



Contra  
Costa  
County

To: Board of Supervisors

From: David Twa

Date: June 5, 2012

ARCHIVED DOCUMENT

Subject: Mt. Diablo Health Care District Tax Transfer

**RECOMMENDATION(S):**

ADOPT Resolution No. 2012/256 that determines the tax exchange for the proposed Mt. Diablo Health Care District reorganization (LAFC 12-02).

**FISCAL IMPACT:**

This agreement reallocates approximately \$39,702 from the detached portion of the Mount Diablo Health Care District to the remaining taxing entities in the tax rate areas. (Comprised of approximately \$8,290 County General Fund; \$850 County Library Fund; \$480 County Service Area P-6; \$2,382 Contra Costa County Fire Protection District; \$27,700 remaining taxing entities).

**BACKGROUND:**

The Local Agency Formation Commission ("LAFCO" or "Commission") initiated the Mt. Diablo Health Care District ("MDHCD" or "District") special study in response to past and ongoing concerns as to whether the MDHCD should continue as a special district and in response to findings contained in the 2007 Local Agency Formation Commission Municipal Service Review. LAFCO received the special study of governance options on January 11,

☒ APPROVE

☒ OTHER

☒ RECOMMENDATION OF CNTY ADMINISTRATOR ☐ RECOMMENDATION OF BOARD COMMITTEE

Action of Board On: **06/05/2012** ☒ APPROVED AS RECOMMENDED ☐ OTHER

Clerks Notes:

**VOTE OF SUPERVISORS**

AYE: John Gioia, District I  
Supervisor  
Mary N. Piepho, District III  
Supervisor  
Karen Mitchoff, District IV  
Supervisor  
Federal D. Glover, District V  
Supervisor

I hereby certify that this is a true and correct copy of an action taken and entered on the minutes of the Board of Supervisors on the date shown.

ATTESTED: June 5, 2012

David J. Twa, County Administrator and Clerk of the Board of Supervisors

By: Stacey M. Boyd, Deputy

Contact: Rich Seithel,  
674-7869

## ATTACHMENT E

### BACKGROUND: (CONT'D)

2012.

The study identified several governance options and recommended dissolving MDHCD and appointing a successor agency to either continue the service or wind up the affairs of the District. In accordance with the special study, the Commission adopted a zero sphere of influence for MDHCD signaling the Commission's intent to dissolve the District and appoint a successor agency. LAFCO then continued the public hearing to March 14, 2012.

In March, the Commission was asked to consider governance options for the MDHCD. At that time, the Commission closed its public hearing and expressed an interest in a governance option to "reorganize" the District whereby the City of Concord would apply to LAFCO to shrink the boundaries of the District and establish MDHCD as a subsidiary district of the City of Concord. The City of Concord approved Resolution No. 12-29 (Attachment 2) on April 3, 2012 initiating proceedings for a reorganization.

On April 9, LAFCO staff distributed a Notice of Receipt of Application to all affected agencies. LAFCO 12-02, Mt. Diablo Health Care District Reorganization: Detachment/Establishment of Subsidiary District of the City of Concord, requesting the detachment from the MDHCD of all territory located outside of the exterior boundaries of the cities of Concord and Pleasant Hill. The portion of the District within the exterior boundaries of the City of Concord and the City of Pleasant Hill would be established as a subsidiary district of the City of Concord.

LAFCO's notice indicates that the District is the only agency whose service area or responsibility is being altered by the proposed jurisdictional change. In particular, District territory outside of the exterior boundaries of the City of Concord and the City of Pleasant Hill is being detached from the District.

Although the District includes parcels located in the City of Martinez, City of Clayton, and the City of Walnut Creek, the Assessor's Office advises that the only parcels where MDHCD receives a portion of the ad-valorem property tax, other than City of Concord and the City of Pleasant Hill, are parcels located in the unincorporated area of Contra Costa County. It is estimated that the District's FY 11-12 ad-valorem property tax from these detached parcels is approximately \$39,702. It is this \$39,702 that would be reallocated by this action.

Because territory is being detached from the District, the local agencies whose service area or responsibility is being altered (i.e. MDHCD) is required to negotiate an exchange of property tax revenues. Specifically, Revenue and Taxation Code Section 99(b)(5) provides, "In the event that a jurisdictional change would affect the service area or service responsibility of one or more special districts, the board of supervisors of the county or counties in which the districts are located shall, on behalf of the district or districts, negotiate any exchange of property tax revenues. Prior to entering into

## ATTACHMENT E

negotiation on behalf of a district for the exchange of property tax revenue, the board shall consult with the affected district. The consultation shall include, at a minimum, notification to each member and executive officer of the district board of the pending consultation and provision of adequate opportunity to comment on the negotiation."

