Berkson Associates

Urban Economics
Policy Forensics & Forecasting
Planning & Policy Analysis

FINAL REPORT

# HEALTHCARE SERVICES MUNICIPAL SERVICE REVIEW & SPHERE OF INFLUENCE UPDATES

Prepared for Contra Costa LAFCO

Prepared by Berkson Associates
In association with the Abaris Group
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# 1. INTRODUCTION

State law requires that LAFCOs periodically prepare Municipal Service Reviews (MSRs) as a basis for decisions about district boundaries, as described in more detail in the "Municipal Service Reviews" section of this chapter. The law also requires that certain changes in government organization, e.g., a district dissolution, require findings based on an MSR or a special study.

In 2017, and for the foreseeable future, continued access to healthcare is not only a national debate but also a significant local concern. Numerous trends will influence healthcare in the future, and by extension, the provision of services by healthcare districts, for example:

- The Bay Area population, similar to national trends, is aging as more baby boomers reach 65.
- Statewide, the demand for primary care is expected to grow 12 to 17 percent by 2030 as California's population ages.[1]
- Physician supply will decline through 2030 because many doctors are at or near retirement age. In California, one-third of physicians and nurses is 55 or older.[2]
- As a result of the Affordable Care Act, the uninsured rate among the nonelderly dropped from 18% in 2010 to 10% in 2016;[3] however, in today's political environment the cost, coverage and availability of health insurance is highly uncertain, as well as funding for services (e.g., Medicaid).
- The impact of telemedicine and other technological advances on the management, delivery and accessibility, and cost for certain healthcare services.

These factors will be important to monitor to assure that healthcare districts, including those that no longer own hospitals, maintain their relevancy in a constantly changing healthcare environment.

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[1] California's Primary Care Workforce: Forecasted Supply, Demand, and Pipeline of Trainees 2016-2030, Healthforce Center at UCSF, August 15, 2017.

[2] Ibid, California's Primary Care Workforce, 2017.

[3] U.S. health system is performing better, though still lagging behind other countries, By Kamal and Cox, Kaiser Family Foundation, May 19, 2017.

# APPROACH AND METHODOLOGY

This MSR reviews documents and information including the 2007 Contra Costa Healthcare MSR, districts' financial audits and budgets, district and other agency projections, Grand Jury reports, and other documents relevant to the districts and to healthcare services and needs in Contra Costa County. LAFCO and its consultant interviewed key stakeholders including representatives of Contra Costa County, the districts, and other professionals involved in the management of district affairs and healthcare services. The affected local agencies were provided a preview copy of their draft chapter and submitted comments and corrections. LAFCO staff reviewed the administrative draft document prior to distribution of the Public Review Draft Report.[4] Public input was received on the Public Review Draft Report; at the LAFCO public hearing December 13, 2017, thirty-two individuals spoke and another eight submitted letters supporting the District and its activities.[5] The current Final Draft incorporates comments submitted following the release of the Public Review Draft through December 29th.

**Chapter 2** summarizes MSR findings and determinations required by the Municipal Service Review (MSR) process.[6] Subsequent chapters further describe and document the basis for the findings. Appendices include additional information referenced in this report.

## MUNICIPAL SERVICE REVIEWS

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 ("CKH Act" - Gov. Code § 56000, et seq.) requires that every five years, as necessary, LAFCO review and update the Sphere of Influence (SOI) of each local agency. An SOI is a planning boundary that may coincide with or extend beyond an agency's legal boundary (such as the city limit line or district boundary) that designates the agency's probable future boundary and service area.

In 2000, the Legislature expanded the authority of LAFCOs to conduct Municipal Service Reviews. As part of the SOI update, LAFCO must prepare a corresponding MSR. An MSR is a comprehensive study designed to better inform LAFCO, local agencies, and the community about the provision of municipal services. Service reviews capture and analyze information about the governance structures and efficiencies of service providers, and identify opportunities for greater coordination and cooperation among providers. The service review is a prerequisite

[4] Public Review Draft, Healthcare Services MSR & SOI Updates, December 2, 2017.

[5] A summary of public comment is available from LAFCO.

[6] See Gov. Code Sec. 56430.

to an SOI determination and may also lead LAFCO to take other actions under its authority, such as a reorganization or dissolution.[7]

**MSR Determinations**

Gov't Code Section 56430 requires LAFCO to prepare a written statement of its determinations with respect to each of the following:

- Growth and population projections for the affected area.
- The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.
- Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence.
- Financial ability of agencies to provide services.
- Status of, and opportunities for, shared facilities.
- Accountability for community service needs, including governmental structure and operational efficiencies.
- Any other matter related to effective or efficient service delivery, as required by commission policy.

The MSR determinations apply most directly to cities and special districts that provide utility infrastructure and public services such as police and fire protection. The determinations are less applicable to healthcare districts for a number of reasons: a) many healthcare districts do not own or operate facilities, or provide direct services; these agencies may distribute grants to other healthcare providers; and b) districts that do operate and/or own healthcare facilities and provide health services do not fit many of the criteria and measures typically applied to utility infrastructure directly linked to existing and newly developing land uses.

The tables in **Appendix A** translate the required MSR determinations into criteria more applicable to healthcare districts. This MSR follows the interpretations as they relate to Contra Costa healthcare districts.

MSR determinations play a critical role in LAFCO's evaluation of local agency boundary change decisions which must be consistent with the spheres of influence of affected agencies. MSR determinations are also a useful tool in evaluating district reorganization or dissolution. Finally,

[7] "What is LAFCo?" CALAFCO website, http://www.calafco.org/about.htm.

the MSR's consideration of governance options can highlight opportunities to improve or streamline services. In most cases, boundary changes, district reorganization, dissolution or extension of services will be initiated by application to LAFCO either by a resolution adopted by the governing body of an affected local agency or a petition signed by a specified number of affected landowners or voters. On November 14, 2017, LAFCO received from the County of Contra Costa an application proposing dissolution of the LMCHD.

## LITTLE HOOVER COMMISSION

As described on its website, the Little Hoover Commission is an independent state oversight agency that was created in 1962. The Commission's mission is to "investigate state government operations and – through reports, recommendations and legislative proposals – promote efficiency, economy and improved service."[8]

The Little Hoover Commission's August 2017 report on "Special Districts: Improving Oversight & Transparency" recommended several measures to strengthen oversight of California's independent special districts. The report recommended that the state should "eliminate unnecessary hurdles for district dissolutions and consolidations to improve service delivery, expand transparency by requiring every district to have a website with basic information and standardize current reporting requirements on revenues, expenditures and reserves."[9]

The Commission also focused specifically on healthcare districts, including those that no longer operate hospitals. The Commission found that the statutory language that governs healthcare districts should be updated to reflect "the shift from hospital-based healthcare to modern preventative care models."[10] The report recommended updating of the outdated principle act that governs these districts.

The report explored concerns about the relevance of healthcare districts, and documented successful examples where healthcare districts successfully shifted their focus from direct healthcare services and hospital operations to preventive care health services. The report cited research from the Centers for Disease Control showing that "70 percent of chronic illnesses are preventable, and healthcare cost savings associated with keeping people healthy and out of

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[8] http://www.ca.gov/Agencies/Little-Hoover-Commission

[9] *Special Districts: Improving Oversight & Transparency,* The Little Hoover Commission, Report #239, August 2017.

[10] ibid, Little Hoover Commission, pg. 10, Recommendation 12.

hospitals are substantial."[11] The report emphasized the importance of coordination between counties and healthcare districts to avoid redundancies and to increase collaboration.

The report recognized the successful reorganization of the Mt. Diablo Healthcare District into a subsidiary district of the City of Concord, following four grand jury reports over a decade that criticized district operations. It also noted that the grand jury has issued three reports over the past decade criticizing the administration of the Los Medanos Community Healthcare District, which continues to exist and dispense grants in the community.[12]

The hearings conducted by the Little Hoover Commission led to the enactment of Health and Safety Code, section 32139.[13] This statute requires that several administrative practices be adopted by healthcare districts such as the "transparency" and related website content discussed in this report. This statute, which was chaptered in September and becomes effective in 2018, also requires healthcare districts to adopt annual policies for providing assistance or grant funding including:

> (1) A nexus between the allocation of assistance and grant funding with health care and the mission of the district.
>
> (2) A process for the district to ensure allocated grant funding is spent consistently with the grant application and the mission and purpose of the district.

## HEALTHCARE DISTRICTS IN CONTRA COSTA COUNTY

In California, there are 79 healthcare districts operating in 37 counties; of these 79 districts, 37 districts operate 39 hospitals, and 5 lease their hospitals to other entities.[14] Many of the other districts own healthcare facilities and/or provide direct health services to consumers, as well as distribute grants and funding to other agencies, and may own medical office buildings. All of the healthcare districts in Contra Costa County were formed in the 1940s and previously owned and operated hospitals.

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[11] Ibid, Little Hoover Commission, pg. 46, "Beach Cities: Is This a Future of Healthcare Districts?".

[12] Ibid, Little Hoover Commission, pg. 44, "Dissolution Has Proved Itself a Persistent Question."

[13] AB 1728, approved by the Governor and Filed with the Secretary of State on September 23, 2017.

[14] Number of districts from the August 2017 Little Hoover Commission, Report #239; number of leases from correspondence from Amber King, Senior Legislative Advocate, Association of California Healthcare Districts (ACHD), 2/27/17.

Currently three healthcare districts exist in Contra Costa County. None of the districts operate a hospital, although the Los Medanos Community Healthcare District (LMCHD) owns and leases its former hospital building to the County of Contra, which operates the Pittsburg Health Center at that site. One of the other districts, the Concord/Pleasant Hill Health Care District (CPHHCD), is a subsidiary district to the City of Concord and its boundaries include the cities of Concord and Pleasant Hill and some unincorporated areas. The third district, the West Contra Costa Healthcare District (WCCHD), recently completed bankruptcy proceedings.[15] State legislation is currently pending that would allow that district's governing body to be appointed by the Board of Supervisors, rather than elected.

## CONCORD/PLEASANT HILL HEALTH CARE DISTRICT

The Mt. Diablo Healthcare District (MDHCD), reorganized in 2012 as a subsidiary district to the City of Concord, was renamed the Concord/Pleasant Hill Health Care District (CPHHCD).[16]

The MDHCD transferred its hospital to John Muir Health in 1996, but continued to use its property tax, which averaged about $200,000 per year, for grants to local organizations and for a variety of educational and other health-related programs. The MDHCD also occupied seats on the John Muir Community Health Foundation board that distributes $1 million per year for health services grants. Over the years, the MDHCD had been the subject of several grand jury reports calling for it to be disbanded, and eventually MDHCD was reorganized as the smaller subsidiary district by LAFCO. Staff, board, election and other administrative costs were largely eliminated, but many of the healthcare functions continued, including ongoing membership on the Health Foundation board, and distribution of grants using the District's property tax revenues. The Concord City Council serves as the governing body of the subsidiary district that extends beyond City boundaries.

## LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT

The Los Medanos Community Healthcare District (LMCHD) serves the Pittsburg and Bay Point areas in eastern Contra Costa County, an area with a population of approximately 82,000.[17] LMCHD operated the Los Medanos Community Hospital up until 1994, when the hospital closed due to financial difficulties and the District was forced to declare bankruptcy. The District has

[15] The WCCHD's Plan of Adjustment was approved by the bankruptcy court on December 21, 2017.

[16] City of Concord Resolution No. 13-007, September 2013.

[17] Contra Costa LAFCO Directory of Local Agencies, August 2015.

recovered from that condition and retired most of its remaining bankruptcy debt in 2007, five years ahead of schedule, with the exception of State financial obligations continuing through 2026.

The LMCHD organizes and sponsors programs and events that provide wellness and prevention services as well as raise the community's awareness about health issues.[18] The LMCHD leases its former hospital facilities to Contra Costa County for use as the Pittsburg Health Center, the largest clinic in the County health system, with over 100,000 patient visits per year. Services range from primary adult and pediatric care to specialty services such as audiology, orthopedics, podiatry, and dental care services.[19]

The District and the County currently are negotiating an extension to the lease. The current status of negotiations is unknown; it is possible that a market-value based lease would increase the current $100,000 annual rent, resulting in a shift of County revenues to the District to fund the rent increase. As described in this report, the District passes through all lease revenues to the State until after 2026. On November 7, 2017, the Contra Costa County Board of Supervisors adopted a resolution of application requesting LAFCO to initiate proceedings for the dissolution of LMCHD and to appoint the County as successor for purposes of winding up the affairs of the District.[20]

## WEST CONTRA COSTA HEALTHCARE DISTRICT

The West Contra Costa Healthcare District (WCCHD) serves West County, including the cities of Richmond, El Cerrito, Hercules, Pinole, and San Pablo, along with unincorporated areas in west Contra Costa County. The District was formed in 1948 for the purpose of building and operating a hospital. The District operated a hospital for many years, but by the mid-1990s, increasing costs, declining reimbursements, and growing service demands from low-income populations, the insured and underinsured forced the District into bankruptcy. The District emerged from bankruptcy in 2006, but it never managed to regain financial solvency and fell further into debt. In an effort to keep open the District's full-service acute care hospital, Doctor's Medical Center, Contra Costa County provided $35 million in emergency funding to the District between 2006

[18] As further described on Table 9.

[19] Public Healthcare Services Municipal Service Review, prepared by Dudek and The Abaris Group for Contra Costa LAFCO, approved August 8, 2007

[20] On November 14, 2017, Contra Costa County submitted an application to LAFCO asking the Commission to consider dissolving the LMCHD.

and 2015, and voters approved two special tax measures. The tax measures weren't enough to keep the hospital open, and Doctors Medical Center closed permanently on April 21, 2105.

The District recently completed Chapter 9 bankruptcy proceedings and its Plan of Adjustment of the District's debt was confirmed by the court December 21, 2017. Under the Plan, the primary obligation of the District for the next seven years will be to repay debt. After this period, all of the District's ad valorem property tax, conservatively up to $3.6 million per year, should be available for health care. The District's bonded indebtedness, secured by a parcel tax, is not expected to be fully repaid until 2042. On August 1, 2017, the County Board of Supervisors decided to seek legislation that would allow the District to continue to exist under a governing body appointed by the Board of Supervisors. This will save election costs and may allow for administrative efficiencies and opportunities for a strategic partnership between the District and the County.

# 2. SUMMARY OF FINDINGS & DETERMINATIONS

This chapter applies MSR determinations to the Contra Costa healthcare districts based on information evaluated in subsequent chapters for each district.

## (1) GROWTH AND POPULATION PROJECTIONS FOR THE AFFECTED AREA.

As population increases, healthcare needs are likely to grow along with pressure for increased access to healthcare and preventative programs. Healthcare districts can provide needed funding to help address these issues, including helping to reduce demands on emergency room care and costly treatment of chronic conditions.[21]

The Association of Bay Area Governments (ABAG) forecasts overall Countywide growth of nearly one percent annually from 2015 to 2020. Over the longer-term horizon, ABAG estimates a total increase in County population of 23 percent from 2015 through 2040.

Population growth within healthcare districts generally exceeds County averages. CPHHCD could see a 38 percent population increase by 2040 due to the City of Concord's potential development. LMCHD could experience a similar increase of about 36 percent. WCCHD's increase of 28 percent also is greater than Countywide averages.

Demographic changes will also influence future health care needs. An aging population will create increasing demand for geriatric care. Political and economic uncertainties could compound current healthcare needs in low-income areas evident within all three healthcare districts.

## (2) THE LOCATION AND CHARACTERISTICS OF ANY DISADVANTAGED UNINCORPORATED COMMUNITIES WITHIN OR CONTIGUOUS TO THE SPHERE OF INFLUENCE.

Disadvantaged communities, areas with incomes less than 80 percent of State medians, exist within all three Contra Costa healthcare districts and generally correlate with medically-underserved State designations. Analysis of health care needs highlights health care inequities in these communities, for example, as described in the 2015 Contra Costa Health Services "Richmond Health Equity Report Card" for areas within the WCCHD. Health needs assessments

[21] The LIttle Hoover Commission Report (2017) cited research from the Centers for Disease Control showing that "70 percent of chronic illnesses are preventable, and healthcare cost savings associated with keeping people healthy and out of hospitals are substantial."[21]

prepared by non-profit hospitals prioritize "Economic Security" as a primary health issue, in addition to "Obesity, Diabetes, Healthy Eating, and Active Living."[22]

## (3) PRESENT AND PLANNED CAPACITY OF PUBLIC FACILITIES, ADEQUACY OF PUBLIC SERVICES, AND INFRASTRUCTURE NEEDS OR DEFICIENCIES.

The two currently active healthcare districts, LMCHD and CPHHCD, provide grants to community entities for healthcare purposes. In both cases, this funding represents a benefit to the community; however, the relative portion of funding that is expended for overhead and administration by the LMCHD, at approximately one-third of General Fund revenues in FY2015-16, indicates a less efficient use of available funds as compared to CPHHCD's 20 percent overhead rate. Determination #6 and Chapter 5 further describe projected LMCHD administrative cost factors, which are shown to increase compared to FY2015-16.

Both LMCHD and CPHHCD have adopted goals for improving health in their communities, and require grant recipients to document how grant-funded programs will address health needs and the number of residents served. The LMCHD reporting of persons served does not appear to clearly distinguish total persons served by a program vs. the portion or share reasonably attributable to LMCHD grant funding.

Both districts prioritize funding of programs addressing issues of access to health services which would benefit underserved communities, generally consistent with MSR findings related to disadvantaged communities.

## (4) FINANCIAL ABILITY OF AGENCIES TO PROVIDE SERVICES.

WCCHD recently completed Chapter 9 bankruptcy proceedings and its Plan of Adjustment of the District's debt was confirmed by the court December 21, 2017. The District's services over the next seven years will be focused almost entirely on overseeing the repayment of the bankruptcy obligations and planning for the future. Once its debts are largely paid off, its tax revenues will provide roughly $3.6 million annually for healthcare purposes. On August 1, 2017, the County Board of Supervisors decided to seek legislation that would allow the District to continue to exist under a governing body appointed by the Board of Supervisors, which will save election costs and should facilitate administrative efficiencies. Governance and financial effectiveness will depend on actions to be taken in the future after debts are repaid.

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[22] See Chapter 3 of this report, "Health Needs Assessments in Contra Costa County", and Appendix C which summarizes the findings of the assessments.

Both CPHHCD and LMCHD rely largely on relatively stable and growing property tax revenues to fund grants. In addition, CPHHCD has a significant role in distributing grant funding for health care purposes through a Community Benefit Agreement, which the John Muir Health System funds at $1 million per year.

The LMCHD continues to repay bankruptcy debts and will face a two-year increase in payments to the State to $500,000 per year compared to current payments of $100,000, according to its schedule of payments; from 2020 through 2026 the payments will be equal to annual rental income, if any. Unless LMCHD negotiates increased lease payments from the County to cover the increased State payments, the additional $800,000 State repayment over the next two years will either reduce LMCHD funds available for healthcare, and/or reduce its reserves. Increased lease payments would shift County funds to the District to help cover the increased District payments, and will help fund the District's grants and programs.

After State obligations are paid off by LMHCD in 2026, the County lease pass-through payments to the State, currently $100,000 annually, will be available for healthcare purposes as well as additional rent, if any, from the County at that future point in time.

## (5) STATUS OF, AND OPPORTUNITIES FOR, SHARED FACILITIES.

In the context of healthcare districts, this report interprets this determination to apply to collaboration and sharing of information to improve efficient and effective services.

Both CPHHCD and LMCHD collaborate to some extent with existing health providers, particularly those receiving grants and support from each district. Broader collaboration with the County, non-profit hospitals, and other healthcare districts is less evident for both districts, although the CPHHCD does invite County health professionals to address its Grant Committee. Neither CPHHCD nor LMCHD utilize health needs assessments or State data to target health needs, although CPHHCD does provide copies of assessments to its Grant Committee members; the recently revised LMCHD Strategic Plan references the needs assessments. The use of County data by LMCHD generally is limited to older County data from 2010, partially updated in its Strategic Plan. The districts rely on grant applicants to document community health needs, and to explain the nexus between grants and those needs.

LMCHD participates in events of the Statewide Association of California Healthcare Districts (ACHD); CPHHCD does not participate in ACHD, although the District's comprehensive approach to reviewing grants applications, which is based on its CDBG process, could be shared with and benefit other healthcare districts, for example, through participation in the ACHD.

## (6) ACCOUNTABILITY FOR COMMUNITY SERVICE NEEDS, INCLUDING GOVERNMENTAL STRUCTURE AND OPERATIONAL EFFICIENCIES.

**Accountability**

Strategic planning by CPHHCD and LMCHD has been minimal, although LMCHD recently updated its strategic plan during the current MSR process. CPHHCD's one-page strategic plan describes goals and objectives, and the District relies on grant recipients to document health care needs to be addressed. LMCHD has an extensive Strategic Plan adopted in 2011 which it recently updated, adopted in December 2017, and provided to LAFCO.[23]

CPHHCD is a subsidiary district of the City of Concord. This structure provides that the City Council act as the District's board; policies and financial practices of the City apply to the subsidiary district, and the District benefits from the use of City resources, inclusion in existing financial reports and systems, use of existing City staff, representation/policy oversight by City councilmembers, and utilization of existing grant practices. This structure minimizes the District's overhead as a percent of resources.

