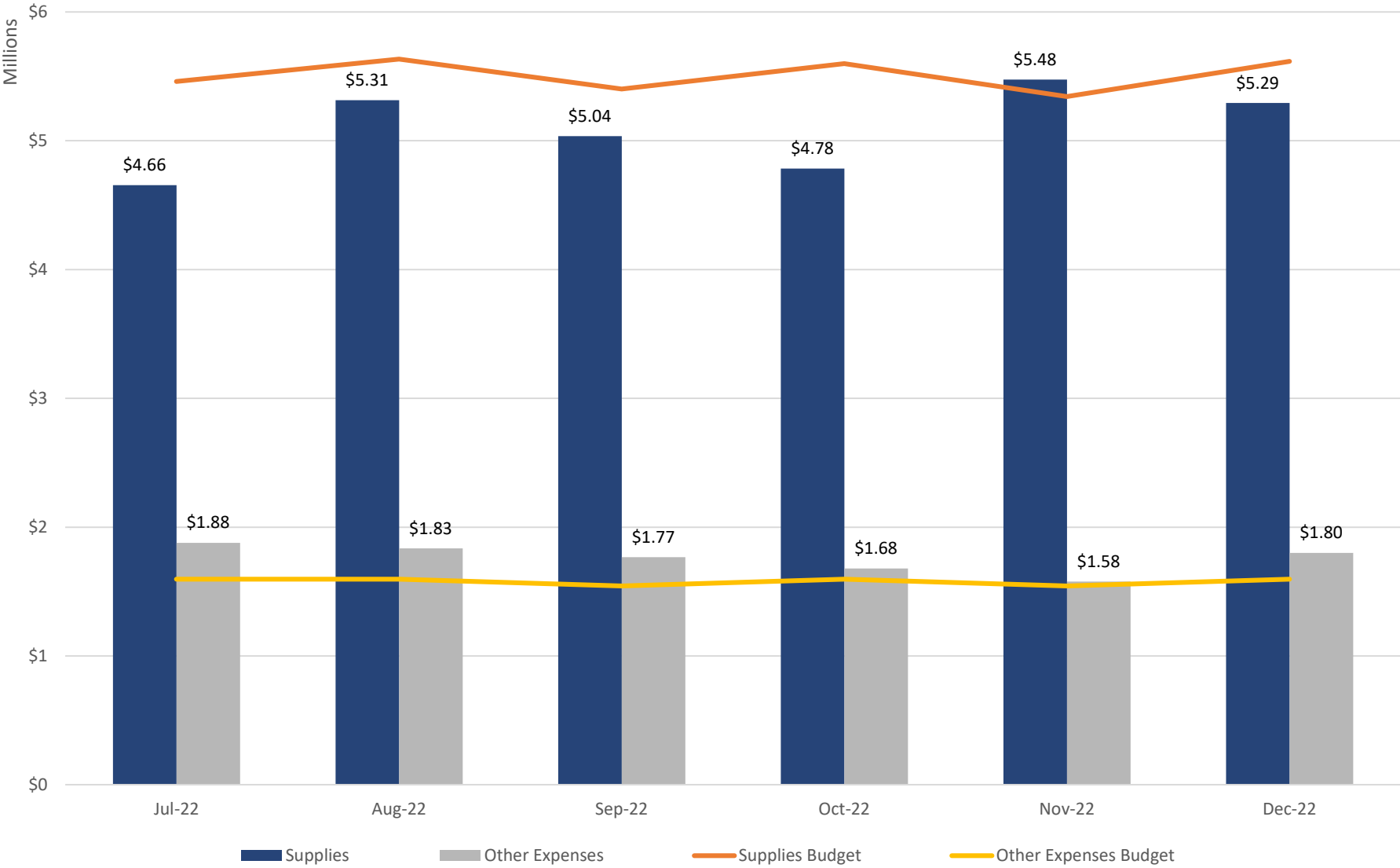
# Expenses



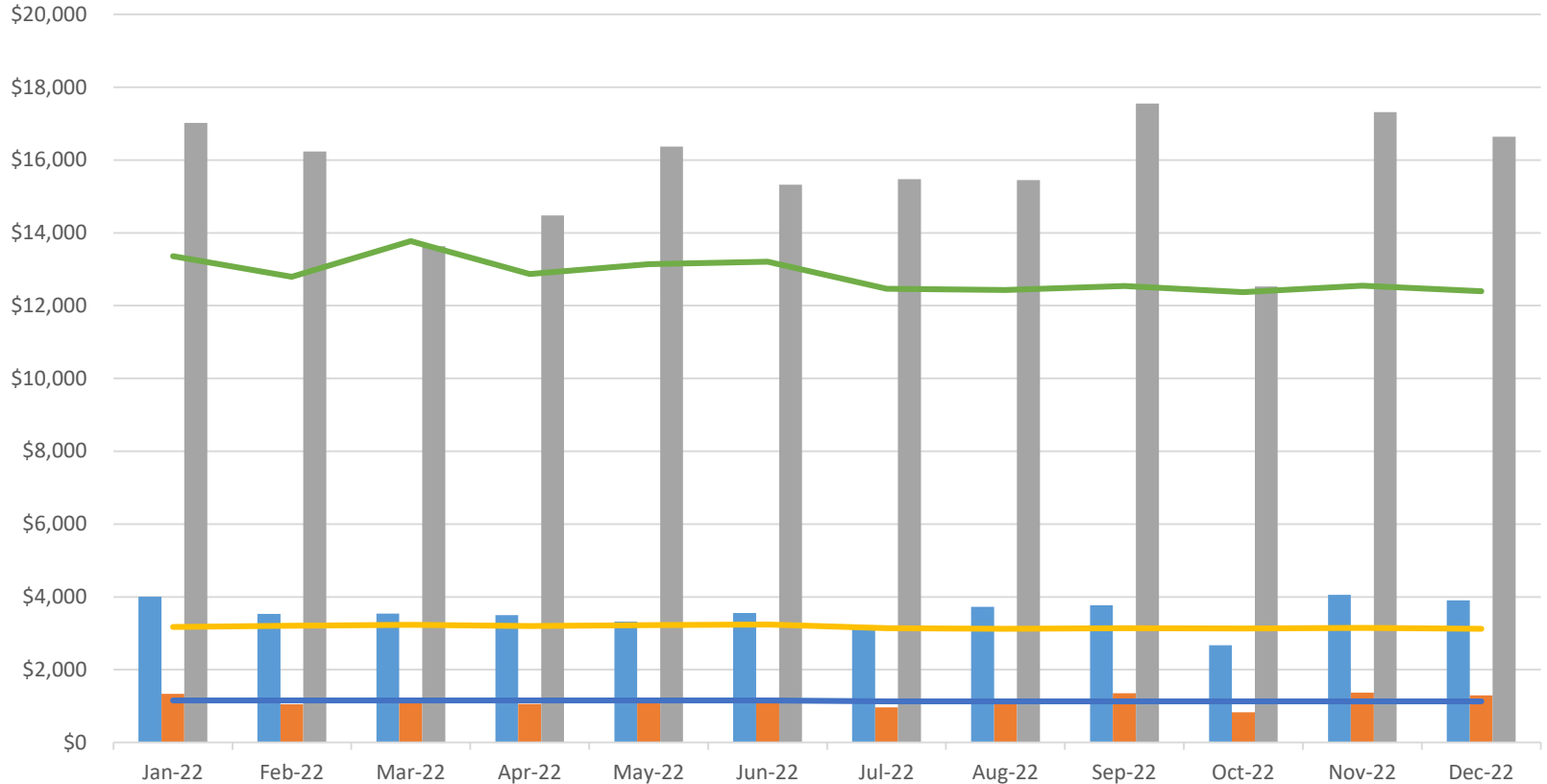
# Expenses



# Expenses



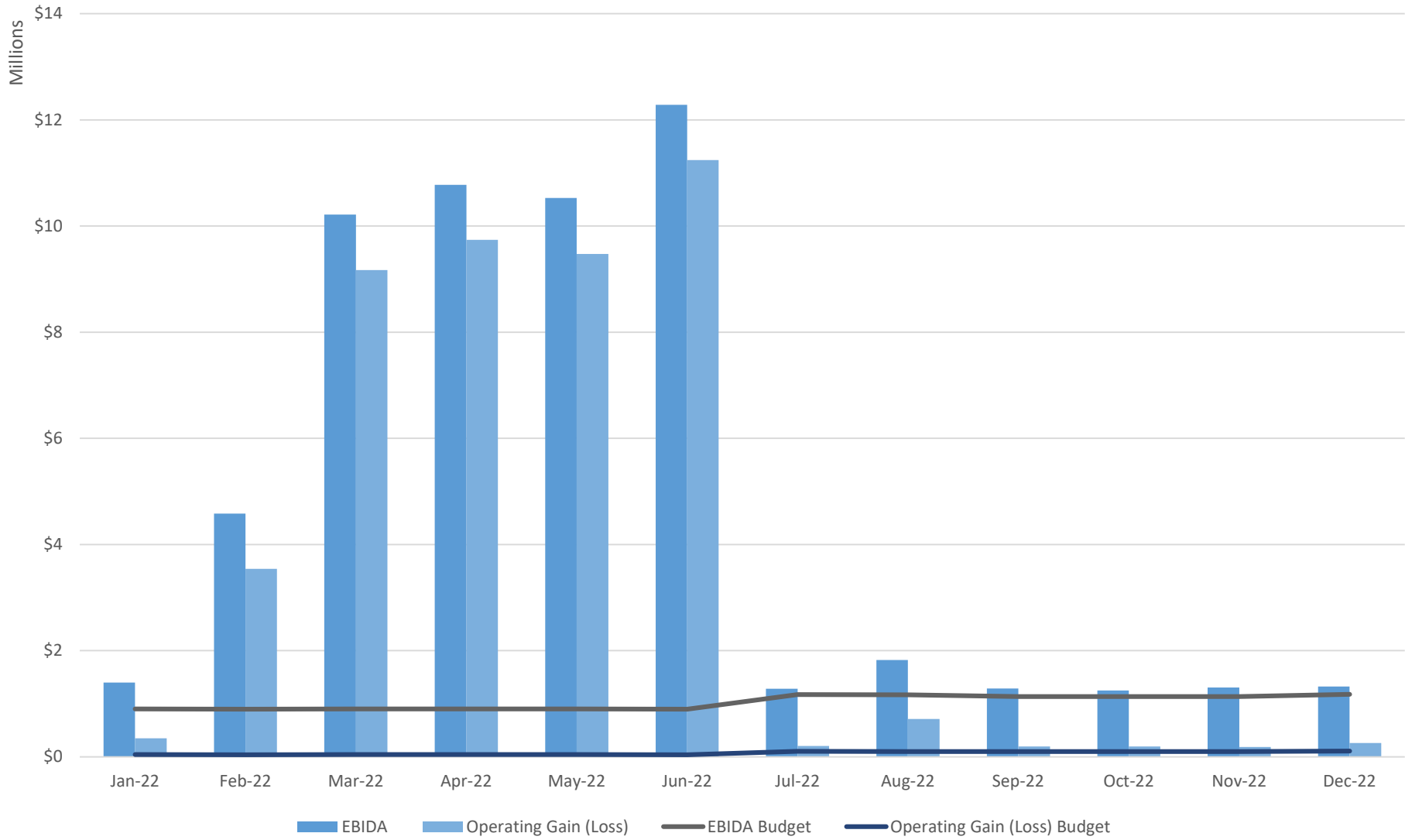
## Operating Metrics



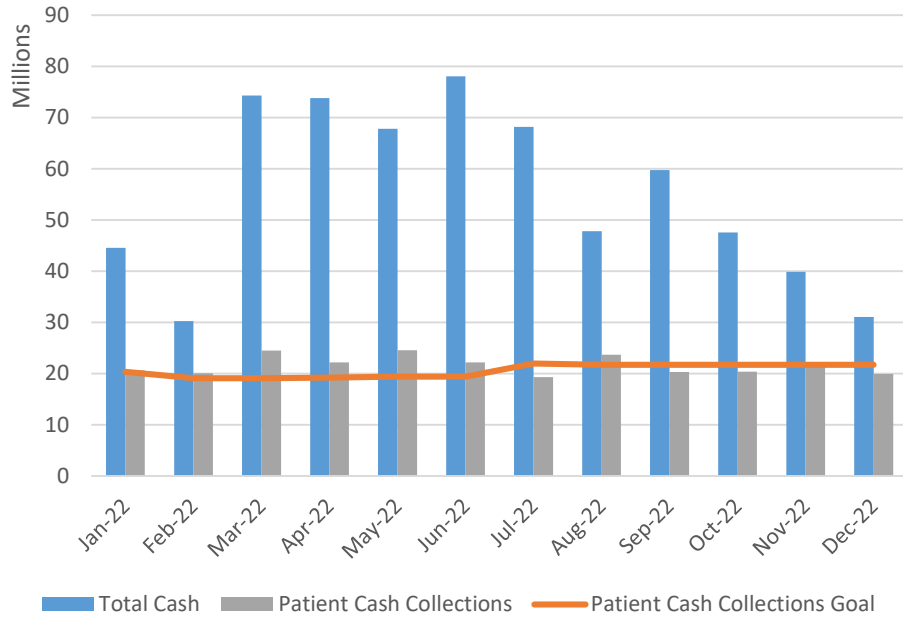
|                       | Jan-22   | Feb-22   | Mar-22   | Apr-22   | May-22   | Jun-22   | Jul-22   | Aug-22   | Sep-22   | Oct-22   | Nov-22   | Dec-22   |
|-----------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Supply Expense per AA | \$4,007  | \$3,534  | \$3,538  | \$3,501  | \$3,323  | \$3,555  | \$3,195  | \$3,728  | \$3,773  | \$2,670  | \$4,056  | \$3,902  |
| Pharm Cost per AA     | \$1,339  | \$1,048  | \$1,120  | \$1,062  | \$1,097  | \$1,218  | \$966    | \$1,101  | \$1,349  | \$826    | \$1,368  | \$1,293  |
| Net Revenue Per AA    | \$17,019 | \$16,237 | \$13,629 | \$14,480 | \$16,374 | \$15,318 | \$15,476 | \$15,451 | \$17,552 | \$12,523 | \$17,317 | \$16,642 |
| Budget Supp/AA        | \$3,174  | \$3,208  | \$3,236  | \$3,202  | \$3,220  | \$3,242  | \$3,136  | \$3,125  | \$3,140  | \$3,127  | \$3,145  | \$3,124  |
| Budget Pharm/AA       | \$1,153  | \$1,154  | \$1,156  | \$1,154  | \$1,156  | \$1,156  | \$1,126  | \$1,126  | \$1,126  | \$1,126  | \$1,126  | \$1,126  |
| Budget Net Rev/AA     | \$13,359 | \$12,793 | \$13,771 | \$12,868 | \$13,141 | \$13,206 | \$12,461 | \$12,428 | \$12,543 | \$12,368 | \$12,545 | \$12,398 |



