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Editor **David Mills**: Heard some new s you want us to check out? Let me know: [David.Mills@patch.com](mailto:David.Mills@patch.com)

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November 9, 2011  
Agenda Item 12c

## Homes, School Annexed Into San Ramon

LAFCO approves latest plan to bring another piece of the Dougherty Valley into the city limits.

By [David Mills](#) [Email the author](#) 2:07pm

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Another 88 acres, 335 homes and a school are being incorporated into the city limits of San Ramon.

The Contra Costa Local Agency Formation Commission ([LAFCO](#)) approved on Wednesday afternoon the annexation of another slice of Dougherty Valley into the city.

This was the latest annexation from that region stemming from a 1994 agreement, but the process has been slowed by the ailing housing market, creating a situation that is costing [San Ramon](#) about \$3 million in revenue a year.

"It does put a strain on our budget," said City Manager Greg Rogers.

On Wednesday, there were two annexations, the 13th and 14th in this series. The larger one consists of 86 acres and 335 single-family houses in the Gale Ranch subdivision and will add a projected 994 people to the city.

The annexation also includes [Quail Run Elementary School](#).

The second annexation is 2.75 acres and includes the Dougherty Valley Service Center.

The annexations are somewhat a formality. There are usually at least a couple a year. At Wednesday's public hearing, no residents spoke in opposition.

However, commissioner Sharon Burke, an Alamo resident, did question the financial costs of the annexations.

At one point, she asked what would happen if the annexation wasn't approved. She was told the property would remain part of Contra Costa County.

In the end, Burke voted along with the other five commissioners present to approve the proposal.

The annexations are part of an agreement signed in 1994 by San Ramon, Danville, Contra Costa County, Windemere Ranch Partners and [Shapell Industries](#).

This was a 20-year plan designed to bring those properties in unincorporated Contra Costa County into the city of San Ramon.

As each portion is completed and a final subdivision map is filed, an annexation is approved.

"As each little piece is finished, they are brought into the city," said Rogers.

Windemere is pretty much built out. The Gale Ranch subdivision owned by Shapell still has a ways to go.

Rogers said about 8,000 of the 11,000 planned units in Dougherty Valley have been built.

However, when the agreement was signed in 1994, it was thought all 11,000 homes would be completed by 2014.

Right now, Rogers said, there are only about 150 homes being built a year due to the struggling housing market. At that pace, it will take well beyond

2020 to finish.

The problem for the city is they are providing services such as police, fire, park maintenance, street lights and road maintenance to these new neighborhoods.

However, the city only receives a service fee until the annexation is approved. Then, they receive a share of property tax and gas tax.

Rogers said if the homes had been completed on schedule, the city would be "breaking even" in Dougherty Valley. As it now stands, the city is losing about \$3 million a year in potential revenue while still providing services.

"We're filling the gap right now," said Rogers.

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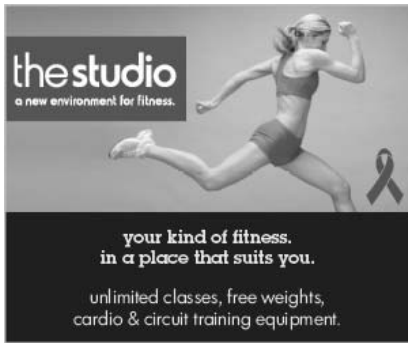
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## Vacancy remains on East Contra Costa fire district board

### Contra Costa Times

Posted: 10/13/2011 12:05:48 PM PDT

Updated: 10/13/2011 12:05:48 PM PDT

Nearly one month after a seat opened on East Contra Costa Fire District's board, there's still only one taker.

The agency's nine-person board lost a director last month when Discovery Bay resident John Jewell abruptly resigned without explanation. He had been appointed to the seat a little more than three months earlier.

The position has been advertised since Sept. 27, both on the county's website as well as on fliers that went up at 15 library branches and in the lobby of the county's administration building.

In addition, Supervisor Mary Piepho said her office notified the advisory councils in her district of the opening as well as everyone on her email distribution list.

Piepho is involved because the region she represents encompasses the fire district, and the vacancy is one of two seats that supervisors appoint. The rest are appointed by the Brentwood and Oakley city councils.