Although the CPHHCD is a subsidiary district to the City of Concord, which means that the Concord City Council serves as its governing body, the District serves other communities and is a legal entity separate from the City. Because many of the District's operations were subsumed within the City's structure, the District appears more as a City department rather than a special district. Distinctions between the City and the District should be more explicit through the separate presentation of information about the District, including information presented on the City's website, and financial information posted separately for the District on the website.

LMHCD generally follows best practices for transparency with the significant exception of its website, which the District indicates it is updating. The website continues to contain outdated and difficult-to-find information, including agenda, minutes, and policies, and continues to solicit input on its prior draft Strategic Plan adopted in 2010. The District indicated that it is considering alternative website providers, which may result in an improved website.

**Operational Efficiency**

As noted in **Finding 3** above regarding adequacy of services, the LMCHD's overhead and administrative expenses were approximately one-third of General Fund revenues in FY2015-16, indicating a less efficient use of available funds as compared to CPHHCD's 20 percent overhead.

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[23] LMCHD Strategic Plan 2017-2022, provided to LAFCO December 29, 2017.

LMCHD's FY2017-18 budget shows 51 percent of total General Fund revenues allocated to total administrative costs; however, the budget does not distinguish personnel costs attributable to Community Health Program administration, as is the case with FY2015-16 audited reports. If a share of personnel cost is shifted from district administration to programs, the administrative cost factor would be reduced. Comparing the adjusted administrative costs to total revenues, including $100,000 of lease revenues, the cost factor would be 43 percent in the FY2017-18 budget.[24] The District indicates that budgeted costs are high due to lease negotiations.

Although no absolute standard exists for establishing overhead factors due to differences among agencies' budgets and operations, other points of comparison include: Peninsula Health Care District's overhead was approximately 23 percent of its expenditures for healthcare programs and grants;[25] the Eden Township Healthcare District budgeted about 15 percent of its community services budget for administrative and overhead costs.[26]

**Governance Structure**

On November 7, 2017, the Contra Costa County Board of Supervisors adopted a resolution of application requesting LAFCO to initiate proceedings for the dissolution of LMCHD and appoint the County as successor for purposes of winding up the affairs of the District.[27] This would include the transfer of the District's assets to the County, including the former hospital building currently leased by the County for use as a clinic and land.[28] Dissolution offers the opportunity to eliminate potential election costs as well as other LMCHD administrative costs and apply more revenues to healthcare purposes, although the use and disposition of District revenues and assets following dissolution are not determined at this time. The County would not be subject to potential rent increases for the clinic. **Chapter 5** of this report describes this dissolution option and other potential governance options including the status quo.

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[24] Refer to **Table 12b**.

[25] Draft MSR for the Sequoia Healthcare District, March 15, 2017, Table 25, FY17.

[26] Final Report, ETHD Special Study, March 13, 2017.

[27] On November 14, 2017, Contra Costa County submitted an application to LAFCO asking the Commission to consider dissolving the LMCHD.

[28] Action by the Contra Costa Board of Supervisors, 11/7/17.

Pending State legislation would allow the WCCHD to continue to exist under a governing body appointed by the Board of Supervisors, which will save election costs and may allow for coordination between the two agencies, as well as administrative efficiencies.

The CPHHCD was reorganized in 2012 from the Mt. Diablo Healthcare District into a more efficient subsidiary district. The only potential governance option identified, other than the Status Quo, is dissolution. The current MSR finds no justification for dissolution at this time, and therefore it is not evaluated further.

## SPHERE OF INFLUENCE FINDINGS

The WCCHD is emerging from bankruptcy; changes in its SOI and boundaries could adversely affect revenues and repayment of debts, and therefore is not recommended at this time.

The boundaries of the CPHHCD generally encompass the cities of Concord and Pleasant Hill. However, there are a few minor areas that could be modified slightly to achieve more logical boundaries. For example, a small area of the City of Concord is actually in the LMCHD. There are a few instances where City of Concord territory is not included in the CPHHCD (and is not within the LMCHD) that could be annexed. Small unincorporated areas could be excluded in order to limit boundaries to Concord and Pleasant Hill. None of these changes is likely to create a significant change in costs or revenues.

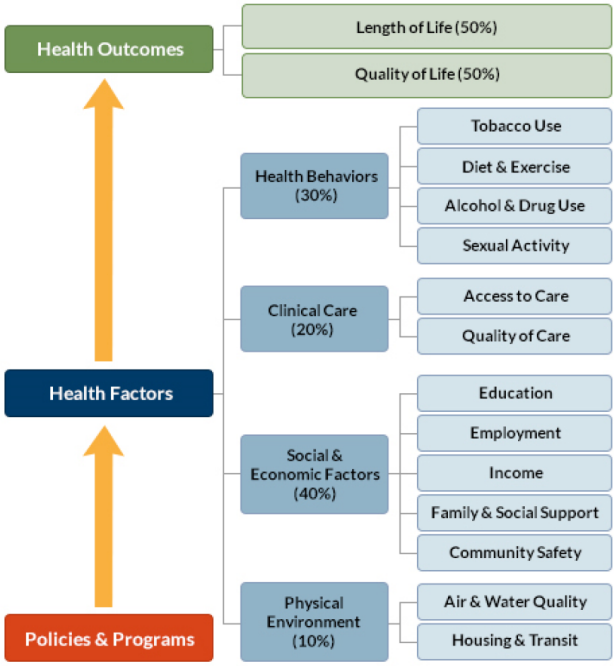
As noted above, one small area of LMCHD falls within the City of Concord, and could be adjusted. LMCHD boundaries include small portions of Clayton and Antioch that could be modified and excluded from the District. If LMCHD were to be reorganized as a subsidiary district to the City of Pittsburg, unincorporated areas in the District's southern territory would need to be detached in order to meet statutory requirements for a subsidiary district.

# 3. HEALTH CARE IN CONTRA COSTA COUNTY

In 2017, Contra Costa County ranked 9th among 52 California counties for factors important for good health.[29] The ranking process, illustrated in **Figure 1**, helps counties understand what influences residents' health and how long they will live. The factors are Countywide; significant differences are likely to exist within subareas of the County.

The factors include a variety of measures that affect the future health of communities, such as high school graduation rates, access to healthy foods, rates of smoking, obesity, and teen births. The rankings help identify issues and opportunities for local health improvement.

**Figure 1 Overview of Health Ranking Factors**




*Source: County Health Rankings 2017*

[29] University of Wisconsin Population Health Institute, County Health Rankings 2017. www.countyhealthrankings.org/california

# HEALTH NEEDS IN CONTRA COSTA COUNTY

Health needs assessment is "a systematic method of identifying unmet health and healthcare needs of a population and making changes to meet these unmet needs."[30] Determining priorities must balance what should be done, what can be done, and what can be afforded.

## POPULATION GROWTH

**Table 1** shows growth projections for cities within Contra Costa healthcare districts, and for the County as a whole. ABAG projects the County to grow at a compounded rate just under 1 percent annually from 2015 through 2020. Forecasts from 2015 through 2040 show a 23 percent total increase.

The population is expected to increase in average age as baby boomers turn 65. For example, the Census reports that the percentage of residents 65 and over grew in Contra Costa County from 12.4% to 14.6% of the population.[31] This trend is expected to continue through 2029, contributing to increased healthcare needs.

## DISADVANTAGED COMMUNITIES

As shown in **Figure 2**, Disadvantaged Communities exist in the three Contra Costa healthcare districts. A "Disadvantaged Community" is "a territory that constitutes all or a portion of a 'disadvantaged community' including 12 or more registered voters"[32] with an annual median household income that is less than 80% of the statewide annual median household income."[33]

[30] Development and Importance of Health Needs Assessment, BMJ, 1998 April 25. https://www.ncbi.nlm.nih.gov/pmc/articles/PMC1113037/

[31] "Baby boomers are growing the nation's older population, Census estimates show", Tatiana Sanchez, Bay Area News Group, June 21, 2017.

[32] Senate Bill 244: Land Use, General Plans, and Disadvantaged Communities, Technical Advisory, State of California Office of Planning and Research (OPR).

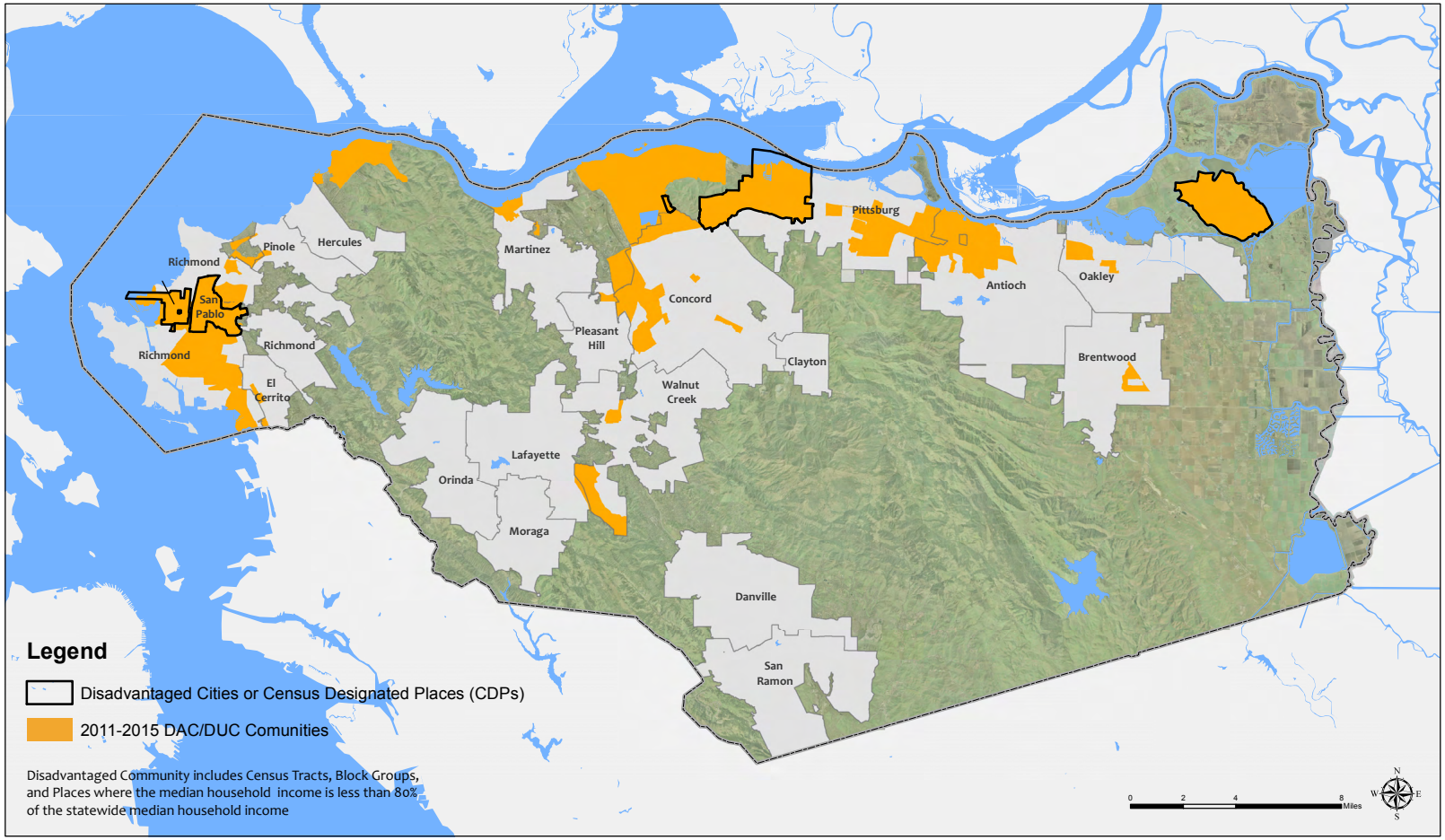
[33] Cal. Water Code § 79505.5. Qualifying MHI is 80% or less of Statewide MHI. in 2016 California MHI was $63,636 and qualifying MHI is $50,909.

**Table 1 Population Growth in Healthcare District Cities and Countywide**

| Area | 2015 | 2020 | 5-Year Change | 5-Year Annual % | 2040 | Total % 2015-40 |
|---|---|---|---|---|---|---|
| **CPHHD** | | | | | | |
| Concord | 125,300 | 128,500 | 3,200 | | 181,500 | |
| Pleasant Hill | 33,800 | 34,400 | 600 | | 37,700 | |
| Total | 159,100 | 162,900 | 3,800 | 0.6% | 219,200 | 38% |
| **LMCHD** | | | | | | |
| Pittsburg | 67,600 | 72,000 | 4,400 | 1.6% | 91,600 | 36% |
| **WCCHD** | | | | | | |
| Richmond | 109,100 | 114,600 | 5,500 | | 140,100 | |
| El Cerrito | 24,100 | 24,700 | 600 | | 27,500 | |
| Hercules | 26,500 | 28,900 | 2,400 | | 39,500 | |
| Pinole | 18,900 | 19,500 | 600 | | 22,200 | |
| San Pablo | 30,300 | 31,500 | 1,200 | | 37,200 | |
| Total | 208,900 | 219,200 | 10,300 | 1.2% | 266,500 | 28% |
| **County Totals** | | | | | | |
| Cities | 922,800 | 957,400 | 34,600 | 0.9% | 1,155,900 | 25% |
| Unincorporated | 162,900 | 166,100 | 3,200 | 0.5% | 182,500 | 12% |
| Total | 1,085,700 | 1,123,500 | 37,800 | 0.9% | 1,338,400 | 23% |

*ABAG Projections 2013* *11/30/17*

**Figure 2 Disadvantaged Communities in Contra Costa County**



## MEDICALLY UNDERSERVED & HEALTH PROFESSIONAL SHORTAGE AREAS

The California Office of Statewide Health Planning and Development (OSHPD) designates areas where critical health services are deficient. These areas may then qualify for certain State and Federal funds. **Appendix B** describes and maps each designation, and indicates where they exist relative to the three Contra Costa healthcare districts.

## HEALTH NEEDS ASSESSMENTS IN CONTRA COSTA COUNTY

The Affordable Care Act (ACA) requires not-for-profit hospitals to prepare a community health needs assessment (CHNA) every three years. The CHNAs provide the basis for implementation strategies. Typically, the CHNAs identified the highest priority health-related issues as " Obesity, Diabetes, Healthy Eating, and Active Living" and "Economic Security". **Appendix C** includes the priorities identified in CHNAs prepared for the following hospitals that serve the health district residents:

- John Muir Health
- Kaiser Foundation Hospitals (KFH)
  - KFH-Walnut Creek
  - KFH-Richmond
  - KFH-Antioch
- Sutter Delta Medical Center

## OTHER STUDIES AND INDICATORS

The Contra Costa Health Services Department has produced numerous studies documenting various health issues in the County.[34] Its comprehensive report on Countywide Health Indicators was last issued in 2010, and provided the basis for subsequent health planning within the County. The LMCHD Strategic Plan and its 2017 Health Profile relies on data from this report. The Healthy and Livable Collaborative, which focuses on health issues in the Pittsburg and surrounding areas within the LMCHD, also draws on data from the County's 2010 report.

Mental health needs and the adequacy of the response by the County were addressed in a Contra Costa Mental Health System of Care Needs Assessment.[35] The assessment considered the three regions of the County (West, Central, and East).

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[34] See the Contra Costa Health Services webpage at: http://cchealth.org/publications/

[35] Contra Costa Mental Health System of Care Needs Assessment, November 2016, Contra Costa Behavioral Health Services.

The County's EMS system was recently re-organized based on a modernization study.[36] Currently, 92 percent of county ambulance services are provided by agreement between the Contra Costa Fire Protection District as contractor and American Medical Response as subcontractor.[37]

## FACILITIES AND SERVICES IN THE COUNTY

**Figure 3** depicts the locations of hospitals in the County relative to boundaries of healthcare districts. Maps within each district chapter provide additional detail about other healthcare facilities.

**Table 2** shows emergency facilities by hospital within Contra Costa County. With the closure of Doctors Medical Center in the WCCHD, which reduced the number of emergency room beds in West County from 40 down to 15, West County has the fewest emergency medical treatment stations per capita compared to other regions within the County. The number of ER stations in West County has increased to 28, but still provides less than half the County average relative to its population. Other regions of the County have a number of emergency stations approximately at or above the Countywide average of 2.4 stations/10,000 population.

The reduction in ER stations has not significantly affected access to care in West County; use of emergency departments has trended downwards as care shifts with expansion and use of ambulatory care clinics and urgent care, and there is no evidence "West County patients that use the 9-1-1 system are taking a longer time getting to an appropriate level of care and have substantially longer transport times than anywhere else in the County" except for a limited number of Richmond patients.[38] The Doctors Hospital closure has been a disruption for those patients who "self transport" and walk into DMC for both ED care and specialty care.[39]

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[36] http://cchealth.org/ems/pdf/2014-EMS-System-Modernization-Study.pdf

[37] Memorandum from Pat Frost, EMS Director, to Pat Godley, CFO, Contra Costa Health Services.

[38] Pat Frost, Director Emergency Medical Services, Contra Costa Health Services, 11/16/17.

[39] ibid, Pat Frost/ 11/16/17.

## Figure 3 Hospitals in Contra Costa County

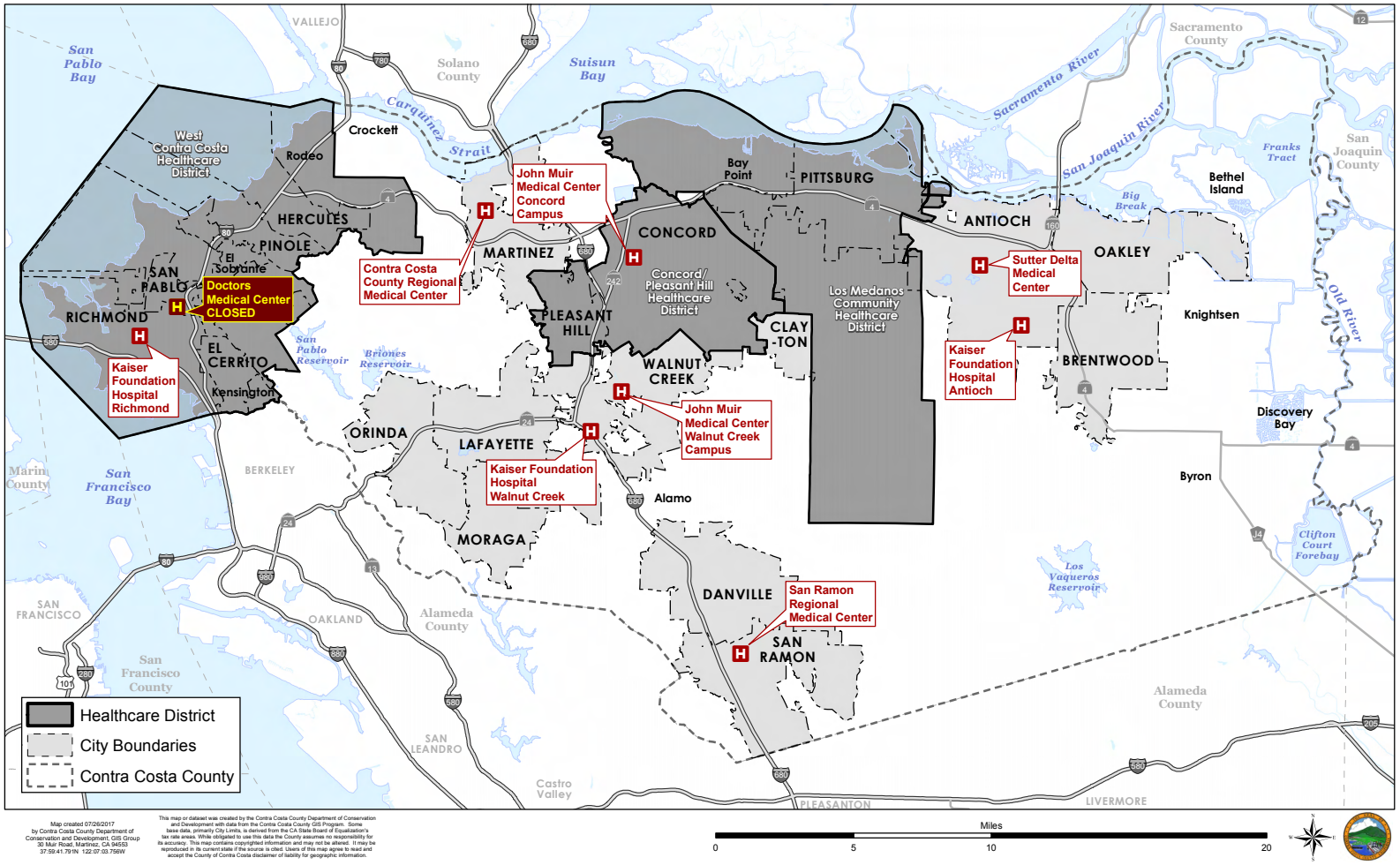

**Table 2 Emergency Medical Treatment Stations by Contra Costa Region**

| General Acute Care Facility | City | County Area West | Central | East |
|---|---|---|---|---|
| **CONTRA COSTA REGIONAL MEDICAL CENTER** | Martinez | | 18 | |
| **SUTTER DELTA MEDICAL CENTER** | Antioch | | | 32 |
| **JOHN MUIR MEDICAL CENTER-WALNUT CREEK CAMPUS** | Walnut Creek | | 44 | |
| **KAISER FOUNDATION HOSPITAL - WALNUT CREEK** | Walnut Creek | | 52 | |
| **JOHN MUIR MEDICAL CENTER-CONCORD CAMPUS** | Concord | | 32 | |
| **SAN RAMON REGIONAL MEDICAL CENTER** | San Ramon | | 12 | |
| **KAISER FOUNDATION HOSPITAL - RICHMOND CAMPUS (1)** | Richmond | 28 | | |
| **KAISER FOUNDATION HOSPITAL - ANTIOCH** | Antioch | | | 37 |
| **TOTAL STATIONS** | **255** | **28** | **158** | **69** |
| **Population** | **1,072,000** | **254,800** | **513,300** | **303,900** |
| **Stations/10,000 Population** | **2.4** | **1.1** | **3.1** | **2.3** |

Source: ALIRTS Utilization Report 2015, as revised by Pat Frost, Director Emergency Medical Services, Contra Costa Health Services, 11/16/17. Population from American Community Survey, 2014
(1) Kaiser Richmond had 15 emergency stations in 2015 when DMC closed.

