



Lou Ann Texeira  
*Executive Officer*

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*Special District Member*

December 14, 2016  
 Agenda Item 8

December 14, 2016 (Agenda)

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

**West Contra Costa Health Care District – Special Study – Final Draft**

Dear Commissioners:

**BACKGROUND:** In April 2016, LAFCO initiated a special study of the West Contra Costa Healthcare District (WCCHD). In September 2016, the Commission received an overview of the Public Review Draft which provided a brief history of the District, a summary of health care needs in West Contra Costa County, an overview of the current status of WCCHD, and a synopsis of governance options.

The Public Review Draft Study was subject to a 30-day public comment period, during which time LAFCO received comment letters from the following parties (see attached):

- ✚ WCCHD
- ✚ County Supervisor John Gioia, District I
- ✚ Contra Costa County Health Services
- ✚ City of San Pablo
- ✚ City of Richmond
- ✚ Los Medanos Community Healthcare District (LMCHD)
- ✚ Wendy Lack, Contra Costa resident

Following the public comment period, LAFCO received additional letters from the WCCHD and the Hospital Council of Northern and Central California. Copies of all letters are attached.

The majority of commenters expressed support for a governance option that would preserve funding to meet the critical healthcare needs in West Contra Costa County.

**DISCUSSION:** The special study provides findings; a synopsis of state, county and West County healthcare district issues; governance options; and an update on the recent WCCHD bankruptcy filing.

**Major Findings** - Major findings identified in the study include the following:

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

**Governance Options** – The report provides a number of governance options, as summarized below, along with advantages, disadvantages, and the LAFCO process associated with each option. Some of the options identified in the report would enable the continuation of property and possibly other taxes to fund healthcare purposes in the community; while other options provide for dissolving WCCHD and naming a successor agency to wind up the affairs of the District.

- **Maintain the Status Quo** – WCCHD would remain intact, and the Board of Directors would continue to be elected and conduct district business. The District's mission would shift from hospital ownership and oversight to other forms of provision of healthcare service, following payment of debts.
- **Consolidation with LMCHD** - This option would consolidate the WCCHD with the LMCHD, which are "like" districts formed under the same statutes. The boundaries of the consolidated entity would correspond to the combined boundaries of the two existing districts (non-contiguous). The current share of WCCHD property taxes would be collected by the consolidated entity, subject to existing obligations to the County; these revenues would be available for use throughout the consolidated entity unless a zone is created to geographically restrict use of the revenues. An advisory board could be established to oversee and guide the use of funds collected and expended within the prior WCCHD boundaries. Existing LMCHD staff would be responsible for staff support, with direction from the Board of the consolidated entity. LAFCO could establish terms and conditions related to the initial and ultimate composition of the consolidated Board.

In July 2016, LMCHD submitted a letter to LAFCO indicating that the LMCHD Board of Directors does not wish to consolidate with the West Contra Costa Healthcare District.

- **Reorganize as a subsidiary district** - A subsidiary district to the City of Richmond could be created to continue providing healthcare services. In accordance with State law, the City would have to comprise at least 70% of land area and at least 70% of the registered voters within the subsidiary district. Under this scenario the WCCHD is not dissolved, and becomes a subsidiary district of the City with the Richmond City Council serving as the governing board of the subsidiary district.

Under the current configuration of the WCCHD, the City of Richmond could not be named the successor agency for the purpose of continuation of WCCHD services because neither the City's land area is (44%) nor number of registered voters (39%) meet the required 70%, as the current WCCHD boundaries overlap other cities and various unincorporated communities. In order for the City of Richmond to meet the 70% thresholds, the boundary of the WCCHD would need to be reduced to about 63%, resulting in a significant reduction in total revenues (property tax and parcel tax). The parcel taxes represent a lien on secured property, and it is not expected that this lien could be reduced by a reorganization and boundary change.

- **Consolidation with County Service Area EM-1 (CSA EM-1)** – under this scenario, LAFCO would combine two districts with healthcare-related services, but which are “unlike” districts formed under different statutes. The resulting district would be a CSA encompassing the entire county, although a separate zone could be created to correspond to the prior WCCHD boundaries in order to segregate specific revenues and services. The current share of WCCHD property taxes would be collected by the consolidated entity, subject to existing obligations to the County; these revenues would be available for use throughout the consolidated entity unless a zone is created to geographically restrict use of the revenues. Existing County staff would be responsible for staff support, with direction from the Board of Supervisors. An advisory board could be established to oversee and guide the use of funds collected and expended within the prior WCCHD boundaries.

CSA EM-1 was established in 1989 to provide funding for enhanced emergency medical services including expansion of paramedic services, upgrades to EMS communications system, and additional medical training and equipment for fire first responders. There would be some complexities with combining WCCHD and CSA EM-1; and initial discussions with County staff and officials indicate a lack of interest in this option.

