

Measure C General Obligation Bond Citizens Oversight Committee Bylaws

Section 1. Committee for Measure C Bond Established. The Tahoe Forest Hospital District (the “District”) was successful at the election conducted September 25, 2007 (the “election”) in obtaining authorization from the District’s voters to issue up to \$98,500,000 aggregate principal amount of the District’s general obligation bonds (the “bond measure” or “Measure C”). The full text of the Ballot measure is attached as Exhibit A and incorporated into these Bylaws by reference. The District hereby establishes the Measure C Citizens Oversight Committee (the “Committee”) which shall have the duties and rights set forth in these Bylaws. The Committee does not have independent legal capacity from the Tahoe Forest Hospital District.

Section 2. Purpose. The purpose of this Committee with regard to Measure C is to inform the public concerning the expenditure of bond revenues. The Committee shall actively review and report on the proper expenditure of taxpayers’ money for District construction. The Committee shall convene to provide oversight for, but not be limited to, both of the following:

- (1) Ensuring that bond revenues are expended only for the purposes described in the full ballot text of Measure C; and
- (2) Ensuring that no funds are spent on salaries or overhead, nor on projects or costs unrelated to the construction projects specifically outlined in Measure C.

The proceeds of the General Obligation Bond issued pursuant to this election are hereinafter referred to as “Bond Proceeds”. Regular and deferred maintenance projects, as well as other projects which are not funded by the Bond Proceeds, and all monies generated through other sources shall fall outside of the scope of Committee review.

In furtherance of its purpose, the Committee may engage in any of the following activities:

- (1) Receiving and reviewing copies of the annual independent audit which will be performed on Measure C revenues;
- (2) Inspecting hospital facilities, grounds and construction projects to ensure that bond revenues are expended in compliance with the requirements of Measure C;
- (3) Receiving and reviewing copies of any of the plans developed by the District; and
- (4) Review the District's exercise of due diligence and good faith best efforts in its utilization of Measure C funds.

Members of the Committee may participate on an individual, voluntary basis in District Planning Committee meetings which will be held from time to time and which will be publicly noticed in accordance with the *Ralph M Brown Act*, Government Code Section 54950 *et seq.*

Section 3. Duties. To carry out its stated purpose, the Committee shall perform the following duties:

3.1 Inform the Public. The Committee shall inform the Public concerning the District's expenditure of Bond proceeds of Measure C. The Committee shall prepare and submit for District approval a plan for publicizing the activities of the Committee.

3.2 Review Expenditures. The Committee shall review quarterly expenditure reports produced by the District to ensure that (a) Bond proceeds are expended only for the purposes set forth in Bond Measure C; and (b) no Bond proceeds are used for salaries or other operating expenses.

3.3 Annual Report. The Committee shall present to the Tahoe Forest Hospital District Board ("District Board"), in public session, an annual written report which shall contain the following:

- (a) A statement indicating whether the District is in compliance with the letter and intent of Measure C; and
- (b) A summary of the Committee's proceedings and activities for the preceding year.

3.4 Duties of the District. The District shall have the following powers reserved to it, and the Committee shall have no jurisdiction over the following types of activities:

- (a) Approval of construction contracts;
- (b) Approval of construction change orders;
- (c) Appropriation of construction funds;
- (d) Handling of all legal matters;
- (e) Approval of construction plans and schedules;
- (f) Approval of capital improvement plan; and
- (g) Approval of the sale of bonds, or the timing of such sales

3.5 Voter Approved Projects Only. In recognition of the fact that the Committee is charged with overseeing the expenditure of Bond proceeds, the Committee is not responsible for:

- (a) Projects financed through any other source of revenue other than Measure C Bond proceeds;
- (b) The establishment of priorities and order of construction for the bond projects;
- (c) The selection of architects, engineers, soils engineers, construction managers, project managers, CEQA consultants, and other such professional service firms as are required to complete the project based on criteria established by the District at its sole discretion;
- (d) The approval of the design for each project;
- (e) The selection of independent audit firm(s), performance audit consultants, and other such consultants as are necessary to support the activities of the Committee;
- (f) The approval of an annual budget for the Committee that is sufficient to carry out the activities with which it is charged; however, participation by the Committee in the creation of such a budget is encouraged;
- (g) The amendment or modification of the Bylaws for the Committee;
- (h) The appointment or reappointment of qualified applicants to serve on the Committee; however, Committee participation in recommending potential applicants is encouraged.