State law requires board-appointed vacancies to be posted for at least 10 business days -- until Oct. 11, in this case -- before county supervisors can appoint a replacement, although they can choose to wait longer if they don't receive enough applications.

As of Wednesday, the county had only one on file.

"It's not uncommon," Piepho said of the tepid response, noting that Jewell was one of only two residents who expressed interest in the set.

The appointment does not come with a stipend.

"It's not unique to this board," Piepho

said. "It's (a lack of) public engagement in local government, period. It's chronic, frankly. People have busy lives, and it's really difficult to commit to a regularly occurring (meeting)."

Cheryl Morgan, the sole contender for the position, agrees.

"Very few people seem to be interested. It's just not a very attractive position because the district is having a lot of financial problems right now, and you're not a hero on anybody's side," she said.

Forced to close two stations last year and expected to exhaust its savings before the end of 2012-13, the fire district board recently decided to put a \$197 annual parcel tax measure on the June ballot.

Morgan, who has been attending the fire district's meetings for about six months on behalf of about 200 homeowners in the Marsh Creek/Morgan Territory area, said she decided to declare her interest in the seat only after learning last week that there still were no candidates.

### Contact Rowena Coetsee at 925-779-7141.

#### TO APPLY

Candidates for the fire district position can apply by downloading an application from the county's website at <http://contra.napanet.net/maddybook>. Applications should be submitted to the Clerk of the Board at 651 Pine St., Martinez, CA 94553. For more information, call Lea Castleberry at 925-820-8683



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Tuesday, October 18, 2011

## City, county come to terms on annexation

City and county agree to share tax revenue from North Pacheco annexation area; deal will push completed annexation application to LAFCO

By

Staff Reporter  
October 18, 2011



[1]

After skipping a scheduled meeting on Oct. 5 due to a "lack of business," the City Council is set to convene as usual on Wednesday evening.

On the agenda are two presentations, a handful of consent calendar items and a discussion of a new transit hub in Pacheco.

Of most importance to those looking forward to the city's planned annexation of North Pacheco, the city and county have come to an agreement on sharing property and sales tax revenue.

After eight meetings between staff of the two governmental agencies since March 2010, they agreed that the city will retain 55 percent of all sales tax generated within the North Pacheco annexation area. Contra Costa County will get 45 percent if LAFCO approves the annexation.

City senior analyst Michael Chandler explained in a report to Council this week that property tax exchange will be based on the same calculations stipulated in a 1980 agreement, but that "the parties also opted to negotiate several terms

outside the scope of the master agreement, which added to the length and complexity of the process."

In exchange for the City taking in more of the sales tax generated from the area, the county gets to retain property tax revenue – estimated at \$13,510 per year – from housing developments already underway, such as Belmont Terrace, for another five years.

75 percent of the Belmont Terrace subdivision has been built by O'Brien Homes, and another 28 lots have been approved for building nearby.

"The county has invested years of effort on these developments; approved the maps, entitlements, and conditions; and allowing the county to see these projects through to completion – within a reasonable time frame – makes sense," said Chandler.

If the council approves the agreement this week, the Board of Supervisors is expected to adopt the same agreement next week. Then LAFCO will be able to consider the application at an upcoming meeting in December.

A required 21-day public noticing period for all affected landowners, registered voters and residents and businesses within 300 feet of the annexation area will occur before LAFCO can consider the application.

If all goes according to the city's plan, the annexation will kick into effect in 2012, and sales tax revenue will flow into city coffers on that date.

Once that occurs, the city must report annual sales tax revenue – expected to be approximately \$25,000 – to the County each year.

"The county will in turn reduce the city's share of property tax revenues by an amount equaling 45 percent of the sales tax revenue received by the city from the annexed area during the preceding tax year," said Chandler.

Now that the North Pacheco annexation into the City of Martinez is edging closer to becoming a reality, city and county officials are ramping up discussions on a planned transit hub located at the juncture of I-680 and Highway 4.

Mayor Rob Schroder said Monday the Pacheco transit hub is a project planned by the Central Contra Costa Transit Authority (CCCTA), the governmental agency that operates the County Connection bus service.

"Plans have been developed and funding was secured, however, the CCCTA does not have the expertise to manage capital projects so the city and the Contra Costa Transit Authority will be taking over," said Schroder.

