



Lou Ann Teixeira
Executive Officer

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August 10, 2011 (Agenda)

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

Mt. Diablo Health Care District – Special Study – Supplemental Report

Dear Commissioners:

In July, the Commission received a report regarding the Mt. Diablo Health Care District (MDHCD). The report provided information pertaining to the District’s challenges and potential governance options, including dissolution. District dissolution can be initiated by LAFCO in accordance with a special study.

In July, the Commission directed staff to prepare and circulate a Request for Proposal (RFP) in conjunction with a special study. An RFP was released on July 18, posted online, and sent to approximately 25 firms. The deadline for submitting proposals was August 5, 2011.

The following firms submitted proposals (copies of proposals are available upon request):

- ❖ Economic & Planning Systems (EPS) – Berkeley, CA
- ❖ Policy Consulting Associates, LLC (PCA) – Malibu, CA
- ❖ Rosenow Spevacek Group, Inc. (RSG) – Santa Ana, CA
- ❖ Braitman & Associates (B&A) – Ventura, CA

LAFCO staff has reviewed the proposals and believes all of the firms offer unique skills and abilities.

- **EPS** is a local economic consulting firm with significant experience in local government finance, services and operations. Areas of expertise include fiscal analysis, economics and industry analysis, and government organization. The firm has experience with LAFCOs, cities, counties, and special districts in California and in Contra Costa County. EPS has extensive LAFCO experience and has conducted numerous governance studies relating to special districts formations and consolidations, annexations, reorganizations, and incorporations. The firm has prepared LAFCO Municipal Service Reviews (MSRs) and sphere of influence (SOI) updates,

and has assisted local agencies with various intergovernmental agreements. The project team has considerable experience with LAFCOs, governance studies, municipal finance, and has conducted studies specific to public health care services (e.g., San Francisco, San Joaquin, Santa Clara, Stanislaus counties).

- **PCA** offers expertise and experience in economics, public finance, spatial analysis, and municipal analysis. The firm has experience working with LAFCOs, councils of governments, counties, and cities; and has prepared a range of studies including fiscal analyses (including analysis of municipal defined benefit pension plans), MSRs (including health care services in Alameda and Plumas counties), benchmarking and performance evaluation studies. Members of the project team have experience covering the spectrum of governance options including MSRs, incorporations, annexations, detachments, consolidations and dissolutions, and have worked for a number of Bay Area LAFCOs including Alameda, Contra Costa and Santa Clara.
- **RSG** is a multidisciplinary consulting firm specializing in fiscal and policy consulting for local government agencies in California, and providing a variety of strategic, organizational and operational services. The firm has been involved in numerous governance, reorganization, and fiscal studies for LAFCOs, special districts, cities, counties and other entities throughout California covering a range of governance options including annexations, reorganizations, consolidations, incorporations, and fiscal impact and sustainability studies. RSG also has experience with productivity and performance analysis.
- **B&A** specializes in local government reorganizations, jurisdictional relations, the provision of public services by local agencies, and fiscal analysis. B&A serves both public and private clients with primary emphasis on processing governmental organizational changes including annexations, reorganizations, incorporations, district formations and consolidations, and preparing MSRs and SOI updates and amendments. Mr. Braitman currently serves as the Executive Officer for Santa Barbara LAFCO and has provided consulting services to a number of other LAFCOs including Contra Costa.

FINANCING

Depending on the selected firm, the cost of the special study will be between \$18,600 and \$36,000. The FY 2011-12 budget does not include funding for the special study. Should the Commission wish to proceed with the study, a budget adjustment will be necessary, and the Commission will need to appropriate funds from the contingency reserve.

On August 8, LAFCO received correspondence from Grace Ellis (attached) containing information relating to the District's finances and programs. The letter also indicates that the LAFCO special study would be a waste of LAFCO's funds and that LAFCO should reconsider spending its funds on the study.