- **Reorganization with creation of a new CSA** - County service areas are typically formed to fund “miscellaneous extended services” that a county is authorized by law to perform and does not perform to the same extent countywide. The County could consider creating a new CSA, with the approval of the five cities within the WCCHD service area and, essentially, annex the WCCHD into the new CSA. Under this option, the County would apply to LAFCO to form a new CSA to function as successor to the WCCHD; and any assets and liabilities would be transferred to the new CSA. The County Health Services department, under the direction of the County Board of Supervisors, could administer the CSA.
- **Dissolution with appointment of successor to wind-up affairs** - Dissolution would eliminate the WCCHD. After the obligations of the WCCHD have been paid, the 2004 parcel tax would cease and reallocation of the District's share of the ad valorem property taxes would be subject to a property tax transfer agreement per the County's approval. The tax transfer agreement could potentially allocate the remaining ad valorem property

tax to the County for healthcare purposes, at the discretion of the Board of Supervisors. LAFCO appoints a successor agency to wind up the affairs of the dissolved district.

At their meeting on November 15, 2016, the Contra Costa County Board of Supervisors took action to fill two vacancies on the WCCHD board, expressed its support to preserve funding to meet healthcare needs in West Contra Costa County, and requested that LAFCO defer any decision to dissolve/reorganize the WCCHD pending the bankruptcy proceedings (as discussed below).

***Other Issues*** - With regard to the various governance options, the report notes the following:

- ❖ Taking no action regarding the future of WCCHD does not appear to be an option preferred by either WCCHD or County representatives. However, if no action is taken, WCCHD will continue to incur election costs as well as significant administrative costs with no clear ability to provide services in the near future.
- ❖ Maintaining the status quo, consolidating WCCHD with Los Medanos Community Healthcare District (LMCHD), and establishing a subsidiary district, are the least viable options as explained in the study.
- ❖ Consolidation with CSA EM-1 and reorganization/creation of a new CSA to continue services both require County participation. These options will likely depend on whether the County determines that the financial challenges in taking over the assets and obligations of the WCCHD are balanced by the opportunity to preserve some or all of the current revenues for the provision of healthcare in West County. The formation of a new CSA would require support from the five West County cities to be part of a CSA. Further, the County would need to apply to LAFCO to form the new CSA, and would be required to provide a plan for providing services that includes identification of revenue sources to fund services. Formation of a new CSA is also subject to an election. It is likely that the property tax currently being allocated to WCCHD would be allocated to the new CSA; however, it is unclear whether the parcel tax would automatically be transferred to the new CSA, or whether voter approval would be required in order to continue the parcel tax. The CSA options would result in replacing the current directly elected WCCHD board with the County Board of Supervisors (BOS). Two of the five members of the BOS are elected by residents in West Contra Costa County (one supervisorial district is wholly within West County and one is partially in West County). Any concern regarding local (i.e., West County) representation could be partially mitigated by creation of an advisory body.
- ❖ The District or the County could seek special legislation that would allow the BOS to appoint the District's governing body. The BOS could decide to appoint themselves or members of the community. The appointed board could be either permanent or temporary. This option would keep the District intact while eliminating election costs, and enable County oversight during the next ten-year period of relative inactivity by the District. This District could remain County-dependent, or return to independence in the

future. This option would require the County's cooperation but would not require voter approval.

**Bankruptcy** – On October 20, 2016, the WCCHD filed Chapter 9 bankruptcy. The purpose of Chapter 9 bankruptcy is to obtain relief from creditor collection actions and allow the District time and access to the funds necessary to effect a “plan of adjustment” of the District's debts. Reorganization of the debts of a public agency, such as the District, is typically accomplished either by extending debt maturities, reducing the amount of principal or interest, or refinancing the debt. Although similar to other bankruptcy chapters in some respects, Chapter 9 is significantly different in that there is no provision in the law for liquidation of the assets of the public agency and distribution of the proceeds to creditors. The functions of the bankruptcy court in Chapter 9 cases are generally limited to approving the debtor's bankruptcy petition, confirming a plan of debt adjustment, and overseeing the plan implementation.

The bankruptcy court will determine the timing and disposition of assets and liabilities; sale of the hospital building could occur during that time. The bankruptcy proceedings may take up to 12 months to complete. During that period, bankruptcy counsel and the court may look to LAFCO, the WCCHD, and the County to formulate a strategy for the post-bankruptcy governance of the District, which would ultimately be reflected in the bankruptcy plan of adjustment.

The District continues to face a number of challenges, including the recent bankruptcy filing, service needs and substantial debts totaling about \$100 million. If LAFCO is inclined to dissolve the District, it might be prudent to defer dissolution while the bankruptcy case is proceeding, to allow additional time for the District and County to determine whether special legislation or other solutions could be explored to assist the County in its efforts to preserve funding to meet the healthcare needs of West Contra Costa County after the bankruptcy has resolved the Districts' outstanding debt.

At the December 14, 2016 LAFCO meeting, the Commission will receive an overview of the Final Draft Special Study and be asked to provide input and direction.

## **RECOMMENDATIONS**

Accept study with changes as desired and provide direction as appropriate.