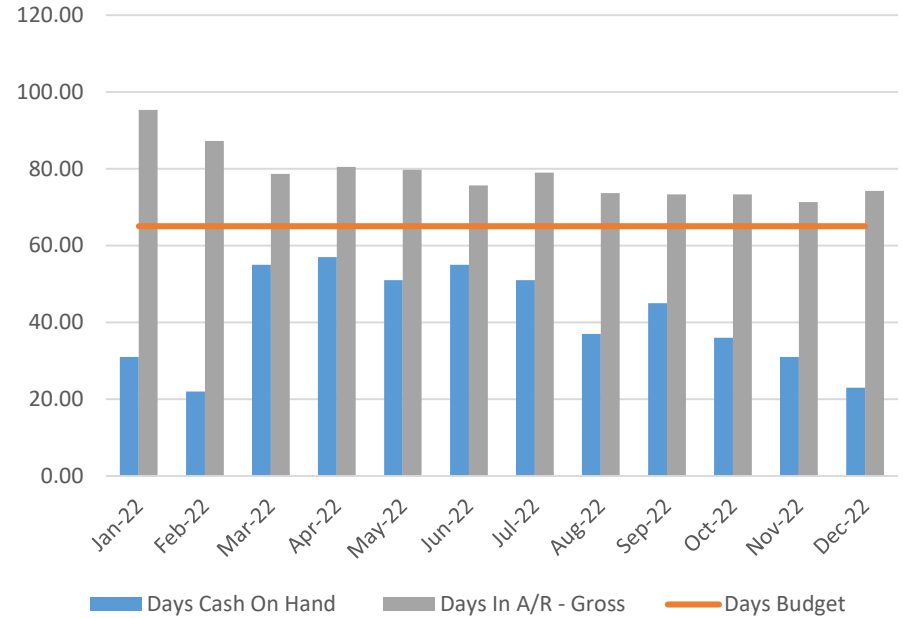
# EBIDA Rolling Year



### Cash Rolling Year



### AR Days Rolling Year



## KERN MEDICAL

### 3-Month Trend Analysis: Revenue & Expense

December 31, 2022

|   | OCTOBER       | NOVEMBER      | DECEMBER      | BUDGET<br>DECEMBER | VARIANCE<br>POS (NEG) | PY<br>DECEMBER |
|---|---------------|---------------|---------------|--------------------|-----------------------|----------------|
| <b>Gross Patient Revenue</b>  | \$ 98,691,585 | \$ 94,906,726 | \$ 92,763,154 | \$ 99,473,176      | (7%)                  | \$ 99,644,301  |
| Contractual Deductions  | (76,259,264)  | (71,533,169)  | (70,191,960)  | (77,191,711)       | (9%)                  | (73,986,980)   |
| <b>Net Revenue</b>  | 22,432,321    | 23,373,557    | 22,571,194    | 22,281,465         | 1%                    | 25,657,321     |
| Indigent Funding  | 14,191,888    | 13,734,085    | 14,191,888    | 14,370,622         | (1%)                  | 36,831,886     |
| Correctional Medicine   | 2,746,855     | 1,857,998     | 2,608,400     | 2,746,855          | (5%)                  | 2,616,667      |
| County Contribution   | 285,211       | 285,211       | 285,211       | 291,120            | (2%)                  | 285,211        |
| <b>Net Patient Revenue</b>  | 39,656,275    | 39,250,851    | 39,656,693    | 39,690,061         | (0%)                  | 65,391,085     |
| Other Operating Revenue   | 2,700,787     | 2,009,213     | 3,231,026     | 2,243,837          | 44%                   | 2,861,169      |
| Other Non-Operating Revenue   | 11,864        | 10,929        | 11,635        | 49,452             | (76%)                 | 6,574          |
| <b>Total Revenue</b>  | 42,368,925    | 41,270,993    | 42,899,354    | 41,983,350         | 2%                    | 68,258,829     |
| <b>Expenses</b>   |               |               |               |                    |                       |                |
| Salaries  | 17,377,696    | 16,674,232    | 17,889,327    | 17,292,072         | 3%                    | 16,852,720     |
| Employee Benefits   | 7,220,131     | 6,763,065     | 7,101,819     | 7,247,025          | (2%)                  | (13,625,126)   |
| Registry  | 3,096,947     | 3,087,751     | 2,602,860     | 3,265,810          | (20%)                 | 5,861,624      |
| Medical Fees  | 1,967,372     | 1,959,480     | 2,296,002     | 1,862,436          | 23%                   | 1,791,931      |
| Other Professional Fees   | 2,244,364     | 1,964,146     | 2,097,587     | 1,570,785          | 34%                   | 1,733,253      |
| Supplies  | 4,782,904     | 5,475,098     | 5,292,544     | 5,615,362          | (6%)                  | 5,472,030      |
| Purchased Services  | 2,749,654     | 2,465,510     | 2,492,913     | 2,355,395          | 6%                    | 2,035,112      |
| Other Expenses  | 1,678,435     | 1,577,173     | 1,800,266     | 1,595,229          | 13%                   | (2,673,292)    |
| Operating Expenses  | 41,117,501    | 39,966,456    | 41,573,318    | 40,804,113         | 2%                    | 17,448,253     |
| Earnings Before Interest, Depreciation,<br>and Amortization (EBIDA) | \$ 1,251,424  | \$ 1,304,538  | \$ 1,326,036  | \$ 1,179,237       | 12%                   | \$ 50,810,576  |
| EBIDA Margin  | 3%            | 3%            | 3%            | 3%                 | 10%                   | 74%            |
| Interest  | 112,380       | 112,241       | 112,380       | 86,199             | 30%                   | 641,637        |
| Depreciation  | 751,066       | 722,678       | 666,461       | 682,877            | (2%)                  | 661,883        |
| Amortization  | 287,808       | 285,372       | 285,372       | 300,890            | (5%)                  | 4,827,168      |
| Total Expenses  | 42,268,755    | 41,086,747    | 42,637,531    | 41,874,079         | 2%                    | 23,578,941     |
| <b>Operating Gain (Loss)</b>  | \$ 100,170    | \$ 184,246    | \$ 261,822    | \$ 109,271         | 140%                  | \$ 44,679,888  |
| <b>Operating Margin</b>   | 0.2%          | 0.4%          | 0.6%          | 0.3%               | 134.5%                | 65.5%          |

