



NUECES COUNTY HOSPITAL DISTRICT
Administrative Offices

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BOARD OF MANAGERS RESOLUTION
SEPTEMBER 16, 2014

**A RESOLUTION ORDERING THE CLOSURE OF HOSPITAL DISTRICT-OWNED HOSPITAL
LOCATED AT 2606 HOSPITAL BOULEVARD, CORPUS CHRISTI, TEXAS, FOLLOWED BY
SUBSEQUENT DEMOLITION OF SAID HOSPITAL**

WHEREAS, the Nueces County Hospital District (the “Hospital District” or “District”) is a body politic and corporate and a political subdivision of the State of Texas, established and created pursuant to the Texas Constitution, Article IX, Section 4 and the Texas Health and Safety Code (“Health Code”), Chapter 281, and operated in accordance with the Health Code and other applicable laws of the State of Texas;

WHEREAS, the Hospital District’s Board of Managers (the “Board”) have been duly appointed pursuant to Health Code, §281.021(a); pursuant to collective authorities of Health Code, §281.047 and §281.048, the Board is the Hospital District’s governing body and the Board has, and at the time of adoption of this Resolution had, full power and authority to manage, control, administer, and to adopt rules governing operation of the District;

WHEREAS, the Board, pursuant to Health Code, §285.051, has, and at the time of adoption of this Resolution had, full power and authority to order the closing of a hospital owned by the Hospital District upon a finding that such closing is in the best interest of the residents of the District;

WHEREAS, the Hospital District owns a hospital facility known as Christus Spohn Hospital Corpus Christi-Memorial (formerly known as Memorial Medical Center) located at 2606 Hospital Boulevard, Corpus Christi, Texas (the “Memorial Facility”) and the tract of land on which the Memorial Facility is located (“Memorial Campus”) (the Memorial Facility and the Memorial Campus are collectively referred to herein as the “Memorial Property”);

WHEREAS, in 1996, the Board, with the approval of the Nueces County Commissioners Court (“Commissioners Court”), and pursuant to Health Code, §281.050 and §281.051, leased the Memorial Property (the “Lease”) to Christus Spohn Health System Corporation (formerly, Spohn Health System Corporation) (“Christus Spohn”); the Lease includes the Memorial Facility; and under the Lease, Christus Spohn is the sole operator of the Memorial Facility;

WHEREAS, effective October 1, 2012, the Hospital District and Christus Health became parties to a certain Christus Spohn Health System Corporation Membership Agreement (the “Membership Agreement”) and Schedule 1, Section 3.8.6 of the Membership Agreement provides that Christus Spohn may deliver to the District notice of Christus Spohn’s proposed

material alterations to the Memorial Property and related consent request (the “Material Alteration Notice”);

WHEREAS, the Hospital District received a Material Alteration Notice from Christus Spohn on or about September 9, 2014 which includes, but is not limited to, the proposed construction by Christus Spohn of a minimum 40,000 building gross square foot ambulatory health center on the Memorial Campus (“Health Center”) and then subject to the Board’s resolution ordering the closure of the Memorial Facility and subject to applicable law, the subsequent cessation of day-to-day operations, physical closure, and demolition of the Memorial Facility;

WHEREAS, in connection with the Material Alteration Notice, the Board, subject to approval by Commissioners Court, approved on September 10, 2014, a proposed letter of intent from Christus Spohn (the “Christus Spohn Letter of Intent”) wherein Christus Spohn intends, among other things, to: (i) construct the Health Center to provide comprehensive outpatient medical care on the Memorial Campus; (ii) relocate the inpatient beds and Level II trauma center from the Memorial Facility to the Christus Spohn Shoreline hospital facility; and (iii) then, subject to the Board’s resolution ordering the closure of the Memorial Facility, and subject to applicable law, subsequently cease day-to-day operations, physically close, and demolish the Memorial Facility;