Sincerely,

LOU ANN TEXEIRA  
EXECUTIVE OFFICER

c: Distribution

## WEST CONTRA COSTA HEALTHCARE DISTRICT

Contra Costa Local Agency Formation Commission  
651 Pine Street, 6<sup>th</sup> Floor  
Martinez, CA 94553

Re: Public Comment on Public Review Draft Report Special Study of Governance  
Options West Contra Costa Healthcare District

Dear Commissioners:

The West Contra Costa Healthcare District (WCCHD), its Board and management, have appreciated the ongoing opportunity afforded by LAFCO to have input into the study and draft work of the Commission's consultant and Executive Director. The District Board of Directors at its October 19, 2016, meeting reviewed the Draft Special Study (Study) dated August 18, 2016, and authorized me to submit these comments. The District as you know is currently struggling with the wind up of the business of Doctors Medical Center, including a challenging panoply of long term and short term debts left from the District's long effort to keep the Hospital operating. As the District's long struggle to maintain health services for our underserved community testifies, the District supports the Study's findings covering the continuing needs of our communities, especially the stark lack of emergency services and other healthcare gaps identified by the Study.

The District joins with Contra Costa County, the City of Richmond, and the City of San Pablo in their public comments submitted to the Commission calling for a solution to the District's future that maintains the District's tax revenues, consistent with the intent of the voters, to meet the many healthcare access needs of the residents of West Contra Costa.

The District is currently undertaking a rather herculean effort to reorganize its debts, assets, and revenues in an attempt to wind up the operations of DMC in a reasonable and rational manner. Rather than face an otherwise chaotic demand on its assets and resources, the District views Chapter 9 bankruptcy reorganization as the best means of bringing order to its financial crisis, and meeting the District Board's desire to wind up DMC's affairs in the best interests of the taxpayers, the District's former employees, and the District's healthcare partners and creditors. Within that present context, the District views the LAFCO Study to be an extension of its own effort toward short term solutions, with the Study's reorganization models representing potential subsequent, long term solutions.


Although there are those who believe the District's status quo could be somehow maintained into the future, the District Board and management believes the Study's proposed consideration of the creation of a new County Service Area (CSA) is a

reasonable model. The District shares the support of Contra Costa County, and the Cities of San Pablo and Richmond, for a model of reorganization that maximizes long term dedicated healthcare funds for West Contra Costa health services. The District as a separate legal entity will essentially have no other function than administering its own overhead and the payment of its debts for perhaps the next 15 years. This is an unfortunate reality of the aftermath of this community's valiant efforts to maintain the emergency and related healthcare services of DMC as long as possible. If the creation of a West County healthcare dedicated CSA, and merger of this District into that agency as the culmination of a District reorganization, proves the best means of maximizing healthcare funding and minimizing agency overhead, then our District can support that model. We also join with the County and the Cities in suggesting that such a reorganization needs to create direct governance by representatives of our West Contra Costa communities.

Although the District can support a new CSA, or a similar vehicle for reorganization, the District wants to repeat our suggestion that the process and its multiple proceedings, including LAFCO and local agency approvals and an election, seem cumbersome, costly and time consuming. Perhaps a legislative reorganization could be enacted? We note recent legislation impacting the Eden District in Alameda County. The intent of the CSA model suggested in the Study is to combine maximizing West Contra Costa healthcare funding while minimizing the District's operational and governance overhead, particularly the huge election expense associated with the large size of the District. Could this intent be accomplished by legislation simply reorganizing the District into the equivalent of a new CSA, or perhaps a reorganization of the existing WCCHD into a healthcare district with a governance structure similar to that of the proposed new CSA?

The District Board and its management look forward to working with the Commission and its staff on these challenging issues confronting the ongoing health service needs of West Contra Costa.

Very Truly Yours,



Eric Zell, Chair

West Contra Costa Healthcare District

WEST CONTRA COSTA HEALTHCARE DISTRICT

Received by LAFCO  
September 14, 2016  
1:50 p.m.

September 14, 2016

Chairman Don Tatzin and members of the LAFCO  
651 Pine Street, 6th Floor  
Martinez, CA 94553

VIA EMAIL

Dear Chairman Tatzin and members of the LACO Board:

First, I want to thank you very much for conducting the special study on the future disposition of the West Contra Costa Healthcare District (District). In light of the unfortunate closure of Doctors Medical Center in April 2015, it is clearly the appropriate time to understand the various options that should be considered by your Commission, as well as our Board, regarding the future disposition of the District.

Unfortunately, our District is holding our Board meeting at approximately the same time as your meeting, so we cannot be attendance. I have reviewed the study and appreciate the opportunity to provide comments and input.

While the Board has not taken a position yet, and we will be discussing the study at today's Board meeting, I believe I can represent the following concerns and comments:

- Whatever the future holds for the District, it is critical to assure that the District's debt to Contra Costa County and our Certificates of Participation (COPS) are paid off in the required timeframes based on existing agreements.
- Secondly, once the debt is paid off, I recommend that LAFCO strongly consider maximizing the opportunity to keep existing tax revenues (assessed value and special parcel tax) to address existing and growing health care needs for the West County community.
- Third, I believe it would be prudent to minimize or eliminate any on-going expenses for the operations and administration of the District, including the costs of future district elections.
- Lastly, it is essential to assure the competent governance for the future oversight of District activities.