The Contra Costa Transit Authority is a public agency created in 1988 by county voters "to manage the county's transportation sales tax program and to do county-wide transportation planning," according to the agency.

"This transit hub will help the CCCTA to more effectively serve the transit dependent public and the City of Martinez. It will improve transit service to the Martinez/Pacheco area," said Schroder.

#### Other agenda items

Martinez resident Joyce Cid will be recognized for her work on behalf of the local blind community and the Sons of Italy will provide the Council with an update on the Joltin' Joe restoration project.

City Engineer Tim Tucker is asking the Council to approve \$1.4 million in funding for a project that would replace a 30-foot raw water supply line between the Martinez Reservoir and the city's Water Treatment Plant.

Tucker reports that 12 companies submitted bids on the construction project, which he estimates at a cost of \$935,000.

Concord's Carone and Company submitted the lowest responsible bid at \$949,000.

The city's on-call water consultant, Psomas Engineering, assisted Tucker in preparing the plans, specifications and estimates for the project.

"The existing steel line has broken several times in the past several years and is in need of replacement," Tucker told the City Council in a report this week.

"The new line is planned to go down the center turn lane of Pacheco Boulevard."

The new pipeline will be installed this winter and next spring and is expected to be working in time for next summer's peak water use.

[News](#) [Annexation](#)

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## Dublin San Ramon Services District lowers state retirement payments

By Robert Jordan  
Contra Costa Times

Posted: 10/19/2011 04:02:13 PM PDT

Updated: 10/19/2011 04:02:13 PM PDT

DUBLIN -- The Dublin San Ramon Services District paid off a portion of its pension obligations Tuesday, saving its customers close to \$500,000 in operating expenses each year.

The District's board voted 4-0 to use just over \$4.5 million from various reserve funds to pay off the amount Nov. 1. The move lowers the amount the district sends to the state retirement system known as CalPERS from 17 cents for every dollar spent on payroll to 12 cents for every dollar.

Employees at the district pay the full 8 percent of their salary plus 2 percent of the employer share toward their own retirement.

The expected savings will be calculated into a rate study the district is conducting.

The district provides drinking water and sewer service to Dublin and the Dougherty Valley and sewer service to Pleasanton and parts of San Ramon.

**Robert Jordan covers Dublin and Pleasanton. Contact him at 925-847-2184.**



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## Tax sharing deal for North Pacheco clears way for annexation into Martinez

By Lisa P. White  
Contra Costa Times

Posted: 10/21/2011 05:16:26 PM PDT

Updated: 10/21/2011 05:33:36 PM PDT

MARTINEZ -- A tax-sharing deal between Martinez and Contra Costa County paves the way for the city to annex North Pacheco.

Attracted by the economic development possibilities in the area and the opportunity to clean up a main entrance to Martinez, city leaders want to annex 111 acres along Interstate 680 from Highway 4 north to the BNSF railroad overcrossing.

Before the Contra Costa County Local Area Formation Commission will schedule a hearing on the annexation, the city and county had to work out a deal to share sales and property tax revenue generated by the area. Although, the county has kept as much as 60 percent of the sales tax in the past, under the agreement the City Council approved Wednesday, Martinez will get 55 percent. There's not much retail in the area now, so the city's initial share of that sales tax is an estimated \$25,000 per year. The board of supervisors may consider the tax-sharing agreement at its Oct. 25 meeting.

In exchange for the favorable split, the county will continue to process residential developments in the northwest area of North Pacheco for up to five years. A subdivision of 110 houses is mostly complete and tentative maps have been approved for two other developments -- one with 20 lots, the other with eight.

Martinez and the county agreed to abide by a property tax sharing agreement that dates back to 1980. Under that policy, the city will get \$13,510 annually, which amounts to about 23

percent of the county's share of the property tax at the time of annexation. As the property value increases over time, Martinez will get about 46

percent of the county's portion of the tax increment.

LAFCO may hold a hearing on the North Pacheco annexation in December. However, a required 30-day waiting period means LAFCO won't file the annexation with the State Board of Equalization until next year.

Although Martinez will take over road maintenance, public works and police protection in the area as soon as LAFCO approves the annexation, the city was due to receive property tax revenue after the Board of Equalization adds North Pacheco to the tax rolls in July 2013. The county has agreed to give the city a prorated share of the \$13,510 of property tax for the current fiscal year and the full share for the fiscal year beginning in July 2012.

