



Agenda

WEST CONTRA COSTA HEALTHCARE DISTRICT

FINANCE COMMITTEE

December 9, 2019

12 p.m.

331 C Street, MSO Conference Room, Martinez

Supervisor John Gioia, Chair

Supervisor Federal Glover, Vice Chair

Agenda Items:

Items may be taken out of order based on the business of the day and preference of the Committee

1. Introductions
2. Public Comment (*Speakers may be limited to three minutes on any item under the jurisdiction of the committee and not on the agenda.*)
3. Approval of June 3, 2019 Record of Action.
4. Presentation and action regarding the January-June 2019 District Audit report completed by JWT & Associates - Patrick Godley
5. Presentation and action regarding the 2018 and January-June 2019 Successor Retirement Plan Audit - Patrick Godley
6. Presentation and action regarding the dissolution of the Doctors Medical Center foundation - Patrick Godley
7. Presentation and action regarding banking services contract - Patrick Godley
8. Adjourn

Materials distributed for the meeting are available for viewing at the County Administration Building, Room 106, 651 Pine St., Martinez, CA 94553.

To receive a copy of the West Contra Costa Healthcare District Finance Committee agenda via mail or email, please submit your request in writing using a speaker card during the meeting, or by contacting (925) 957-5401.

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WEST CONTRA COSTA HEALTHCARE DISTRICT

FINANCE COMMITTEE

June 3, 2019

9:30 a.m.

651 Pine Street, Room 108, Martinez

Supervisor John Gioia, Chair
Supervisor Federal Glover, Vice Chair

Present: Chair John Gioia
Vice Chair Federal Glover

Staff Present: Patrick Godley

1. Introductions

Chair Gioia convened the meeting at 9:40 a.m. on June 3, 2019.

2. Public Comment (Speakers may be limited to three minutes on any item under the jurisdiction of the committee and not on the agenda.)

No one asked to speak during the public comment.

3. Approval of May 6, 2019 Record of Action.

The committee approved the May 6, 2019 Record of Action.

AYE: Chair John Gioia, Vice Chair Federal Glover
Passed

4. Approval of May 7, 2019 Special Meeting Record of Action.

The committee approved the May 7, 2019 Special Meeting Record of Action.

AYE: Chair John Gioia, Vice Chair Federal Glover
Passed

5. Presentation and Action Regarding the Advance Refunding of the 2011 Certificates of Participation Report: Attachment A – Draft Board Order; Attachment B – Debt Service: Patrick Godley

The committee accepted the report and noted the refunding would save approximately \$417,000 annually and eliminate the provision requiring accelerated payments of \$1,000,000 annually beginning in 2022.

AYE: Chair John Gioia, Vice Chair Federal Glover
Passed

6. Consider Approval of the Advance Refunding of the 2011 Certificates of Participation.

The committee approved the Advance Refunding of the 2011 Certificates of Participation.

AYE: Chair John Gioia, Vice Chair Federal Glover
Passed

7. Recommend to the District Board for their June 11, 2019 Meeting Approval of the Advance Refunding of the 2011 Certificates of Participation.

The committee approved submission of the Refunding Proposal to the full District Board on June 11, 2019.

AYE: Chair John Gioia, Vice Chair Federal Glover
Passed

8. Adjourn

Chair Gioia adjourned the meeting at 10:30 a.m.

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HEALTH SERVICES DIRECTOR

PATRICK GODLEY, MBA
CHIEF OPERATING OFFICER
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To: West Contra Costa Healthcare District Finance Committee
John Gioia, Supervisor, District I
Federal Glover, Supervisor, District V

From: Patrick Godley *P.G.*
Chief Operating Officer and Chief Financial Officer, Health Services Department

Date: December 9, 2019

Subject: West Contra Costa Healthcare District (WCCHD) Audit

Please see below for a discussion concerning the January-June 2019 WCCHD audit:

- Effective January 1, 2019 the County Board of Supervisors because the Board of Directors of the West Contra Costa Healthcare District.
- On April 16, 2019 the WCCHD Board approved converting the accounting time period from a calendar year to a fiscal year basis.
- The WCCHD has two bonds outstanding that require an independent audit.
- JWT & Associates LLP performed an audit for calendar year 2018 which was previously approved by the Board.
- JWT & Associates LLP has completed an audit for the six-month time period January-June 2019, to align WCCHD with fiscal year reporting requirements.
- The six-month audit report had no adverse findings.
- It is recommended that the audit report be accepted and approved by the Finance Committee and forwarded to the full Board for approval.