Thank you again for the opportunity to provide you my comments. We look forward to continue to work with LAFCO on the future disposition of the District. Our Board will provide



WEST CONTRA COSTA HEALTHCARE DISTRICT

a more formal Board position, once we have had the opportunity to discuss the study at today's meeting and take a position at our meeting in October.

Respectfully,

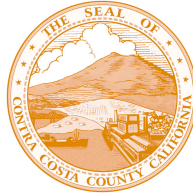


Eric Zell, Chair  
West Contra Costa Healthcare District

CC: Lou Ann Texeira, Executive Officer  
West Contra Costa Healthcare District Board  
Bobbie Ellerston, Acting CEO

John Gioia (say “Joy-a”)  
District One  
Board of Supervisors

# Contra Costa County



11780 San Pablo Avenue, Suite D  
El Cerrito, CA 94530  
Phone: (510) 231-8686  
Fax: (510) 374-3429

September 14, 2016

LAFCO  
651 Pine St., 6<sup>th</sup> Floor  
Martinez, CA 94553

Re: West Contra Costa Healthcare District Special Study on Governance Options

Dear LAFCO Commissioners and Staff:

As the County Supervisor representing the area which covers most of the West Contra Costa Healthcare District (cities of Richmond, San Pablo, El Cerrito, Pinole and adjacent unincorporated communities), I want to provide some comments on behalf of West County residents regarding LAFCO’s Special Study.

The draft study is very thorough in setting forth the healthcare issues and needs in West County and the available governance options. The study clearly identified one of the major health care gaps in West County – the shortage of emergency rooms beds. Contra Costa County Health Services has also issued reports concluding that there is a critical shortage of emergency room beds in West County.

The LAFCO study accurately concludes that while there are 160 emergency medical treatment stations in Central County (for a population of 513,000) and 69 in East County (for a population of 303,900), there are only 27 in West County (for a population of 254,800). This disparity is striking.

Shortly after the closure of Doctors Hospital, the County, Kaiser, and John Muir Medical helped support the establishment of a vital Urgent Care facility across the street from the now closed Doctors Hospital. This facility, operated by LifeLong Medical (a non-profit community health clinic) serves an important need.

It is vital that existing tax revenues which are earmarked solely for local healthcare in West County be maintained to support the existing healthcare gaps that exist in West County. The West Contra Costa Healthcare District currently receives a portion of the 1% ad valorem property tax (totaling about \$3 million per year) and a \$52 per year voter approved parcel tax (totaling about \$6 million per year).

West County residents are served by a governance option which preserves this important funding (both the ad valorem property tax revenue and parcel tax revenue). Once the District’s debt is paid off, this existing funding can be used to support a range of healthcare services – primary care, urgent care or emergency care. Healthcare districts are authorized under state law to do

Email: [John\\_Gioia@bos.cccounty.us](mailto:John_Gioia@bos.cccounty.us) • Website: [www.cocobos.org/gioia](http://www.cocobos.org/gioia)

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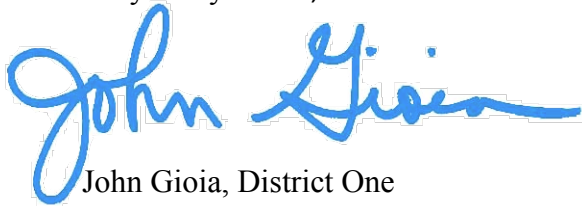
EAST RICHMOND HEIGHTS ♦ EL CERRITO ♦ EL SOBRANTE ♦ KENSINGTON ♦ MONTALVIN MANOR  
NORTH RICHMOND ♦ PINOLE ♦ RICHMOND ♦ ROLLINGWOOD ♦ SAN PABLO ♦ TARA HILLS

more than operate hospitals – they are permitted to provide a broad range of healthcare services, including urgent care.

One of the possible governance options to help meet West County’s healthcare funding needs and which deserves further analysis and study is the option to create a new County Service Area for the express purpose of healthcare services in West County (page 31 of the study).

Thank you for the opportunity to provide input in this draft study.

Very Truly Yours,

A handwritten signature in blue ink that reads "John Gioia". The signature is fluid and cursive, with the first name "John" being larger and more prominent than the last name "Gioia".

John Gioia, District One



9/14/2016

LAFCO  
651 Pine Street, 6<sup>th</sup> Floor  
Martinez, CA 94553

Dear LAFCO Commissioners and Staff

Contra Costa Health Services strongly supports preserving options for the funding of health care services for the residents of West County. This critical funding should promote and optimize access to all levels including primary care, urgent and emergent care. Contra Costa Health Services agrees with the report's important findings that:

*“Residents of West Contra Costa are faced with numerous challenges in achieving levels of health care that are more common in other parts of the County. The closure of Doctor’s Medical Center (DMC) eliminated an important community resource.”*

The hospital closure not only eliminated 154 hospital medical surgical beds, 25 emergency department beds and 35 ICU beds it also impacted the community by reducing the availability of outpatient and urgent care medical and surgical services associated with the treatment of cancer, renal disease, diabetes and heart disease..