Michael Chandler, who negotiated the deal for the city, described the arrangement as uncommon.

"It's a win for us to get some remuneration," said Chandler, senior management analyst for Martinez.

Although North Pacheco is a blighted area with little retail activity, Martinez leaders believe the area is ripe for commercial development. Despite the demise of redevelopment, which city leaders had planned to use to inject funding into the area, Mayor Rob Schroder believes hotels, offices and shopping could flourish there one day.

"Any place you have two major highways intersecting always has economic development opportunities," he said.

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There are some changes coming to the area. A short distance up Highway 4, 12,272 housing units and 6 million square feet of commercial space are proposed for the former Concord Naval Weapons Station. On the north side of Highway 4, planned upgrades to the existing park-and-ride lot on Blum Road -- including repaving, bicycle amenities, lighting and a new bus transit hub -- may bring more commuters to the area and make it more attractive to developers. Set to begin construction next summer, the \$2.6 million project is a joint project of County Connection, Caltrans and the Contra Costa Transportation Authority.

Lisa P. White covers Martinez and Pleasant Hill. Contact her at 925-943-8011. Follow her at [Twitter.com/lisa\\_p\\_white](https://twitter.com/lisa_p_white).



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## Public hospitals carry burden of charity care despite big tax breaks for nonprofits

By **Sandy Kleffman**  
Contra Costa Times

Posted: 10/23/2011 12:01:00 AM PDT

Updated: 10/23/2011 02:33:30 AM PDT

The East Bay's nonprofit hospitals receive millions of dollars in tax breaks each year to care for the poor and uninsured, yet they provide only a fraction of local charity care, a Bay Area News Group analysis reveals.

The responsibility of caring for the indigent falls largely on the region's public hospitals, which struggle under the weight.

County-owned Contra Costa Regional Medical Center in Martinez, propped up by a nearly \$40 million annual public subsidy, spent 23 percent of its operating expenses on charity care in 2010. The nonprofit John Muir Medical Center in Walnut Creek, in comparison, spent 1.7 percent.

Similarly, in Alameda County, the county-owned Highland Hospital in Oakland spent more than 15 percent of its operating expenses on charity care, while the nonprofit Alta Bates Summit Medical Center spent 2.4 percent.

Debate has intensified nationally about whether nonprofit hospitals do enough to justify their lucrative, tax-exempt status.

"We are giving literally millions of dollars of tax breaks to major hospital chains, and what are we getting in return?" said Anthony Wright, executive director of Health Access California, a consumer advocacy group.

In August, Alameda County Supervisor Wilma Chan and Senate Majority Leader Ellen Corbett, D-San Leandro, won legislative approval for a state audit that will examine the issue at a sampling of California institutions.

"We're doing this because there are

some nonprofit hospitals in our area that we feel have probably not adequately fulfilled their charity care obligations," said Chan, who declined to name the institutions.

Whether the hospitals are flouting the terms of their nonprofit status is hard to say, because federal and state laws contain only hazy guidelines about what the hospitals must do to qualify for tax breaks.

To shed light on the debate, the Bay Area News Group analyzed charity care at East Bay hospitals in two ways. It looked at what percentage of operating expenses each hospital devotes to charity care. It also computed countywide charity care totals and looked at how the total is divided among the hospitals.

Charity care refers to free or discounted hospital services delivered to low-income, uninsured patients.

In Contra Costa, the county hospital alone accounted for more than 75 percent of the countywide charity care total in 2010.

The county's six nonprofit hospitals together provided slightly less than 23 percent.

Doctors Medical Center in San Pablo, a district hospital, delivered 1.3 percent of the total, and the East Bay's only for-profit hospital, San Ramon Regional Medical Center, provided 0.2 percent.