WHEREAS, as described in the Letter of Intent, the cessation of day-to-day operations and physical closure of the Memorial Facility would occur after the Board’s resolution ordering its closure and subject to applicable law and complete or substantial completion of construction of the Health Center and relocation of certain Memorial Facility services to the Christus Spohn Shoreline hospital facility;

WHEREAS, on September 15, 2014 the Nueces County Commissioners Court considered and approved the Christus Spohn Letter of Intent;

WHEREAS, an independent appraisal of the Memorial Property obtained by the Hospital District estimated that Memorial Facility has about 10 years of remaining economic life;

WHEREAS, the Hospital District engaged an independent engineering review of earlier hospital facility condition analyses obtained by Christus Spohn on the Memorial Facility and the District’s independent review found that: (i) Christus Spohn’s analyses estimating that 80% of the hospital facility’s infrastructure (i.e., electrical, plumbing, and heating, ventilation, and air conditioning systems) were beyond their useful life; (ii) refurbishment of the Memorial Facility would cost \$191 million, of which 80% of that amount would go toward replacing items which have exceeded their useful life; (iii) the industry standard is that facility replacement is favored over refurbishment when more than 40-45% of the facility infrastructure’s useful life is exceeded; and (iv) the estimated cost of \$400 million for replacement of a 200-bed hospital today are not unreasonable;

WHEREAS, the projected total debt service cost on a \$400 million debt issue by the Hospital District for replacement of a 200-bed hospital amounts to \$683,983,243 (interest amounts to \$283,983,243) over 25 years (the “Total Debt Service Cost”); and

WHEREAS, because the Board does not presently consider incurrence of the Total Debt Service Cost to be in the best interest of, nor financially desirable for, the residents of the Hospital District, the Board does not presently intend to seek through Commissioners Court any form of debt to fund the Total Debt Service Cost for the refurbishment or replacement of the Memorial Facility.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF MANAGERS OF THE NUECES COUNTY HOSPITAL DISTRICT, THAT:

1. The Board finds that in consideration of the commitments contained in the approved Christus Spohn Letter of Intent, the projected Total Debt Service Cost, and other factors described in this Resolution that it would be in the best interest of the residents of the Hospital District for the Board to close the Christus Spohn Hospital Corpus Christi-Memorial (formerly known as Memorial Medical Center) located at 2606 Hospital Boulevard, Corpus Christi, Texas.

2. The Board hereby orders the closure of Christus Spohn Hospital Corpus Christi-Memorial (formerly known as Memorial Medical Center) located at 2606 Hospital Boulevard, Corpus Christi, Texas to be followed by the subsequent demolition of said hospital according to the approved Christus Spohn Letter of Intent.

**NUECES COUNTY HOSPITAL DISTRICT
BOARD OF MANAGERS**

Van Huseman
Chairman

Claude C. Jennings, C.P.A.
Vice Chairman

Raymond F. Wetegrove
Member

Rodney J. Hart, P.E.
Member

Dan Winship
Member

Irma Caballero
Member

Robert N. Corrigan, Jr.
Member

5. The attached Resolution is a true and correct copy of the original on file in the official records of the Hospital District; the duly qualified and acting members of the Board on the date of the Meeting are those persons shown above, and, according to the records of my office, each member of the Board was given actual notice of the time, place, and purpose of the Meeting and had actual notice that the Resolution would be considered; and the Meeting and deliberation of the aforesaid public business, was open to the public and written notice of said meeting, including the subject of the Resolution, was posted and given in advance thereof in compliance with the provisions of Chapter 551, Texas Government Code, as amended.

6. We the Secretary and General Counsel of the Board have been duly appointed..

7. The foregoing Resolution is in full force and effect; that the same has not been rescinded, nor has it been amended or modified in any way.

IN WITNESS WHEREOF, we have hereunto signed our names officially and affixed the seal of the Hospital District on this the **16th day of September, 2014.**

Jonny F. Hipp
Secretary, Board of Managers

{HOSPITAL DISTRICT SEAL}

Wm. DeWitt Alsup
General Counsel