In the Bay Area, hospitals are increasingly consolidating and instead substituting building out urgent care and large specialty and primary care ambulatory clinics to serve the population. Most medical care is outpatient, and total inpatient bed capacity utilization has decreased from 2015-2017 including West County,[40] reducing the significance of emergency treatment stations per capita as a measure of access to care. However, depending on the future of the Affordable Care Act (ACA), use of emergency rooms by the uninsured could increase.

## COUNTY OF CONTRA COSTA

The County of Contra Costa provides a broad range of health-related services to County residents, including the following:

- **Behavioral Health Services**- Includes mental health, alcohol and other drugs and homeless programs.
- **Contra Costa Health Plan** - A federally qualified health maintenance organization (HMO) providing over 90,000 people in Contra Costa County with health coverage.

[40] ibid, Pat Frost/ 11/16/17.

- **Emergency Medical Service (EMS)** – Local regulatory authority responsible for the coordination emergency medical services (dispatch, first responders 9-1-1 ambulance services and emergency departments). Coordinates and oversees county and regional Trauma, Stroke, High Risk Heart Attack and Cardiac Arrest programs. Oversees permitting of non-emergency ambulance providers.
- **Environmental Health** – Regulates and inspects a range of facilities and activities to protect public health, including food operations and restaurants, swimming pools, and other public areas, sewage and solid waste facilities.
- **Hazardous Materials** - Responds to emergencies and monitors hazardous materials.
- **Public Health** - Promotes and protects the health of County residents, with special attention to communities and populations most at risk for poor health outcomes and those most affected by environmental inequities.
- **Contra Costa Regional Medical Center (CCMRC) and Health Centers** - CCRMC is a 166-bed full service acute care hospital serving Contra Costa residents. Ten Health Centers throughout Contra Costa offer health care with a full range of specialty services.

The County is in the process of developing a Public Health Strategic Plan, which will not be completed until 2018, focusing on the Public Health Division's activities in community health and prevention.[41]

Several examples of specific County programs that provide grants similar to healthcare districts in the County, and/or that provide services similar to those receive grants from healthcare districts, are summarized below.

**The Community Wellness & Prevention Program**

The Community Wellness & Prevention Program (CWPP) of Contra Costa Health Services aims to "improve the environmental, social and economic conditions that contribute to poor health, and support a quality of life that promotes the health and wellbeing of all county residents, with special attention to those under served."[42]

**Contra Costa Regional Health Foundation**

Contra Costa Regional Health Foundation is a non-profit organization that "supports Contra Costa Health Services in its work to care for and improve the health of all the people in Contra Costa County with special attention to those who are the most vulnerable."[43]

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[41] Correspondence from Dr. Walker, Contra Costa Health Services, to L.Texeira, 9/23/17.

[42] http://cchealth.org/prevention/

[43] http://ccrhf.org/

# 4. CONCORD/PLEASANT HILL HEALTH CARE DISTRICT (CPHHCD)

**Figure 4** depicts the boundaries of the District. The CPPHD serves 162,000 residents residing primarily in the cities of Concord and Pleasant Hill, and about 800 residents of unincorporated areas. The CPPHCD is a subsidiary district of the City of Concord, a result of Contra Costa LAFCO's reorganization of the former Mt. Diablo Healthcare District (MDHCD) in 2012. The District does not own or operate a hospital; the District's primarily grants funds to healthcare-related agencies that provide services to District residents.

The MDHCD transferred its hospital to John Muir Health in 1996, but continued to use its property tax, which averaged about $200,000 per year, for grants to local organizations and for a variety of educational and other health-related programs. The MDHCD also occupied seats on the John Muir Community Health Foundation board that distributes $1 million a year for health services grants. Over the years, the MDHCD had been the subject of several Grand Jury reports calling for it to be disbanded, and eventually MDHCD was reorganized as the smaller subsidiary district by LAFCO.

Staff, Board, election and other administrative costs were largely eliminated by the reorganization, but many of the District's healthcare functions continue, including ongoing membership on the Health Foundation board, and distribution of grants. Staff and administrative services are provided by the City of Concord, and the Concord City Council sits as the Board of the District.

The City of Concord represents nearly 80 percent of the District's population as described in **Table 3**, and Pleasant Hill residents comprise the remaining 20 percent. A small portion of the District includes about 800 residents of the unincorporated County.

**Figure 4 CPHHCD Boundaries**

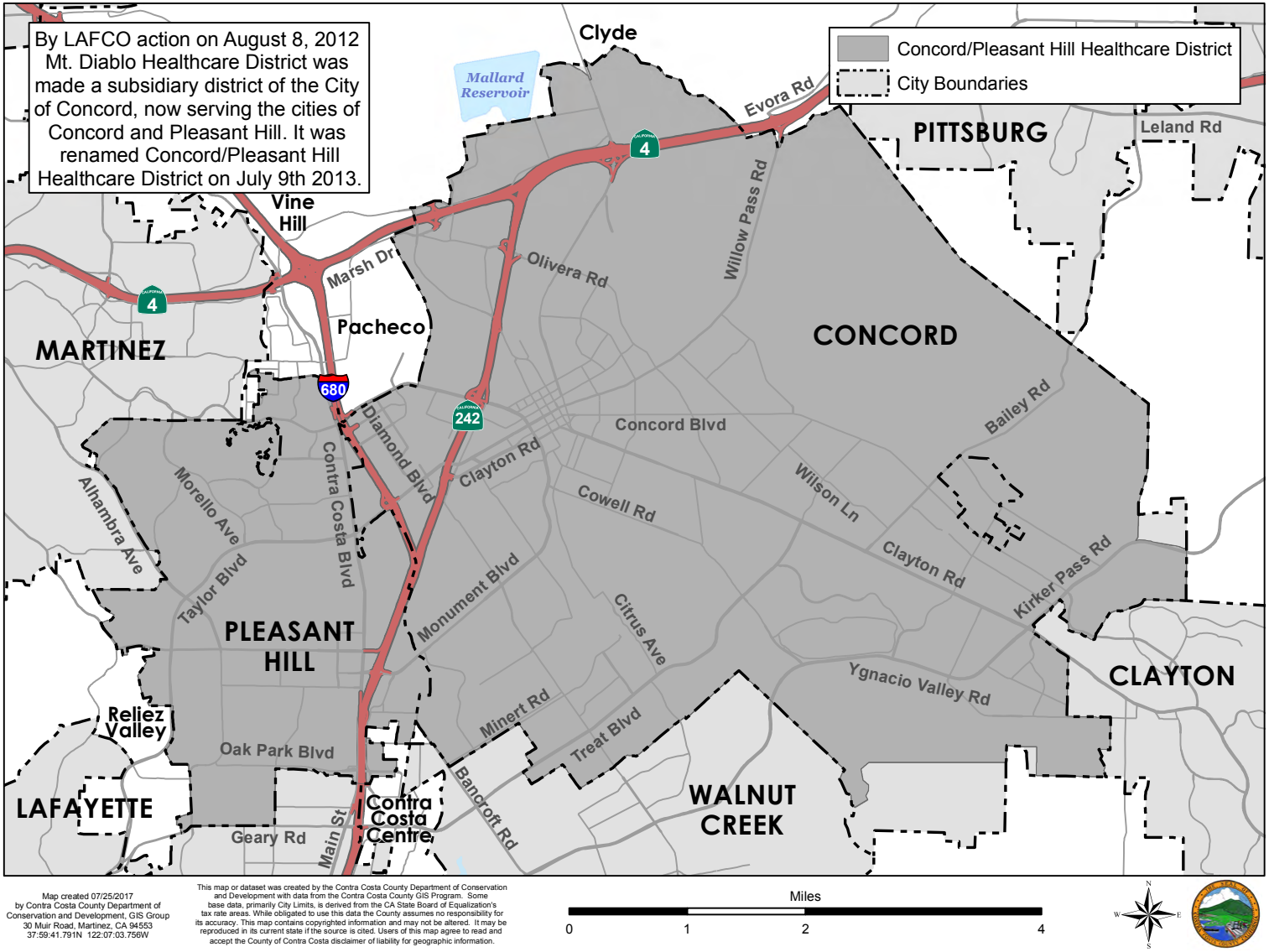

**Table 3 Summary of Population and Area within the CPHHCD Boundaries**

| Area | Population Total City or Community (1) | District Population (2)(3) % | Residents | % Dist. | Area (sq.miles) (3) Total City or Community | District Area Sq. Miles | % Dist. |
|---|---|---|---|---|---|---|---|
| **INCORPORATED** | | | | | | | |
| **Concord** | 128,370 (1) | 99% | 126,687 | 78.1% | 30.53 | 29.59 | 79.9% |
| **Pleasant Hill** | 34,657 (1) | 100% | 34,657 | 21.4% | 7.08 | 7.08 | 19.1% |
| **Total, Incorporated** | 163,027 | 99% | 161,344 | 99.5% | | 36.67 | 99.0% |
| **UNINCORPORATED** | | | | | | | |
| **Other Unincorporated** | 886 (3) | 100% | 886 | 0.5% | | 0.35 | 0.5% |
| **Total, Unincorporated** | 886 (1) | 100% | 886 | 0.5% | | 0.35 | 1.0% |
| **TOTAL** | 163,913 (1) | 99% | 162,230 | 100.0% | - | 37.02 | 100.0% |

(1) Source: Cal. Dept. of Finance, Report E-1: City/County Population Estimates 1/1/17
(2) Census, American Community Survey, 5-year
(3) County of Contra Costa GIS, 2017-07-27; land area only. *8/1/17*

# HEALTH NEEDS IN THE DISTRICT

Health Needs Assessments prepared by hospitals serving the community prioritize obesity-related health issues. State data indicate a shortage of medical professionals within areas of the District.

Currently, the District does not actively evaluate healthcare needs within the District. It relies on input from local health providers and grant applicants to define and document the needs. For example, the District's grant application requests a description of the community need, problem or issue addressed by the applicant's program, and asks for inclusion of relevant information and studies specific to the District.[44] The District's grant evaluation criteria assign a weighted score to the applicant's demonstration that needs are addressed.[45]

## POPULATION GROWTH

As shown in prior **Table 1,** ABAG projects the cities of Concord and Pleasant Hill, which represent virtually all of the District's population, to average 0.4% to 0.6% growth from 2015

[44] Application for Funding for FY 2016-17, Concord/Pleasant Hill Health Care District, Item 2.C.

[45] FY 2016/17 Concord/Pleasant Hill Health Care District Evaluation Criteria

through 2020. This growth rate would increase the District's population by 3,800 residents. By 2040 ABAG estimates a 38% increase in the number of residents in the District's cities compared to 2015.

## DISADVANTAGED COMMUNITIES

Portions of the City of Concord, on its north and west sides, and portions of the City of Pleasant Hill, qualify as disadvantaged communities as shown on prior **Figure 2**.

## MEDICALLY UNDERSERVED & HEALTH PROFESSIONAL SHORTAGE AREAS

As described and mapped in **Appendix B**, OSHPD designates areas with different types of medical professional shortages.

No medically underserved areas exist within the CPHHCD (see **Figure B-1)**, no Dental Health Professional Shortage Areas (see **Figure B-3**)**,** and no Mental Health Professional Shortage Areas (see **Figure B-4**) exist within the District. Areas within the District are designated as Primary Care Shortage Areas (see **Figure B-2**).

## HEALTH NEEDS ASSESSMENTS

The JMH community health needs assessment (CHNA), which includes the territory of the CPHHCD, prioritized "Obesity, Diabetes, Healthy Eating, and Active Living", followed by "economic security" and "Healthcare Access & Delivery, including Primary & Specialty Care."[46] The Kaiser Foundation Hospital, which serves areas of the District, also identified obesity and related health issues as a top priority.[47]

## OTHER STUDIES AND INDICATORS

The District does not compile a "health profile", but does require that grant recipients document the health needs that the grant funded program would address.

[46] 2016 Health Needs Assessment, John Muir Health.

[47] 2016 Community Health Needs Assessment, Kaiser Foundation Hospitals Oakland and Richmond, approved September 21, 2016.

## FACILITIES AND SERVICES IN THE DISTRICT

**Figure 5** indicates the locations of medical facilities within and proximate to the District. The City of Concord and adjacent communities are served by the John Muir Medical Center. As also shown for the LMCHD, the numbers of Central County's emergency stations exceed County averages per capita. As noted above, areas within the District are designated as Primary Care Shortage Areas.

## CPHHCD GOVERNANCE

LAFCO authorized the Concord City Council to serve as the ex officio[48] Board of Directors of CPHHCD.[49] Actions requested of the CPHHCD are included on City Council meeting agendas as necessary under "City Council Sitting as the Concord/Pleasant Hill Health Care District".

The CPHHCD Board appointed five Concord residents to the Concord/Pleasant Hill Health Care District Grant Committee to make "annual recommendations for the ongoing allocation of property tax revenues directed at meeting the health care needs of the community."[50] Two Pleasant Hill residents were appointed to the Grant Committee by the Pleasant Hill City Council.

Participation by the former MDHCD on the John Muir Community Health Fund Board continued through the CPHHCD Board appointment of two Concord city councilmembers and one public representative. The City of Concord appointees joined the two representatives appointed by the City of Pleasant Hill and five John Muir members. The Community Health Fund Board directs the allocation of approximately $1 million annually.

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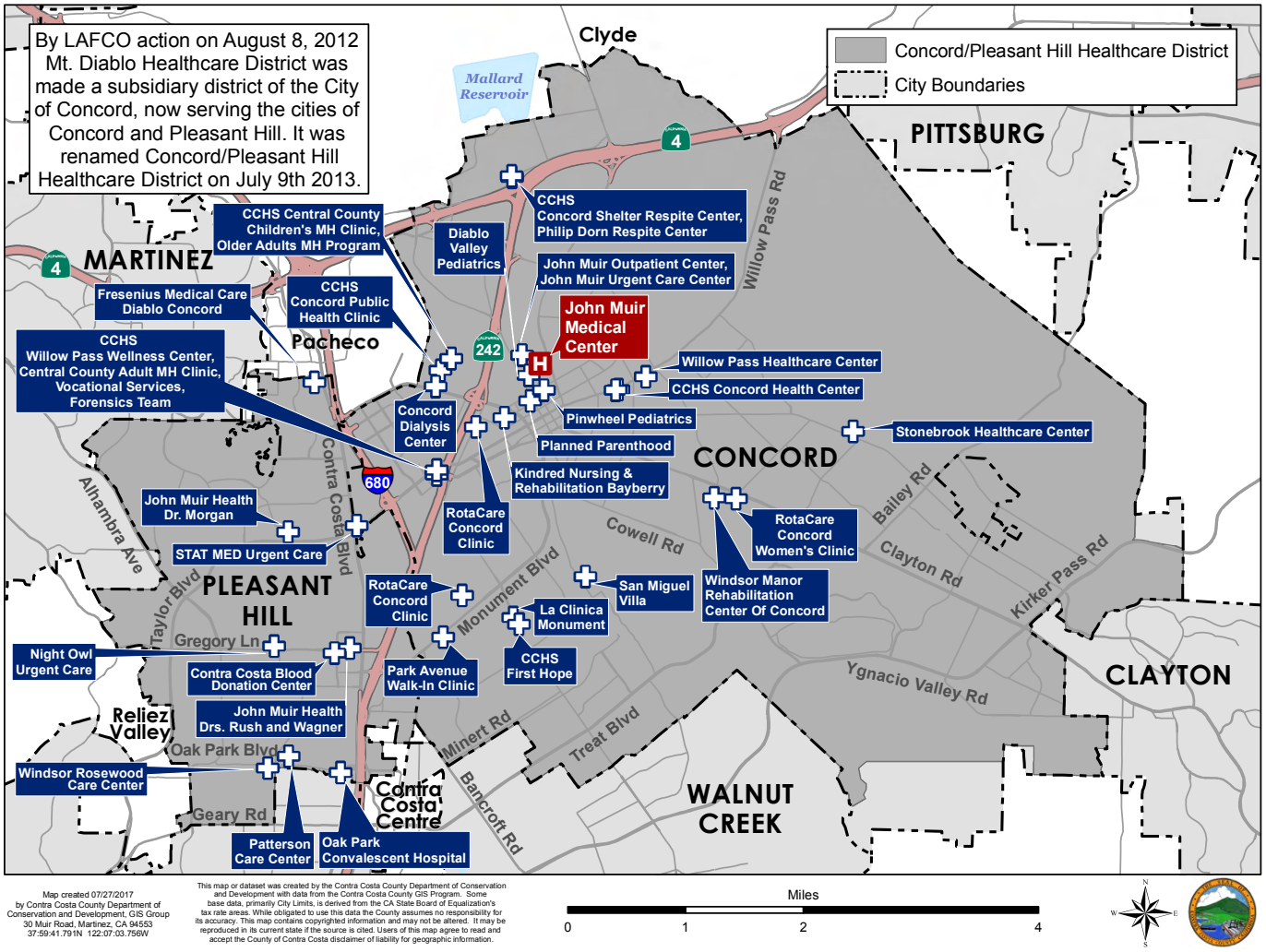
[48] Ex officio members of a board are serving on the board "by reason of their office," rather than by being elected or appointed to the position.

[49] Contra Costa LAFCO, August 8, 2012, Resolution No. 12-02B, Resolution of the Contra Costa Local Agency Formation Commission Making Determinations and Approving the Mt. Diablo Health Care District Reorganization: Detachment of Territory and Establishment as a Subsidiary District.

[50] Concord/Pleasant Hill Health Care District web page, http://www.cityofconcord.org/page.asp?pid=7005 2017-06-20.

## Figure 5 Health Care Facilities in the CPHHCD



## ACCOUNTABILITY

The City Council sits as the governing body of the District, and meetings are noticed and materials included as a part of the City's council meetings. Information about the District is included on the City's website, and District financial reports are part of the City's audit process and included in City financial reports.

While the City integrates the District into the governance practices of the City, which is a cost-effective practice, this consolidation does not promote best practices that encourage transparency. For example:

- The City's website lists the District under its "Quicklinks" menu and links to a page providing a description of the District and related information;[51] but the District does not otherwise have its own listing under the "Government" menu (with the exception of the District Grant Committee shown under "Government/City Agendas and Videos"[52]).
- The District is listed under the City's website "About" page, under the heading "City Projects and Initiatives".[53]
- The City's online calendar shows meetings of the District's Grant Committee, but does not indicate meetings of the District Board (City Council sitting as the Board). Similarly, a link exists to the Grant Committee's agendas, but not to District Board agendas.
- The City's main website menus identify "Community Grants" which includes information only about District grants; re-labeling this page to indicate that the link will go to the District's grant page would improve transparency.
- On the City's website, the District's name is often abbreviated, making its identification more difficult.
- The City's financial reports include a separate accounting for the District, however, the District reports are not separately posted on the City's website (and/or on the District webpage).