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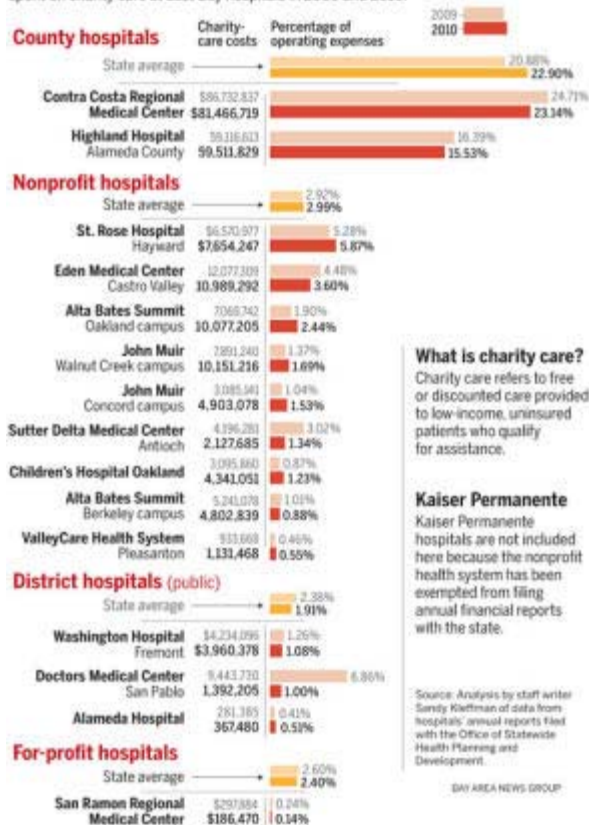
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In Alameda

County, Highland accounted for more than 53 percent of the countywide charity care total in 2010.

## Hospital charity care

Despite the hefty tax breaks that nonprofit hospitals receive to care for the poor, county hospitals devote a much larger portion of their operating expenses to charity care. Here are dollar amounts and the percentages of operating expenses spent on charity care at East Bay hospitals in 2009 and 2010:



### What is charity care?

Charity care refers to free or discounted care provided to low-income, uninsured patients who qualify for assistance.

### Kaiser Permanente

Kaiser Permanente hospitals are not included here because the nonprofit health system has been exempted from filing annual financial reports with the state.

Source: Analysis by staff writer Sandy Kiehlman of data from hospitals' annual reports filed with the Office of Statewide Health Planning and Development.

BAY AREA NEWS GROUP

Click on image to enlarge.

All told, Alameda County's nine nonprofit hospitals provided slightly less than 43 percent.

The two district hospitals delivered 3.9 percent.

The nonprofit hospitals note that they spend millions of dollars each year on other services such as mobile health vans, free screenings, no-cost surgeries for low-income people, support for clinics and community programs, educational classes and medical research.

"Charity care is extremely important to us, but it's just one component of our overall community

benefit," said Dr. Steve O'Brien, vice president of medical affairs at Alta Bates Summit Medical Center in Oakland and Berkeley.

Hospitals in wealthier areas also argue that fewer uninsured patients seek to use their services.

Because John Muir's facilities are in Walnut Creek and Concord, it tends not to get as many people who lack coverage as hospitals in lower-income areas, said Lynn Baskett, executive director of the John Muir Community Health Alliance.

In the neighborhoods around Pleasanton's ValleyCare Health System, the median family income is more than \$120,000, notes Ken Jensen, chief financial officer.

"We can't force people to come here for charity care," Jensen said.

But patients can travel, countered Contra Costa Supervisor John Gioia.

"All of these hospitals are in counties that have large numbers of patients who need hospital services and can't pay for them," Gioia said. "So the argument that you're located in a high-income area doesn't hold water."

Gioia leads the board overseeing Doctors Medical Center, which is striving to avert its second bankruptcy in five years.

"We could lose an important institution in West County if there isn't a more equitable sharing of

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charity care services," Gioia said.

The Bay Area News Group computed statewide charity care averages and examined institutions in Alameda and Contra Costa counties using hospital financial reports filed with the state.