Audited Financial Statements
WEST CONTRA COSTA
HEALTHCARE DISTRICT

June 30, 2019

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JWT & Associates, LLP
Advisory Assurance Tax

West Contra Costa Healthcare District

Audited Financial Statements

June 30, 2019

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JWT & Associates, LLP

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Report of Independent Auditors

The Contra Costa Board of Supervisors
West Contra Costa Healthcare District
Martinez, California

Report on the Financial Statements

We have audited the accompanying financial statements of West Contra Costa Healthcare District (the District) as of June 30, 2019, which comprise the statement of net position as of June 30, 2019, and the related statements of revenues, expenses and changes in net position, and cash flow for the six-months then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District at June 30, 2019, and the results of its operations and its cash flows for the six-months then ended, in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Management's discussion and analysis is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

JWT & Associates, LLP

Fresno, California

December XX, 2019

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West Contra Costa Healthcare District

Management's Discussion and Analysis

June 30, 2019

Introduction

This discussion and analysis has been prepared by the management of West Contra Costa County Healthcare District (the District or WCCHD) in order to provide an overview of the District's financial and operating performance for the six-months ended June 30, 2019, in accordance with the Governmental Accounting Standards Board Statement No. 34, *Basic Financials Statements; Management's Discussion and Analysis for State and Local Governments*. Read in conjunction with the District's audited financial statements and accompanied notes to the financial statements. It is intended to help the reader better understand the District's financial performance and position. It should be noted that the audited financial statements prepared by JWT & Associates, LLP, include an unmodified opinion regarding the financial statements.

This discussion and analysis of the District's financial performance provides an overview of the District's financial activities for the six-months ended June 30, 2019. Please read it in conjunction with the District's financial statements.

The District, which was formed in 1948, operated Doctors Medical Center in San Pablo, California for over 60 years. Since the mid-1990's, the medical center faced ongoing financial challenges. Ultimately, the District closed Doctors Medical Center in April 2015 due to insufficient funding for the population it serviced and due to its continuing losses. The District continues to function.

After the closure of the hospital in 2015, the remaining staff conducted the following key activities to wind down the non-clinical operations of the District.

- Conducted a complete inventory of the contents of the hospital.
- Obtained bids for equipment and sold equipment to the highest bidder.
- Discarded any unwanted items (trash) that were of little to no value.
- Shredded any unnecessary documents.
- Assigned remaining accounts receivable to an outside vendor for continued collection efforts on patient accounts.
- Arranged for medical records, storage, retention, retrieval and disposal.
- Removed information technology, ensuring that all data was appropriately removed before sale of hardware.
- Shut down unneeded building functions and plant operations.
- Sold the hospital building in April 2018.

West Contra Costa Healthcare District

Management's Discussion and Analysis

June 30, 2019

Bankruptcy

The District did not have sufficient cash or other assets to support the ongoing operations of the District or to pay the post closure liabilities until the sale of the hospital building. On October 20, 2017, the District filed Chapter 9 bankruptcy. The purpose of the bankruptcy is to obtain relief from creditor collection actions and allow the District time and access to the funds necessary to affect a "plan of adjustment." On December 21, 2018, the Bankruptcy court confirmed the Second Amended Plan of Adjustment which provides for the following:

- 2004 and 2011 COP's (Certificates of Participation) shall be paid in full, with interest, under the plan through the ongoing collection of parcel tax revenues. The 2004 COPs were refinanced in April 2018 and the 2011 COPs were refinanced in June 2019 to reduce the interest rate on the outstanding debt.
- The District will pay \$218,000 to Contra Costa County in settlement of an unsecured claim against the District. Additionally, The County retains its rights under the Tax Sharing Agreement and all advances made to the District under this agreement will be reimbursed to the County under the terms of the agreement.
- The West Contra Costa Healthcare District Successor Pension Plan received \$2 million dollars in 2018. Additional contributions will be paid to the Successor Pension Plan over the next 10 years and all participants are expected to receive their full benefit.
- The California Nurses Association (CNA) will be paid \$2,500,000 over the course of nine years without interest for an obligation incurred pursuant to the Memorandum of Understanding between the District and CNA dated June 14, 2011.
- General unsecured creditors will be paid \$2.7 million over three years as a pro rata share of their claim.
- The Employment Development Department claim of \$1.3 million will be paid over a two-year period without penalties and interest.
- Local 39 Pension claim will be paid in full over 10 years in annual installments and the Local 39 health claim will be paid at a 50% discount over 9 years.
- The sale of the hospital building for \$13 million closed in April 2018. The plan of adjustment allowed for payments of selling costs, plus costs to certain cellular parties in exchange for release of their interest or lien on the hospital building.
- The funds from the sale of the building and ongoing property tax collections will fund the plan of adjustment and the ongoing operations of the District. After the District has satisfied its obligations under the terms of the plan of adjustment, the District intends on resuming providing healthcare services to the residents of the District and County.
- The first round of payments were made under the bankruptcy plan in December 2018.

West Contra Costa Healthcare District

Management's Discussion and Analysis

June 30, 2019

Future of the District

Contra Costa Local Agency Formation Commission (LAFCO) conducted a study, with the full cooperation of the District, to review the status of the District and to provide options for the future of the district. After consideration of these options, on February 16, 2018, Senator Glazer introduced Senate Bill Number 522 which provides that:

It is the intent of the Legislature in enacting this act to replace the district's elected governing body with a district board appointed by the Board of Supervisors of the County of Contra Costa. This change in governance is intended to reduce administrative costs, increase operational efficiencies, and maximize the use of health care funding through collaboration with the county, which is the only other public agency provider of medical services in the region.

The bill was signed into law on July 18, 2018, by Governor Jerry Brown.

On September 11, 2018, the Contra Costa County Board of Supervisors appointed itself, under Health & Safety Code Section 32100.8, as the District's Board of Directors effective January 1, 2019.

The Board of Supervisors also noted the closure of the District's hospital eliminated an important community resource. Relatively lower income levels in West County reduce healthcare options and increase certain health risks. The groups most likely affected by the closure are the elderly, children, diabetics and individuals with respiratory diseases and special needs.

Although the District no longer owns a hospital, such healthcare districts, may provide a variety of services, including 1) health facilities, diagnostic and testing centers, and free clinics; 2) outpatient programs, services and facilities; 3) retirement program services and facilities; 4) chemical dependency services and facilities; 5) other healthcare programs, services and facilities; 6) health education programs; 7) wellness and prevention programs; 8) support to other healthcare service providers, groups and organizations; 9) ambulance or ambulance services; and 10) participation in or management of health insurance programs. Under the court-approved bankruptcy plan, on average approximately \$1 million per year will be available to be allocated to the needs of the District. However, this figure is expected to fluctuate with revenues gradually expected to increase over time.

The Public Health West County Assessment Report presented to the District's Finance Committee on May 6, 2019 identified two major areas of health care related concerns.

1. The loss of emergency room services; and
2. The lack of adequate services for at-risk youth.

West Contra Costa Healthcare District

Management's Discussion and Analysis

June 30, 2019

The report recommended that funds allocated by the District for community benefit (\$900,000 for fiscal year ended June 30, 2020) be balanced between direct services and capacity building to address these areas of concern

In April 2019, the Contra Costa County Board of Supervisors, acting as the governing board of the District, adapted a resolution converting the financial reporting period of the District from a calendar year-end to a fiscal year-end ending on June 30th. These financial statements cover the six-months ended June 30, 2019. The first fiscal year-end subsequent to the change.

