

Date of Hearing: June 18, 2025

ASSEMBLY COMMITTEE ON LOCAL GOVERNMENT

Juan Carrillo, Chair

SB 558 (Padilla) – As Introduced February 20, 2025

SENATE VOTE: 34-0

SUBJECT: Imperial Valley Healthcare District: voting districts.

SUMMARY: Makes members of the Imperial Valley Healthcare District's (IVHD's) initial board of directors eligible for the first round of elections for the board of directors. Specifically, **this bill:**

- 1) Removes the prohibition on IVHD's initial board of directors, who are appointed, from being eligible for the first round of elections for each respective board seat.
- 2) Clarifies that a member of IVHD's initial appointed board of directors may become the first elected member for a voting district if the member is otherwise eligible for the position and is elected by the electors of that voting district.

FISCAL EFFECT: None.

COMMENTS:

- 1) **Bill Summary and Author's Statement.** This bill makes members of IVHD's initial appointed board of directors eligible for the first round of elections for the board of directors. IVHD is the sponsor of this bill.

According to the author, "Access to healthcare in Imperial County has been a long challenge, and recent economic pressures have made it even harder to provide healthcare services in the region. To address this ongoing issue, the Legislature passed AB 918 in 2023 which was authored by Assemblymember Eduardo Garcia to create the Imperial Valley Healthcare District (IVHD) and outline a process for appointing and electing governing board members. The board members were appointed by various local entities to play a key role in hiring staff for the district, acquiring healthcare facilities, setting important policies, and ensuring all residents of Imperial County have access to quality healthcare. However, AB 918 included a provision that prevents the initially appointed board members from running in the first round of elections to the IVHD Board. This prevents board members who have gained important knowledge and experience from running and providing continuity to move the district forward. SB 558 aims to change this by removing this restriction and allowing previously appointed board members to run in the IVHD board elections if they choose. This change would support the ongoing success of the IVHD and ensure continued access to quality care."

- 2) **Healthcare Districts.** Near the end of World War II, California faced a severe shortage of hospital beds. To respond to the inadequacy of acute care services in rural areas, the Legislature enacted the Local Hospital District Law, to provide medically underserved areas without access to hospital facilities a source of tax dollars that could be used to construct and operate community hospitals. SB 1169 (Maddy), Chapter 696, Statutes of 1994, changed the

name of the principal act to "The Local Healthcare District Law" to better reflect the shift in the provision of healthcare services outside hospital settings.

The powers and duties granted to healthcare districts under existing law have remained largely unchanged while the demographics of areas being served by the districts, access and provision of healthcare services, and the districts themselves have vastly changed. For example, following the change in law in 1994, at least 14 healthcare districts have filed for bankruptcy, and over one-third of the healthcare districts in California have either closed or sold their hospital. State law allows healthcare districts to exercise various powers, including to lease or own property; build and operate healthcare facilities and services, including emergency services, free clinics, diagnostic and testing centers, health education programs, wellness and prevention programs, rehabilitation, and aftercare; to provide assistance to other entities to carry out those services; and to sell their assets.

3) **Imperial Valley Healthcare District.** Until 2024, three different entities provided healthcare to Imperial County's nearly 180,000 residents. This included:

- Pioneers Memorial Healthcare District (PMHD), which operated a 107-bed hospital in Brawley, but its bond ratings were downgraded due to concerns over operational challenges.
- Heffernan Memorial Healthcare District (HMHD), which filed for bankruptcy in 1995, closed its hospital in 1998, but remained to provide services and education to Calexico residents.
- El Centro Regional Medical Center (ECRMC), a 161-bed hospital which the City of El Centro owns, but University of California San Diego Health System manages. The hospital is in need of seismic upgrades.

AB 918 (Garcia), Chapter 549, Statute of 2023, created the IVHD which includes the entirety of Imperial County, including the jurisdictions of the PMHD and HMHD. The initial board of directors includes the following members:

- a) One member from and appointed by PMHD.
- b) One member from and appointed by HMHD.
- c) One member from the City of El Centro appointed by the public health director of Imperial County. This member must be a resident of the City of El Centro, but cannot be a City of El Centro employee, an elected official of the City of El Centro, or an employee or board member or former board member of the ECRMC.
- d) One member of the public appointed by the Board of Supervisors of Imperial County who must be a resident of the unincorporated areas of Seely or Ocotillo, or a county board supervisor that represents that area.
- e) One tribal member from and appointed by the Quechan tribe. If a member is not appointed by the tribe within the 60-day timeframe, then the county board of supervisors

may appoint a member of the public from the Winterhaven area.

- f) One member from the City of Imperial appointed by the City.
- g) One member from the City of Holtville appointed by the City.