In light of the significant disparities<sup>1</sup> in emergency department beds that exist between East, Central and West County; we encourage LAFCO to consider a recommendation that will provide access to all levels of health care for West County residents and preserve existing healthcare funding to maintain and expand vital healthcare services in West County.

Respectfully,



William Walker

<sup>1</sup> Impact Evaluation Report; June 13, 2014. <http://cchealth.org/dmc>



September 19, 2016



CITY OF SAN PABLO  
City of New Directions



**E-MAIL TRANSMITTAL AND REGULAR MAIL**

LAFCO  
651 Pine Street, 6<sup>th</sup> Floor  
Martinez, CA 94553

**Re: LAFCO SPECIAL STUDY ON WEST CONTRA COSTA HEALTHCARE DISTRICT GOVERNANCE OPTIONS**

Dear LAFCO Commissioners and Staff:

On behalf of the City of San Pablo City Council, the City appreciates the opportunity to comment on the current West Contra Costa HealthCare District LAFCO Special Study.

The DRAFT LAFCO Special Study is very comprehensive and thorough in setting forth the healthcare needs and issues in West Contra Costa County, and has laid out all available governance options for public consideration. The Study clearly points out that there is clearly a **major and significant healthcare gap** in West County – the shortage of emergency room beds.

**WCCHCD Financial Assistance by City of San Pablo**

In April 2015, the City of San Pablo was instrumental in assisting WCCHCD with providing \$11.5M for acquisition of WCCHCD owned-assets including the purchase of a building which houses the Lifelong Urgent Care facility at 2023 Vale Road in San Pablo. Lifelong is a non-profit “safety net” community health organization that provides primary care services to the underinsured and underinsured in San Pablo and West County. The City of San Pablo’s decision to purchase the District’s former assets enabled Lifelong Health Care to continue to provide critically needed health care services to cover existing healthcare gaps that exist in West County area.

Unfortunately, with the closure of DMC in April 2015, and now with the Sutter Health Corporation’s decision to potentially close Alta Bates Hospital in Alameda County, there is a crucial shortage of emergency room beds in West County, with Kaiser Richmond remaining as the only private acute care and emergency services treatment facility remaining in West County. This is a **significant public health care crisis** for West County and its residents.

The LAFCO Special Study accurately concludes that while there are 160 emergency medical Treatment stations in Central Contra Costa County (for a population of 513,000) and 69 in East County (for a population of 303,900) there are only 27 in West County (for a population of 254,800). This is a **significant and compelling disparity** of a lack of health care services in West County.

### **San Pablo Measure K Sales Tax Measure**

In June 2014, following the failure of the District's Measure C parcel tax measure, the City of San Pablo voters successfully passed a ¼ cent sales tax with no sunset clause to fund emergency services programs (i.e. EMS Squad) at County Fire Protection District Station (ConFire) #70 in San Pablo. With longer ambulance transport times to emergency services, the local sales tax measure funding assists ConFire with maintaining critically needed health care services (i.e. ALS/BLS services) to cover existing healthcare gaps that exist in San Pablo, and West County unincorporated service areas.

### **Future Governance Options**

In the LAFCO Special Study, West County residents are provided a governance option which preserves this important funding (both the ad valorem property tax revenue and parcel tax revenue). Once the WCCHCD's debt is paid off, the projected \$8-9M in annual projected revenue to the WCCHCD will enable a successor agency to support a range of healthcare services – primary care, urgent care or emergency care in West County. Healthcare Districts are authorized under State law to do more than just operate community hospitals as they may re-direct these resources to a broad range of healthcare services, including urgent care and other primary care services.

### **County Service Area Governance Option**

The City of San Pablo supports the potential governance option which preserves the best possible use of this future revenue source to be best applied with the future creation of a new County Service Area for the express purpose of enhancing and supporting healthcare services in West County which is identified on page 31 in the LAFCO Special Study (See Attachment).

This governance option will enable the City of San Pablo to continue our ongoing collaborative efforts and financial leverage as a local agency to jointly expand Contra Costa County Health Services activities, programs and services in West County within the District's boundaries in the years to come, including expanding urgent care facilities or developing new health care facilities to greatly serve the underinsured and uninsured at-risk population.

Thank you for the opportunity to provide input to this LAFCO Special Study.

For any additional information, please contact Mr. Matt Rodriguez, City Manager at (510) 215-3016 or via email: [MattR@SanPabloCa.gov](mailto:MattR@SanPabloCa.gov).

Sincerely,



Rich Kinney, Mayor  
City of San Pablo

Attachment: WCCHCD Governance Options (page 31) of LAFCO Special Study

cc: San Pablo City Councilmembers  
City Manager  
City Attorney  
Assistant City Manager  
Assistant to the City Manager

## REORGANIZATION WITH CREATION OF NEW DISTRICT (CSA) FOR CONTINUING SERVICE

County service areas (CSAs) are formed by counties to fund “miscellaneous extended services” that a county is authorized by law to perform and does not perform to the same extent countywide. Gov. Code, § 25213. The County could consider creating a new CSA, with the approval of the cities within the WCCHD service area and, essentially, annex the WCCHD into the new CSA. Under this option, the County would apply to LAFCO to form a new CSA to function as successor to the WCCHD; and any assets and liabilities would be transferred to the new CSA. The CCHS, under the direction of the County Board of Supervisors, would administer the CSA.