An analysis of charity care as a percentage of each hospital's operating expenses reveals:

- Five of the East Bay's nonprofit hospitals have charity care levels well below the statewide nonprofit average of 2.99 percent of operating expenses.
- Charity care rose dramatically at the two county hospitals from 2005 to 2010. At Contra Costa Regional, it jumped from \$57 million to \$81 million. At Highland, it rose from \$27 million to \$59 million.
- St. Rose Hospital in Hayward, despite recent financial struggles, had the highest level of charity care among nonprofits at 5.9 percent of its operating expenses, or nearly double the state average.
- Charity care has declined sharply at the nonprofit Sutter Delta Medical Center in Antioch, dropping from \$5.5 million in 2005 to \$4.2 million in 2009 to \$2.1 million in 2010. The 2010 amount is 1.3 percent of the institution's operating expenses. Sutter Delta spokeswoman Angela Juarez-Lombardi said the hospital has lowered its charity care costs by signing up more than 700 uninsured patients for Medi-Cal coverage during a 13-month period. The hospital also operates an urgent care clinic for the uninsured next to its emergency department that sees more than 5,000 patients annually. The stakes in the debate are high. Nationwide, nonprofit hospitals enjoy tax exemptions estimated at \$12 billion to \$20 billion annually. Sen. Charles Grassley, R-Iowa, is among those who have called for more scrutiny of nonprofits, urging the IRS to investigate whether the institutions do enough to justify their tax breaks. Grassley once suggested requiring nonprofit hospitals to devote at least 5 percent of expenditures to care for the poor, but he backed off that idea this year, saying that setting minimums could discourage some institutions from doing more. The East Bay hospitals with charity care

levels well below the statewide nonprofit average of 2.99 percent of operating

expenses were:

- John Muir in Walnut Creek at 1.7 percent.
- John Muir in Concord at 1.5 percent.
- Sutter Delta at 1.3 percent.
- Alta Bates Summit in Berkeley at 0.9 percent.
- ValleyCare in Pleasanton at 0.6 percent.

Children's Hospital Oakland had a charity care level of 1.2 percent, but its numbers are not necessarily comparable because more children than adults are insured and so do not need charity care. Nonprofit hospitals were required on their 2009 IRS forms for the first time to estimate the value of their broader community benefits, in addition to charity care. But what can go into such tallies has been vigorously debated. Consumer advocates question the validity of including costs such as medical research, educational programs and services the hospitals may offer to attract patients. "Some of these things are very nice and good and helpful, but a lot of things also end up being marketing for the hospital, whether it be showing up at fairs or handing out a car seat to a pregnant woman" to encourage her to deliver at the hospital, Wright said. The hospitals respond that it is unfair to judge them on charity care alone. John Muir estimated its community benefits at more than \$37 million in 2009, including free breast and cervical cancer screenings for

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nearly 500 low-income women, a mobile health clinic and a \$1.6 million annual donation to a community health fund. Gioia praises John Muir and Kaiser Permanente for helping keep Doctors Medical Center open. After Doctors declared bankruptcy in 2006, Kaiser donated \$12 million to the hospital over three years and John Muir contributed \$3 million. This year, as Doctors again teetered on the verge of bankruptcy, Kaiser gave \$4.2 million more. The Bay Area News Group could not compile comparable charity care numbers for Kaiser hospitals because the nonprofit health system does not file annual financial reports like other hospitals. Kaiser estimated it invested more than \$1 billion in programs and services that benefited communities statewide in 2009, including more than \$18 million in contributions to such Northern California institutions as Asian Health Center, La Clinica de la Raza, Lifelong Medical Care and school-based health centers in Oakland. Alta Bates Summit estimated its community benefits at more than \$87 million in 2009, including contributing to the Berkeley Primary Care Access Clinic, providing free discharge prescriptions, supporting asthma management, AIDS, diabetes and cancer centers and contributing to health ministries. ValleyCare put the value of its community benefits at \$10 million, including supporting a mobile health unit, health centers at Chabot and Las Positas colleges, disease support groups, a lactation program, educational seminars and a nursing school. Such programs are beneficial, consumer advocate Wright agreed, but he noted that only charity care eliminates some or all of the medical bills for low-income people who need emergency hospitalization. Charity care reporting rules are also clearer, enabling more valid comparisons. The nonprofit hospital with the highest level of charity care in the East Bay, St. Rose in Hayward, is going through severe financial challenges. In July, St. Rose asked Alameda County supervisors to help it obtain an emergency grant to ensure it could meet its payroll. Last month, it announced plans to lay off nearly 10 percent