**KERN MEDICAL**  
**Year to Date: Revenue & Expense**  
December 31, 2022

|   | ACTUAL         | BUDGET         | VARIANCE  | PY             | PY VARIANCE |
|---|----------------|----------------|-----------|----------------|-------------|
|   | FYTD           | FYTD           | POS (NEG) | FYTD           | POS (NEG)   |
| <b>Gross Patient Revenue</b>  | \$ 577,306,130 | \$ 585,180,119 | (1%)      | \$ 600,718,709 | (4%)        |
| Contractual Deductions  | (440,676,414)  | (453,779,592)  | (3%)      | (460,353,650)  | (4%)        |
| <b>Net Revenue</b>  | 136,629,716    | 131,400,527    | 4%        | 140,365,059    |             |
| Indigent Funding  | 84,911,349     | 85,296,596     | (0.5%)    | 103,296,224    | (18%)       |
| Correctional Medicine   | 15,365,211     | 16,303,914     | (6%)      | 15,700,000     | (2%)        |
| County Contribution   | 1,711,265      | 1,727,936      | (1%)      | 1,711,265      | (0%)        |
| <b>Net Patient Revenue</b>  | 238,617,541    | 234,728,973    | 2%        | 261,072,548    | (9%)        |
| Other Operating Revenue   | 13,831,520     | 13,363,232     | 4%        | 13,079,879     | 6%          |
| Other Non-Operating Revenue   | 73,962         | 293,519        | (75%)     | 75,043         | (1%)        |
| <b>Total Revenue</b>  | 252,523,022    | 248,385,724    | 2%        | 274,227,471    | (8%)        |
| <b>Expenses</b>   |                |                |           |                |             |
| Salaries  | 103,093,340    | 102,341,129    | 0.7%      | 98,120,587     | 5%          |
| Employee Benefits   | 42,494,230     | 43,229,792     | (2%)      | 21,209,432     | 100%        |
| Registry  | 18,401,445     | 19,117,837     | (4%)      | 24,649,760     | (25%)       |
| Medical Fees  | 12,187,861     | 10,934,790     | 11%       | 10,460,245     | 17%         |
| Other Professional Fees   | 12,232,513     | 9,281,912      | 32%       | 9,008,434      | 36%         |
| Supplies  | 30,555,291     | 33,049,252     | (8%)      | 36,548,301     | (16%)       |
| Purchased Services  | 14,742,827     | 14,000,687     | 5%        | 11,799,438     | 25%         |
| Other Expenses  | 10,535,620     | 9,468,456      | 11%       | 5,189,060      | 103%        |
| Operating Expenses  | 244,243,127    | 241,423,855    | 1%        | 216,985,258    | 13%         |
| Earnings Before Interest, Depreciation,<br>and Amortization (EBIDA) | \$ 8,279,896   | \$ 6,961,869   | 19%       | \$ 57,242,213  | (86%)       |
| EBIDA Margin  | 3%             | 3%             | 17%       | 21%            | (84%)       |
| Interest  | 672,986        | 511,635        | 32%       | 1,064,064      | (37%)       |
| Depreciation  | 4,206,018      | 4,053,206      | 4%        | 4,030,272      | 4%          |
| Amortization  | 1,742,336      | 1,785,925      | (2%)      | 6,020,453      | (71%)       |
| Total Expenses  | 250,864,467    | 247,774,621    | 1%        | 228,100,047    | 10%         |
| <b>Operating Gain (Loss)</b>  | \$ 1,658,555   | \$ 611,103     | 171%      | \$ 46,127,424  | (96%)       |
| <b>Operating Margin</b>   | 0.7%           | 0.2%           | 167.0%    | 16.8%          | (96%)       |

**KERN MEDICAL  
BALANCE SHEET**

|   | DECEMBER 2022         | DECEMBER 2021         |
|---|-----------------------|-----------------------|
| <b>ASSETS:</b>                                      |                       |                       |
| <i>Total Cash</i>                                   | \$ 31,042,346         | \$ 54,306,426         |
| Patient Receivables Subtotal                        | 259,638,204           | 318,251,910           |
| Contractual Subtotal                                | (203,224,708)         | (270,551,361)         |
| <b><i>Net Patient Receivable</i></b>                | <b>56,413,496</b>     | <b>47,700,549</b>     |
| Total Indigent Receivable                           | 183,195,808           | 140,604,286           |
| Total Other Receivable                              | 6,143,588             | 12,813,253            |
| Total Prepaid Expenses                              | 5,434,178             | 5,214,311             |
| Total Inventory                                     | 4,200,810             | 4,425,672             |
| <b><i>Total Current Assets</i></b>                  | <b>286,430,226</b>    | <b>265,064,497</b>    |
| Deferred Outflows of Resources                      | 127,290,855           | 127,290,855           |
| Total Land, Equipment, Buildings and Intangibles    | 228,084,051           | 222,768,777           |
| Total Construction in Progress                      | 9,194,998             | 2,662,680             |
| <b><i>Total Property, Plant &amp; Equipment</i></b> | <b>237,279,049</b>    | <b>225,431,456</b>    |
| Total Accumulated Depr & Amortization               | (142,618,352)         | (130,903,122)         |
| <b><i>Net Property, Plant, and Equipment</i></b>    | <b>94,660,697</b>     | <b>94,528,334</b>     |
| <b><i>Total Long Term Assets</i></b>                | <b>127,290,855</b>    | <b>127,290,855</b>    |
| <b><i>Total Assets</i></b>                          | <b>\$ 508,381,778</b> | <b>\$ 486,883,686</b> |