### ADVANTAGES AND DISADVANTAGES OF A NEW CSA

#### Advantages

- Property taxes and, potentially, parcel taxes collected within the district will continue to be spent to augment and expand healthcare services for West County residents, including urgent care, primary care, prevention programs, nurse advice lines, and other health programs.
- Reduces existing administrative costs, including elections, to help avoid currently projected potential negative cash flows
- The County would have the ability to adapt the current WCCHD property tax repayment obligation as necessary to mitigate potential negative cash flows, and would be motivated to take actions to assure financial feasibility and repayment
- CCHS, which would manage the district, provides a broad range of programs, including programs and facilities within WCCHD boundaries, and existing staff have the experience and expertise to augment needed services in West Contra Costa when revenues are available

#### Disadvantages

- Loss of representation by the currently locally-elected board, although this could be partially mitigated by creation of an advisory body to oversee and direct district activities. The Board of Supervisors, which is the board for all CSAs, includes one member elected solely by West County residents, and one member elected by West County and other areas in the County.
- Dissolution of WCCHD and formation of a new CSA requires an election

## LAFCO PROCESS – REORGANIZATION WITH CREATION OF NEW CSA

A CSA may be initiated by resolution of the County Board of Supervisors,<sup>31</sup> or by a petition signed by no less than 25% of registered voters living within the proposed district boundaries.<sup>32</sup> Voter approval is required for the CSA formation. The board may appoint one or more advisory committees to give advice to the board of supervisors regarding a CSA's services and facilities.<sup>33</sup>

Assuming the reorganization and formation of a new CSA is initiated by the County, a number of issues will need to be addressed by the County as part of its application to LAFCO:

- **Services** – Gov. Code section 25213 specifies the conditions under which the County is authorized to form a CSA. The proposed service must be a service that the County does not perform to the same extent on a countywide basis. The County provides healthcare through the Health Services Department on a countywide basis and emergency services through EM1 on a countywide basis. The County's application to LAFCO would need to clarify the nature of the "extended" services not currently performed by the County.
- **Funding** – Gov. Code §§25211.4 and 25211.5 prohibit LAFCO from approving a proposal that includes formation of a CSA unless the commission determines that the CSA will have sufficient revenues to carry out its purposes. LAFCO could condition the formation of the CSA on consolidation/reorganization with WCCHD and future revenue received thru WCCHD.
- **City Consent Required** – WCCHD contain five cities. Gov. Code §25211.4(c) prohibits LAFCO from approving a proposal that includes formation of a CSA that would include territory within a city unless, before the close of the commission's hearing, the city council has filed and not withdrawn a resolution that consents to the inclusion of that incorporated territory. Thus, LAFCO would need a resolution from each of the five cities consenting to the formation of the CSA.
- **Election Required** – As required by Gov. Code §25211.4(f), LAFCO must call an election on the formation of a proposed CSA.
- **Plan of Reorganization** – As part of as part of a dual application for CSA formation and consolidation of the new CSA with the WCCHD, the County would need to clarify the form of reorganization, i.e., whether it is a "consolidation of unlike districts" under Gov. Code §56826.5(b).
- **Continued Use of Parcel Tax** – A legal opinion would be required to establish the validity of the new agency continuing to use existing Measure D (2004) parcel tax proceeds after

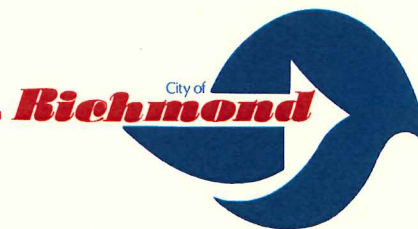
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<sup>31</sup> Gov. Code Sec. 25211.3.

<sup>32</sup> Gov. Code Sec. 25211.1.

<sup>33</sup> Gov. Code Sec. 25212.4.





September 23, 2016

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

**Re: Public Comment on Public Review Draft Report Special Study of Governance Options  
West Contra Costa Healthcare District**

Dear Commissioners:

We appreciate the time and resources contributed to the development of the *Special Study of Governance Options West Contra Costa Healthcare District* by the Contra Costa Local Agency Formation Commission (LAFCO). This study will be helpful to identify the most appropriate actions for the future of the West Contra Costa Healthcare District, as well as the accompanying funding sources to address the health disparities of West County and, in particular, Richmond residents.

As the largest taxpaying contributors into the healthcare district, the need and desire for services close to Richmond is clear. Richmond residents and the Richmond City Council were actively in support of keeping Doctors Medical Center (DMC) open, collaborating with multiple entities in a time of crisis to identify options to maintain the hospital's services. Unfortunately, DMC closed, and many of the concerns expressed by the community and healthcare professionals are being manifested. There are now significant negative impacts stemming from Richmond residents' and the greater West County region's inability to access healthcare services – primary care, urgent care, and emergency services. This special study confirms this challenge by providing important data that describes the existing conditions of healthcare services.