The appointing bodies had 60 days to appoint members to the initial board of directors and all seven members have been appointed. On June 13, 2024, the IVHD board created voting districts, which AB 918 required it to use for elections after January 1, 2024. AB 918 also required the IVHD board to consist of all elected members by the conclusion of the 2028 general election; however, members appointed to the initial board of directors are ineligible for the first round of elections for the elected board. The initial board of directors was also required to do the following:

- a) Create a staggered board of directors by choosing a number of board members to remain on the board following the first specified election.
- b) Recommend a permanent funding source mechanism to be presented to and approved by voters via ballot measure. The funding source mechanism must be placed on the ballot for the March 2024 or November 2024 election. The initial board of directors, in collaboration with the Imperial County LAFCO, must use the financial feasibility studies conducted by the Imperial County LAFCO and Kaufman Hall to determine the funding source mechanism. SB 1070 (Padilla), Chapter 1013, Statutes of 2024, modified the requirement for the initial IVHD board to recommend a permanent funding mechanism. Specifically, the measure extended the deadline to the November 2026 election for IVHD to place a measure on the ballot.
- c) Enter negotiations with the ECRMC to decide the terms of the acquisition of the hospital. Upon reviewing the financial feasibility studies conducted by the Imperial County LAFCO and Kaufman Hall and confirming the financial viability of integrating the ECRMC into the district, the initial board of directors must determine the terms of the acquisition of the hospital. If the initial board of directors chooses to acquire the ECRMC, the hospital shall be acquired with all of its assets and liabilities. The initial board of directors must finalize the terms of acquiring the hospital by November 5, 2024. The City of El Centro is required to negotiate in good faith with IVHD, but is not required to sell the hospital to IVHD or agree to the terms that the initial board of directors finalizes.
- d) Recommend to the Imperial County LAFCO a date for the dissolution of the PMHD and HMHD. The dissolution date must be between July 1, 2024, and January 1, 2025. The initial board of directors is not required to recommend the same date for dissolution for both districts.
- e) Hold a minimum of three public meetings prior to January 1, 2025 to discuss the establishment of IVHD, the cost savings of having one countywide healthcare district, and the findings of the financial feasibility studies conducted by Imperial County LAFCO and Kaufman Hall. The second meeting must inform the public of the recommended permanent funding source mechanism, and the third meeting must inform the public

about the acquisition of the ECRMC.

- f) If the board votes to acquire the ECRMC, a fourth meeting is required to be held to disclose the terms of the acquisition to the public and present a financial plan to finance the acquisition and ongoing operations of hospitals in IVHD.

After receiving the recommendations from the IVHD board of directors, the Imperial County LAFCO was required to determine the appropriate dates to dissolve HMHD and PMHD. AB 918 required both HMHD and PMHD to be dissolved by January 1, 2025. According to IVHD, since its creation, IVHD and other entities have taken several steps to consolidate healthcare in the region:

- a) First, IVHD completed its division into seven voting districts.
 - b) Second, it created a monthly public meeting schedule.
 - c) Third, it agreed to a term sheet with the City of El Centro on March 11, 2025, to transfer ownership over ECRMC.
 - d) Fourth, the LAFCO dissolved HMHD on July 25, 2024.
 - e) Fifth, the LAFCO dissolved PMHD on October 24, 2024.
- 4) **Arguments in Support.** According to IVHD, “The mission of the Imperial Valley Healthcare District is to ensure the provision of high-quality healthcare services to the residents of Imperial County. Our Board Members have worked diligently to improve and expand these services, and under their leadership, we have made significant progress toward achieving our goals. However, current regulations outlined in AB 918 (E. Garcia- 2024) limit the term length for Board Members as we are appointed. SB 558 would allow Board Members the opportunity to run in the initial elections in 2026 and 2028, providing much-needed stability and continue the good work in order to reach the District's long-term healthcare initiatives in the Imperial Valley.

“By allowing the initial appointed board members to run in the first IVHD elections, we believe that the IVHD would benefit from the continuity of leadership necessary to build on the positive work that has already been done. This would ensure that Board Members can follow through on ongoing projects and health initiatives without the interruption of having to wait another full election cycle to serve on the IVHD board. A similar effort was done in the 2019 legislative session through AB 1095 (Desert Healthcare District) where there was no opposition on either side. We respectfully request your support for SB 558 to help improve the governance of healthcare services in Imperial Valley. The stability provided by longer terms for our Board Members would ultimately benefit the communities we serve, ensuring that healthcare remains a priority in our region.”

- 5) **Arguments in Opposition.** None on file.

REGISTERED SUPPORT / OPPOSITION:

Support

Imperial Valley Healthcare District [SPONSOR]

Opposition

None on file

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