OPTIONS/RECOMMENDATION

Option 1 – Select a Consultant and Proceed with the Special Study

If the Commission wishes to proceed with the special study at this time, the Commission may select a consultant from among the four firms that submitted proposals. While most of the submitting firms have experience with district dissolution, it appears that none have dealt specifically with LAFCO-initiated dissolutions, as these are rare. However, it appears that all firms possess the skills to undertake the special study. It should be noted that the submittal from Braitman & Associates, which was made at 5:00 on Friday, August 5, 2011, did not contain all of the elements required by the RFP; certain documents were omitted from the original submission and provided after the deadline. The submittal is now complete.

Based on a review of the proposals, relevant work experience including experience with district dissolutions, approach to the project, cost, and prior experience with the consulting firm, LAFCO staff recommends that EPS be retained to prepare the special study. EPS indicates in its proposal that its insurance provider (Chubb) does not offer a 30-day notice of cancellation to additional insured parties. LAFCO staff does not view this as a significant impediment to contracting with EPS. The requirement to provide notice can be imposed on EPS under the terms of the contract. The RFP allows the Commission to waive any defect or informality in any response, proposal or proposal procedure, should the Commission so choose.

If the Commission wishes to proceed with the special study and selection of a consultant, it is recommended that the Commission:

1. Approve a budget adjustment in the appropriate amount depending on the firm selected, and authorize an appropriation in the same amount from the contingency reserve; and
2. Authorize LAFCO staff to execute a contract with the selected firm to prepare the special study. The term of the contract will be from August 2011 through February 29, 2012 in an amount not to exceed the amount as provided in the selected firm's proposal.

Option 2 – Other

The Commission may choose to defer action, or provide other direction as desired.

Sincerely,

LOU ANN TEXEIRA
EXECUTIVE OFFICER

Attachment – Letter from Grace Ellis

**Grace Ellis
Taxpayer**

**LAFCO
Lou Ann Texeira, Executive Officer
& Commissioners
651 Pine Street
Martinez, CA 94553**

August 7, 2011

Regarding: Reconsider funding an RFP for Special Study of Mt. Diablo
Health Care District.

Dear Commissioners:

At the August 4th meeting of the Mt. Diablo Health Care District, Brokstein & Rosen presented the Audit Report for the District.

The statements they presented are different from those presented by the Contra Costa Taxpayers Association, the Contra Costa Times and the Grand Jury.

For the past 14 years, the District governed by a five member publicly elected Board, was very active in the startup and establishment of the John Muir/Mt. Diablo Community Health Fund. This Fund was created as part of the merger agreement at the insistence of this Board, which requires John Muir Health to contribute, a minimum of, \$1,000,000 annually for grant distribution. The Board has half of the Fund's votes to ensure the District's taxpayers receive a fair share of the grants annually.

In addition, the District brought legal action to stop a breach in the Merger Agreement and to protect the health and wellbeing of the women in this District. The suite was filed for and with the backing of the taxpayers in the cities of Concord, Pleasant Hill and Martinez. This was unsuccessful as the judge hearing the case recused herself for a conflict of interest after the District's funds were exhausted and the District could not afford to start over.

As the legal effort wound down, the Board concentrated on reviewing grant applications submitted directly to the District.

In the 10 year period, 2000-2009, the District participated in giving well over \$10,000,000 in grants, established a CPR Anytime program in the Mt. Diablo Unified School District and maintained an Automated External Defibrillator or AED program throughout the District, and established a Nursing Scholarship.

Organizations such as the Hospice Foundation of the East Bay, La Clinica de la Raza, Rehabilitation Services of Northern California and the Senior Helpline, to name a few, have benefited from these grants.

All of this was done with only 8.44% of taxpayer's funds being used for overhead and regulatory expenses and they still have over \$800,000 available for future health programs (according to the Auditor).

It is unfair to single out the year 2009 while the CPR Anytime program was being developed. It came to a successful fruition in 2010 and 2011 when 6,000 freshman students were trained in CPR and how to use an AED. The District received a Health Care Hero's Award from the San Francisco Business Times.

Because of the recent publicity a number of organizations have applied for grants and are currently being vetted.

The District is needed now more than ever in the past. The high cost of health care and the economic downturn, has increased the need for non-profit organizations to find additional funding to expand their health and wellness services in the District.

It is a waste of LAFCO's funds to spend it on a study of Mt. Diablo Health Care District.

Sincerely,
Grace Ellis