The City of Richmond is reaffirming its commitment to the on-going pursuit of developing health equity for all our residents. We hope that the comments below will prove useful, and we look forward to continuing to work with you as the draft report is finalized and governance options are implemented.

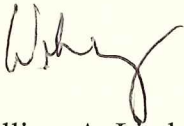
- We are supportive of governance options that will continue funding for healthcare services within the district.
- If a governance structure to preserve funding, such as the creation of a new County Service Area (CSA) district, is selected as the optimal option, then LAFCO should develop a general principles document that outlines funding parameters and commitments. Preferably, this document would be developed in conjunction with district cities and Contra Costa County to ensure accountability to taxpayers.
- The funding currently received by the healthcare district to provide direct healthcare services will not be available until all debts and obligations are paid, which may take over a decade. However, this timeline does not preclude LAFCO and Contra Costa County from working together to address the systematic barriers to healthcare delivery in West

County. LAFCO cannot wait until the funding is available to improve West County's healthcare services. A plan with accountability metrics needs to be developed outlining what healthcare delivery improvements can be accomplished in the waiting decade. This plan will demonstrate good faith to our communities and indicate that we are ready to receive additional funding. Demonstrating improvements and capacity can leverage public support for the CSA option.

- In any potential governance option, it is important to include adequate representation and the voice of the Richmond community.

We are committed to support governance options to improve the healthcare delivery for West County residents and look forward to continuing our collaborations to develop a healthier and more equitable Richmond.

Sincerely,



William A. Lindsay  
City Manager

cc: LouAnn Texeira, Executive Officer, LAFCO (via email)  
Kate Sibley, Executive Assistant, LAFCO (via email)



*"Advancing Solutions to Health Disparities"*

July 29, 2016

Ms. Lou Ann Texeira  
Executive Officer  
Local Agency Formation Commission  
651 Pine Street, Sixth Floor  
Martinez, CA 94553-1229

Dear Ms. Texeira,

Thank you for coming to the meeting of the Los Medanos Community Healthcare District (LMCHD) Board of Directors on June 13, 2016 and making a presentation about the special study LAFCO is conducting. Please note that the LMCHD Board of Directors has reached consensus to maintain the status quo.

The LMCHD Board of Directors does not want the LMCHD to consolidate with the West Contra Costa Community Healthcare District. The LMCHD Board of Directors also does not want the LMCHD to become a successor agency to the West Contra Costa Community Healthcare District. The LMCHD Board of Directors would like to have this position noted in the report you are preparing.

Again, thank you for keeping the LMCHD informed and for allowing the LMCHD Board of Directors to make its position very clear.

Sincerely,

D. Pete Longmire  
Interim Executive Director

cc: LMCHD Board of Directors

*"A Public Entity Serving East County"*

1630 N. Main St., #258  
Walnut Creek, CA 94596-4609  
September 14, 2016

Contra Costa Local Agency Formation Commission  
651 Pine Street, 6th Floor  
Martinez, CA 94553

Re: Comments on Public Review Draft Report: Special Study of Governance Options for the West Contra Costa Healthcare District (9/14/2016 Agenda Item 9)

Dear Commissioners:

The following comments are offered regarding the above-referenced report and the Commission's consideration of governance options:

1. **District finances**: Without reliable information, it's impossible to make informed decisions. Without audited financial reports, there's no clarity about District finances.

**The District has issued no audited financial reports since December 31, 2013. It's disappointing this report fails to state this startling fact.**

Even more troubling is the consultant's reliance on staff statements and "budget forecasts," which are no substitute for audited financials. Under current circumstances, the District cannot be considered a credible source of information.

Under the terms of the District's 2011 Certificates of Participation (COPs) financing program, continuing disclosure of financial condition is required. On October 16, 2015, the District advised the Municipal Securities Rulemaking Board (MSRB) that it would file its 2014 annual financial report no later than October 30, 2015; but this didn't happen (see: <http://emma.msrb.org/EP875132-EP677698-EP1079332.pdf>).

It is also noted that page 21 of the report states, "The District is in the process of refinancing its COPs to reduce its interest rate and interest costs . . ." No one will refinance COPs without audited financial reports! If the District is refinancing its COPs, then it must have audited financial reports as part of that refinancing application process, though no 2014 and 2015 audited financials have been presented to the District governing board for acceptance. This is all very puzzling.

**The District says it will present audited financials by the end of 2016. Audited financial reports – that is, audited financials for *both* 2014 and 2015 – are prerequisite to decision making about Governance Options.**

2. **“Long-Term WCCHD Budget Forecast” - Table 5, Page 17:** This table contains inaccurate information and raises more questions than answers. This table is incomplete because it doesn't show all revenues and expenditures. For example:
  - a. This table doesn't disclose the source of the information presented.
  - b. The District's annual ad valorem tax revenues are ~\$3.3 million. This total revenue figure isn't shown on this “forecast” because the County takes everything in excess of \$1 million off the top, pursuant to an agreement to repay the County loan. But it's still District revenue and should be shown as such.
  - c. The next California recession is anticipated by 2019. During the last financial downturn, assessed values dropped and, at times, were flat. The “forecast” and report don't acknowledge the likelihood of AV reductions over the long-term or address what happens if AV goes down.