Public outreach is conducted to inform residents of District activities. The notice of available funding and the kickoff meeting for each grant cycle is sent to approximately 600 individuals and agencies on the City's interested parties list. The notice is posted on the City's website and in local newspapers thirty days prior to the kickoff meeting. Agendas for each meeting of the Grant

[51] http://www.cityofconcord.org/page.asp?pid=7005

[52] http://www.cityofconcord.org/page.asp?pid=05

[53] http://www.cityofconcord.org/page.asp?pid=06

Committee during the application review process are posted at City Hall and on the City's website. The Committee's funding recommendations are sent to all applicants and are posted 30 days prior to the Public Hearing. The Public Hearing is properly noticed.

Although the District is a subsidiary district to the City of Concord, which means that the Concord City Council serves as its board, the District serves other communities and is a legal entity separate from the City. This distinction should be more explicit through the separate presentation of information about the District.

## CPHHCD GOALS, POLICIES AND PLANS

The CPHHCD Strategic Plan describes the District's mission:

> "The Concord/Pleasant Hill Care District is dedicated to improving the health of people and communities within the Health Care District by funding needed health programs, engaging in health collaborations, and promoting and advocating for needed changes in health policies."[54]

The Strategic Plan identifies funding priorities to guide its allocation of grants. The two priorities are:

1) **Health Access** - Increase access to medical, dental, mental health, and optometry health services; access to related transportation services and assistance in accessing health services, and making services geographically more accessible; and increasing provider competencies through training and/or technology.
2) **Healthy Lifestyle** - Promote healthy lifestyles by improving access to health information and nutritional choices, exercise and fitness programs, prevention programs, and social services that compliment health care services and enhance well-being.

## CPHHCD SERVICES

The District continued its predecessor's participation on the board of the John Muir/Mt. Diablo Community Health Fund (CHF), which was created when the Mt. Diablo hospital was acquired by John Muir. The CHF provides over $1 million in grant funding to various agencies delivering services to residents of the region including primary care, specialty care, dental care, behavioral

[54] CPHHCD 2016-18 Strategic Plan.

health care, and healthy aging support services for conditions that range from cancer and chronic disease through dental care and mental illness.[55]

In addition to its participation in the grant activities of the CHF, CPHHCD provides grants to healthcare service providers.

## GRANT POLICIES

As described above in "CPHHCD Goals, Policies and Plans", the CPHHCD's grant priorities are: 1) health access; and 2) healthy lifestyles. These goals are generally aligned with priorities identified by Health Needs Assessments.

The District's grant evaluation criteria evaluate whether and how grant applications identify and address needs and community benefits within one or both of these priorities, and weight the outcome by 60 out of 100 total evaluation points. The remaining 40 points are allocated for organizational and administrative capacity, partnerships and collaboration with other local agencies and financial review. The grant process requires that applicants submit supporting materials to demonstrate how their service or activity meets identified needs. In addition, during the grant process each applicant agency is required to provide a presentation to the Grant Committee detailing how their program or project meets the requirements of the program and the needs of the District. These presentations are noticed to the community and the public is invited to attend.

## GRANT COMMITTEE

The District documents the purpose and responsibilities of its Grant Committee. The purpose of the committee is to "review applications from local agencies that provide programs that promote health access or healthy lifestyles, and make funding recommendations to the District's Board of Directors (City Council)."[56]

The Grant Committee consists of seven members – the City of Concord appoints five and the City of Pleasant Hill appoints two, roughly proportionate to their respective populations within the District.

The Committee makes grants on a two-year cycle followed by a three-year cycle, holding regular meetings during the first year of the cycle and meeting as needed in subsequent years. Agencies

[55] http://www.jmmdcommunityhealthfund.com

[56] Concord/Pleasant Hill Health Care District Grant Committee: Purpose & Responsibilities, July 12, 2017

meeting their performance goals and demonstrating appropriate expenditure of grant funds are awarded the second or third year of their grant award. This approach streamlines the grant process by reducing the application and reporting burden of the agencies and the time requirement of the Committee.

## GRANT AWARDS

**Table 4** shows grants awarded for FY2017-18. The table lists 17 grants generally ranging from $10,000 to $25,000. As noted by the District, most of the agencies awarded grants provide services to Central Contra Costa County, or Countywide. The District requires that grant recipients report the number of District residents served by its programs.

Upon its initial formation as a subsidiary district, the District utilized its Community Development Block Grant (CDBG) committee to evaluate and award grants. The District's grant process generally is modeled after its CDBG process, although it now utilizes a separate committee for awarding health care-related grants. The District found that its current structure enables the District to focus on healthcare needs and services.

### Table 4 Summary of CPHHCD FY16-17 Grants

| Agency | Program | FY 2016/17 | Recommended FY 2017/18 |
|---|---|---|---|
| Choice in Aging (1) | Adult Day Health Care: Comprehensive Health Care for Frail Seniors | $22,000 | $22,000 |
| Contra Costa Crisis Center | Health Access 24-7: 211 Information & Referral | $22,000 | $22,000 |
| Contra Costa Family Justice Alliance | Family Justice Center | $22,000 | $22,000 |
| Food Bank of Contra Costa and Solano | Food Bank - Community Produce Program | $16,000 | $16,000 |
| Meals on Wheels of Contra Costa, Inc. | Meals for Concord/Pleasant Hill Homebound Elders | $16,000 | $16,000 |
| Meals on Wheels and Senior Outreach Services | Senior Total Health Management Initiative | $13,000 | $13,000 |
| Monument Crisis Center | Healthy PH/C Healthy Pleasant Hill Healthy Concord | $25,000 | $25,000 |
| Mt. Diablo USD CARES After School Program | Making a Healthy Lifestyle Your | $10,000 | $10,000 |
| Ombudsman Services of Contra Costa | Ombudsman Services of Contra Costa | $16,000 | $16,000 |
| Pleasant Hill Senior Center | CC CafŽ Senior Nutrition Program | $13,000 | $13,000 |
| Rainbow Community Center | HIV/LGBT Senior Program | $12,000 | $12,000 |
| Rainbow Community Center | Youth Services | $12,000 | $12,000 |
| RotaCare Bay Area, Inc. | RotaCare Bay Area, Inc./Concord Clinic | $22,000 | $22,000 |
| STAND! For Families Free of Violence | Central County Domestic Violence Emergency Response | $16,000 | $16,000 |
| (The) Respite Inn (2) | Health and Fitness Program | $13,000 | $0 |
| Contra Costa County Health Services/Homeless Programs | CORE Outreach Team | $0 | $13,000 |
| **TOTAL FUNDING** | | **$250,000** | **$250,000** |

Source: Concord/Pleasant Hill Health Care District Grant Committee FY 2017/18 Funding Recommendations
(1) Formerly Rehabilitation Services of Northern California.
(2) 2016/17 Funding was a one-time grant for the purchase of exercise equipment.

## COORDINATION WITH OTHER PROVIDERS

To maximize community benefit, the evaluation criteria used by the Grant Committee allocates ten points for partnerships and collaboration between applicant agencies and other local service providers. While there is no formal coordination with other health care providers, local representatives from John Muir Health and Contra Costa County Health Services are invited to speak to the Committee regarding local health needs. In addition, the Health Needs Assessments prepared by hospitals serving the area are provided to Committee members and are discussed during the application review process. The District requires applicants for funding

to identify the health needs to be addressed by their programs, and to submit appropriate supporting documentation.[57]

## CPHHCD PROPERTY

The CPHHCD does not own or operate any facilities. Its predecessor, formed in 1948 to build the Mt. Diablo Medical Center, subsequently transferred in 1996 all rights and title in the Mt. Diablo Medical Center, including land, buildings and equipment, to John Muir Health (JMH). In return, JMH is required to operate and maintain the District's healthcare facilities and assets for the benefit of the communities served by the District.

## CPHHCD FINANCES

The District's FY16-17 revenues shown in **Table 5** consist primarily of property taxes. Grants account for 80 percent of District expenditures, and overhead for operating expense and staff represents 20 percent.

[57] Meeting with R.Berkson, LAFCO staff, and CPHHCD staff, 6/21/17.

**Table 5 Summary of CPHHCD Revenues and Expenditures (FY2016-17)**

| Item | Actual FY 2016/17 | % of Total |
|---|---|---|
| **Beginning Balance (1)** | $56,600 | |
| **Revenues (2)** | | |
| Property Tax | $292,300 | 92% |
| John Muir | 25,000 | 8% |
| Interest | 400 | 0% |
| Total Revenues | $317,700 | 100% |
| | | |
| **Expenditures (2)** | | |
| Salaries and Benefits | $46,700 | 17% |
| Services and Supplies | 10,100 | 4% |
| Subtotal | 56,800 | 20% |
| Grants | 221,500 | 80% |
| Total Expenditures | $278,300 | 100% |
| | | |
| **Net Total** | $39,400 | |
| **Ending Balance (3)** | $96,000 | |

(1) Beginning balance, City of Concord Combining Schedule for the Year Ended June 30, 2016
(2) City of Concord, Actual vs. Budget, Fund 530, FY16-17
(3) Ending balance estimated by Berkson Associates.

# CPHHCD REVENUES

## PROPERTY TAX

The $20.5 billion of assessed value within District boundaries, shown in **Table 6,** generates approximately $300,000 annually in District property taxes. Property taxes are the primary source of revenue, supplemented by an annual grant of $25,000 from JMH.

**Table 6 Summary of Assessed Value within the CPHHCD Boundaries**

| Area | Total A.V. Total City or Community (1) | District Assessed Value (1) % | $ | % Dist. |
|---|---|---|---|---|
| **INCORPORATED** | | | | |
| **Concord** | $ 15,009,077,656 | 97% | $ 14,580,088,762 | 71.2% |
| **Pleasant Hill** | $ 5,725,256,425 | 100% | $ 5,725,256,425 | 28.0% |
| **Total, Incorporated** | $ 20,734,334,081 | 98% | $ 20,305,345,187 | 99.2% |
| **UNINCORPORATED** | | | | |
| **Other Unincorporated Total, Unincorporated** | $ - | | $ 173,997,512 | 0.8% |
| **TOTAL** | $ 20,734,334,081 | 99% | $ 20,479,342,699 | 100.0% |

(1) Source: Contra Costa County Assessor, 2017-18 Total A.V. *7/26/17*

# CPHHCD EXPENDITURES

## Overhead and Administration

The District utilizes the services of a part-time staff person, and allocates a share of City administrative overhead and expenses. Total overhead and administration represent 20 percent of District expenditures.

## Grants

Grants to service providers represent 80 percent of District expenditures.

# CPHHCD ASSETS AND LIABILITIES

The District's assets consist of the net fund balance, estimated to be $96,000 at the end of FY2016-17 (see prior **Table 5**).

When the District was reorganized as a subsidiary district of the City of Concord, LAFCO's resolution required that the prior independent district, the Mt. Diablo Healthcare District,

"negotiate a fully-funded, closed plan with its existing health care beneficiaries resolving any currently unfunded health care benefit liability, solely utilizing District assets."[58] Thus, the reorganization transferred no liabilities to the newly formed subsidiary district.

## CPHHCD ORGANIZATIONAL ISSUES AND OPTIONS

The following sections describe each option and key opportunities and limitations.

- **Maintain the Status Quo** -- The current subsidiary district would continue. As noted in this report, the District is not clearly distinguished as a district separate from other City activities. Addressing these concerns, including additional public outreach, would improve adherence to transparency principles. Similarly, improvements in coordination with and use of health conditions information, in addition to relying on submittals of grant applicants, would also strengthen the nexus between District funding and its strategic goals. It is recognized that the District's limited resources constrain its ability to prepare detailed health profile and needs analysis, but existing data sources could be utilized at minimal cost.
- **Dissolution with Appointment of Successor for Winding-up Affairs** -- Dissolution would eliminate the District and its assets would be liquidated or distributed to other public agencies. LAFCO would appoint a successor agency to wind up the affairs of the District and manage the liquidation and distribution of assets.

  The current MSR finds no justification for dissolution at this time, and therefore it is not evaluated further.

[58] Resolution No. 12-02B, Contra Costa LAFCO, passed and adopted June 29, 2012.

# 5. LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT (LMCHD)

**Figure 6** depicts the boundaries of the District. The LMCHD serves 97,000 residents residing primarily in the City of Pittsburg (72 percent) and unincorporated community of Bay Point west of Pittsburg. The District also includes about 2,000 residents of other unincorporated areas, and 2,400 residents of small portions of the cities of Antioch, Clayton and Concord. The District owns a former hospital building that it leases to the County of Contra Costa for use as the Pittsburg Health Center, the largest clinic operated by the County Health Services Department, with over 100,000 visits per year, and supports various healthcare-related programs through grants and direct support.

The LMCHD was formed in 1946 for the purpose of constructing a hospital to serve the community. The District filed for Chapter 9 bankruptcy in 1994 and closed its hospital. The District's bankruptcy obligations were largely repaid by 1997.[59]

The bankruptcy Plan required an assignment of rents to OSHPD from lease of the hospital building as consideration for OSHPD loans provided to LMCHD through OSHPD's Cal-Mortgage Division. An agreement in 2000 specified that cessation of revenues from the hospital building would trigger an obligation due to OSHPD.

Since the bankruptcy, the District has pursued its goals by developing and funding a range of community health programs.

[59] Snapshot of LMCHD History, LMCHD Strategic Plan 2011-2016, Adopted October 2010 (note: the Strategic Plan was revised for 2017-2022 and adopted Dec. 2017). The bankruptcy Plan for the Adjustment of Debt is dated August 18, 1998.

## Figure 6 LMCHD Boundaries

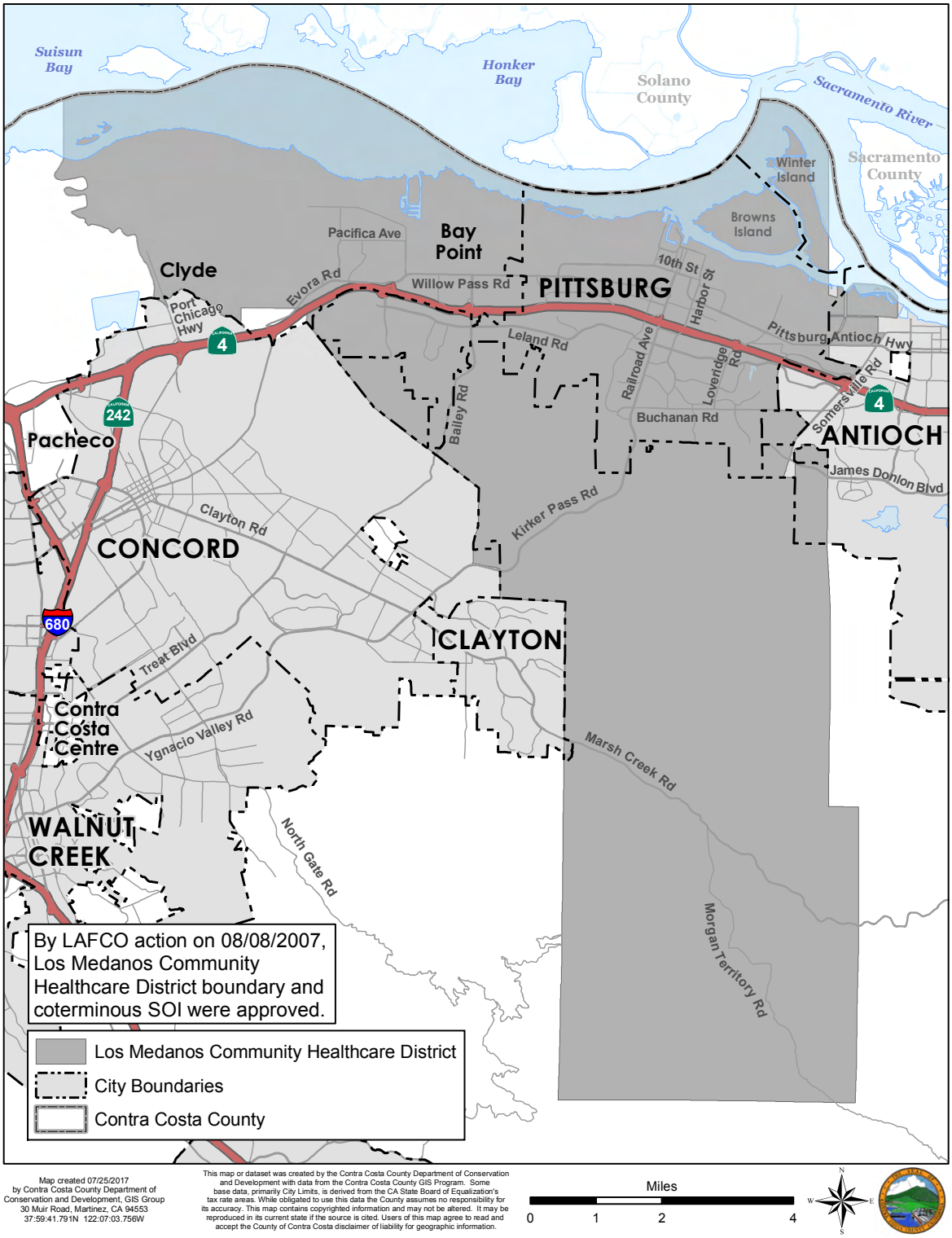


**Table 7** details the District's population and area by jurisdiction. As previously noted, the City of Pittsburg and the Bay Point community represent the majority of District residents. Small portions of the District fall within the cities of Antioch, Clayton and Concord.

**Table 7 Summary of Population and Area within the LMCHD Boundaries**

| Area | Population Total City or Community (1) | District Population (2)(3) % | Residents | % Dist. | Area (sq.miles) (3) Total City or Community | District Area Sq. Miles | % Dist. |
|---|---|---|---|---|---|---|---|
| **INCORPORATED** | | | | | | | |
| **Pittsburg** | 69,818 (1) | 100% | 69,818 | 72.2% | 16.28 | 16.25 | 20.5% |
| **Antioch** | 114,241 (1) | 2% | 2,120 | 2.2% (3) | 29.33 | 1.44 | 1.8% |
| **Clayton** | 11,284 (1) | 1% | 68 | 0.1% | 3.83 | 0.04 | 0.0% |
| **Concord** | 128,370 (1) | 0.2% | 225 | 0.2% | 30.53 | 0.13 | 0.2% |
| **Total, Incorporated** | 323,713 | 22% | 72,231 | 74.6% | | 17.86 | 22.5% |
| **UNINCORPORATED** | | | | | | | |
| **Bay Point** | 22,473 (2) | 100% | 22,473 | 23.2% | 3.24 | 3.24 | 4.1% |
| **Clyde** | 751 (2) | 100% | 751 | 0.8% | 0.15 | 0.15 | 0.2% |
| **Other Unincorporated** | 1,305 (3) | 100% | 1,305 | 1.3% | | 58.03 | 73.2% |
| **Total, Unincorporated** | 24,529 (1) | 100% | 24,529 | 25.4% | | 61.41 | 77.5% |
| **TOTAL** | 348,242 (1) | 28% | 96,760 | 100.0% | - | 79.27 | 100.0% |

(1) Source: Cal. Dept. of Finance, Report E-1: City/County Population Estimates 1/1/17
(2) Census, American Community Survey, 5-year
(3) County of Contra Costa GIS, 2017-07-27; land area only. *8/1/17*

# HEALTH NEEDS IN THE DISTRICT

A report prepared in 2013 by Contra Costa Health Services identified a number of health issues affecting communities within the District, where "rates of poverty, deaths from chronic diseases, and childhood overweight/obesity are similar to, or in some cases higher …than the county as a whole."[60] State data identifies health service shortfalls within the District's boundaries. Population growth and demographic changes, and uncertain changes in healthcare funding create an imperative to maintain and improve healthcare services in the area. The following sections provide an overview of factors indicating health needs in the District.

[60] Health Indicators and Environmental Factors Related to Obesity for Antioch, Bay Point, and Pittsburg, Contra Costa Health Services, May 2013.

## POPULATION GROWTH

As shown in prior **Table 1,** ABAG projects the City of Pittsburg, which includes 72 percent of the District's population, to grow by about 1.6 percent annually. Over the period from 2015 through 2020, this rate of growth would increase the District's population by about 4,400 residents. ABAG projects longer-term growth to continue, increasing the need for healthcare services accordingly; ABAG estimates, by 2040, the District's resident population will grow by 36 percent compared to 2015.

## DISADVANTAGED COMMUNITIES

The unincorporated communities of Clyde and Bay Point, and much of the City of Pittsburg, qualify as Disadvantaged Communities as shown in prior **Figure 2**.

## MEDICALLY UNDERSERVED & HEALTH PROFESSIONAL SHORTAGE AREAS

As described and mapped in **Appendix B**, OSHPD designates areas with different types of medical professional shortages.

No medically underserved areas exist within the LMCHD (see **Figure B-1)**, and no Dental Health Professional Shortage Areas (see **Figure B-3**) exist within the District**.** Areas in Pittsburg and Bay Point are designated as Mental Health Professional Shortage Areas (see **Figure B-4**) and Primary Care Shortage Areas (see **Figure B-2**).

## HEALTH NEEDS ASSESSMENTS

The Kaiser Foundation Hospital-Antioch 2016 Community Health Needs Assessment (CHNA) described and prioritized health issues within its service area, which includes Pittsburg and the LMCHD service area, as well as Antioch. The top two health category priorities included: 1) Economic Security; and 2) Obesity, Diabetes, Healthy Eating, and Active Living.

