

**Memorandum of Understanding
Between the County Manager and the San Mateo Medical Center
Regarding Outstanding Financial Obligations**

This Memorandum of Understanding ("MOU"), dated as of _____, 2006, is between the County Manager, and the San Mateo Medical Center ("SMMC") and provides as follows:

WITNESSETH:

WHEREAS, as of June 30, 2006, according to the County's Financial Statement, transfers from the County's General Fund to the SMMC that were in excess of the County's annual budgeted contribution total \$51,631,674 (or final audited amount); and

WHEREAS, through this MOU, the County Manager and SMMC have agreed that SMMC will reimburse General Fund loans to the County; and

WHEREAS, the County Manager and SMMC have each duly authorized the execution, delivery and performance of this MOU;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties hereby agree as follows:

Section 1. Current Medical Center Financial Obligations to the County

SMMC's current obligations to the General Fund include the following:

- \$8,097,748: balance of non-mental health transfers prior to July 1, 2003
- \$4,041,603: balance of mental health transfers prior to July 1, 2003
- \$14,474,661: balance of loans/transfers to address budget deficits for FY 03-04 and FY 04-05
- \$4,850,926 (or final audited amount): loan/transfer to address budget deficit for FY 05-06
- \$20,166,736 (or final audited amount): balance of cash advances/operating line of credit as of June 30, 2006

Section 2. Forgiveness of non-Mental Health Transfers Prior to July 1, 2003

The balance of non-Mental Health loans/transfers to SMMC prior to July 1, 2003 (\$8,097,748) shall be forgiven and there is no expectation of reimbursement to the County.

Section 3. Obligation to Repay Loans

With the exception of the obligation designated in Section 2, SMMC shall reimburse the County for all loans designated in Section 1 (\$43,533,926 or final audited amount). These loans shall be reimbursed to the County over 30 years according to the attached "Repayment Schedule" beginning in FY 07-08. There shall be no interest on the repayment of loans to the County. Each General Fund loan provided to SMMC after July 1, 2006 shall have a separate repayment schedule incorporated by reference into this MOU.

During the fiscal year, if it is determined that SMMC is unable to make full payments to the County in accordance with the attached Repayment Schedule, SMMC must take steps to ensure that it can reimburse the County for all outstanding payments by the end of the fiscal year. Available surplus funds or unanticipated revenue can be used to fund advance payment of balance due.

Section 4. Total Borrowing Limit

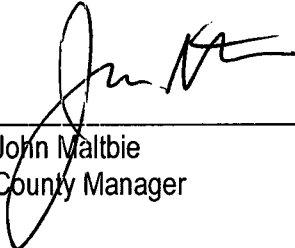
SMMC may borrow up to no more than a total of \$70,000,000 from the County's General Fund.

Section 5. Cash Advances/Operating Line of Credit

The upper limit of cash loan advances from the County to SMMC shall be \$30,000,000.

IN WITNESS WHEREOF, the County Manager and SMMC have caused this MOU to be executed by their duly authorized officers as of the day and year first written above.

County of San Mateo

By: 

John Maltbie
County Manager

San Mateo Medical Center

By: _____
Nancy Steiger
CEO, San Mateo Medical Center

ATTACHMENT A

Repayment Schedule General Fund Loans Provided to SMMC (Before July 1, 2006)

The balance of General Fund loans provided to the Medical Center (\$43,533,926) shall be reimbursed to the County according to the following repayment schedule:

- \$120,928 per month, or \$1,451,131 annually from July 1, 2007 through June 30, 2037