**KERN MEDICAL  
BALANCE SHEET**

|  | <b>DECEMBER 2022</b>  | <b>DECEMBER 2021</b>  |
|--|-----------------------|-----------------------|
| <b>LIABILITIES &amp; EQUITY:</b>                 |                       |                       |
| Total Accounts Payable                           | \$ 25,294,402         | \$ 20,029,838         |
| Total Accrued Compensation                       | 31,806,948            | 30,238,519            |
| Total Due Government Agencies                    | 17,190,858            | 15,751,112            |
| Total Other Accrued Liabilities                  | 19,973,785            | 49,494,839            |
| <br>   |                       |                       |
| <b><i>Total Current Liabilities</i></b>          | <b>94,265,992</b>     | <b>115,514,308</b>    |
| <br>   |                       |                       |
| Unfunded Pension Liability                       | 381,152,811           | 381,152,811           |
| Other Long-Term Liabilities                      | 61,859,422            | 64,286,919            |
| <b><i>Total Long-Term Liabilities</i></b>        | <b>443,012,233</b>    | <b>445,439,730</b>    |
| <br>   |                       |                       |
| <b><i>Total Liabilities</i></b>                  | <b>537,278,225</b>    | <b>560,954,038</b>    |
| <br>   |                       |                       |
| Fund Balance                                     | 36,714,022            | 36,714,022            |
| Retained Earnings                                | (65,610,469)          | (110,784,373)         |
| <b><i>Total Fund Balance</i></b>                 | <b>(28,896,447)</b>   | <b>(74,070,352)</b>   |
| <br>   |                       |                       |
| <b><i>Total Liabilities and Fund Balance</i></b> | <b>\$ 508,381,778</b> | <b>\$ 486,883,686</b> |



**BOARD OF GOVERNORS  
KERN COUNTY HOSPITAL AUTHORITY REGULAR MEETING**

February 15, 2023

**Subject:** Kern County Hospital Authority Chief Executive Officer Report

**Recommended Action:** Receive and File

**Summary:**

The Chief Executive Officer of the Kern County Hospital Authority will provide your Board with a hospital-wide update.

Welcome to February!

Healthcare is complex and requires a vast number of different specialists, technology, and resources to care for everyone's needs. And within Healthcare, we try to recognize all those who deliver this care. In January and February, we have had several important observances, which include National Heart Month, Wear Red Day to promote awareness about Women's Cardiovascular Health, National Blood Donor Day, and National Women Physicians Day. These are just a few of the many important recognitions happening. But they remind us of the importance to take care of ourselves, help to take care of others, and to recognize those that deliver our care.

We are a busy trauma center and our program is vital to saving lives as it is the only one in the area. We have phenomenal physicians and we celebrate women physicians this month. We are fortunate to have the area's only two cardiologists who are female.

Our physician residents and attendings were well represented at the American Federation for Medical Research Conference. As an academic teaching facility, we have a deep commitment to preparing the next generation of physicians. An interesting fact recently came to light: Our internal medicine residency has been accredited by the Accreditation Council for Graduate Medical Education since 1957. Today we are proud to have over 200 medical students, residents, and fellows training here. And we are proud to support the local nursing schools and allied health training programs.

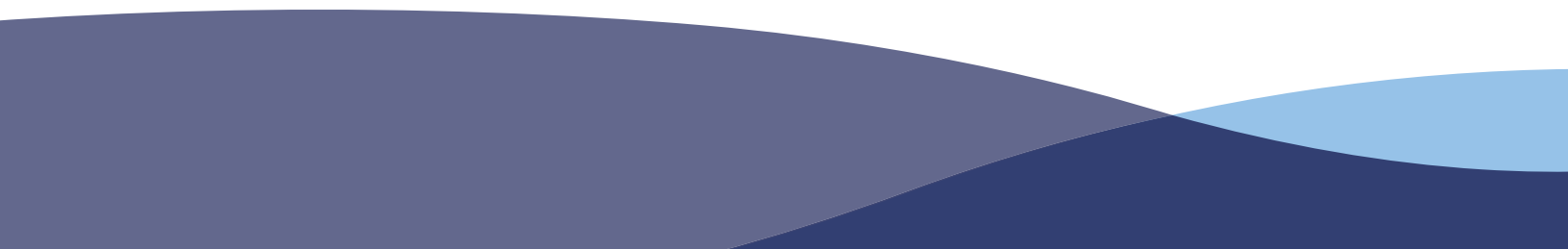
The pandemic will remain with us for years to come, from higher than normal patient volumes, to the availability of healthcare staff. The industry journal, Health Affairs, published last April 2022 indicated that there are 100,000 fewer nurses working today than before the pandemic. Our team is working incredibly hard to recruit nurses and other health professionals through hiring events, promotions, and outreach.

Challenging times and circumstances will always exist and that is why we are here at Kern Medical: To teach and train, to care for all, and to be a resource for our entire community.





*What's Happening?*



**Did You Know?**

## **Mental Wellness Month**

Kern Medical's Behavioral Health Unit (BHU) is a licensed, 25 bed adult unit designed to provide individualized care during a time of crisis.

The recovery-oriented services are designed to achieve symptom stabilization and empower clients through therapeutic programs.

## Did You Know?

**Kern Medical provides outpatient behavioral health services to all interested patients?**

This includes patients receiving care at...

- Columbus Clinics
- Reach and Grow Clinics
- Whole Person Care (Q Street)
- Stockdale Clinics
- Hospital (as needed)

## Did You Know?

Kern Medical has a weekly psychiatry clinic active at Columbus to provide medication management to patients?



## Did You Know ?

### What to do during a crisis:

- Call 911 if the situation is a life-threatening emergency
  - Call the Kern County Mental Health Hotline at 800.991.5272, 24 hours a day, 7 days a week
- 
- Call the National Suicide Prevention Lifeline at 988 or visit their website at [988lifeline.org](https://www.988lifeline.org)
  - Visit the Psychiatric Evaluation Center/Crisis Stabilization Unit located at the Mary K. Shell Mental Health Care at 2151 College Ave.