Although the District's 2017 Health Profile does not reference the CHNA data and findings, many of its funded programs do address these issues. The District's Strategic Plan also describes these issues; its updated 2017-2022 Strategic Plan references CHNA data.

### OTHER STUDIES AND INDICATORS

In 2013, the County Health Services Department produced a report describing health issues related to obesity in the Antioch, Bay Point and Pittsburg areas.[61] The report provided an impetus for the formation of the Healthy and Livable Pittsburg Collaborative which includes the LMCHD as a member. The Collaborative produced a Community Action Plan that includes, as described by the Collaborative, "five long-term outcomes focused on nutrition and health education, physical activity, community engagement, physical environment, and policy. Each long-term outcome includes activities and their expected intermediate outcomes that will lead to an improvement of the health status of Pittsburg residents."[62]

## FACILITIES AND SERVICES IN THE DISTRICT

**Figure 7** indicates the locations of medical facilities within and proximate to the District. While there are no acute care hospitals within the District, a number of major facilities exist in adjacent communities, as shown in prior **Figure 3**, "Hospitals in Contra Costa County". In general, East County's emergency stations are similar to County averages per capita. Within District boundaries are several clinics and healthcare centers, including the CCHS Pittsburg Health Center in the District's building leased by the District to the County. Since 1998, the County has paid in excess of $24 million for capital improvements to the Pittsburg Health Center.[63]

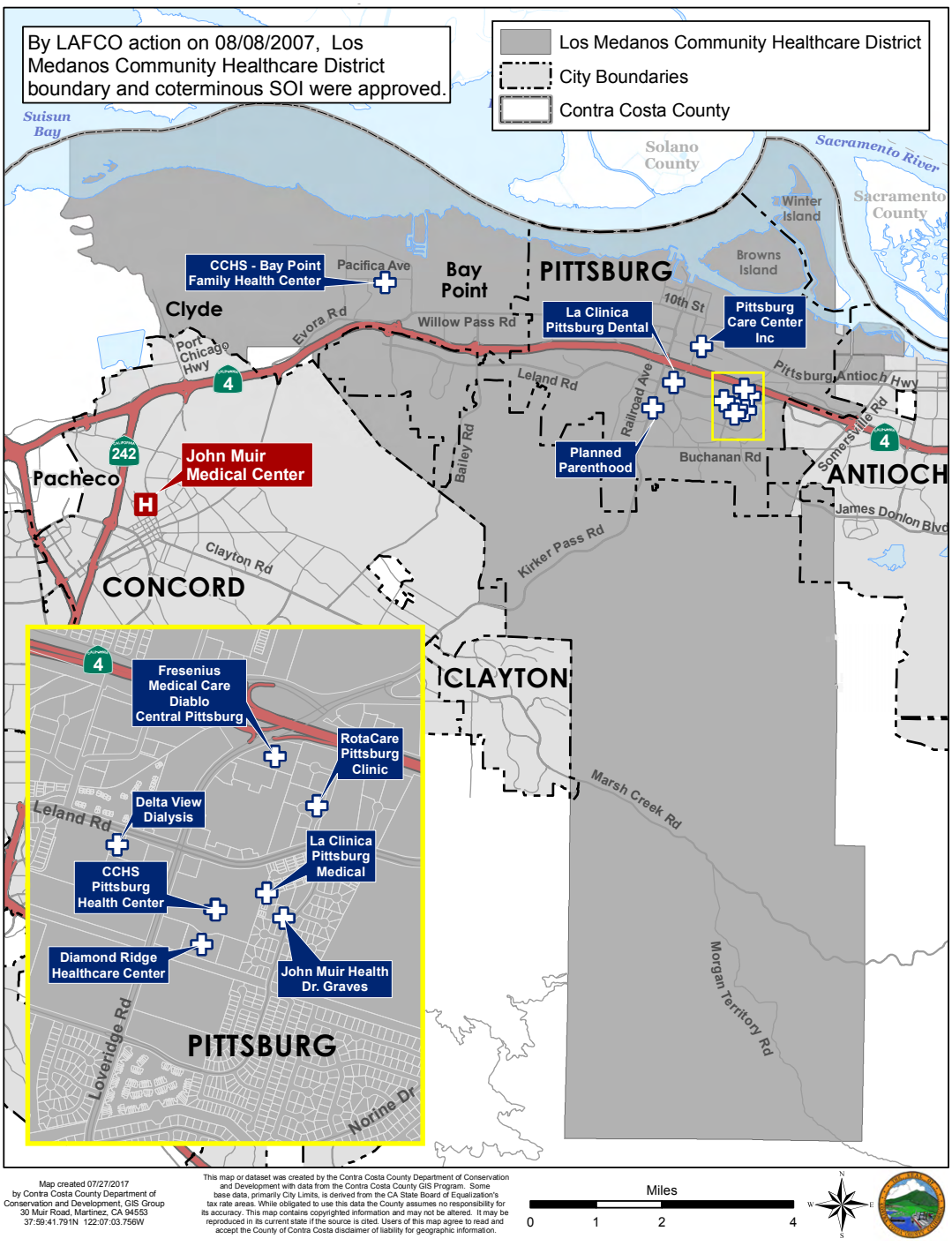
As previously noted, areas in Pittsburg and Bay Point are designated as Mental Health Professional Shortage Areas and Primary Care Shortage Areas.

[61] Health Indicators and Environmental Factors Related to Obesity for Antioch, Bay Point, and Pittsburg, Contra Costa Health Services, May 2013.

[62] The Healthy & Livable Pittsburg Collaborative Community Action Plan Summary.

[63] Board of Supervisors Resolution No. 2017/384, Dated November 7, 2017.

## Figure 7 Health Care Facilities in the LMCHD



# LMCHD GOVERNANCE

**Table 8** shows current Board membership. No contested elections are apparent for at least the past ten years. The District's bylaws are posted on their website and were last revised in 2004.[64]

**Table 8 LMCHD Board Members**

| Position | Name | Term Began | Term Expires |
|---|---|---|---|
| President | Replacement to be appointed Dec. 11, 2017 | | |
| Vice President | Vern Cromartie | Elected Nov. 2004 | Nov. 2020 |
| Treasurer | Linda Strong | Elected Nov. 2010 | Nov. 2018 |
| Secretary | Arthur Fountain | Elected Nov. 2014 | Nov. 2018 |
| Board Member | Lloyd Lee Mason | Appointed July 2017 | Nov. 2018 |

*Source: LMCHD Response to LAFCO Data Request, Appx. L, rev'd. 11/29/17*

The LMCHD is in the process of interviewing candidates to fill the position vacated by the former Board president Emmanuel Ogunleye. The District anticipates designating a replacement at its meeting in December 2017.

## ACCOUNTABILITY

**Public Outreach**

The District healthcare needs are identified through organizational and online surveys, community outreach by the Executive Director, holding community meetings, and talking with community stakeholders.

The LMCHD Internship Program received the CSDA 2015 Exceptional Public Outreach and Advocacy Award on September 23, 2015.

[64] LMCHD Bylaws, Rev. 2/11/04. See website section: public info section/transparency docs http://lmchd.org/php/misc.php

**Transparency**

The Special District Leadership Foundation (SDLF) presented a "District Transparency Certificate of Excellence" to LMCHD in 2016;[65] this award required a broad range of documents and actions demonstrating that the District has met established criteria for governance "transparency".

The District follows many of the policy and practices recommended by the SDLF, including:

- Board members attend Association of California Healthcare Districts (ACHD) and the California Special District Association (CSDA) for governance, ethics, financial practices, and leadership training. The Executive Director is a member of and has received training from the American College of Healthcare Executives.
- Statements of Interest Forms (FPPC form 700) are filed in the LMCHD office and with the clerk of the board. The LMCHD Conflict of Interest Code on its website.
- The District reported that it provides budget data annually to the State Controller's Office,[66] although the data was provided late, according to the SCO.[67]

A review of the District's website[68] and other documents indicates that the District does not meet a number of SDLF criteria including (but not limited to):

- The District maintains a website; however, it includes information that is outdated and in some cases not well organized or difficult to find. The District indicated that it is in the process of "reviewing and updating its website to fix any broken links, eliminate outdated information, and provide recent board packets and minutes."[69]
- Information on the website regarding current officer and their terms is not accurate, e.g., terms are shown that are inconsistent with information in LAFCO's Directory. The District is correcting this information.

The website includes important information, e.g., minutes of meetings, however in many cases the information is difficult to find. Other sections are not well-organized, e.g., important policies are placed in a location designated "transparency documents" rather than in a location that indicates the type of information.

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[65] LMCHD response to LAFCO followup data request, 11/22/17.

[66] LMCHD response to LAFCO data request.

[67] According to an email received by R.Berkson from Cal. SCO 11/02/17, the LMCHD FY 2015-16 financial transactions report was received on 3/17/2017, which was late.

[68] http://lmchd.org/

[69] LMCHD response to LAFCO data request.

**Finance and Human Resources Best Practices**

The District adheres to many of the policies and procedures identified as "best practices" by the Special District Leadership Foundation (SDLF),[70] including:

- The Board receives and reviews reports on financial investments every month, including investments with the Local Agency Investment Fund (LAIF)
- The District regularly conducts training workshops for the Board for training purposes and planning
- Annual reviews occur of staff job descriptions and salaries, in accordance with the District's Personnel Handbook
- The District has adopted the State Controller's Office Internal Control Guidelines[71]
- A District committee periodically looks at internal control policy (the last review took place in March 2017)[72]
- The District's finance committee reviews revenues and expenditures monthly; expense receipts, subject to District policies, are submitted and reviewed by the Executive Director, and budget amounts are established annually for major expenditures
- Procurement policies dictate a competitive bid process and Board review

The District has established policies for the process of fund transfers between its investment account and its checking account.[73]

**Grant Process**

The District provides grant applicants with guidelines for preparation of their submittal, review and follow-up.[74] The guidelines describe the District's goals and require the applicant to specify the health needs that the grant-funded program will address.[75] Grant applications are reviewed

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[70] Special District Leadership Foundation (SDLF), High Performing District Checklist, Finance and Human Resources.

[71] See http://www.sco.ca.gov/Files-AUD/2015_internal_control_guidelines.pdf

[72] LMCHD response to LAFCO data request.

[73] LMCHD Resolution No. 151108 Adopting the bank/investment account creation, access, and monitoring policy.

[74] Ibid, LMCHD Strategic Plan 2017-2022, Goal 1, Strategy 1.1, Action Step 4.

[75] See "LMCHD_2017_SummerHealthWellnessProgram_Application.pdf" for application form, and "LMCHD_2017_SummerHealthWellnessProgram_Guidelines.pdf" for grant requirements.

and scored at a Grants and Policy Committee Study Session,[76] then reported and approved at board meetings; funds are withheld if application requirements are not met (e.g., documentation of non-profit status; plan for use of funds). Interim and final reports are required by the District in a standardized format requesting description of outcomes.[77] Site visits are reported by the Executive Director at Board meetings.

## LMCHD GOALS, POLICIES AND PLANS

LMCHD's Strategic, updated for 2017-2022, describes five goals, as well as strategies and specific actions to achieve the goals.[78] The Plan includes measurable outcomes to provide a means to assess the District's progress and accomplishments. The Plan originally was adopted in 2010 and revised in 2017 for submittal with comments on the Public Review Draft MSR. The revised document indicates it was adopted by the Board in December 2017, but the Plan is not available on the District's website as of December 2017 - the website continues to request feedback on its prior draft 2011-2016 Strategic Plan.

The Strategic Plan includes the following goals:[79]

**Goal 1**: LMCHD will improve availability of and access to direct health services for all residents of the District, with a focus on reducing the District's health disparities.

**Goal 2**: LMCHD will support preventative and public health efforts that promote and protect the personal, community, and environmental well-being and health of District residents.

**Goal 3**: LMCHD will engage in population-specific efforts to address the needs of those residents in the District that are historically underserved or particularly impacted by health disparities.

**Goal 4**: LMCHD supports research and educational programming that moves the community towards improved and innovative practices.

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[76] LMCHD response to LAFCO followup data request, 11/22/17.

[77] See "LMCHD_2016_FallHealthGrantFundingProgram.pdf" and "LMCHD_DPAC_final_report_form.pdf" for reporting forms.

[78] LMCHD Strategic Plan 2011-2016, Adopted October 2010, revised for 2017-2022 (adopted Dec. 2017).

[79] LMCHD Strategic Plan 2011-2016, Adopted October 2010, revised for 2017-2022 (adopted Dec. 2017).

**Goal 5**: LMCHD will work to establish solid, sustainable agency infrastructure components guided by fair and ethical governing principles and fiscally sound policies to ensure sufficient resources to achieve LMCHD's vision, mission, and strategic plan.

LMHCD's Community Health Programs and lease of its building for use as a health clinic help to meet these goals. The District's grant application materials require that applicants provide information about how the recipients' programs address these goals, and follow-materials require documentation of expenditures and persons served.

The District reports the nature of the programs funded and persons served, although in many cases, the persons served appear to represent the total for a program as a whole, not just a portion attributable to the District's assistance and share of program funding. Follow-up reports are not available on the District's website. As shown in **Appendix D**, the District reported about 20,000 persons served directly by its Fall 2016 and Summer 2017 programs. In Fall 2016, the District reported that its funds and programs indirectly benefited all District residents (approximately 100,000 residents) in 2014 and 2015 combined.

# LMCHD SERVICES

The District allocates a share of its revenues to funding health-related grants and programs that further its Strategic Plan goals. The District leases its former hospital building to the County of Contra Costa for use as the Pittsburg Health Center. The following sections further describe these services.

## COMMUNITY HEALTH PROGRAMS

**Table 9** describes community health programs funded by LMCHD property tax revenues, documented in the District's most recent financial report (FY15-16). **Appendix D** includes descriptions of recent grants and other program funding for the Fall of 2016 and Summer 2017. The lists include a total of 28 programs with grants generally ranging from $5,000 to $10,000 with some exceptions as shown.

The LMCHD grants provide funding to a range of local, community-based organizations that provide, in many cases, services unavailable from the County or other healthcare providers. For example, grants fund services that provide rides to seniors and others unable to get to medical appointments; free clinic services focusing on homeless populations; recreation programs for youth to provide healthy alternatives; neighborhood gardens furnishing healthy, organic vegetables to improve nutrition and reduce obesity; programs to provide eyeglasses to students who would otherwise have vision difficulties that limit academic advancement. **Appendix D** describes other examples whereby the District is able to respond to unique community needs with funding for programs otherwise unable to obtain grants from other sources.

### Table 9 Summary of LMCHD FY15-16 Grants

| Agency/Program | FY 2015/16 |
|---|---|
| Student Eyeglasses Program | $7,750 |
| Youth Intern Program | $4,682 |
| African American Community Baby Shower | $10,000 |
| District Programs and Activities Committee | $851 |
| CPR/FAST | $8,980 |
| Pittsburg Swim Academy | $20,900 |
| Supervisor Glover's Youth Summit | $10,000 |
| St. Vincent de Paul RotaCare | $30,000 |
| Health and Wellness Fall Allocation | $85,988 |
| Health and Wellness Summer Allocation | $75,359 |
| Board Community Benefit Fund | $10,300 |
| Community Garden | $3,759 |
| **TOTAL FUNDING** | **$268,569** |

Source: LMCHD Annual Financial Report, June 30, 2016, Note 6 pg. 28

As shown below in **Table 10**, LMCHD's Community Funding has generally increased since FY12-13. However, the funding has declined as a percent of total property tax revenues from about 49% down to a projected 42% in FY17-18.

### Table 10 Summary of LMCHD Grants as a % of General Fund Revenues

| Item | FY12-13 | FY13-14 | FY14-15 | FY15-16 | Budget* FY16-17 | Budget* FY17-18 |
|---|---|---|---|---|---|---|
| Community Funding | $327,404 | $291,216 | $216,018 | $278,149 | $333,875 | $397,875 |
| Outreach, Program Development & Admin. | 17,555 | 88,322 | 87,044 | 60,527 | 31,500 | 14,000 |
| Total | $344,959 | $379,538 | $303,062 | $338,676 | $365,375 | $411,875 |
| % of General Fund Revenues | 49% | 48% | 35% | 35% | 40% | 42% |

Source: LMCHD Financial Reports and Budgets. FY15-16 from Table 9, above.

* Budget estimates do not include admin. allocation (approx. $41,400 in FY15-16).

The LMCHD website lists awards that it has received in recent years, including:

- CSDA 2014 Innovative Program of the Year Small District Award "Summer Intern Program".
- Contra Costa Board of Supervisors-- Federal Glover Certificate of Recognition LMCHD Community Garden 2014 Contra Costa Leadership Sustainability Award.
- California State Senate Mark DeSaulnier Certificate of Recognition "LMCHD Community Garden" Leadership in Sustainability Award Finalist.
- California State Assembly --Susan Bonilla Certificate of Recognition 2014 Contra Costa Leadership in Sustainability Award Finalist.

### COORDINATION WITH OTHER PROVIDERS

- Through its grants and programs, the District helps to fund about 30 community agencies.
- The District's Health Profile utilizes County-generated information about health needs, however, much of the data is five to ten years old.
- The District participates in the Healthy and Livable Pittsburg Collaborative (HLPC), a collaboration of multiple agencies and service providers.
- The District indicated that it coordinates with a number of agencies including Contra Costa County Public Health for data, school districts, Kaiser Permanente, the City of Pittsburg Police Department, and other community agencies funded by the District.[80]

## LMCHD PROPERTY

The District leases its former hospital building at 2311 Loveridge Road to the County of Contra Costa for its use as the Pittsburg Health Center. The building is 130,900 square feet; District offices are adjacent to the building.

The number and type of services of the Pittsburg Health Center include "Women, Infants and Children (WIC), immunizations, labs, new exam rooms."[81] The District notes that it encourages its "other service providers, Reading Advantage Smart Baby Program, Community Forums, and Center for Human Development to collaborate with the Pittsburg Health Center."[82]

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[80] LMCHD response to LAFCO Data Request, Question 2A.

[81] LMCHD response to LAFCO Data Request. For more information about the clinic, see https://cchealth.org/centers/pittsburg.php

[82] ibid, LMCHD response to LAFCO Data Request.

The County of Contra Costa pays the District $100,000 per year for the use of the District's former hospital building, in accordance with the lease negotiated during the bankruptcy settlement process.[83] The initial lease term expires July 31, 2018; lease extension and payments are being negotiated. The County has the responsibility for maintenance and repair of the building as required by its lease with the District.[84]

The last estimate of the building's fair market value was $9,450,000, according to a CBRE appraisal dated May 17, 2011.[85] The LMCHD audit report for FY15-16 reported a depreciated value for the land and building of $2.47 million. The audit report does not appear to include the reported $24 million of capital improvements to the Health Center funded by the County.[86]

The 2007 MSR described LMCHD plans for building improvements. According to the District "The renovation of the building is 95% complete… There are new completed improvements include modification of the entrance to the LMCHD office from the hospital, ADA ramp installation, LMCHD signs, and ADA parking lot renovations."[87] The District funded an initial ADA study from its General Fund, then improvements were funded by the County.[88]

The District has no Capital Improvement Plan or facility plan providing assessments of building conditions. At its October 2017 meeting, the District's Finance Committee discussed creation of a capital reserve policy.[89] The County is contractually responsible for maintaining and/or making improvements to the building.[90]

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[83] Lease, Los Medanos Community Hospital District to Contra Costa County for 2311 Loveridge Road, Pittsburg, California, 7/15/98.

[84] Lease, LMCHD to Contra Costa County for 2311 Loveridge Road, Pittsburg, California, effective Aug. 1, 1998, Sec. A.7.

[85] LMCHD response to LAFCO Request for Information.

[86] Amount of capital improvements since 1998 according to the County of Contra Costa, Resolution No. 2017/384.

[87] LMCHD response to LAFCO Request for Information.

[88] LMCHD response to LAFCO followup Request for Information, 11/22/17.

[89] LMCHD Finance Committee Agenda, Oct. 23, 2017.

[90] LMCHD response to LAFCO Request for Information (see the Lease Agreement page 8 Section F).

# LMCHD FINANCES

As shown in **Table 11**, the District spent about 35 percent of its annual General Fund revenues for community health programs in FY2015-16. About 36 percent of total General Fund revenues are expended for overhead and district administration (not including community health program administration and outreach); no election expense was incurred in that year. Interest and depreciation, a non-cash expense of about $160,000 is included in "business-type activities" operating expenses. The district administrative cost factor would be about 33 percent as a share of total General Fund and business activity revenue after adding $100,000 of lease revenue.

The positive cash flows suggest the District could increase community health program funding, but reserves will be needed to pay for increased payment obligations to OSHPD in future years.