of its workforce. Despite such difficulties, St. Rose delivered \$7.7 million worth of charity care in 2010, or 5.9 percent of its operating expenses. "If you're not paying taxes, then you need to provide a measurable benefit to the community to justify that status," CEO Michael Mahoney said. Charity care at Doctors Medical Center, a financially struggling public hospital, plunged from \$9.4 million in 2009 to \$1.4 million in 2010. Although nearly one-fourth of Doctors' emergency room patients are uninsured, the hospital has been successful at signing up large numbers of people for Medi-Cal coverage so they do not need charity care, said Chief Financial Officer Jim Boatman. Other patients are in and out of Doctors' emergency room so quickly the hospital has been unable to get them to fill out the applications to qualify for charity care, "so those are just written off as bad debt, but we'll never collect on them," Boatman said. Doctors had \$11.6 million in bad debt in 2010. In recent months, the county general fund subsidy of nearly \$40 million for Contra Costa Regional Medical Center has been hotly debated. Several law enforcement leaders have sharply criticized the spending, arguing that it forces deep cuts in other county programs. But the same economy that compels county budget cuts is pushing more patients to the hospital, its chief said. "We have seen an unprecedented increase in demand," CEO Anna Roth said.



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"The economy has played a significant role in upping the pressure on the public hospitals." Chan said lawmakers should consider revising the definition of community benefits and should scrutinize whether hospitals do enough to earn their tax exemptions. "We're in a new situation with health care reform coming," she said. "We have hospitals in distress. We have more uninsured because people have lost jobs. So this may be a good

time to re-examine the whole system."

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## Concord hospital district trying to resuscitate self

By Lisa Vorderbrueggen  
Contra Costa Times

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An obscure Central Contra Costa County public health district with no hospital, declining tax revenue and rising costs is trying to avert extermination.

With a dissolution vote likely to take place early next year, the embattled Mt. Diablo Health Care District has in the past two months retained an attorney, handed out tens of thousands of dollars in grants and voted to hire its first-ever general manager.

"It's like the phoenix rising," said Grace Ellis, district president and a 23-year veteran of the board. "The health district is alive and well."

However, the district's attempt to transform itself into an indispensable public service and avoid elimination has angered critics.

Four different grand juries have called for its elimination, all saying it has outlived its purpose and spends most of its money on overhead.

The Contra Costa Local Agency Formation Commission, or LAFCO, the regulatory agency with the power to disband the district, voiced concerns about its fiscal health three years ago and this year agreed to study dissolution.

The Contra Costa Taxpayers Association, which successfully petitioned the commission to study dissolution, is particularly livid over what it characterizes as the district's intentional move to spend down its \$800,000 in reserves before the commission's vote.

"It is the district's futile quest to become relevant," said Kris Hunt, executive director of the taxpayers association. "They

cannot sustain this spending. Their administrative costs eat up most of the money, and that number

will only go up. And they have an unfunded obligation for retiree health care of about the same amount as they have in reserves."

LAFCO's task is to evaluate whether the health district is fulfilling and can afford its mission. The commission hired a consultant and expects a report in January.

"I'm not going to prejudge the outcome of the study," said Don Tatzin, a veteran LAFCO commissioner and a Lafayette city councilman. "But if you look at the district's annual costs and its annual revenues over the long-term, there just isn't that much money to put into programs."

Dissolving the district would work as long as LAFCO restructures the deal to ensure the protection of the hospital in Concord, said Ron Leone, a former board member and a current Concord city councilman.

"If the district folds, how do we go about ensuring that the merger agreement voted by the people stays intact and John Muir cannot decide some day in the future to close the Concord hospital?" Leone asked. "Can it be protected without a district? Yes, I think it can. But those things need to be addressed."

Voters created the district in 1948 as part of a parcel tax that paid for a new Concord hospital.

When the district fell on hard financial times in 1996, voters turned the hospital over to the private John Muir Health in exchange for a guarantee that the company maintain services and donate \$1

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million a year for unmet health needs.

The district also collects \$25,000 from John Muir and about \$230,000 a year in property taxes from a slice of the 1 percent annual property tax. The district boundary encompasses about 200,000 residents in Concord, Martinez, Clyde, Pacheco and portions of Lafayette and Pleasant Hill.

In June, the grand jury found that the district had collected \$2.4 million from 2000 to 2009.

It awarded \$244,000, or 10 percent, in community grants. It spent \$600,000 on an unsuccessful lawsuit against John Muir in a dispute over the hospital's decision to close the hospital's birthing center.