**Governance decisions require good quality information, not speculation.**

3. **Certificates of Participation (COPs) debt obligations:** The report says the District is considering paying off its COPs early, but fails to explain how that's possible given their redemption restrictions. Why pay them off early if you don't have to? The outstanding COPs mature in 2042; certificates redeemed before 7/1/2032 carry a prepayment penalty.

**Backup documentation and analysis is needed to support statements made in the report about the *net* results of early payoff.**

4. **Hospital Sale Prohibited by Terms of COPs:** The Official Statement for the 2011 Certificates of Participation includes a “Summary of Principal Legal Documents - Appendix C.” The Official Statement is available at: <http://emma.msrb.org/ER546481-ER423315-ER825444.pdf>

Page 12 of Appendix C states, in part (emphasis added):

The Installment Sale Agreement may not be assigned by the District, and **the Facilities may not be sold by the District during the Term of the Installment Sale Agreement.** (“Facilities” is defined as “all of the District's health care facilities commonly known as Doctors Medical Center-San Pablo, located at 2000 Vale Road, San Pablo, CA 94806, and situated on the real property described in the Installment Sale Agreement.”)

**An explanation is needed regarding how the District can sell its real estate, given this restriction.** It appears the District may be refinancing COPs solely to circumvent this restriction on sale of the hospital.

5. **History/Status of County Loans:** This report could be improved by including a chronological table listing **all loans made by the county and all payments made by the**

**District** in connection with the property tax exchange agreement. This information should be readily available from the county auditor-controller's office.

6. **Conflict of Interest**: If the District were dissolved, creditors would suffer financial losses. District creditors include Contra Costa County. Therefore County Supervisors have a conflict of interest relative to a dissolution decision.

**Commissioners Piepho and Glover should recuse themselves in this matter.**

7. **Overly Rosy Outlook**: The report makes it sound as though "everything will be fine in a few years." That's not the case. Discussion on page 16 of the report says:

Assuming property taxes increase by at least 2.5% annually, and assuming that the Measure D parcel tax revenues are available for other purposes after the COPs are repaid, it is conceivable that available revenues, after expenses, could grow to more than \$9 million per year in 14 years, or by the year 2030.

**Following the 2007/2008 economic downturn, there were times when assessed valuation was flat. Given the numerous variables and uncertainty involved, the report's assessment of the District's financial condition is unrealistic.**

8. **Governance Options**: Of the six options identified in the report, District dissolution is the only reasonable alternative. The District has outlived its usefulness and should not continue to collect taxes from people who derive no benefit.

Since the 1990's County and District officials have told the public "everything will turnaround" with just one more tax increase, one more loan from the county, one more negotiation with a potential buyer, one more whatever. There is no turnaround coming – not then, not now.

We must confront reality so we can begin to solve the problem.

**It is morally wrong to continue collecting taxes without providing public benefit; doing so in economically-disadvantaged West County is unconscionable. Dissolution of the District is the only reasonable alternative.**

Thank you for your consideration.

Best regards,

/s/

Wendy Lack  
Contra Costa resident



**Hospital Council**  
of Northern & Central California

*Excellence Through Leadership & Collaboration*

November 2, 2016

Contra Costa Local Agency Formation Commission  
651 Pine Street, 6<sup>th</sup> Floor  
Martinez, CA 94553

Dear Commissioners and Staff:

On behalf of our Contra Costa hospital members, I am writing to comment on the Special Study of Governance Options for the West Contra Costa Healthcare District, which recently came to our attention.

We are in support of the option to form a new County Service Area (CSA) that would preserve existing funding sources collected by the District and use the funds to augment and expand health care services for West Contra Costa County residents.

The Hospital Council, in partnership with Contra Costa Health Services, led a Regional Planning Group charged with developing and evaluating innovative strategies for providing sustainable health care services in response to the closure of Doctors Medical Center. Of major concern was addressing the nearly 80% of patients seen in the Doctors Medical Center emergency department for primary and urgent care.

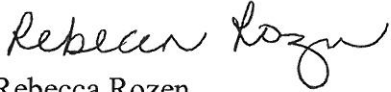
While many different strategies were evaluated, the Regional Planning Group concluded that an urgent care center was the most financially sustainable option. When it was clear that Doctors Medical Center would close, the hospital community then stepped forward to support the opening of a new urgent care center with Lifelong Medical Care.

Today this urgent care center provides critical access to health care services for non-life threatening injuries. However, there is still an unmet need for additional primary, specialty and other health-related services in West Contra Costa County.

In addition, the only remaining hospital in the area, Kaiser Richmond, continues to be overwhelmed by a high volume of patients even though it has expanded its emergency department capacity. Too many residents are continuing to use Kaiser Richmond for primary and urgent care. At the same time hospitals throughout the region are experiencing record emergency department and inpatient volumes.

A new County Service Area will provide an important opportunity to further engage with the County and others as we work to meet the health care needs of West Contra Costa County residents. We look forward to continuing this collaboration.

Sincerely,

A handwritten signature in cursive script that reads "Rebecca Rozen".

Rebecca Rozen  
Regional Vice President