**Table 11 Summary of LMCHD Revenues and Expenditures (FY2015-16)**

| Item | Gen. Fund Actual FY 2015/16 | % of Rev. | Business-type Activities | TOTAL | % of Rev. |
|---|---|---|---|---|---|
| **Beginning Balance (1)** | $1,322,246 | | $1,552,785 | $2,875,031 | |
| **Revenues (2)** | | | | | |
| Property Tax | $871,328 | 91% | $0 | $871,328 | |
| Charges for Services | | | $100,000 | | |
| Other | 89,002 | 9% | 0 | 89,002 | |
| **Total Revenues** | **$960,330** | **100%** | **$100,000** | **$1,060,330** | **100%** |
| **Expenditures (2)** | | | | | |
| Salaries and Benefits | $140,720 | | | $140,720 | |
| Board Stipend | $24,977 | | | 24,977 | |
| Board Election | $0 | | | 0 | |
| Services and Supplies | 179,822 | | | 179,822 | |
| Subtotal (3) | $345,519 | **36%** | $241,289 | $586,808 | **55%** |
| Community Health Programs | | | | | |
| Community Funding | 278,149 | 29% | | $278,149 | |
| Outreach and Program Development | 19,118 | 2% | | 19,118 | |
| Program Administration | 41,409 | 4% | | 41,409 | |
| Subtotal | $338,676 | **35%** | | $338,676 | **32%** |
| **Total Expenditures** | **$684,195** | | **$241,289** | **$925,484** | |
| Net Change (to beginning balance) | $276,135 | **29%** | ($141,289) | $134,846 | **13%** |
| Transfer | ($17,150) | | 17,150 | 0 | |
| **Ending Balance (4)** | **$1,581,231** | | **$1,428,646** | **$3,009,877** | |

(1) LMCHD Annual Financial Report, June 30, 2016, Statement of Activities, pg. 13, 16 w/prior yr adjustment.
(2) ibid, Financial Report, pg. 30.
(3) "Business-type Activities" expenditures include interest to OSHPD, depreciation, and misc. bldg. expenses.
(4) Minor additional reconciliation req'd in the audit for GAAP vs. budget accounting. *10/6/17*

## BUDGET FORECAST

The District's budget does not allocate personnel costs to Community Health Program administration. The allocation is included in independent financial reports prepared following the end of each fiscal year. To compare the FY17-18 budget cost factors to prior financial reports, the following discussion illustrates the shift of personnel costs to Community Health Program administration.[91] The impact of administering "business-type" activities, namely the lease of the clinic building on the district administrative cost factor, is indicated by comparing district administrative costs to total revenues including lease revenues.

It is important to note that administrative cost factors vary year-to-year, and actual costs shown in financial audits will differ from budgeted amounts. For example, the District has commented that FY17-18 includes an increase in legal costs due to lease negotiations.[92] Assuming the lease is resolved, legal costs should be lower in subsequent years. However, District elections could add as much as $70,000 to future budgets. This MSR does not make any assumptions about future lease revenue, or its imputed value.

As shown in **Table 12a**, the District's FY17-18 budget projects an annual net cash flow for both of its funds combined of $52,450[93] and increased Community Health Program funding totaling $411,875, or about 42 percent of General Fund revenues. If a share of personnel cost is allocated from district administration to Community Health Program administration, similar to financial statements for FY2015-16, total Community Health Program spending would represent about 46 percent of General Fund revenues as estimated in **Table 12b**.

Total budgeted administrative expenses account for about 51 percent of total General Fund revenues in **Table 12a**. This district administrative cost factor would be about 43 percent if the County lease payment is included in total revenues, and after a share of personnel costs are allocated from district administration to Community Health Program administration as shown in **Table 12b**. If lease revenue from the clinic increases above its current $100,000 annually, assuming other costs and revenues remain relatively constant, the cost factor would be

[91] For MSR analysis purposes, $40,000 in personnel costs are shifted in the FY17-18 total personnel budget to Community Health Program administration, based on the FY15-16 financial statements. Actual allocations will depend on decisions during the year by the Board and staff.

[92] Letter from Godfrey Wilson, LMCHD Executive Director, to Richard Berkson, December 29, 2017.

[93] Los Medanos Community Healthcare District 2017-2018 Budget, 6/22/2017.

proportionately lower. Prior to 2026, any increase in lease revenues will pass-through to the State, and will not be available for District expenditures.

In FY2018-19 and the following year, budget outlays will increase by $400,000 pursuant to the Bankruptcy Settlement Agreement payments to OSHPD. Unless lease revenues from the County increase above the current $100,000 annually, the District will need to do some combination of the following: 1) draw down reserves by as much as $300,000 to $400,000 annually for each of the two years; 2) reduce expenditures for Community Health Program funding.

In FY2020-21 and subsequent years, the $400,000 additional annual payment is no longer applicable, and payments are limited to lease revenues similar to current terms. After the OSHPD obligation is fulfilled January 1, 2026, lease revenues (currently $100,000 annually) will accrue to the District.

### Table 12a Summary of LMCHD Budgets (FY2016-17, FY2017-18)

| Item | FY 2016/17 (1) Gen. Fund Budget | % of Rev. | Business Activities | FY 2017/18 (2) Gen. Fund Budget | % of Rev. | Business Activities |
|---|---|---|---|---|---|---|
| **Revenues** | | | | | | |
| Property Tax | $905,572 | 99% | $0 | 975,758 | 98% | |
| Charges for Services | | | $100,000 | | | $100,000 |
| Other Property Tax-related | | 0% | | | 0% | |
| Misc. | 4,600 | 1% | | 16,000 | 2% | |
| **Total Revenues** | **$910,172** | **100%** | **$100,000** | **$991,758** | **100%** | **$100,000** |
| **Expenditures** | | | | | | |
| Salaries and Benefits | $214,400 | | | $258,100 | | |
| Board Stipend | 24,000 | | | 24,000 | | |
| Board Election | 71,316 | | | 0 | | |
| Services and Supplies | 58,600 | | | 58,350 | | |
| County Fees/District Dues | 22,600 | | | 23,600 | | |
| Insurance | 36,500 | | | 36,500 | | |
| Legal Services | 50,000 | | | 60,000 | | |
| Office Expenses | 30,200 | | | 34,148 | | |
| Seminars/Travel | 14,000 | | | 15,000 | | |
| Subtotal (3) | $521,616 | **57%** | $123,100 | $509,698 | **51%** | $117,735 |
| Community Health Programs | | | | | | |
| Community Funding | 333,875 | 37% | | 397,875 | 40% | |
| Outreach & Program Dev. | 31,500 | 3% | | 14,000 | 1% | |
| Program Administration | na | | | na | | |
| Subtotal | $365,375 | **40%** | | $411,875 | **42%** | |
| **Total Expenditures** | **$886,991** | **97%** | **$123,100** | **$921,573** | **93%** | **$117,735** |
| **Revenues Less Expenditures** | $23,181 | | ($23,100) | $70,185 | | ($17,735) |
| Transfer | ($23,100) | 3% | $23,100 | ($58,135) | | $58,135 |
| Net Change after Transfer | $81 | | $0 | $12,050 | | $40,400 |

(1) LMCHD 2016-2017 Adopted Budget.
(2) LMCHD 2017-2018 Adopted Budget, 06/22/2017.
(3) "Business Type" activity expenditures include debt (P&I), security, repairs/maint. (landscape), and property taxes. Depreciation is not included.

Note: the sum of certain items may not match totals due to rounding. *12/31/17*

## Table 12b Summary of LMCHD Budgets (FY2016-17, FY2017-18) - ADJUSTED

| Item | FY 2016/17 (1) Gen. Fund Budget | % of Rev. | Business Activities | FY 2017/18 (2) Gen. Fund Budget | % of Rev. | Business Activities |
|---|---|---|---|---|---|---|
| **Revenues** | | | | | | |
| Property Tax | $905,572 | 99% | $0 | 975,758 | 98% | |
| Charges for Services | | | $100,000 | | | $100,000 |
| Other Property Tax-related | | 0% | | | 0% | |
| Misc. | 4,600 | 1% | | 16,000 | 2% | |
| **Total Revenues** | **$910,172** | **100%** | **$100,000** | **$991,758** | **100%** | **$100,000** |
| **Expenditures** | | | | | | |
| Salaries and Benefits (4) | $174,400 | | | $218,100 | | |
| Board Stipend | 24,000 | | | 24,000 | | |
| Board Election | 71,316 | | | 0 | | |
| Services and Supplies | 58,600 | | | 58,350 | | |
| County Fees/District Dues | 22,600 | | | 23,600 | | |
| Insurance | 36,500 | | | 36,500 | | |
| Legal Services | 50,000 | | | 60,000 | | |
| Office Expenses | 30,200 | | | 34,148 | | |
| Seminars/Travel | 14,000 | | | 15,000 | | |
| Subtotal (3) | $481,616 | **53%** | $123,100 | $469,698 | **47%** | $117,735 |
| | | **48%** | inc. lease rev. | | **43%** | inc. lease rev. |
| Community Health Programs | | | | | | |
| Community Funding | 333,875 | 37% | | 397,875 | 40% | |
| Outreach & Program Dev. | 31,500 | 3% | | 14,000 | 1% | |
| Program Administration (4) | 40,000 | 4% | | 40,000 | 4% | |
| Subtotal | $405,375 | **45%** | | $451,875 | **46%** | |
| **Total Expenditures** | **$886,991** | **97%** | **$123,100** | **$921,573** | **93%** | **$117,735** |
| **Revenues Less Expenditures** | $23,181 | | ($23,100) | $70,185 | | ($17,735) |
| Transfer | ($23,100) | 3% | $23,100 | ($58,135) | | $58,135 |
| Net Change after Transfer | $81 | | $0 | $12,050 | | $40,400 |

(1) LMCHD 2016-2017 Adopted Budget.
(2) LMCHD 2017-2018 Adopted Budget, 06/22/2017.
(3) "Business Type" activity expenditures include debt (P&I), security, repairs/maint. (landscape), and property taxes. Depreciation is not included.
(4) Personnel costs and Community Health Programs costs adjusted $40,000 vs. adopted budget.

Note: the sum of certain items may not match totals due to rounding. *12/31/17*

# LMCHD REVENUES

## PROPERTY TAX

Over 90 percent of the District's annual revenues derive from its share of property taxes paid within the district boundaries, generated by assessed value shown in **Table 13**. In FY16-17 property taxes totaled nearly $1 million. This revenue grows with improvements in real estate values, depending on how many properties sell and are re-assessed at market value, and/or the amount and value of new development. The District receives a small amount of property tax pass-throughs from former redevelopment project areas that continue to retain tax increment to repay debt.[94]

**Table 13 Summary of Assessed Value within the LMCHD Boundaries**

| Area | Total A.V. Total City or Community (1) | District Assessed Value (1) % | $ | % Dist. |
|---|---|---|---|---|
| **INCORPORATED** | | | | |
| **Pittsburg** | $5,984,286,726 | 100% | $5,983,988,937 | 76.0% |
| **Antioch** | 9,895,423,599 | 4% | 355,310,495 | 4.5% |
| **Clayton** | 2,118,878,268 | 1% | 18,556,388 | 0.2% |
| **Concord** | 15,009,077,656 | 0.2% | 34,251,052 | 0.4% |
| **Total, Incorporated** | $33,007,666,249 | 19% | $6,392,106,872 | 81.2% |
| **UNINCORPORATED** | | | | |
| **Bay Point** | | | | |
| **Clyde** | | | | |
| **Other Unincorporated** | | | | |
| **Total, Unincorporated** | | | $1,478,812,538 | 18.8% |
| **TOTAL** | | | $7,870,919,410 | 100.0% |

(1) Source: Contra Costa County Assessor, 2017-18 Total A.V. *10/16/17*

## OTHER REVENUES

The County of Contra Costa pays the District $100,000 per year for the use of the District's former hospital building, in accordance with the lease negotiated during the bankruptcy

[94] Debts of the former County and City of Pittsburg redevelopment areas are not anticipated to be satisfied until 2036 and 2037, respectively (from the LMCHD response to LAFCO's followup data request, 11/22/17).

settlement process.[95] However, currently the entire amount is committed to OSHPD in repayment of the District's bankruptcy debt default. The initial term of the lease agreement ends July 31, 2018; the County has the right to exercise two 5-year extensions with base rent to be negotiated.

# LMCHD EXPENDITURES

## OVERHEAD AND ADMINISTRATION

The FY15-16 financial report (see prior **Table 11**) showed administrative costs totaling $345,500 or about 36% of total General Fund revenues. Staff costs include payroll taxes and worker's compensation insurance; no benefits are provided. Board members are paid $100 per meeting (maximum $400 per month).

The FY17-18 budget reported in **Table 12a** shows $509,698 of total administrative expenditures, including staff costs that may subsequently be allocated to Community Health Programs. This administrative cost represents about 51% of total General Fund revenues. However, the budget does not distinguish personnel costs attributable to Community Health Program administration, as is the case with FY2015-16 audited reports. If a share of personnel cost is shifted from district administration to programs, the administrative cost factor would be reduced. Comparing the adjusted administrative costs to total revenues, including $100,000 of lease revenues, the cost factor would be 43 percent in the FY2-017-18 budget as indicated in **Table 12b**.

The allocations to overhead are high, as they represent over 40 percent of revenues. The amounts budgeted for community health programs and grants represent less than half of revenues. By comparison, the CPHHCD allocates about 20 percent of revenues to overhead and administration. Federal grant programs default to 10 percent, although negotiated rates plus direct administration costs can significantly exceed these default rates. As another example, although on a different scale, the Contra Costa County budget shows expenditure of $7.5 million for "Public Health Administration and Financial Management" out of $50-$70 mill total budget public health budget, or about 10 percent to 15 percent of the total budget.[96] Other points of comparison include: Peninsula Health Care District's overhead was approximately 23 percent of

[95] Lease, Los Medanos Community Hospital District to Contra Costa County for 2311 Loveridge Road, Pittsburg, California, 7/15/98.

[96] County of Contra Costa FY 2017-2018 Recommended Budget, Health and Human Services, FY17 actual and FY18 recommended.

its expenditures for healthcare programs and grants;[97] the Eden Township Healthcare District budgeted about 15 percent of its community services budget for administrative and overhead costs.[98]

**Table 14** shows staff positions reported to the State Controllers Office. The FY17-18 budgeted staff expense increase compared to FY15-16 reflects the 2016 filling of the temporarily vacant CEO position, and the addition of one staff person.

**Table 14 Summary of LMCHD Positions and Salaries, 2016 vs. FY17-18 Total**

| Administrative Position | Amount (1) |
|---|---|
| CEO | $87,273 |
| Secretary To Board Of Directors | 54,160 |
| Staff To Board Of Directors | 39,194 |
| Custodian | 3,340 |
| Total | $183,967 |
| | |
| FY17-18 Budget for Total Salaries (2) | $234,000 |
| Change since 2016 | 27% |

1) Source: Government Compensation in California
Cal. Controllers Office, 2016, http://publicpay.ca.gov/Reports

2) FY17-18 Budget, 6/30/18 (excludes Workers Comp and Payroll Taxes).

In addition to the staff listed in **Table 14** above, the District in FY17-18 is contracting for other services including auditing services ($9,000), accounting/bookkeeping ($24,000), and legal services ($60,000).

## COMMUNITY HEALTH PROGRAMS

The District's financial reports for FY15-16 show approximately $340,000 expended for Community Health Programs. These expenditures include the following:

- **Community Funding** – funds provided directly to service providers.

[97] Draft MSR for the Sequoia Healthcare District, March 15, 2017, Table 25, FY17.

[98] Final Report, ETHD Special Study, March 13, 2017.

- **Outreach and Program Development** -- direct expenses the District incurs in communicating with the community to develop new programs or refine existing ones. This category includes a grant writing contract, and expenses related to a community garden program.
- **Program Administration** -- the cost of the time devoted by the District's employees to the Community Benefit Program (grant administration).

The District indicates that the latter two categories of expenditures "are important to enabling the District to further the Community Benefit Program."[99]

## OTHER EXPENDITURES

**OSHPD**

As required by the Settlement Agreement following District Bankruptcy, the District assigned to OSHPD all rent from the lease of the District's former hospital building lease to the County. This requirement applies during the initial lease term through July 31, 2018. During the initial lease term, lease payments are $100,000 annually and are paid by the County directly to OSHPD.

For two years beginning August 1, 2018 the District's OSHPD obligation will be $500,000 annually regardless of the amount of lease revenue collected. From August 1, 2020 through January 1, 2026 the obligation will require transfer of all rental income.

**Enterprise Fund**

Although the County transfers lease payments directly to OSHPD, the lease revenue and its expenditure to OSHPD are shown in the District's balance sheet and budget.

The District's financial reports report $159,954 depreciation expense in FY15-16. Additional expenses include $66,199 interest portion of the $100,000 due to OSHPD. The balance of the $100,000 payment to OSHPD, or $33,801, represents a payment against the balance due to OSHPD for District Bankruptcy obligations. Additional expenses total $17,150 for taxes and property expenses. Property insurance for the former hospital building is maintained by the County as required by the property lease.

The Enterprise Fund also pays for certain minor expenses related to its former hospital building which are not otherwise the responsibility of the County.[100] Expenses include, for example, security and landscaping.

[99] LMCHD response to LAFCO data request, question 9B.

# LMCHD ASSETS AND LIABILITIES

## ASSETS

According to the District's most current audit, the District's assets totaled $4.2 million at the end of June 30, 2016.[101] About half of the total assets, or $2.47 million, consists of the depreciated capital asset value of the former hospital building and its land value. Unrestricted assets total $1.67 million.

## LIABILITIES

The District's FY15-16 audit reports total liabilities of $1,096,512 primarily consisting of the remaining principal balance due of $948,651 on its obligation to OSHPD arising from the District's bankruptcy.[102] The District's current amortization schedule indicates that the principal balance remaining as of August 2017 was $768,463.[103] OSHPD's original bankruptcy claim secured by the rents from the former hospital building was $1.4 million, which was addressed in the agreement with LMCHD to assigned rental payments from the former hospital facility. The payment obligations are as follows:

| | |
|---|---|
| 08/01/1998 – 07/31/2018 | $100,000 per year |
| 08/01/2018 – 07/31/2020 | $500,000 per year, minimum, regardless of the amount of rent actually paid/collected |
| 08/01/2020 – 01/31/2026 | all rental income, if any |

Interest accrues on OSHPD obligation outstanding principal balances at an interest rate of 6.5 percent annually.[104]

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[100] Under the terms of the lease with the District the County pays all costs of maintenance, repair and alterations to the facility. It has spent more than $24 million for capital improvements to the property since 1998.

[101] LMCHD Annual Financial Report, June 30, 2016, Statement of Net Position, pg. 9.

[102] LMCHD Annual Financial Report, June 30, 2016, Statement of Net Position, pg. 9.

[103] Current amortization schedule received in LMCHD's response to LAFCO's followup data request.

[104] LMCHD Annual Financial Report, June 30, 2016, Note 5 pg. 26 re: Settlement Agreement.

### RESERVE POLICIES

LMCHD's financial policies require that "LMCHD will maintain an economic uncertainty reserve of at least 3% of total General Fund operating expenditures (including other financing)."[105] The District's unrestricted balance exceeds this policy level, which would require approximately $25,000 of reserves.

At its October 2017 meeting, the District's Finance Committee discussed creation of a capital reserve policy.[106]

The District has adopted no other reserve policies.

## LMCHD ORGANIZATIONAL ISSUES AND OPTIONS

- **Maintain the Status Quo** -- The current District would remain intact, and the Board of Directors would continue to be an elected governing body and conduct District business.[107] In the near-term (e.g., next two years), increased OSHPD payment obligations could reduce net funds available for Community Health Programs. Currently the District spends about $340,000 annually, or one-third of annual revenues, for community funding, outreach and program development, and program administration. After the OSHPD obligation is retired in 2026, funds currently paid to OSHPD will thereafter become available for Community Health Programs. The total amount available will change if the District renegotiates its lease agreement with the County.
- **Dissolution with Appointment of Successor for Winding-up Affairs** -- Dissolution would eliminate the LMCHD as a special district in Contra Costa County. On November 14, 2017, Contra Costa County submitted an application to LAFCO asking the Commission to consider dissolving the LMCHD. If dissolution is approved, LAFCO would appoint a successor agency to wind up the affairs of the LMCHD and manage the liquidation and distribution of assets and satisfaction of District obligations.[108] The future use of the District's former hospital

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[105] See LMCHD website section /Public Info/Transparency Docs/AccountingPoliciesProcedures.pdf.

[106] LMCHD Finance Committee Agenda, Oct. 23, 2017.

[107] The governing body of a healthcare district is an elective office, but if there are fewer candidates than vacancies, or if only one person files a declaration of candidacy, the Board of Supervisors makes the appointment. Health and Safety Code, Sec. 32100, Elections Code, Sec. 10515. A district-wide general election is estimated to cost approximately $40,000 (Registrar of Voters, 11/21/17).

