



Lou Ann Texeira
 Executive Officer

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August 9, 2017
 Agenda Item 7

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Contra Costa Local Agency Formation Commission
 651 Pine Street, Sixth Floor
 Martinez, CA 94553

West Contra Costa Healthcare District Update

Dear Commissioners:

BACKGROUND: In 2016, Contra Costa LAFCO completed a special study of the West Contra Costa Healthcare District (WCCHD). The special study provides findings; a synopsis of State, County and West County healthcare district issues; governance options; and an update on the 2016 WCCHD bankruptcy filing.

Major findings identified in the study include the following:

1. Significant healthcare needs exist in West Contra Costa County
2. Justification exists to dissolve the WCCHD due to the loss of the hospital, lack of service, and overwhelming debt
3. Organizational options exist that are less costly than status quo
4. Special legislation could be pursued to address WCCHD’s specific situation
5. Contra Costa County could consider creating a new county service area (CSA) to provide additional healthcare services in the same geographic area as the WCCHD

The study also provides a number of governance options as listed below, some of which would enable the continuation of tax money to fund healthcare purposes in the community, while others provide for dissolving WCCHD and naming a successor agency to wind up the District’s affairs.

- Maintain the status quo
- Consolidation with Los Medanos Community Healthcare District (LMCHD)
- Reorganize as a subsidiary district
- Consolidation with County Service Area (CSA) EM-1
- Reorganization with creation of a new CSA
- Dissolution with appointment of successor to wind-up affairs
- Special legislation

One of the governance options identified provides that WCCHD or the County could seek special legislation that would allow the Contra Costa County Board of Supervisors (BOS) to appoint the District’s governing body. The BOS could decide to appoint themselves or appoint members of the

community. The appointed board could be either permanent or temporary. This option would keep WCCHD intact while eliminating election costs, and enable County oversight during the next 10-year period of relative inactivity by the District. Subsequently, the District could remain County-dependent, or return to independence in the future. This option would require the County's cooperation but would not require voter approval.

The LAFCO special study underwent a thorough public review process. A number of individuals and agencies, including WCCHD, Contra Costa County, the cities of Richmond and San Pablo, and LMCHD provided comments to LAFCO. The majority of comments received expressed support for a governance option that would preserve funding to meet the critical healthcare needs in West Contra Costa County.

In December 2016, the Commission accepted the WCCHD special study and, at the request of the County, agreed to defer any action to reorganize or dissolve the District pending completion of the bankruptcy proceedings. Following the bankruptcy proceedings, the Commission will consider further action with regard to future governance options for the WCCHD.

DISCUSSION: In conjunction with the current bankruptcy proceedings, WCCHD is seeking the bankruptcy court's approval of a plan of adjustment that would allow the District to modify its debts and ongoing costs so that it may emerge from bankruptcy. After WCCHD emerges from bankruptcy, which is estimated to occur by late 2017, the District will begin the process of repaying creditors. Certain payments under the proposed plan will be made over a series of years. For example, the District's obligations related to certain bonds will not be retired until approximately 2042.

Currently, WCCHD is governed by a directly elected board of directors pursuant to the District's enabling act (Health & Safety Code sections 32100 et seq.). Due to the large size of WCCHD, which covers all of west Contra Costa County, the District's election costs can be substantial.

To minimize WCCHD's operating costs under the bankruptcy plan, there is a desire to change from an elected board to a board of directors that is appointed by the BOS.

On August 1, 2017, the BOS unanimously voted to seek special legislation to support such a change. Such legislation could be drafted to allow for one or more members of the BOS to sit on the WCCHD's board of directors.

Contra Costa LAFCO is being asked by the bankruptcy attorney to support the County's effort to seek special legislation to change the WCCHD board from an elected board to a board of directors that is appointed by the BOS. The special legislation governance option was on one the preferred options for District as mentioned in LAFCO's special study as it would enable the continuation of the WCCHD and of critical healthcare services to West Contra Costa County, which Contra Costa LAFCO supports.

RECOMMENDATIONS: It is recommended that the Commission find that 1) the pursuit of special legislation to change the WCCHD board from an elected board to a board of directors was identified in LAFCO's special study, and 2) that this is a preferred governance option as it would enable the continuation of the WCCHD and of critical healthcare services to West Contra Costa County, which Contra Costa LAFCO supports.

It is also recommended that the Commission direct LAFCO staff to send a letter to the bankruptcy attorney confirming LAFCO's position.

Sincerely,

LOU ANN TEXEIRA
EXECUTIVE OFFICER