Section 4. Authorized activities. In order to perform the duties set forth in Section 3.0, the Committee may engage in the following activities:

- (a) Receive and review copies of the District's annual independent financial audit. The audit shall be prepared by a qualified professional after the initial issuance of Measure C bonds, and shall summarize the status of the projects which have been financed through Measure C Bond Proceeds. The financial audit shall be completed by the District's independent auditor and shall confirm the allocation of bond monies on a per-project basis and also include a statement of fund balances of bond funds as of the date of its preparation.
- (b) Inspect District grounds, facilities and construction projects for which Bond Proceeds have been or will be expended, provided such inspections shall be by means of field trips organized by the District for this purpose.

(c) Review copies of plans, cost estimates and budgets for bond projects.

(d) Review the District's exercise of due diligence and good faith best efforts in its utilization of Measure C funds.

Members of the Committee may participate on an individual, voluntary basis in District Planning Committee meetings to better understand construction phasing, timing, costs and prioritization for District construction projects.

Section 5. Membership. The Committee shall consist of persons who live full-time or primarily within the District boundaries. There will be a minimum of seven (7) and no more than nine (9) members on the Committee.

5.1 The members will be appointed by the District Board from a list of candidates submitting written applications, and shall be comprised of:

- Two (2) to Four (4) members at large;
- One (1) Member active in the Truckee Donner Chamber of Commerce;
- One (1) Member active in the North Lake Tahoe Resort Association;
- One (1) Member who is also a Member of the Tahoe Forest Health System Leadership Council;
- One (1) Member with a professional license or equivalent work experience in the field of accounting;
- One (1) Member in good standing with the Contractors Association of Truckee Tahoe or other recognized construction association.

5.2 Qualification standards:

(a) Applicants must be at least 18 years of age and reside at least 9 months out of the year within the District boundaries.

(b) The Committee may not include any employee of the District or any vendor, consultant or contractor of the District.

5.3 Ethics / Conflicts of Interest. By accepting appointment to the Committee, each Member agrees to comply with the Committee Ethics Policy attached as

“Attachment B” to these Bylaws and the Conflicts of Interest Policy attached as Exhibit C.

5.4 Term. Except as otherwise provided herein, each Member shall serve an initial term of two (2) years, beginning November 30, 2007. Following completion of their initial terms, at least four (4) of the members shall be re-appointed to a one (1) year term. Members shall decide among themselves who shall be re-appointed for one year; if no decision is made the decision shall be made by drawing lots. The remainder of the members may be re-appointed to two (2) year terms, or be replaced by a new candidate for a two (2) year term. There is no limit on the number of terms a Member may serve, provided that the Member is separately reappointed for each term pursuant to the procedure described at Section 5.5 of these Bylaws.

5.5 Appointment. Members of the Committee shall be appointed by the Board through the following process: 1) appropriate local groups will be solicited for applicants; 2) ads will be placed in local papers; 3) the District Chief Executive Officer and the District Board President or their designee(s) will review the applications, which may or may not include “live” interviews with the applicant; 4) the Chief Executive Officer and the District Board President or their designee(s) will make recommendations to the Board; and 5) the Board will select the members of the Committee from among the recommendations.

5.6 Removal, vacancy. The Board may remove any Committee Member for any reason, including but not limited to failure to attend two (2) consecutive meetings without reasonable excuse or for failure to comply with the Committee Ethics policy. Upon a Member’s removal or resignation, his or her seat shall be declared vacant. The Board, in accordance with the appointment process described in Section 5.5 shall fill any vacancies on the Committee.

5.7 Compensation. The Committee members shall not be compensated for their services on the Citizens Oversight Committee for Measure C. Members shall be reimbursed for pre-approved expenses incurred which are directly related to their duties as a Committee Member.