[108] AB 2910 amended Government Code , section 57077.1, effective January 1, 2017, to make significant changes to the law governing the dissolution of a hospital (healthcare) district. If dissolution is consistent with a prior action of the Commission pursuant to Government Code, sections 56378 (special

building and land would no longer be under the control of the District or dedicated to healthcare purposes in perpetuity unless dictated by LAFCO terms and conditions. Current District property tax revenues would be distributed to other taxing entities within the same Tax Rate Area, unless the County otherwise dedicates the revenue to specific purposes as directed by LAFCO terms.

- **Reorganization with Creation of a New District (CSA) to Continue Services** -- LAFCO has the ability to create a CSA to continue service provision. The District's assets could be liquidated or transferred to another agency. Other LAFCO Terms and Conditions could include 1) creation of an advisory board comprised of city, county and public representatives; 2) limitation on expenditure of funds to within the boundaries of the LMCHD; 3) disposition of assets, which may include transfer of the former LMCHD hospital building to the County.

  The County Board of Supervisors would serve as the governing body of the CSA. Creating a new CSA dependent upon the County requires approval of the cities within the LMCHD service area and approval of the voters. [109]

- **Reorganize LMCHD as Subsidiary District** -- In the case of a subsidiary district, the district is not extinguished, but rather is reorganized with a city council sitting as the governing body.[110] Creating a subsidiary district would require that the LCMHD boundaries be reduced such that 70% of land area and registered voters of the subsidiary district fall within the boundaries of the city. Excluding much of the current sparsely populated unincorporated areas, with the exception of Bay Point and Clyde which could be retained in the subsidiary district, would achieve this minimum 70 percent. Reductions to exclude the small portions of Antioch, Clayton and Concord currently within LCMHD boundaries, totaling about 2.5 percent of District population, would also help to achieve this standard. District property tax revenues could be reduced about 24 percent.

  Viability of this option depends on the willingness and ability of the City of Pittsburg to manage LMCHD as a subsidiary district, including continuation of community health programs and ownership of the former LMCHD hospital building if it is not otherwise

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study) 56425 (sphere change) or 56430 (municipal service review), the Commission may immediately order a dissolution initiated by the district board without an election or protest proceedings. If the dissolution is initiated by an affected local agency, by the Commission, or by petition, unless there is a majority protest the Commission may order the dissolution after holding at least one noticed public hearing, and after conducting protest proceedings (Gov. Code, § 57077.1(c).

[109] See pages 31-33 of the December 14, 2016 Special Study of Governance Options, West Contra Costa Healthcare District prepared by Berkson Associates, for a detailed discussion of the steps involved in creating a new CSA.

[110] State law requires that a healthcare district have its own Board of Directors, which raises questions about reorganizing a healthcare district as a subsidiary district. However, the Mt. Diablo Healthcare District was successfully reorganized as a subsidiary district to the City of Concord.

transferred to the County. Cost savings are likely, as demonstrated by the successful transition of the Mt. Diablo Healthcare District into a subsidiary district of Concord.

- **Consolidation with Another Healthcare District** – Neither of the other two healthcare districts in the County represent viable candidates for consolidation. The WCCHD recently emerged from bankruptcy, and the CPHHCD is a subsidiary district to the City of Concord. This option is not considered viable.
- **Consolidation with County Service Area EM-1** – This option was reviewed in LAFCO's special study of the WCCHD and not pursued due to the County's concerns and lack of interest in the option. Therefore, this option was not pursued in the current review of LMCHD options.
- **Special Legislation** – This option was initiated by the County to provide a viable and cost-effective governance structure for the WCCHD as it emerges from Chapter 9 bankruptcy and embarks on a long period of debt repayment. This type of special legislation could be initiated by the District or the County. Neither agency has signaled an interest in pursuing this option in relation to the LMCHD.

# 6. WEST CONTRA COSTA HEALTHCARE DISTRICT (WCCHD)

**Figure 8** shows the boundaries of the District. The WCCHD serves 262,000 residents, nearly half of which reside in Richmond.

As described in LAFCO's 2016 Special Study of WCCHD prepared by LAFCO,[111] this district struggled financially beginning in the mid-1990's,[112] experiencing increasing costs, declining reimbursements, and growing service demand from low-income populations - the uninsured and underinsured. Although the District emerged from a 2006 bankruptcy, it never managed to regain financial solvency and fell further into debt. Eventually, in 2015, the District shut its hospital, a full-service acute care facility. The closure resulted in a significant loss of hospital beds and emergency department facilities, as well as the elimination of other specialized services, in an underserved community with significant healthcare needs.

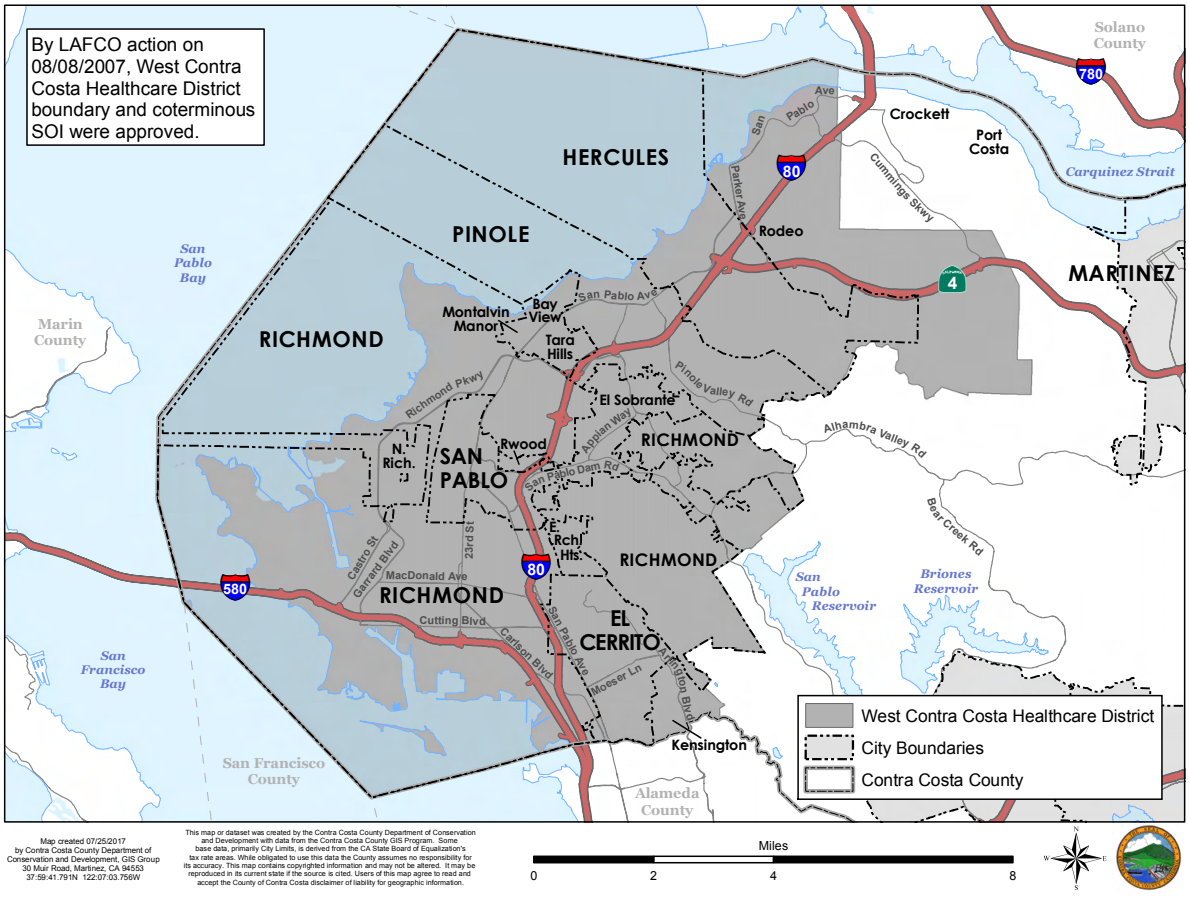
After WCCHD failed in its initial efforts to save its closed hospital, the District announced it had "little choice but to file bankruptcy… With no chance to bring in revenue in the short term to cover existing District expenses, such as worker compensation claims and medical record storage, the District Board voted unanimously to file for bankruptcy to allow for the orderly disposition of remaining financial obligations, including those owed to past District employees and vendors."[113] The District unanimously approved a resolution declaring a fiscal emergency and authorizing the filing of Chapter 9 proceedings at its board meeting October 19, 2016.

[111] Special Study of Governance Options - West Contra Costa Healthcare District, prepared for the Contra Costa Local Agency Formation Commission by Berkson Associates, accepted by LAFCO 12/14/16.

[112] Impact Evaluation Report: Doctors Medical Center San Pablo Potential Closure of Emergency Services, Prepared by the Contra Costa Emergency Medical Services Agency, June 13, 2014

[113] Press release issued by WCCHD, 10/20/16.

### Figure 8 WCCHD Boundaries




About 81 percent of the District's 265,000 residents reside in incorporated communities, as summarized in **Table 15**. The City of Richmond is the largest city within the District and accounts for 43 percent of District residents.

**Table 15 Summary of Population and Area within the WCCHD Boundaries**

| Area | Population Total City or Community | | District Population (2)(3) % | Residents | % Dist. | | Area (sq.miles) Total City or Community | District Area (3) Sq. Miles | % Dist. |
|---|---|---|---|---|---|---|---|---|---|
| **INCORPORATED** | | | | | | | | | |
| **Richmond** | 111,785 | (1) | 100% | 111,785 | 42.7% | | 30.00 | 30.00 | 44.1% |
| **El Cerrito** | 24,600 | (1) | 100% | 24,600 | 9.4% | | 3.90 | 3.90 | 5.7% |
| **Hercules** | 25,675 | (1) | 100% | 25,675 | 9.8% | | 8.10 | 8.10 | 11.9% |
| **Pinole** | 18,975 | (1) | 100% | 18,975 | 7.2% | | 11.60 | 11.60 | 17.0% |
| **San Pablo** | 31,053 | (1) | 100% | 31,053 | 11.9% | | 2.50 | 2.50 | 3.7% |
| **Total, Incorporated** | 212,088 | | 100% | 212,088 | 81.0% | | 56.10 | 56.10 | 82.4% |
| **UNINCORPORATED** | | | | | | | | | |
| **Bayview** | 1,728 | (2) | 100% | 1,728 | 0.7% | | | | 0.0% |
| **Crockett** | 3,044 | (2) | 1% | 20 | 0.0% | (3) | | | 0.0% |
| **East Richmond Heights** | 3,272 | (2) | 100% | 3,272 | 1.2% | | | | 0.0% |
| **El Sobrante** | 13,388 | (2) | 100% | 13,388 | 5.1% | | | | 0.0% |
| **Kensington** | 5,595 | (2) | 100% | 5,595 | 2.1% | | | | 0.0% |
| **Montalvin Manor** | 3,164 | (2) | 100% | 3,164 | 1.2% | | | | 0.0% |
| **North Richmond** | 3,988 | (2) | 100% | 3,988 | 1.5% | | | | 0.0% |
| **Rodeo** | 9,724 | (2) | 100% | 9,724 | 3.7% | | | | 0.0% |
| **Rollingwood** | 2,847 | (2) | 100% | 2,847 | 1.1% | | | | 0.0% |
| **Tara Hills** | 4,778 | (2) | 100% | 4,778 | 1.8% | | | | 0.0% |
| **Other Unincorporated** | 1,404 | (3) | 100% | 1,404 | 0.5% | | | | 0.0% |
| **Total, Unincorporated** | 52,932 | (1) | 94% | 49,908 | 19.0% | | 12.00 | 12.00 | 17.6% |
| **TOTAL** | 265,020 | (1) | 99% | 261,996 | 100.0% | | 68.10 | 68.10 | 100.0% |

(1) Source: Cal. Dept. of Finance, Report E-1: City/County Population Estimates 1/1/17
(2) Census, American Community Survey, 5-year
(3) County of Contra Costa GIS, 2017-07-19 *7/24/17*

# BANKRUPTCY PROCEEDINGS

The District's Plan of Adjustment of the District's debt was confirmed by the court December 21, 2017.[114]

As summarized in the bankruptcy Disclosure Statement, the Plan of Adjustment "provides that the District will sell the Hospital and will be reorganized into the Reorganized District and enter a period of operational dormancy during which the Reorganized District focuses its revenues on the repayment of creditors pursuant to the Plan. After the majority of creditor repayments are

[114] Correspondence from L. Texeira, LAFCO, 2017-12-28.

accomplished, estimated to occur in 2024, the Reorganized District intends to utilize its revenues to resume providing healthcare services to the citizens of West Contra Costa County."[115]

Pending State legislation, if enacted, will allow the Contra Costa County Board of Supervisors to appoint the district governing board members.[116] This process signals the potential of closer coordination with the County and resulting administrative economies. At a minimum, election costs, budgeted at $450,000 every two years, will be avoided. Actual cost savings could be less; the District's election cost during a gubernatorial election could be as low as $120,000.[117]

# HEALTH NEEDS IN THE DISTRICT

The LAFCO Special Study prepared for the District described significant health needs within the District; the closure of Doctors Hospital compounded issues of access to healthcare services. Following closure of the hospital, the number of emergency stations fall below the Countywide average of 2.4 emergency medical treatment stations per 10,000 population, however, emergency department use has been declining with the increased use of urgent care and outpatient clinics, and increased access to insurance coverage.

Although the District will not be financially positioned to address health needs until it repays its bankruptcy obligations, the Kaiser Foundation Hospital in Richmond will continue to prepare analyses of health needs, in addition to analysis to be prepared by the County Health Services, for example, as part of its forthcoming Strategic Plan.

## POPULATION GROWTH

As shown in prior **Table 1,** ABAG projects the District's population to grow by about 1.2 percent annually. Over the period from 2015 through 2020, this rate of growth would increase the District's population by about 10,300 residents. ABAG projects longer-term growth to continue, increasing the need for healthcare services accordingly; ABAG estimates, by 2040, the District's resident population will grow by 28 percent compared to 2015.

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[115] Disclosure Statement for the Plan for the Adjustment of Debts Dated June 9, 2017, United States Bankruptcy Court Northern District of California Oakland Division, Case No. 16-42917.

[116] SB 522, Glazer.

[117] The WCCHD conservatively budgets $450,000 every two years for elections. In 2014, election costs were $414,000 including a gubernatorial election ($117,000) and a separate Measure C election ($297,000) per County correspondence with LAFCO, 12/4/2017.

## DISADVANTAGED COMMUNITIES

Prior **Figure 2** depicts disadvantaged communities in the County, and shows qualifying areas in the District, primarily consisting of Richmond and San Pablo, and a portion of Hercules. Other unincorporated areas in the vicinity, for example North Richmond, also fall within the designation.

## MEDICALLY UNDERSERVED & HEALTH PROFESSIONAL SHORTAGE AREAS

As described and mapped in **Appendix B**, OSHPD designates areas with different types of medical professional shortages.

The District encompasses the only area designated as Medically Underserved within the County (see **Figure B-1**)**,** and the only area designated as a Dental Health Professional Shortage Area (see **Figure B-3**)**.** Areas are also designated as Mental Health Professional Shortage Areas (see **Figure B-4**) and Primary Care Shortage Areas (see **Figure B-2**).

## HEALTH NEEDS ASSESSMENTS

The Kaiser Foundation Hospital in Richmond (KFH-Richmond) prepared a 2016 CHNA.[118] The CHNA prioritized "Obesity, Diabetes, Healthy Eating, and Active Living" as a need in its service area, followed by "Violence and Injury Prevention" and "Economic Security".

## OTHER STUDIES AND INDICATORS

In 2011, Contra Costa Health Services prepared special studies of the impacts of sweetened beverage consumption on Richmond and San Pablo residents.[119] These studies reinforce the health priority identified in the Kaiser CHNA noted above.

Contra Costa Health Services prepared a "Richmond Health Equity Report Card" in 2015 that documented health issues and inequities in Richmond. The data utilized was from 2010 through 2012, and covers a range of health concerns facing the area, including economic security and education, safe communities, environmental and health justice, quality and accessible health and social services, health behaviors, and health outcomes.

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[118] 2016 Community Health Needs Assessment, Kaiser Foundation Hospitals Oakland and Richmond, approved September 21, 2016.

[119] The Impact of Sugar Sweetened Beverage Consumption on the Health of Richmond Residents, A Report from Contra Costa Health Services, Dec. 12, 2011, and see a related report for San Pablo, Nov. 15, 2011.

# FACILITIES AND SERVICES IN THE DISTRICT

**Figure 9** shows the locations of medical facilities within and proximate to the District. The map shows the closed Doctors Hospital, and the Kaiser Permanente Richmond Medical Center. As noted previously, West County is lacking in emergency stations as noted in prior **Table 2**.

# WCCHD GOVERNANCE

The WCCHD board continued to meet during the bankruptcy process. **Table 16** lists the current Board of Directors and their terms. Following bankruptcy, the Plan of Adjustment anticipates State legislation to enable the Contra Costa County Board of Supervisors to appoint the WCCHD board and eliminate election costs. The County may also elect to provide administrative services to the District to achieve other cost savings.

**Table 16 WCCHD Board Members**

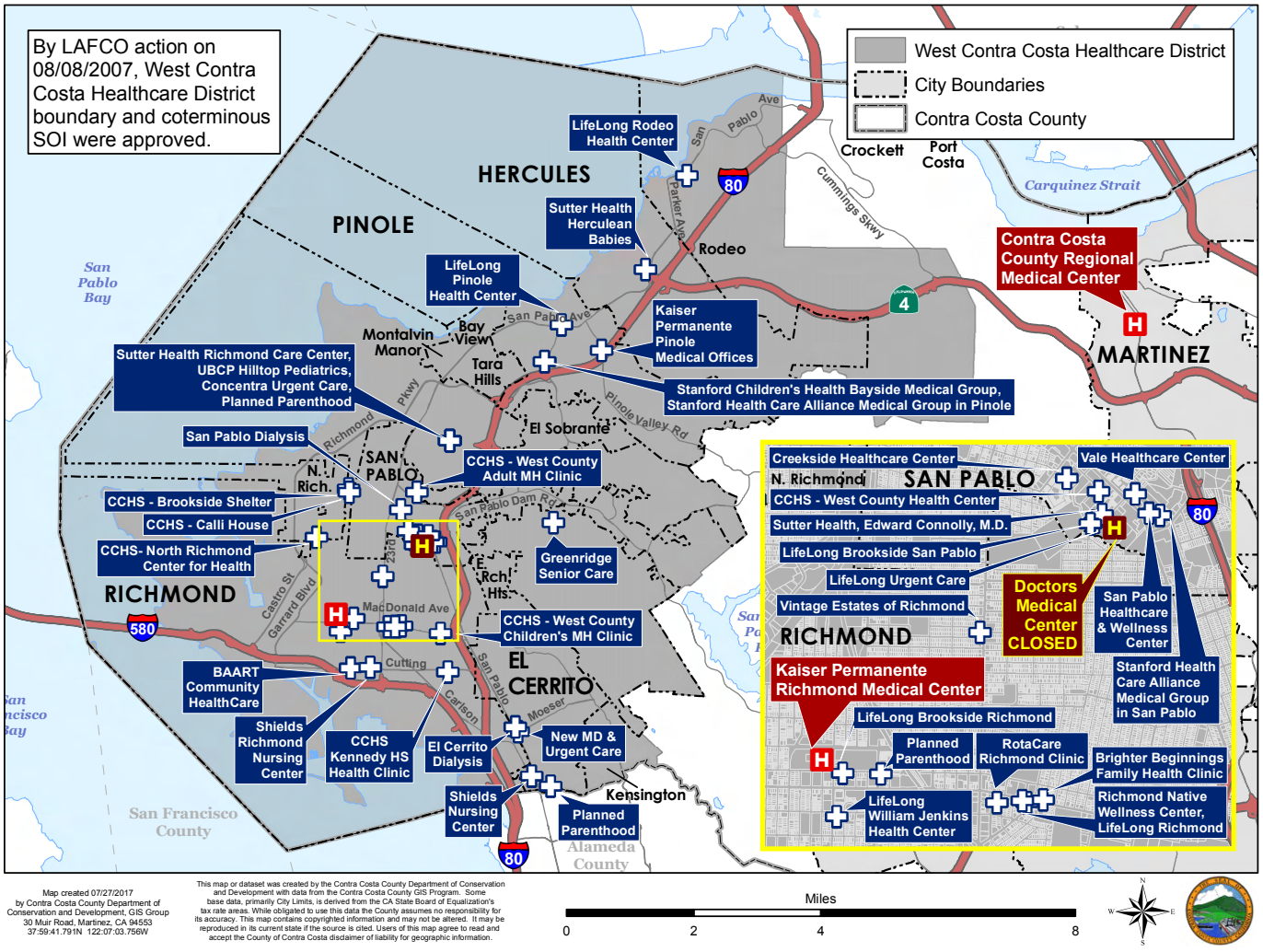
| Position | Name | Term Began | Term Expires |
|---|---|---|---|
| Chairperson | Nancy Casazza, RN | 1/21/15 | Jan. 2019 |
| Vice Chair | Beverly Wallace | 1/21/15 | Jan. 2019 |
| Treasurer | Irma Anderson, RN | 1/21/15 | Jan. 2019 |
| Secretary | William van Dyk DDS | 2/1/17 | Feb. 2021 |
| Vice Secretary | Deborah Campbell, RN | 12/2/16 | Dec. 2020 |

*Source: B. Ellerston, WCCHD, July 19, 2017*

## ACCOUNTABILITY

The District continues to post notice of its meetings, agendas, and minutes on its website, as well as current financial documents and bankruptcy-related items.