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Letters advising each individual MDHCD board member and the Interim Executive Director were mailed May 7, 2012 (the letters are attached Attachment 1). These letters serve as the notification and provision of adequate opportunity to comment on the property tax allocation negotiation required by Revenue and Taxation Code Section 99(b)(5).

The attached resolution 2012/256 stipulates that MDHCD's share of the base tax and the annual tax increment for all unincorporated areas being detached from the MDHCD (the "Subject Territory") shall be allocated to each remaining taxing entity in the Subject Territory tax rate areas proportionately according to the proportion of base tax each such taxing entity receives for such tax rate area. In summary, the MDHCD base and increment will be "absorbed" proportionately by the remaining taxing entities.

### CONSEQUENCE OF NEGATIVE ACTION:

If this resolution is not adopted, the District's reorganization will be delayed and may result in delaying LAFCO public noticing.

### CHILDREN'S IMPACT STATEMENT:

Not applicable.

## ATTACHMENTS

Resolution No. 2012/256

MDHCD letters

City of Concord Resolution

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## THE BOARD OF SUPERVISORS OF CONTRA COSTA COUNTY, CALIFORNIA

and for Special Districts, Agencies and Authorities Governed by the Board

Adopted this Resolution on 06/05/2012 by the following vote:

AYES: ☐

NOES: ☐

ABSENT: ☐

ABSTAIN: ☐

RECUSE: ☐

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Resolution No. 2012/256

### Property Tax Exchange for Mt. Diablo Health Care District Detachment (LAFCO 12-02)

**WHEREAS**, Section 99(b)(5) of the California Revenue and Taxation Code provides that in the event that a jurisdictional change would affect the service area or service responsibility of one or more special districts, the board of supervisors of the county or counties in which the districts are located shall, on behalf of the district or districts, negotiate any exchange of property tax revenues. Prior to entering into negotiation on behalf of a district for the exchange of property tax revenue, the board shall consult with the affected district. The consultation shall include, at a minimum, notification to each member and executive officer of the district board of the pending consultation and provision of adequate opportunity to comment on the negotiation; and

**WHEREAS**, County staff notified Daymon Doss, Interim Executive Director of the Mt. Diablo Health Care District (the "MDHCD"), and each MDHCD board member in May 7, 2012 letters addressed to each of them (the letters are attached as Attachment 1), of the pending negotiation regarding the exchange of property tax revenues in connection with the MDHCD territory detachment, and each has had adequate opportunity to comment on the exchange of property tax revenues.

### **NOW, THEREFORE, BE IT RESOLVED:**

The Board of Supervisors of Contra Costa County hereby determines that the property tax exchange for all unincorporated areas being detached from the MDHCD (the "Subject Territory"), as outlined in LAFCO 12-02 shall be in accordance, for the fiscal year in which the State Board of Equalization makes the tax rate area changes for this jurisdictional change, with the following:

- The MDHCD's share of the base tax and the increment allocation factor ("IAF") in the Subject Territory's tax rate areas shall be allocated to each remaining taxing entity identified in the Subject Territory's tax rate areas by allocating the base tax and the IAF that would otherwise be allocated to MDHCD to each remaining taxing entity according to the proportion of base tax each such taxing entity receives for such tax rate areas. The resulting new IAF for the Subject Territory tax rate areas will be used to allocate the annual tax increment for the effective year of the reorganization as well as in the future years.

Each of the taxing entities base tax and annual tax increment allocation factors may be subsequently modified only through negotiated exchanges in accordance with California Revenue and Taxation Code Sections 99 and/or 99.01 for subsequent jurisdictional changes. This resolution does not change the MDHCD's right to collect taxes for existing bond indebtedness.

I hereby certify that this is a true and correct copy of an action taken and entered on the minutes of the Board of Supervisors on the date shown.

**ATTESTED: June 5, 2012**

David J. Twa, County Administrator and Clerk of the Board of Supervisors

Contact: Rich Seithel, 674-7869

By: , Deputy

cc: Auditor-Controller, County Administrator's Office, County Counsel, LAFCO, City of Concord, Department Conservation and Development, Mt. Diablo Health Care District

# ATTACHMENT E

BEFORE THE CITY COUNCIL OF THE CITY OF CONCORD  
COUNTY OF CONTRA COSTA, STATE OF CALIFORNIA

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**A Resolution Initiating Proceedings for a  
Reorganization Consisting of Detachment from the  
Mt. Diablo Health Care District and Establishment of  
the Mt. Diablo Health Care District as a Subsidiary  
District of the City of Concord**