5.8 Authority of Members. Committee members shall not have the authority to direct or supervise District staff. Members shall at all times have the right and are encouraged to address the District Board, either as individuals or on behalf of the Committee.

Section 6. Meetings of the Committee.

6.1 Regular meetings. The Committee is required to meet at least twice per year, in addition to the annual organizing meeting which shall be held in June of each year. Extraordinary meetings or visitations may be called on not less than five (5) days prior notice by action of majority of the Committee, based on votes

either in person at a regular meeting, via phone or electronic polling, or by written consent.

6.2 Location. All meetings shall be held in the facilities of the District, or at another location within the District boundaries approved by a majority of the Committee.

6.3 Procedures. All meetings shall be open to the public in accordance with the *Ralph M. Brown Act*, Government Code section 54950 *et seq.* Meetings shall be conducted according to such additional procedural rules as the Committee may adopt, such as Roberts Rules of Order. A majority of the active Committee members shall constitute a quorum for the transaction of any business.

6.4 Electronic Meeting Procedures. Members of the Committee may participate in a meeting through use of conference telephone, electronic video screen communication, or electronic transmission by and to the Committee. Participation in a meeting through use of conference telephone or electronic video screen communication pursuant to this subsection constitutes presence in person at that meeting as long as all Members participating in the meeting are able to hear one another. Participation in a meeting through electronic transmission by and to the Committee (other than conference telephone and electronic video screen communication), pursuant to this subdivision constitutes presence in person at that meeting if both of the following apply:

- (a) Each Member participating in the meeting can communicate with all of the other members concurrently.
- (b) Each Member is provided the means of participating in all matters before the Committee, including, without limitation, the capacity to propose, or to interpose an objection to, a specific action to be taken by the Committee.

Section 7. District Support.

7.1 The District shall provide to the Committee necessary technical and administrative assistance as follows:

- (a) preparation of and posting of public notices as required by the *Ralph M. Brown Act*, ensuring that all notices to the public are provided in the same manner as notices regarding meetings of the District Board;
- (b) provision of a meeting room, including any necessary a/v equipment provided such equipment is reserved in a timely fashion;
- (c) preparation and copies of any documentary meeting materials, such as agendas and reports; and

(d) retention of all Committee records, and providing Member and public access to such records as requested;

7.2 Appropriate District staff and/or District consultants shall attend Committee meetings in order to report on the status of projects and/or the expenditures of Bond Proceeds.

7.3 No Bond Proceeds shall be used to provide District support to the Committee.

Section 8. Reports. In addition to the Annual report required in section 3, the Committee shall report to the Board quarterly in order to advise the Board on the activities of the Committee. Such report shall be in writing and shall summarize the proceedings and activities conducted by the Committee.

Section 9. Officers. The Chief Executive Officer of the District, upon approval from the District Board, shall appoint the initial Committee Chair who shall serve for the initial two year term. Thereafter, the Committee shall elect a Chair and Vice-Chair by majority vote, which positions shall continue for a one (1) year term. The Vice-Chair shall act as Chair only when the Chair is absent. No person shall serve as Chair for more than two (2) consecutive terms. In the event of a vacancy prior to the end of the term for such office, the Committee shall by majority vote choose one of their Members to serve for the balance of the vacated term.

Section 10. Ratification and Amendment of Bylaws. The initial bylaws of the Committee shall be approved and ratified by majority vote of the District Board. Any amendment to these bylaws shall thereafter be approved by a two-thirds vote of the Committee and must be ratified by the District Board.

Section 11. Termination. The Committee shall automatically terminate and disband at the earlier of either 1) when all the Bond Proceeds are spent; or 2) all projects to be funded by Bond Proceeds are completed.

Exhibit A – Measure C Ballot Measure

FULL BALLOT TEXT

The following is the full ballot text of the measure to be presented to the voters by Tahoe Forest Hospital District in the ballot pamphlet:

To maintain a full service hospital in our community; expand and enhance the Emergency Room to ensure access to lifesaving care; maintain critical medical services including pediatrics, maternity, long term care for seniors and cancer care; and upgrade facilities that are outdated or do not meet state-mandated earthquake safety standards, shall Tahoe Forest Hospital District issue \$98.5 million in bonds to improve healthcare facilities with an independent citizens' oversight committee and all funds being spent on local projects?