The district spent the balance on administrative costs, elections, and pension and health benefits for Ellis and Leone, the only two eligible directors.

"This is a district whose original mission has been completed, and one that only sporadically provides services to the community," a grand jury wrote in June.

The free, lifetime health, dental and vision coverage for Ellis, Leone and their dependents is by far its most controversial expense -- \$360,000 from 2000 to 2009, plus \$1,900 a month each in 2010 and 2011 -- although both say they are exploring ways to cut the cost.

Ellis, 85, said she has applied for Medicare, and the district will pick up a less expensive supplemental plan.

Leone, 61, proposes to shift his coverage to the city of Concord's plan. He requests district reimbursement of \$500 to \$800 a month, the employee's share of the premium.

Neither would lose coverage; They simply propose to shift some of the cost to other pots of public money.

It's unclear how much a shift would reduce the district's long-term obligation. Without changes, an analyst who calculated the future benefit costs put the number at about \$714,000, a figure just shy of the district's \$800,000 in budget reserves.

The district also is generating critics' anger over its

October grant awards of more than \$140,000 for programs that appear vaguely related to health services, such as free breakfast and lunch for schoolteachers, a homeless transition program and youth mentoring at the Contra Costa Police Athletic Association.

The board deferred a \$25,000 request from La Clinica that would pay for equipment in its expanded primary health care clinic in Concord's Monument Boulevard corridor.

In contrast, a district committee this month recommended approving a \$30,000 grant to The Center of Well Being in Concord, which offers to developmentally disabled adults body healing services such as reflexology, sacred drumming and aromatherapy.

"Who can blame them for asking?" said an astonished Wendy Lack, also with the taxpayers association. "The district rang the dinner bell. 'Come on down! Free money!'"

The district is best known for its cardiopulmonary resuscitation, or CPR, training for 6,000 high school freshmen and the installation of defibrillators in community centers and schools.

If the district survives LAFCO's dissolution vote, the key to the district's survival is clearly more money for staff and a strategic plan, Ellis agreed.

"I've had a long time to think about this, and collaboration is where it is at," she said. "No one organization can do all they want to do. We are

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## Contra Costa Times editorial: Mt. Diablo Health Care District should be shut down

Contra Costa Times editorial  
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Posted: 10/30/2011 04:00:00 PM PDT

In case there was any lingering doubt, directors of the Mt. Diablo Health Care District have once again proven they can't be trusted with public money.

With the Contra Costa Local Agency Formation Commission studying whether to disband the almost-useless district, directors have started a spending spree, dipping into funds that are needed to pay off its debts.

In the past two months, the district has retained an attorney, voted to hire its first general manager and approved \$140,000 in grants. The money will go to programs that have little or no relationship to health care, the supposed mission of the district. That includes free breakfast and lunch for school teachers, a homeless transition program and youth mentoring at the Contra Costa Police Athletic Association. The attorney has clearly been retained to fend off the LAFCO review.

The directors apparently think that rushing to spend their money after years of near dormancy will somehow demonstrate the health district serves a function. Instead, it just confirms that they are fiscally reckless.

After collecting nearly \$2.5 million in property taxes and grants from 2000-09, the district spent just \$244,000 for health programs. During that same time, it spent \$360,000 on health coverage for Director Grace Ellis, who for years has run the district as her own private fiefdom, and former Director Ron Leone, currently a member of the Concord City Council. And it spent \$600,000

unsuccessfully suing John Muir Health.

The district once had a purpose, to oversee the

operation of the Mt. Diablo Medical Center in Concord. But in 1997, the board agreed to merge the hospital with the private John Muir system.

Mt. Diablo directors claim they need to keep the district alive to ensure John Muir doesn't shut down the Concord hospital. It seems pretty clear that John Muir's expenditure of \$325 million to rebuild and expand the facility put to rest any doubts about its intentions.

As of last summer, the district had \$899,000 in assets, and almost as much in liabilities.

The biggest obligation was the future cost of the promised lifetime health care coverage for Ellis and Leone. Supposedly, the two are working on other coverage to reduce that liability. But even if they do so, that doesn't justify wastefully spending the money elsewhere while LAFCO studies the health district's future.

Clearly, it's time to end this charade. We urge LAFCO to act quickly and decisively.

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