# AMERICAN FEDERATION FOR MEDICAL RESEARCH CONFERENCE 2023



## WALK IN WEDNESDAY

RN  
WALK-IN  
WEDNESDAY



**ON-SITE INTERVIEWS WITH THE HIRING MANAGERS EVERY WEDNESDAY!**

**Beginning**  
January 2023  
9:00 AM - 4:00 PM

Kern Medical Main Entrance Lobby  
1700 Mount Vernon Ave,  
Bakersfield, CA 93306

# RECRUITMENT ADVERTISEMENT



# NATIONAL WOMEN PHYSICIANS DAY



# SAFE SURRENDERED BABY AWARENESS

Press Conference At Kern Medical On February 8

## FEBRUARY IS SAFELY SURRENDERED BABY AWARENESS MONTH



**NO SHAME,  
NO BLAME,  
NO NAMES.**



**95** NEW BORN BABIES  
HAVE BEEN SAFELY  
SURRENDERED IN KERN  
COUNTY SINCE 2006

2023  
**VALLEY  
FEVER  
WALK**



*Join the Fight Against Valley Fever!*

**SAT** | 8:00 AM | **KERN COUNTY MUSEUM**  
FEB 25 | 3801 CHESTER AVENUE, BAKERSFIELD, CA 93201

Valley Fever Institute  
at Kern Medical



KernMedical

## EXPERIENCED NURSE EVENT

Thursday, February 16th, 2023  
6PM-8PM  
at the BLVD  
3200 Buck Owens Blvd, STE 300  
Bakersfield, CA 93308

### JOIN OUR TEAM!

- + Kern Medical is seeking dedicated RNs to join our team!
- + Positions for experienced nurses looking to further their skills
- + Opportunities to earn and learn from some of the best RNs in the region
- + Great for RNs looking to advance their career

LEARN MORE AT

[www.KernMedical.com/Careers](http://www.KernMedical.com/Careers)

# KGET FEATURE

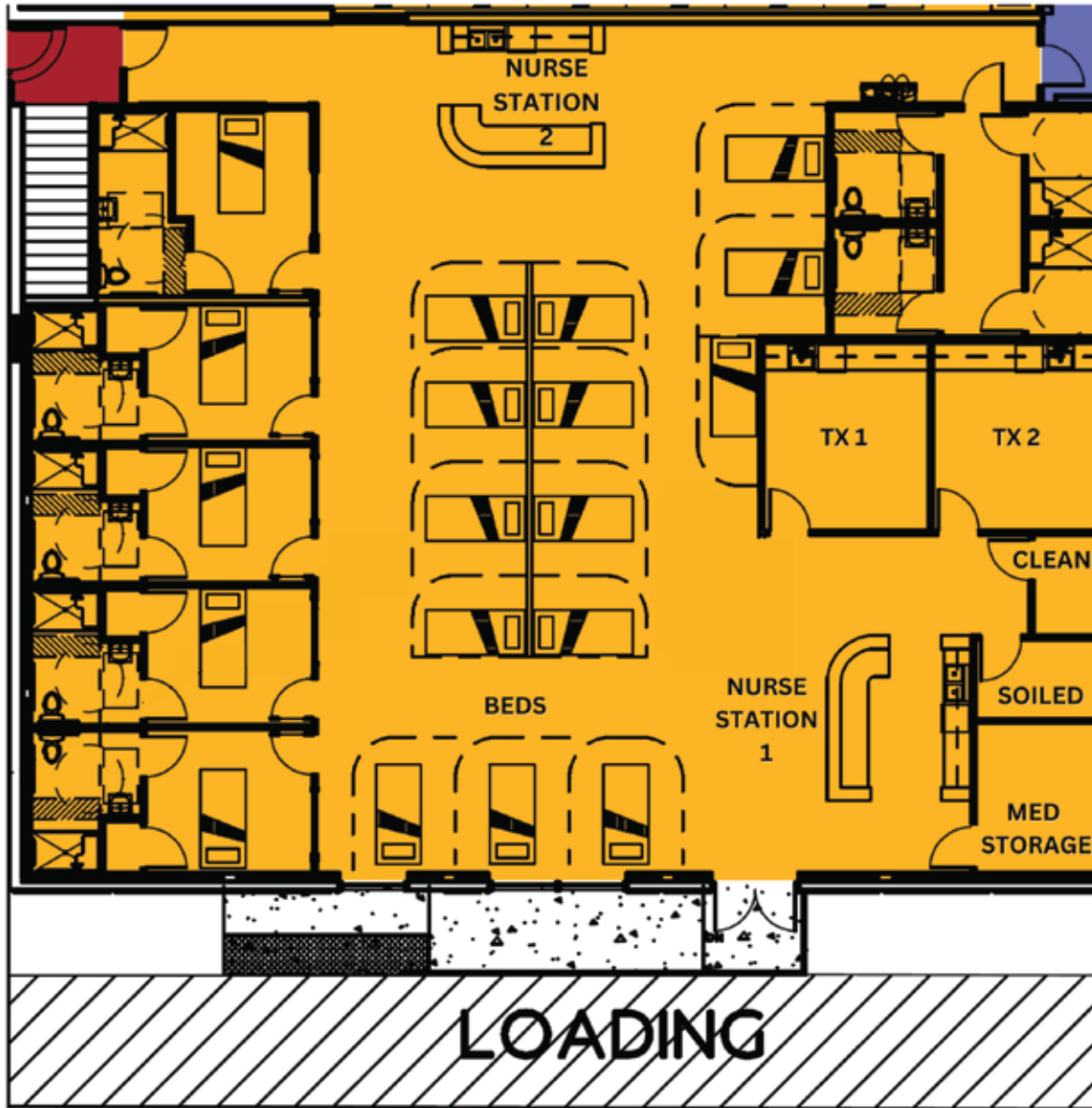
Kern Medical Nurses Discuss Recruitment Events





# BRUNDAGE LANE NAVIGATION CENTER OPEN HOUSE

## Recuperative Care Dorm Floor Plan



- ~4,767 sq. ft
- 14 beds
- 5 isolation rooms
- 2 treatment rooms
- 2 nurses stations
- Med storage room
- Soiled room
- Clean room

# EDUCATIONAL VIDEO *competition*

Winner will be announced during Patient Safety Awareness Week - March 12 - 18, 2023

## Rules:

- Have fun, be engaging, be accurate
- You may use animation or develop a power point presentation
- Filming cannot interrupt business operations
- Patients cannot be in your video unless they have signed a "Consent to Photograph and Authorization for Use and Disclosure" form
- Content will be vetted by Staff Development and the Patient Safety Officer

## Ideas:

- Checking preventative maintenance stickers
- De-escalation techniques
- How to perform an ergonomic evaluation
- How to answer RACE/PASS questions by a surveyor
- How to use mobility equipment
- Proper placement of wet floor signs
- How to perform hand hygiene
- Patient identifiers
- Central line dressing changes
- How to use enzymatic foam spray
- How to perform a fall risk assessment

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## WINNING AND APPROVED VIDEOS WILL BE POSTED ON ELSEVIER

Winner for Individual and Group category will receive a \$100 gift card -  
We encourage staff work with a senior staff member

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## Video Editing and Assembling Apps

- Canva
- CapCut - Video Editor
- Shotcut
- VN Video Editor
- Vimeo Create - Video Editor
- Splice
- Videoshop - Video Editor

Send your drafts and final submissions to [Toni.Won-Hamlet@kernmedical.com](mailto:Toni.Won-Hamlet@kernmedical.com),  
[Laura.Cunanan@kernmedical.com](mailto:Laura.Cunanan@kernmedical.com), and [Kristi.Brownfield@kernmedical.com](mailto:Kristi.Brownfield@kernmedical.com).