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West Contra Costa Healthcare District

Statement of Net Position

June 30, 2019

Assets

Current assets

Cash and cash equivalents	\$ 7,503,446
Assets limited as to use	2,078,442
Other receivables	19,786
Estimated third-party payors settlements receivable	267,322
Total current assets	<u>9,868,996</u>

Other assets

Total assets	<u>\$ 10,478,749</u>
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Liabilities and net position

Current liabilities

Current maturities of debt borrowings	\$ 1,241,000
Accounts payable and accrued expenses	312,308
Pension liability, current portion	1,000,000
Other liabilities, current portion	5,832,408
Total current liabilities	<u>8,385,716</u>

Debt borrowings, net of current maturities	52,590,000
Net long-term pension liability	9,621,721
Other liabilities, net of current	8,528,825
Total liabilities	<u>79,126,262</u>

Net position

Unrestricted	<u>(68,647,513)</u>
Total net position	<u>(68,647,513)</u>
Total liabilities and net position	<u>\$ 10,478,749</u>

See accompanying notes to the financial statements

West Contra Costa Healthcare District

Statements of Revenues, Expenses and Changes in Net Position

For the Six-Months Ended June 30, 2019

Operating revenues

Operating revenue	\$ 31,176
Total operating revenue	<u>31,176</u>

Operating expenses

Professional fees	443,970
Depreciation and amortization	10,429
Other operating expenses	8,320
Total operating expenses	<u>462,719</u>
Operating loss	<u>(431,543)</u>

Nonoperating revenues (expenses)

District tax revenue	5,234,934
Investment income	71,350
Interest expense	(1,429,265)
Other non-operating revenues (expenses), net	<u>(4,337,714)</u>
Total nonoperating revenues (expenses)	<u>(460,695)</u>

Change in net position	<u>(892,238)</u>
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Net position at beginning of the year	<u>(67,755,275)</u>
Net position at end of the year	<u><u>\$ (68,647,513)</u></u>

See accompanying notes to the financial statements

West Contra Costa Healthcare District

Statements of Cash Flows

For the Six-Months Ended June 30, 2019

Cash flows from operating activities

Cash received from operations, other than patient services	\$ 11,390
Cash payments to suppliers and contractors	(1,584,047)
Net cash used in operating activities	<u>(1,572,657)</u>

Cash flows from noncapital financing activities

Net change in other liability	(3,819,164)
Proceeds from debt borrowings	40,509,000
Principal payments on debt borrowings	(579,000)
Interest payments on debt borrowings	(242,803)
Change in other assets	348,483
Net increase in pension liability	2,294,735
Other non-operating income (expense)	(2,056,925)
Parcel tax revenues levied for debt service	2,819,154
Ad valorem tax revenues to support operations	2,415,780
Net cash provided by noncapital financing activities	<u>\$ 41,689,260</u>

Cash flows from capital and related financing activities

Principal payments on debt borrowings	(39,535,000)
Interest payments on debt borrowings	(1,186,462)
Net cash used in capital and related financing activities	<u>(40,721,462)</u>

Cash flows from investing activities

Net investment gain	71,350
Net change in assets whose use is limited	3,535,806
Net change in deferred inflows and outflows of resources	(78,035)
Net gain from pension plan	(2,280,789)
Net cash provided by investing activities	<u>1,248,332</u>
Net increase in cash and cash equivalents	<u>643,473</u>
Cash and cash equivalents, beginning of year	<u>6,859,973</u>
Cash and cash equivalents, end of year	<u><u>\$ 7,503,446</u></u>

See accompanying notes to the financial statements

West Contra Costa Healthcare District

Statements of Cash Flows (continued)

For the Six-Months Ended June 30, 2019

Reconciliation of operating loss to net cash provided by operating activities

Loss from operations	\$ (431,543)
Adjustments to reconcile loss from operations to net cash provided by operating activities	
Depreciation and amortization	10,429
Changes in operating assets and liabilities:	
Other receivables	(19,786)
Accounts payable	(1,131,757)
Net cash used in operating activities	<u>\$ (1,572,657)</u>

Non cash disclosures

Non cash payments on county loan	<u>\$ 3,805,181</u>
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See accompanying notes to the financial statements