Resolution No. 12-29

**WHEREAS**, the City of Concord desires to initiate a reorganization proceeding as specified herein; and

**WHEREAS**, the reorganization consists of two changes of organization: (a) detachment from the Mt. Diablo Health Care District of all territory located within the District except for that territory that is contained within the exterior boundaries of the City of Concord and the City of Pleasant Hill and (b) establishment of the remaining District as a subsidiary district of the City of Concord; and

**WHEREAS**, upon detachment from the District of all territory located outside of the exterior boundaries of the Cities of Concord and Pleasant Hill, the remaining District will contain approximately 74,554 registered voters of which 55,861, or 74.9 percent, will reside within the City of Concord; and

**WHEREAS**, upon detachment from the District of all territory located outside of the Cities of Concord and Pleasant Hill, the remaining District will contain approximately 39.23 square miles (25,107 acres) of which 31.13 square miles (19,923 acres) or 79.5 percent, will be included within the City of Concord; and

**WHEREAS**, this proposed reorganization complies with requirements set forth in Government Code Section 57105 which state an order establishing the Mt. Diablo Health Care District as a subsidiary district may be adopted if upon the date of the order the Local Agency Formation Commission determines the portion of the District contained within the City of Concord represent both (a) 70 percent or more of the area of land within the district and (b) 70 percent or more of the number of registered voters who reside within the district.

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1           **NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF CONCORD DOES**  
2 **RESOLVE AS FOLLOWS:**

3           **Section 1.** This proposal is made, and it is requested that proceedings be taken, pursuant to the  
4 Cortese/Knox/Hertzberg Local Government Reorganization Act of 2000, commencing with section  
5 56000 of the California Government Code.

6           **Section 2.** This proposal is a reorganization and consists of the following changes of  
7 organization:

- 8           A. Detachment of territory from the Mt. Diablo Health Care District.  
9           B. Establishment of the Mt. Diablo Health Care District as a subsidiary district of the City  
10 of Concord.

11           **Section 3.** The area to be detached from the District consists of all territory within the  
12 boundaries of the District as it exists on the date this resolution is adopted except for that portion of  
13 the District located within the exterior boundaries of the Cities of Concord and Pleasant Hill.

14           **Section 4.** It is desired that the reorganization be subject to the following terms and  
15 conditions:

- 16           A. Prior to the effective date of the reorganization the District shall fully fund its current  
17 unfunded health care benefit liability.  
18           B. All District assets and liabilities, real and fiscal, located within or identified with the  
19 area being detached from the District shall remain assets and liabilities of the District.  
20           C. Three of the five seats previously appointed by the District Board to the Health  
21 Foundation Board shall be assigned by the City of Concord.  
22           D. LAFCO shall waive its standard indemnification requirement.

23           **Section 5.** The reasons for the proposal are to:

- 24           A. Respond effectively to concerns expressed by the Contra Costa Grand Jury, Local  
25 Agency Formation Commission, local agencies and the general public about the  
26 effectiveness and cost of operating the Mt. Diablo Health Care District.  
27           B. Ensure a greater portion of tax revenues and public funds received are used for their  
28 intended health related purposes with lower administrative costs.

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C. Allow governance by a local agency within whose boundaries are located the John Muir Medical Center (formerly the Mt. Diablo Community Hospital), Concord Health Center and Concord Public Health Clinic.

**Section 6.** The proposal is consistent with the Sphere of Influence of the Mt. Diablo Health Care District which the Local Agency Formation Commission has established as a "zero" Sphere of Influence.

**Section 7.** This resolution shall become effective immediately upon its passage and adoption.

**PASSED AND ADOPTED** by the City Council of the City of Concord on April 3, 2012, by the following vote:

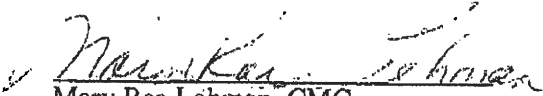
**AYES:** Councilmembers - T. Grayson, D. Helix, W. Shinn

**NOES:** Councilmembers - None

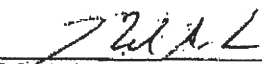
**ABSTAIN:** Councilmembers - R. Leone (Recused)

**ABSENT:** Councilmembers - L. Hoffmeister

**I HEREBY CERTIFY** that the foregoing Resolution No. 12-29 was duly and regularly adopted at a regular meeting of the City Council of the City of Concord on April 3, 2012.

  
Mary Rae Lehman, CMC  
City Clerk

**APPROVED AS TO FORM:**

  
Mark S. Coon  
Acting City Attorney