**Final entries** due March 1, 2023

# NATIONAL RECOGNITIONS

- Cervical Cancer Awareness Month
- Glaucoma Awareness Month
- National Birth Defects Awareness Month
- National Blood Donor Month
- National Pharmacist Day (January 12th)
- National IV Nurse Day (January 25th)
- World Leprosy Day (January 29th)
- American Heart Month
- Low Vision Awareness Month
- Wear Red Day (February 3rd)
- World Cancer Day (February 4th)
- Burn Awareness Week (February 5-11th)
- Congenital Heart Defect Awareness Week (February 7-14th)
- National Donor Day (February 14th)
- Rare Disease Day (February 28th)

KCHA is currently engaged in multiple lawsuits related to the legal formation and conduct of the Kern Medical Surgery Center, LLC (“LLC”). For each case captioned below, what are the legal expenses KCHA has incurred to date? Has your Board estimated the cost of future litigation expenses related to these cases, and if so, how much has the Board budgeted for these purposes?

- SEIU Local 521 v. Kern County Hospital Authority et al.
- Unfair Practice Charge No. LA-CE-1580-M (SEIU Local 521 v. KCHA)
- Lopez-Rodriguez v. Kern Medical Surgery Center, LLC., et al.

In SEIU Local 521 v. Kern County Hospital Authority et al., KCHA’s legal counsel represents that the LLC is a private entity that is separate from KCHA and that the LLC is not subject to the Brown Act or the California Public Records Act “merely by virtue of its association with KCHA.”<sup>1</sup>

In Unfair Practice Charge No. LA-CE-1580-M (SEIU Local 521 v. KCHA), KCHA’s legal counsel represents that “although the Authority created the LLC, the LLC is a separate and private legal entity... It is neither a governmental subdivision nor a special district. Therefore, the LLC does not constitute a ‘public agency’ within the meaning of [the Meyers-Milias-Brown Act]. This is undisputed.”<sup>2</sup>

In Lopez-Rodriguez v. Kern Medical Surgery Center, LLC., et al., KCHA’s legal counsel represents that the LLC is a public entity, as defined in the Government Claims Act, which restricts the public’s ability to sue public agencies.<sup>3</sup> For example:

- “The Authority is a ‘public agency that is a local unit of government[.]’ ([HSC § 101853 (a)].) ... The Authority has and is charged with ‘the maintenance, operation, management, control, ownership, or lease of the medical center[.]’ ([HSC § 101853(c)].) The term ‘medical center’ is defined as ‘the assets and liabilities comprising the Kern Medical Center[.]’ ([HSC § 101852.1(g)].) ... The [LLC] is a California limited liability company, whose sole member is the Authority.”<sup>4</sup>
- “KMC and the [LLC]... are not private entities working under contract for the Authority. Rather... [b]oth KMC and the [LLC] are... ‘public entities’ as defined in California Government Code section 811.2.”<sup>5</sup>

Why does the Board of Governors believe that these legal expenditures are prudent, given the mission of the Authority? In particular, what is the Authority’s interest in preventing the public from seeing financial and other information regarding the practices and performance of the LLC, which is at issue in the first case listed above?

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<sup>1</sup> SEIU Local 521 v. Kern County Hospital Authority, et al. – Defendant Kern Medical Surgery Center, LLC’s Notice Of Demurrer And Demurrer To Complaint (October 6, 2022; pg 5)

<sup>2</sup> Unfair Practice Charge: SEIU Local 521 v. KCHA – Respondent’s Position Statement (June 13, 2022; pg 6)

<sup>3</sup> Lopez-Rodriguez v. Kern Medical Surgery Center, LLC., et al. – Defendants’ Notice of Motion and Motion To Dismiss Plaintiff’s Second Amended Complaint (October 20, 2020; pg 24)

<sup>4</sup> Lopez-Rodriguez v. Kern Medical Surgery Center, LLC., et al. – Defendants’ Notice of Motion and Motion To Dismiss Plaintiff’s Second Amended Complaint (October 20, 2020; pg 13-14)

<sup>5</sup> Lopez-Rodriguez v. Kern Medical Surgery Center, LLC., et al. – Defendants’ Reply to Plaintiff’s Opposition to Motion to Dismiss Second Amended Complaint (October 20, 2020; pg 6)

The proposed retroactive Agreement for Professional Services with Kern Medical Surgery Center, LLC (“LLC”) would retroactively approve more than \$13 million in unauthorized payments paid to the LLC for “management and administrative services” provided to “various outpatient clinics” from August 1, 2018 through December 31, 2022.

KCHA management failed to disclose the \$13 million in payments to the LLC in KMC’s Medicare Cost Reports as “costs to related organizations.”<sup>1</sup> CMS requires that providers disclose related party costs in their Medicare Cost Reports due to the fact that these transactions provide management with opportunities to commit fraud.<sup>2</sup> Related party transactions “are includable in the allowable cost of the provider... However, such cost must not exceed the price of comparable services, facilities, or supplies that could be purchased elsewhere.”<sup>3</sup>

How can the Board of Governors construe that “the compensation set forth herein was negotiated at arm’s length[,]” when in fact, your Board made the same individual – KCHA’s CEO – the purchasing agent for both KCHA and the LLC?<sup>4</sup> Additionally, according to KCHA’s Organizational Chart, Legal Services is subordinate to KCHA’s CEO.<sup>5</sup> This means that both sides of this agreement were either negotiated by one person or negotiated by people who are subordinate to one person, KCHA’s CEO.

What steps has the Board of Governors taken to confirm that these payments do not violate the Anti-Kickback Statute, by ensuring that none of these expenses include payments to the LLC’s Board of Managers – KCHA CEO Scott Thygerson, KCHA CFO Andrew Cantu, and KCHA CAO Renee Villaneuva – or to entities such as Meridian Healthcare Partners and Cantu Management Group which would directly benefit these same individuals?<sup>6</sup>

If these payments include payments to the Board of Managers, they would not qualify for an exemption under 42 CFR 1001.952(d) because the methodology for determining the compensation paid to the agent over the term of the agreement was not set in advance and is not consistent with fair market value in arm’s length transactions.

Does the Board believe it is appropriate for a matter of such complexity, involving \$13 million paid out over a period of four years and five months, to be approved via consent agenda?