West Contra Costa Healthcare District

Notes to Financial Statements

June 30, 2019

NOTE 1 - ORGANIZATION AND ACCOUNTING POLICIES

Reporting Entity- West Contra Costa Healthcare District (the "District") is a public agency organized under Local Hospital District Law as set forth in the Health and Safety Code of the State of California. The District is a political subdivision of the State of California and is not subject to federal or state income taxes. The District was formed in 1948 for the purpose of building and operating a hospital to benefit the residents of West Contra Costa County. The District was governed by a Board of Directors elected from within the Healthcare District to specified terms of office until January 1, 2019. The District operated a full-service acute care facility and provided services to both inpatients and outpatients, who primarily resided in the local geographic area. The District ceased all operations of the hospital in April 2015 and subsequently filed bankruptcy in October 2017. On September 11, 2018, the Contra Costa County (the County) Board of Supervisors appointed itself, under Health & Safety Code Section 32100.8, as the District's Board of Directors effective January 1, 2019.

Basis of preparation - The District is a governmental health care district and, accordingly, follows governmental accounting standards. The accrual basis of accounting is used in accordance with provisions for proprietary fund types.

Pursuant to Governmental Accounting Standards Board ("GASB") Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, the District's proprietary fund accounting and financial reporting practices are based on all applicable GASB pronouncements as well as codified pronouncements issued on or before November 30, 1989.

The District applies the provisions of GASB 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (Statement 34), as amended by GASB 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, and Statement 38, *Certain Financial Statement Note Disclosures*. Statement 34 established financial reporting standards for all state and local governments and related entities. Statement 34 primarily relates to presentation and disclosure requirements. The impact of this change was related to the format of the financial statements; the inclusion of management's discussion and analysis; and the preparation of the statement of cash flows on the direct method.

Use of estimates - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents - The District considers cash and cash equivalents to include certain investments in highly liquid debt instruments, when present, with an original maturity of three months or less or subject to withdrawal upon request.

West Contra Costa Healthcare District

Notes to Financial Statements

June 30, 2019

NOTE 1 - ORGANIZATION AND ACCOUNTING POLICIES

Other assets - Other assets include debt issuance costs related to certain debt. Debt issuance costs incurred in connection with the issuance of tax-exempt bonds have been deferred and/or recorded and are being amortized over the term of the bonds using a straight-line method. Amortization expense recognized for the six-months ended June 30, 2019, was \$10,429.

Risk management - The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and medical malpractice. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Risk retention plans - The District is covered under the professional liability and workers' compensation insurance coverages arranged by and enforce for the County. Management estimates of uninsured losses for prior professional liability, workers' compensation and employee health coverage have been accrued as liabilities in the accompanying financial statements and are being settled as part of the bankruptcy.

Net position - Net position of the District are classified in three components:

- Net position invested in capital assets, net of related debt consist of capital assets net of accumulated depreciation and reduced by any outstanding borrowings used to finance the purchase or construction of those assets.
- Restricted expendable net position are noncapital net assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the District, including amounts deposited with trustees as required by revenue bond indentures, discussed in Note 7.
- Unrestricted net position are remaining net assets that do not meet the definition of invested in capital assets net of related debt or restricted expendable net assets.

West Contra Costa Healthcare District

Notes to Financial Statements

June 30, 2019

NOTE 1 - ORGANIZATION AND ACCOUNTING POLICIES

Operating revenues and expenses - The District's statements of revenues, expenses and changes in net position distinguishes between operating and non-operating revenues and expenses. The District no longer operates a hospital and now all operating revenue and expenses are related to the ongoing operations of the District which include administrative related, debt service related and other regulatorily required services. Non-operating revenues and expenses were those transactions not considered directly linked to providing health care services in prior years and currently those not associated with ongoing operations..

Pensions - For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position and additions to and deductions from fiduciary net position are determined on the same basis as reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due as payable in accordance with benefit terms. Plan investments are reported at fair value.

Income taxes - The District operates under the purview of the Internal Revenue Code, Section 115, and corresponding California Revenue and Taxation Code provisions. As such, it is not subject to state or federal taxes on income.

Subsequent events – Subsequent events have been evaluated through the date the financial statements were available to be issued.

Property taxes – During the six-months ended June 30, 2019, the authority received approximately 98.1% of its financial support from property taxes. Property taxes are levied by the County on the District's behalf on July 1st and are intended to finance the District's activities of the same fiscal year. Amounts levied are based on assessed property values as of the July 1. Property taxes are considered delinquent on the day following each payment due date. Property taxes are recorded as non-operating revenue by the District when they are earned.