## Figure 9 Health Care Facilities in the WCCHD



# WCCHD GOALS, POLICIES AND PLANS

The WCCHD's website states the District's mission:

> "Our mission is to provide leadership and oversight in the delivery of healthcare in the West Contra Costa Healthcare District by:
>
> Acting as an advocate for quality healthcare to all. Providing a conduit for healthcare information and services. Fostering, developing, maintaining and supporting programs that serve the healthcare needs of the communities served. Providing assurance, through oversight of the District's healthcare facilities, of equal access to healthcare, without regard to race, color, age, religion, sex, sexual orientation, national origin, citizenship, handicap or ability to pay."[120]

As previously noted, since 2016, the District has focused on its bankruptcy proceedings; the District's Plan of Adjustment was confirmed by the bankruptcy court on December 21, 2017.

# WCCHD SERVICES

With the closure of Doctors Hospital and District bankruptcy, WCCHD does not anticipate resuming services until at least 2024. As stated in the bankruptcy Plan of Adjustment, "after the majority of creditor repayments are accomplished, estimated to occur in 2024, the Reorganized District intends to utilize its revenues to resume providing healthcare services to the citizens of West Contra Costa County."[121]

At the present time, the District has not determined the services that would be provided in the future when revenues are likely to be available for healthcare purposes. In light of potential significant changes in Federal and State funding of healthcare, and anticipated legislative reorganization of the District, determination of policies, plans and services probably will be deferred until the District has significant discretionary revenues available.

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[120] WCCHD website, Nov. 18, 2016, https://web.archive.org/web/20161118050309/http://wcchd.ca.gov/mission/

[121] Plan for the Adjustment of Debts Dated June 9, 2017, Appendix D to the Disclosure Statement.

## WCCHD PROPERTY

The District is in the process of selling its assets, including the former Doctors Hospital building. The District will not own property post-bankruptcy.

## WCCHD FINANCES

During the bankruptcy proceedings, the District continued to fund various expenses, including administrative costs for contract staff; minimal expenses related to maintenance of the Doctors Hospital building; and other financial and legal costs in addition to the District's ongoing obligations to pay its debts and other liabilities.

The District's primary ongoing revenues are ad valorem property taxes, totaling about $4.0 million annually before repayment to the County for property tax advances. Additional District parcel taxes, totaling approximately $5.65 million annually, are dedicated to the repayment of Certificates of Participation (COPs). The sale of the Doctors Hospital building, the District's primary asset, will repay outstanding obligations in accord with the bankruptcy Plan of Adjustment.

Following bankruptcy and repayment of the County and other obligations and expenses, the District's projected net cash flow (after expenses) up to $3.6 million annually will be available for healthcare services after about 2024. This net revenue includes parcel taxes collected in excess of annual COP payment requirements. The actual net available will depend upon the proposed reorganization of the District, whether costs of administrative services will be provided by the County in lieu of District staff and contracts, and the future amount of property tax growth.

**Table 17** shows the District's budget for 2017, including actual monthly revenues and expenditures through August 2017 and projected monthly cash flows for the balance of the year. The second page of the budget shows projected annual cash flows from 2018 through 2027.

## Table 17 Summary of WCCHD Budget

| West Contra Costa Healthcare District: Projected Monthly Cash Flow, 2017 ASSUMING NO SALE IN 2017 | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2017 | | | | | | | | | | | | |
| | ACTUAL | | | | | | | | FORECASTED | | | | |
| | January | February | March | April | May | June | July | August | September | October | November | December | 2017 TOTAL |
| **Beginning Cash Balance** | $ 168,763 | $ 288,966 | $ 325,925 | $ 297,911 | $ 284,030 | $ 1,298,428 | $ 1,066,942 | $ 872,163 | $ 549,288 | $ 262,534 | $ 72,722 | $ 86,251 | $ 168,763 |
| **Cash Receipts*:** | | | | | | | | | | | | | |
| Ad Valorem Tax | | | | | 1,000,000 | | | | | | | | 1,000,000 |
| (1) Receipts from US Bank | 474,943 | 290,338 | 334,426 | 237,802 | 311,208 | | | | | 118,893 | 297,233 | 297,233 | 2,362,077 |
| (2) Other Receipts | 8,550 | 15,726 | 16,508 | 14,396 | 5,944 | 28,565 | 26,023 | 17,307 | 125,525 | 5,000 | 5,000 | 5,000 | 273,543 |
| Sale of Building | | | | | | | | | | - | | | - |
| *Total Cash Receipts* | *483,493* | *306,064* | *350,934* | *252,198* | *1,317,152* | *28,565* | *26,023* | *17,307* | *125,525* | *123,893* | *302,233* | *302,233* | *3,635,620* |
| **Expenses:** | | | | | | | | | | | | | |
| Payroll/Administration | 54,989 | 62,879 | 72,202 | 46,436 | 51,453 | 51,988 | 32,570 | 91,154 | 55,000 | 55,000 | 55,000 | 55,000 | 683,672 |
| Bookkeeping Services | - | 2,066 | 2,500 | | | | 713 | - | 3,000 | 3,000 | 3,000 | 3,000 | 17,278 |
| Annual Audits | - | - | - | | 42,500 | | | 42,500 | 22,500 | 25,000 | | | 132,500 |
| Other | 6,508 | - | | 6,186 | | 1,568 | 9,933 | 4,310 | 5,000 | 5,000 | 5,000 | 5,000 | 48,505 |
| **Total personnel/consulting costs** | **61,497** | **64,945** | **74,702** | **52,622** | **93,953** | **53,556** | **43,215** | **137,964** | **85,500** | **88,000** | **63,000** | **63,000** | **881,954** |
| Office Expenses | 2,254 | 2,030 | 2,498 | 1,794 | 1,638 | 1,471 | 2,226 | 2,801 | 2,000 | 2,000 | 2,000 | 2,000 | 24,713 |
| Security | 48,555 | 31,175 | 45,099 | 31,999 | 17,440 | 52,703 | 35,093 | 50,531 | 35,000 | 35,000 | 35,000 | 35,000 | 452,595 |
| Utilities | 31,213 | 32,740 | 37,088 | 29,130 | 24,109 | 18,077 | 17,978 | 18,864 | 20,000 | 20,000 | 20,000 | 20,000 | 289,199 |
| Landscaping | 1,700 | 1,700 | - | 3,400 | 1,700 | | 3,400 | 1,700 | 1,700 | 1,700 | 1,700 | 1,700 | 20,400 |
| All other (repairs, general office) | 957 | 920 | 1,800 | 620 | 1,133 | | 9,523 | 140 | 3,000 | 3,000 | 3,000 | 3,000 | 27,093 |
| Insurance | 13,730 | 12,177 | 11,106 | 46,912 | 13,269 | | 15,429 | 13,579 | 51,575 | 11,500 | 11,500 | 11,500 | 212,277 |
| **Total facilities costs** | **98,409** | **80,742** | **97,590** | **113,855** | **59,289** | **72,251** | **83,650** | **87,616** | **113,275** | **73,200** | **73,200** | **73,200** | **1,026,276** |
| Legal | 12,728 | 9,569 | 20,197 | 12,102 | 15,047 | 16,128 | 19,674 | 21,354 | 20,572 | 20,000 | 20,000 | 20,000 | 207,371 |
| Records Storage | 22,504 | 45,009 | 22,505 | 22,505 | 22,505 | 22,505 | 22,505 | 22,505 | 22,505 | 22,505 | 22,505 | 22,505 | 292,560 |
| Fees and Other | 22,763 | 59,391 | - | - | - | - | - | - | 5,000 | 5,000 | 5,000 | 5,000 | 102,153 |
| **Total other costs** | **57,995** | **113,969** | **42,702** | **34,607** | **37,552** | **38,633** | **42,178** | **43,858** | **48,077** | **47,505** | **47,505** | **47,505** | **602,084** |
| Consulting - Financial/Operating | 8,800 | 9,450 | 15,526 | | 9,000 | 13,500 | 13,017 | 70,744 | 15,000 | 15,000 | 15,000 | 15,000 | 200,037 |
| Legal - Bankruptcy Counsel | 136,589 | - | 148,428 | 64,996 | 102,959 | 82,112 | 38,741 | - | 130,428 | 80,000 | 80,000 | 80,000 | 944,253 |
| Unsecured Creditor Committee | | | | | - | - | - | - | 20,000 | 10,000 | 10,000 | 10,000 | 50,000 |
| **Chapter 9 and Professional Fees** | **145,389** | **9,450** | **163,954** | **64,996** | **111,959** | **95,612** | **51,758** | **70,744** | **165,428** | **105,000** | **105,000** | **105,000** | **1,194,290** |
| *Total Cash Payments* | *363,290* | *269,105* | *378,948* | *266,079* | *302,753* | *260,051* | *220,802* | *340,182* | *412,280* | *313,705* | *288,705* | *288,705* | *3,704,604* |
| **Net Cash Flow for Month** | **120,203** | **36,958** | **(28,014)** | **(13,881)** | **1,014,398** | **(231,486)** | **(194,779)** | **(322,875)** | **(286,755)** | **(189,811)** | **13,529** | **13,529** | **(68,984)** |
| **Total Cash Available** | 288,966.39 | $ 325,925 | $ 297,911 | $ 284,030 | $ 1,298,428 | $ 1,066,942 | $ 872,163 | $ 549,288 | $ 262,534 | $ 72,722 | $ 86,251 | $ 99,780 | $ 99,780 |

## Table 17 Summary of WCCHD Budget (cont'd)

| West Contra Costa Healthcare District: Projected Annual Cash Flow | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | Total |
| **Beginning Balance (Operating Acct at Citibank)** | 99,780 | 12,286,058 | 9,179,212 | 7,417,616 | 7,224,955 | 7,507,366 | 9,277,897 | 12,760,890 | 15,686,709 | 19,075,167 | 99,780 |
| Ad Valorem tax receipts | 4,006,980 | 4,027,015 | 4,047,150 | 4,067,386 | 4,087,723 | 4,108,161 | 4,128,702 | 4,149,346 | 4,170,093 | 4,190,943 | 40,983,500 |
| (1) Sale of Property | 12,700,000 | | | | | | | | | | 12,700,000 |
| Parcel tax, 2004 | 5,650,000 | 5,650,000 | 5,650,000 | 5,650,000 | 5,650,000 | 5,650,000 | 5,650,000 | 5,650,000 | 5,650,000 | 5,650,000 | 56,500,000 |
| (2) Other | 8,430,598 | | | | | | | | | | 8,430,598 |
| *Total Cash Receipts* | *30,787,578* | *9,677,015* | *9,697,150* | *9,717,386* | *9,737,723* | *9,758,161* | *9,778,702* | *9,799,346* | *9,820,093* | *9,840,943* | *118,614,098* |
| **Cash Payments:** | | | | | | | | | | | |
| Payroll/Administration | 273,967 | 280,816 | 287,837 | 295,033 | 302,409 | 309,969 | 317,718 | 325,661 | 333,802 | 342,148 | 3,069,360 |
| Bookkeeping Services | 40,000 | 20,000 | 20,500 | 21,013 | 21,538 | 22,076 | 22,628 | 23,194 | 23,774 | 24,368 | 239,090 |
| Cost Report Audits and Settlement | 30,000 | 30,750 | 31,519 | 32,307 | 33,114 | | | | | | 157,690 |
| Annual Financial Audit | 15,000 | 15,375 | 15,759 | 16,153 | 16,557 | 16,971 | 17,395 | 17,830 | 18,276 | 18,733 | 168,051 |
| Audit/Actuarial for Successor Pension Plan | 78,000 | 79,950 | 81,949 | 83,997 | 86,097 | 88,250 | 90,456 | 92,717 | 95,035 | 97,411 | 873,864 |
| IT Costs | 12,000 | 12,300 | 12,608 | 12,923 | 13,246 | 13,577 | 13,916 | 14,264 | 14,621 | 14,986 | 134,441 |
| Other | 10,000 | 10,250 | 10,506 | 10,769 | 11,038 | 11,314 | 11,597 | 11,887 | 12,184 | 12,489 | 112,034 |
| **Total personnel/consulting costs** | 458,967 | 449,441 | 460,677 | 472,194 | 483,999 | 462,157 | 473,711 | 485,554 | 497,693 | 510,135 | 4,754,529 |
| Office Expenses | 30,000 | 30,750 | 31,519 | 32,307 | 33,114 | 33,942 | 34,791 | 35,661 | 36,552 | 37,466 | 336,101 |
| **Total facilities costs** | 30,000 | 30,750 | 31,519 | 32,307 | 33,114 | 33,942 | 34,791 | 35,661 | 36,552 | 37,466 | 336,101 |
| | | | | | | | | | | | - |
| (2) Records Storage | 216,164 | 191,904 | 164,316 | 131,606 | 96,116 | 62,722 | 34,391 | 23,653 | 18,980 | 15,045 | 954,897 |
| Legal Fees | 300,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 1,200,000 |
| Fees and Other | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 10,000 | 100,000 |
| Election costs every two years | | 450,000 | | 450,000 | | 450,000 | | 450,000 | | 450,000 | 2,250,000 |
| **Total other costs** | 526,164 | 751,904 | 274,316 | 691,606 | 206,116 | 622,722 | 144,391 | 583,653 | 128,980 | 575,045 | 4,504,897 |
| Unsecured Creditors | 2,000,000 | 2,000,000 | 2,000,000 | | | | | | | | 6,000,000 |
| Repayment to County (Unsecured, past election) | | 218,133 | | | | | | | | | 218,133 |
| EDD | 661,371 | 661,371 | | | | | | | | | 1,322,742 |
| Local 39 Claim | 41,335 | 41,335 | 41,335 | 41,335 | 41,335 | 41,335 | 41,335 | 41,335 | 41,335 | 35,411 | 407,421 |
| CNA_Medical Pension Plan | 250,000 | 250,000 | 250,000 | 250,000 | 250,000 | 250,000 | 250,000 | 375,000 | 375,000 | - | 2,500,000 |
| Successor Pension Plan Payments | 4,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 | 13,000,000 |
| Committee Counsel Fees | 50,000 | | | | | | | | | | 50,000 |
| Contract Cure Costs | 58,500 | | | | | | | | | | 58,500 |
| Cell Rights Settlements | 800,000 | | | | | | | | | | 800,000 |
| (4) Repayment of 928(b) Orders | 2,362,077 | | | | | | | | | | 2,362,077 |
| 2004 COPs Payment (US Bank) | 1,895,006 | 1,895,988 | 1,894,013 | 1,894,081 | 1,895,925 | 1,894,275 | 1,894,131 | 1,895,225 | 1,895,475 | 1,896,325 | 18,950,444 |
| 2011 COPs Payment (US Bank) | 2,460,900 | 2,457,925 | 2,459,738 | 2,461,138 | 2,457,100 | 2,457,350 | 2,457,350 | 2,457,100 | 2,456,600 | 2,455,850 | 24,581,050 |
| Repayment to County (Ad Valorem tax exchange) | 3,006,980 | 3,027,015 | 3,047,150 | 3,067,386 | 3,087,723 | 1,225,850 | - | - | - | - | 16,462,104 |
| **Creditor Payments** | 17,586,169 | 11,551,765 | 10,692,235 | 8,713,939 | 8,732,082 | 6,868,809 | 5,642,816 | 5,768,660 | 5,768,410 | 5,387,586 | 86,712,470 |
| *Total Cash Payments* | *18,601,300* | *12,783,861* | *11,458,747* | *9,910,047* | *9,455,312* | *7,987,631* | *6,295,709* | *6,873,527* | *6,431,634* | *6,510,231* | *96,307,998* |
| *Net Cash Flow, Annual* | 12,186,278 | (3,106,846) | (1,761,597) | (192,661) | 282,411 | 1,770,531 | 3,482,994 | 2,925,819 | 3,388,458 | 3,330,712 | 22,306,100 |
| **Total Cash Available** | $ 12,286,058 | $ 9,179,212 | $ 7,417,616 | $ 7,224,955 | $ 7,507,366 | $ 9,277,897 | $ 12,760,890 | $ 15,686,709 | $ 19,075,167 | $ 22,405,879 | $ 22,405,879 |

**Notes:**

(1) Receipts of $12,700,000 is net proceeds from the sale of the property; Sale price is $13,000,000, less the broker fees and other closure costs estimated at $300,000.

(2) Amount projected by the District to be held by U.S. Bank as of 1/1/2018 reflecting all parcel taxes collected prior to 2018 less all payments on the 2004 Cops and 2011 Cops through 2017. This amount may be less due to accruing trustee fees and expenses.

**Table 18** illustrates current assessed value within the District by jurisdiction.

**Table 18 Summary of Assessed Value within the WCCHD Boundaries**

| Area | Total A.V. Total City or Community (1) | District Assessed Value (1) % | $ | % Dist. |
|---|---|---|---|---|
| **INCORPORATED** | | | | |
| **Richmond** | $ 13,082,516,425 | 100% | $ 13,082,516,425 | 43.0% |
| **El Cerrito** | $ 4,017,973,881 | 100% | $ 4,017,973,881 | 13.2% |
| **Hercules** | $ 3,449,453,774 | 100% | $ 3,449,453,774 | 11.3% |
| **Pinole** | $ 2,282,460,991 | 100% | $ 2,282,460,991 | 7.5% |
| **San Pablo** | $ 1,707,066,788 | 100% | $ 1,707,066,788 | 5.6% |
| **Total, Incorporated** | 24,539,471,859 | 100% | $ 24,539,471,859 | 80.7% |
| **Total, Unincorporated** | | | $ 5,869,875,498 | 19.3% |
| **TOTAL** | | | $ 30,409,347,357 | 100.0% |

(1) Source:Contra Costa County Auditor-Controller

## WCCHD ASSETS AND LIABILITIES

After bankruptcy court approval of the District's Plan of Adjustment which occurred on December 21, 2017, the District is no longer subject to any former liabilities other than the payment obligations specified by the bankruptcy Plan of Adjustment. Those payment obligations include:[122]

- Full repayment of outstanding Certificates of Participation (approximately $56 million) plus interest.
- $218, 132.50 representing 50% of the total amount owed to the County for prior District election costs.[123]
- Local 39 Pension Claim - $31.480.99 per year for ten years; Local 39 Health Claim $8,214.98 per year for nine years.[124]

[122] Disclosure Statement for the Plan for the Adjustment of Debts dated June 9, 2017, Section 3.1 Proposed Treatment of Claims.

[123] See First Amended Plan for the Adjustment of Debts Dated July 21, 2017, filed on August 3, 2017, Page 11, Section 4.2.

- WCCHD Successor Pension Plan – the Reorganized District to assume all rights and responsibilities regarding these pension plan claims. Within 30 days after the effective date of the plan $4 million will be transferred to the plan administrator. Thereafter, the District will pay $1 million per year to the plan administrator until the pension plan is fully funded.[125]
- Approximately $2.7 million owed to the California Nurses Association (CNA).[126]
- About $1.3 million owed to the State EDD for claims.[127]
- $6 million shall be paid to other unsecured allowed claims.

The foregoing information is included in the Plan of Adjustment.

## WCCHD ORGANIZATIONAL ISSUES AND OPTIONS

The Special Study prepared by Contra Costa LAFCO for the WCCHD outlined a number of governance options. The Special Study supported pursuit of legislation to enable the County Board of Supervisors to appoint the governing body of the WCCHD that could include the Board of Supervisors. If this special legislation passes,[128] the District will no longer be burdened by election costs and there may be new opportunities for a partnership between the County and the reorganized District, including administrative support and other shared resources.

The reorganization described above could be re-assessed at a future point in time, if other options appear more viable. For example, if legislation modifies the requirements for subsidiary district formation, this option may be viable if the City of Richmond is willing and able at a future point in time to assume responsibility for District functions.

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[124] See First Amended Plan for the Adjustment of Debts Dated July 21, 2017, filed on August 3, 2017, Page 13, Section 4.7.

[125] See, First Amended Plan for the Adjustment of Debts Dated July 21, 2017, filed on August 3, 2017, Page 11, Section 4.3.

[126] See, First Amended Plan for the Adjustment of Debts Dated July 21, 2017, filed on August 3, 2017, Page 12, Section 4.4.

[127] See, First Amended Plan for the Adjustment of Debts Dated July 21, 2017, filed on August 3, 2017, Page 12, Section 4.5.

[128] SB 522, Glazer.

# APPENDICES UNDER SEPARATE COVER