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<sup>1</sup> [42 CFR 413.17 – Cost to Related Organizations](#); KMC Medicare Cost Reports – FY 2018-19 Report Number 683941; FY 2019-20 Report Number 709000; FY 2020-21 Report Number 708149

<sup>2</sup> [U.S. General Services Administration, Office of Inspector General: Procurement Fraud Handbook](#)

<sup>3</sup> [42 CFR 413.17 – Cost to Related Organizations](#)

<sup>4</sup> [KCHA BoG Meeting: Proposed Resolution revising the delegation of authority of the Kern County Hospital Authority Chief Executive Officer to enter into contracts and to secure and pay for certain professional and special services \(September 20, 2017\)](#) (pg 71-80); [KCHA BoG Meeting: Proposed Resolution revising the delegation of authority of the Kern County Hospital Authority Chief Executive Officer to enter into contracts and to secure and pay for certain professional and special services \(November 17, 2021\)](#) (pg 47-59); [KCHA BoG Meeting: Operating Agreement of KMSC, LLC, & Cash Contribution of \\$1,500,000 \(August 17, 2016\)](#) (pg 111-125)

<sup>5</sup> [KCHA BoG Meeting: Kern County Hospital Authority Organizational Chart \(January 19, 2022\)](#) (pg 25)

<sup>6</sup> [KCHA BoG Meeting: Proposed Second Amendment to Operating Agreement of KMSC, LLC \(January 19, 2022\)](#) (pgs 27-28); [KCHA BoG Meeting: Operating Agreement of KMSC, LLC, & Cash Contribution of \\$1,500,000 \(August 17, 2016\)](#) (pg 119)

Is the Board aware that the Authority's legal counsel is making contradictory legal claims concerning the legal status of the Kern Medical Surgery Center, LLC? Has the Board considered whether it is prudent to invest KCHA's public funds in making such self-contradictory claims in court?

**KERN COUNTY HOSPITAL AUTHORITY  
BOARD OF GOVERNORS  
PUBLIC STATEMENT REGARDING CLOSED SESSION**

(Government Code Section 54957.7)

On the recommendation of the Chief Executive Officer, the Board of Governors will hold a closed session on February 15, 2023, to discharge its responsibility to evaluate and improve the quality of care rendered by health facilities and health practitioners. The closed session involves:

  X   Request for Closed Session regarding peer review of health practitioners (Health and Safety Code Section 101855(j)(2)) –

**KERN COUNTY HOSPITAL AUTHORITY  
BOARD OF GOVERNORS  
PUBLIC STATEMENT REGARDING CLOSED SESSION**

Government Code Section 54956.9

Based on the advice of Counsel, the Board of Governors is holding a closed session on February 15, 2023, to confer with, or receive advice from Counsel regarding pending litigation, because discussion in open session concerning this matter would prejudice the position of the authority in the litigation. The closed session involves:

  X   CONFERENCE WITH LEGAL COUNSEL - FORMALLY INITIATED LITIGATION  
(Government Code Section 54956.9(d)(1)) Name of case: Jihad Akil Hashim v.  
Kern County Hospital Authority, (A California Public Entity), and DOES 1 through  
50, inclusive, Defendants, United States District Court, Eastern District of  
California, Case No. 1:21-cv-00773-JLT-CDB –



**KERN COUNTY HOSPITAL AUTHORITY  
BOARD OF GOVERNORS  
PUBLIC STATEMENT REGARDING CLOSED SESSION**

Government Code Section 54956.9

Based on the advice of Counsel, the Board of Governors is holding a closed session on February 15, 2023, to confer with, or receive advice from Counsel regarding pending litigation, because discussion in open session concerning this matter would prejudice the position of the authority in the litigation. The closed session involves:

  X   CONFERENCE WITH LEGAL COUNSEL - FORMALLY INITIATED LITIGATION  
(Government Code Section 54956.9(d)(1)) Name of case: Maria Elena Lopez-Rodriguez v. Kern Medical Surgery Center, LLC (a California Limited Liability Company); Kern Medical Center Foundation (a California Corporation); Kern Medical Center (an organization form unknown); Kern County Hospital Authority (an organization form unknown; Marie Ruffin (an Individual); and DOES 3-100, inclusive, Defendants, United States District Court, Eastern District of California, Case No. 1:20-cv-01187-ADA-CDB –

**KERN COUNTY HOSPITAL AUTHORITY  
BOARD OF GOVERNORS  
PUBLIC STATEMENT REGARDING CLOSED SESSION**

Government Code Section 54956.9

Based on the advice of Counsel, the Board of Governors is holding a closed session on February 15, 2023, to confer with, or receive advice from Counsel regarding pending litigation, because discussion in open session concerning this matter would prejudice the position of the authority in the litigation. The closed session involves:

  X   CONFERENCE WITH LEGAL COUNSEL - FORMALLY INITIATED LITIGATION  
(Government Code Section 54956.9(d)(1)) Name of case: Service Employees  
International Union, Local 521 Plaintiff/Petitioner, v. Kern County Hospital  
Authority, Kern Medical Surgery Center, LLC, and DOES 1-25, Defendants/  
Respondents, Kern County Superior Court Case No. BCV-22-101782 JEB –

**KERN COUNTY HOSPITAL AUTHORITY  
BOARD OF GOVERNORS  
PUBLIC STATEMENT REGARDING CLOSED SESSION**

Government Code Section 54956.9

Based on the advice of Counsel, the Board of Governors is holding a closed session on February 15, 2023, to confer with, or receive advice from Counsel regarding pending litigation, because discussion in open session concerning this matter would prejudice the position of the authority in the litigation. The closed session involves:

  X   CONFERENCE WITH LEGAL COUNSEL – FORMALLY INITIATED LITIGATION  
(Government Code Section 54956.9(d)(1)) Name of case: Service Employees  
International Union, Local 521, Charging Party, v. Kern County Hospital Authority,  
Respondent, Public Employment Relations Board Case No. LA-CE-1580-M –

**KERN COUNTY HOSPITAL AUTHORITY  
BOARD OF GOVERNORS  
PUBLIC STATEMENT REGARDING CLOSED SESSION**

(Government Code Section 54957.7)

The Board of Governors will hold a closed session on February 15, 2023, to consider:

- X   CONFERENCE WITH LABOR NEGOTIATORS - Agency designated representatives: Chief Executive Officer Scott Thygerson, and designated staff - Employee organizations: Service Employees International Union, Local 521 (Government Code Section 54957.6) –

**KERN COUNTY HOSPITAL AUTHORITY  
BOARD OF GOVERNORS  
PUBLIC STATEMENT REGARDING CLOSED SESSION**

On the recommendation of the Chief Executive Officer, the Board of Governors will hold a closed session on February 15, 2023, to consider:

  X   PUBLIC EMPLOYEE PERFORMANCE EVALUATION - Title: Chief Executive Officer (Government Code Section 54957) –