Purpose of the bond. Facility improvements resulting from this bond will preserve or enhance the quality of healthcare available to the residents of the Tahoe Forest Hospital District and patients requiring medical care in the region. Proceeds from this bond may be used to upgrade, enhance, improve, expand, renovate, build, equip or replace facilities, acquire land, and refinance up to \$3.5 million of existing debt that was incurred for expenditures related to capital purchases or leases to improve hospital facilities.

Special Bond Account and Mandatory Annual Audits. A separate account shall be established for deposit of proceeds of the sale of the Bonds. This account shall be audited annually and a report shall be made detailing (1) the amount of Bond proceeds received and expended in such fiscal year and (2) the status of any projects funded or to be funded from the proceeds of Bonds authorized to be issued by this measure.

No Money For Administrators' Salaries. Proceeds from the sale of the Bonds authorized by this proposition shall be used only for costs incurred in connection with funding of the Project and the cost of the issuance of the Bonds, and not for any other purpose, including staff and administrator salaries and other operating expenses.

Independent Citizens' Oversight Committee. The Board shall establish an independent citizens' oversight committee to ensure Bond proceeds are expended only for the Projects authorized by the ballot measure. The committee shall be established within 90 days after the election.

All funds stay local for the benefit of Tahoe Forest Hospital District Facilities. All bond proceeds shall be used to improve healthcare facilities within the Tahoe Forest Hospital District for the benefit of healthcare in the local community. No funds may be taken away by the state government, federal government, or other hospital districts or healthcare institutions.

BALLOT MEASURE

To maintain a full service hospital in our community; expand and enhance the Emergency Room to ensure access to lifesaving care; maintain critical medical services including pediatrics, maternity, long term care for seniors and cancer care; and upgrade facilities that are outdated or do not meet state-mandated earthquake safety standards, shall Tahoe Forest Hospital District issue \$98.5 million in bonds to improve healthcare facilities with an independent citizens' oversight committee and all funds being spent on local projects?

Exhibit B -
Measure C Citizens Oversight Committee
Ethics Policy Statement

This ethics policy statement provides general guidelines for Committee members to follow in carrying out their roles. Not all ethical issues that Committee members may face are covered in this statement. However, this statement captures some of the critical areas that help define ethical and professional conduct for Committee members. The provisions of this statement were developed from existing laws, rules, policies, and procedures as well as concepts that define generally accepted good business practices. Committee members are expected to strictly adhere to the provisions of this ethics policy.

Policy

CONFLICT OF INTEREST. A Committee Member shall not make or influence a District decision related to: 1) any contract funded by Bond Proceeds, or 2) any construction project which will benefit the Committee Member's outside employment, business, or personal finances or benefit an immediate family member such as spouse, child or parent of the Committee Member.

OUTSIDE EMPLOYMENT. A Committee Member shall not use his or her authority over a particular matter to negotiate future employment with any person or organization that relates to 1) any contract funded with Bond Proceeds; or 2) any construction project funded by the Bond Proceeds. A Committee Member shall not make or influence a District decision related to any construction project involving the interest of a person with whom the Member has an agreement concerning current or future employment or remuneration of any kind. For a period of two (2) years after leaving the Committee, a former Committee Member may not represent any person or organization for compensation in connection with any matter pending before the District that, as a Committee Member, he or she participated in personally and substantially. Specifically, for a period of two (2) years after leaving the Committee, a former Committee Member and the businesses and companies for which the Member works or owns, or has a significant financial interest in, shall be prohibited from contracting with the District with respect to: 1) bidding on projects funded by Bond Proceeds; and 2) any construction project funded by the Bond Proceeds.

COMMITMENT TO UPHOLD LAW. A Committee Member shall uphold the federal and California constitutions, the laws and regulations of the United States, and the State of California and all other applicable government entities, and the policies, procedures, rules and regulations of the Tahoe Forest Hospital District.

COMMITMENT TO SPEAK AS A UNIFIED GROUP: A Committee Member retains such Member's rights as a private citizen to address the District Board. However, Members shall endeavor to reach consensus prior to addressing the District Board on any matter related to their duties on the Committee and to speak as a unified voice. A

Member wishing to address the Board where the Member's views do not represent the majority view of the Committee should identify that the Member is speaking as an individual and not for the Committee.

COMMITMENT TO DISTRICT. A Committee Member shall place the interests of the District above any personal or business interest of the Member.

Exhibit C - Conflict of Interest Policy

Article I - Purpose

The purpose of the conflict of interest policy is to protect the District and the Committee when a transaction or arrangement being reviewed by the Committee might benefit the private interest of a Member. This policy is intended to supplement but not replace any applicable state and federal laws governing conflict of interest applicable to nonprofit organizations and to implement the Ethics Policy.

Article II - Definitions

1. "Interested Person." Any member of the Committee with District Board delegated powers, who has a direct or indirect financial interest, as defined below, is an interested person.
2. "Financial Interest." A person has a financial interest if the person has, directly or indirectly, through business, investment, or family:
 - a. An ownership or investment interest in any entity with which the Committee or the District has a transaction or arrangement,
 - b. A compensation arrangement with the District or with any entity or individual with which the District has a transaction or arrangement, including but not limited to expenditure of Bond Proceeds, or
 - c. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the District is negotiating a transaction or arrangement. Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial. A financial interest is not necessarily a conflict of interest. Under Article III, Section 2, a person who has a financial interest may have a conflict of interest only if the District Board or Committee decides that a conflict of interest exists.

Article III - Procedures

1. Duty to Disclose. In connection with any actual or possible conflict of interest, an interested person must disclose the existence of the financial interest and be given the opportunity to disclose all material facts to the directors and members of committees with District Board delegated powers considering the proposed transaction or arrangement.
2. Determining Whether a Conflict of Interest Exists. After disclosure of the financial interest and all material facts, and after any discussion with the interested person, he/she shall leave the District Board or Committee meeting while the determination of a

conflict of interest is discussed and voted upon. The remaining Board or Committee members shall decide if a conflict of interest exists.

3. Procedures for Addressing the Conflict of Interest

a. An interested person may make a presentation at the District Board or Committee meeting, but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.

b. The Chairperson of the District Board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.

c. After exercising due diligence, the District Board or Committee shall determine whether the District can obtain with reasonable efforts a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest.

d. If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the District Board or Committee shall determine by a majority vote of the disinterested Directors whether the transaction or arrangement is in the District's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination it shall make its decision as to whether to enter into the transaction or arrangement.

4. Violations of the Conflicts of Interest Policy

a. If the District Board or Committee has reasonable cause to believe a member has failed to disclose actual or possible conflicts of interest, it shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.

b. If, after hearing the member's response and after making further investigation as warranted by the circumstances, the District Board or Committee determines the member has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

Article IV - Records of Proceedings

The minutes of the District Board and all Committees with Board delegated powers shall contain:

a. The names of the persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the

nature of the financial interest, any action taken to determine whether a conflict of interest was present, and the District Board's or Committee's decision as to whether a conflict of interest in fact existed.

b. The names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection with the proceedings.

Article V - Compensation

a. A voting member of the District Board who receives compensation, directly or indirectly, from the District for services is precluded from voting on matters pertaining to that Member's compensation.

b. A voting Member of any Committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the District for services is precluded from voting on matters pertaining to that Member's compensation.

c. Voting members of the District Board or any Committee whose jurisdiction includes compensation matters and who receive compensation, directly or indirectly, from the District, either individually or collectively, are prohibited from providing information to any Committee member regarding compensation.

Article VI - Annual Statements

Each principal officer and Member of the Committee shall annually sign a statement which affirms such person:

a. Has received a copy of the conflicts of interest policy,

b. Has read and understands the policy, and

c. Has agreed to comply with the policy.