NOTE 2 - CASH AND CASH EQUIVALENTS & ASSETS LIMITED AS TO USE

As of June 30, 2019, the District had deposits invested in various financial institutions in the form of cash and cash equivalents including amounts classified as assets limited as to use amounting to \$9,581,888. These funds were held in deposits, which are collateralized in accordance with the California Government Code ("CGC"), except for \$250,000 per account that is federally insured.

Under the provisions of the CGC, California banks and savings and loan associations are required to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of the District's deposits. California law also allows financial institutes to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the District's total deposits. The pledged securities are held by the pledging financial institution's trust department in the name of the District.

West Contra Costa Healthcare District

Notes to Financial Statements

June 30, 2019

NOTE 2 - CASH AND CASH EQUIVALENTS & ASSETS LIMITED AS TO USE (continued)

The composition of assets limited as to use at June 30, 2019, is set forth in the following table. Investments are stated at fair value.

Held by Trustee	
US Government Securities and Repurchase Agreements	\$ 2,078,442
Total	<u>\$ 2,078,442</u>

NOTE 3 - NET PATIENT SERVICE REVENUE AND REIMBURSEMENT PROGRAMS

The District rendered services to patients under contractual arrangements with the Medicare and Medi-Cal programs, health maintenance organizations ("HMOs") and preferred provider organizations ("PPOs") when the hospital was in operation.

The District had agreements with third-party payors that provided for payments to the District at amounts different from its established rates. Payment arrangements included prospectively determined rates per discharge, reimbursed costs, discounted charges, fee schedules, prepaid payments per member, and per diem payments or a combination of these methods. Net patient service revenue was reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated settlements under reimbursement agreements with third-party payors.

Inpatient acute care services rendered to Medicare program beneficiaries were paid at prospectively determined rates per discharge. These rates varied according to a patient classification system based on clinical, diagnostic, and other factors. Inpatient non-acute services were paid at prospectively determined rates per discharge. Payments for outpatient services were based on a stipulated amount per diagnosis. The District was reimbursed for cost reimbursable items at a tentative rate, with final settlements determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The District's cost reports have been audited by the Medicare fiscal intermediary through 2015, the year the Hospital ceased operations. The District has estimated that as of June 30, 2019, they have no additional receivable or payable settlements with Medicare.

The District rendered services to Medi-Cal program beneficiaries at contracted rates. These rates varied according to a patient classification system based on clinical, diagnostic, and other factors. The District was reimbursed for cost reimbursable items at a tentative rate, with final settlements determined after submission of annual cost reports by the District and audits thereof by Medi-Cal. The District's cost reports have been audited by Medi-Cal through 2015. The District has estimated that as of June 30, 2019, they are due \$267,322 from Medi-Cal for settlements through December 2015.

West Contra Costa Healthcare District

Notes to Financial Statements

June 30, 2019

NOTE 4-DEBT BORROWINGS

A schedule of changes in the District's debt borrowings for the years ended June 30, 2019 and 2017 is as follows:

	12/31/18	Additions	Reductions	06/30/19
Bonds payable				
Certificates of Participation - Series 2011	\$ 39,535,000	\$ -	\$ (39,535,000)	\$ -
Certificates of Participation - Series 2018	13,901,000	-	(579,000)	13,322,000
Certificates of Participation - Series 2019	-	40,509,000	-	40,509,000
	<u>\$ 53,436,000</u>	<u>\$ 40,509,000</u>	<u>\$ (40,114,000)</u>	<u>\$ 53,831,000</u>

The terms and due dates of the District's debt borrowings at June 30, 2019, are as follows:

- Series 2011 Certificates of Participation (2011 COPs) dated December 2011, original amount of \$40,000,000, plus unamortized bond discount of \$728,000, principal payable in annual installments ranging from \$85,000 in 2018 to \$4,100,000 in 2042, interest ranging from 3% to 6.25%, payable semiannually and collateralized by a pledge of the District's parcel tax revenues. The 2011 COPs were defeased in June 2019 with the issuance of the Series 2019 Certificates of Participation (see below).
- Series 2018 Certificates of Participation dated April 2018, original amount of 15,015,000, principal payable in annual installments ranging from \$1,114,000 in 2018 to \$1,629,000 in 2028, interest at 3.625%, payable semiannually and collateralized by a pledge of the District's parcel tax revenues. The District is in compliance with the financial covenants and financial reporting requirements as specified in the Indenture Trust Agreement.
- Series 2019 Certificates of Participation dated June 2019, original amount of 40,509,000, principal payable in semi-annual installments ranging from \$46,000 in 2020 to \$1,750,000 in 2042, interest ranging from 4.125% to 5.00%, payable semiannually and collateralized by a pledge of the District's parcel tax revenues. The District is in compliance with the financial covenants and financial reporting requirements as specified in the Indenture Trust Agreement.

West Contra Costa Healthcare District

Notes to Financial Statements

June 30, 2019

NOTE 5-DEBT BORROWINGS (continued)

Aggregate principal maturities on debt borrowings, based on scheduled maturities are as follows:

Year Ending June 30	Debt Borrowings	
	Principal	Interest
2020	1,241,000	1,513,854
2021	1,353,000	2,457,286
2022	1,484,000	2,140,735
2023	1,615,000	1,994,023
2024	1,675,000	1,932,830
Thereafter	46,463,000	20,307,563
	<u>\$53,831,000</u>	<u>\$30,346,291</u>

NOTE 6 - OTHER LONG-TERM LIABILITIES

The District entered into a tax exchange agreement with the County of Contra Costa (the "County") in April 2011, receiving an initial cash advance of \$10 million and subsequent additional advances for a total maximum outstanding balance of \$25,296,000, which was reached during the year ended December 31, 2014. The County Auditor allocates and transfers to the County, pursuant to this agreement, all but \$1,000,000 of the general ad valorem property tax revenues that otherwise would be collected and allocated to the District. The \$1,000,000 is transferred to the District for ongoing operating costs and expenses. This agreement commenced in July 1, 2011 and continued from year to year thereafter with allocations and transfers being made pursuant to the agreement. Pursuant to the tax exchange agreement, the District agreed to pay back an amount greater than what was advanced to them by the County. The District had been recognizing this additional amount pro-rata on a yearly basis based on the estimated years to pay off the advances. With the closure of the hospital and the subsequent bankruptcy the District decided to book the entire amount due to the county during the year ended December 31, 2016. The outstanding balance due to the County at June 30, 2019 is \$9,333,344. The current and long term outstanding advance balance is included in other liabilities in the statement of net position.

West Contra Costa Healthcare District

Notes to Financial Statements

June 30, 2019

NOTE 7- RETIREMENT PLANS

The District offered a defined contribution savings plan intended to qualify under section 457(b) of the Internal Revenue Code ("IRC"). The plan was designed to provide participants with a means to defer a portion of their compensation for retirement and to provide benefits in the event of death, disability, or financial hardship. The plan covered former employees of the District who met certain eligibility requirements. The District was the administrator of the plan and had delegated certain responsibilities for the operation and administration of the plan to an outside third-party trustee. Under the plan, employer contributions are discretionary. The District has not contributed to the plan since 2007.

The District also offered two Employer Contributory Tax Deferred Plans intended to qualify under section 403(b) and 401(a) of the IRC. The plans were designed to provide participants with a means to defer a portion of their compensation for retirement and to provide benefits in the event of death, disability, or financial hardship. The plans covered employees of the District who met certain eligibility requirements. Under the plans, the District had the ability to make discretionary matching contributions of up to 5.0% of the participant's annual compensation to the plan. The District made no contributions to the plans since 2015.

The District also provides a non-contributory single employer defined benefit pension plan. The plan covers all eligible employees of the previous Brookside Hospital. Brookside Hospital was the previous name of Doctors Medical Center. The plan provides retirement and death benefits to plan members and beneficiaries based on each employee's years of service and annual compensation. No new employees have been enrolled in the plan since 1996. There are 218 ex-District employees participating in the plan.

For the six-months ended June 30, 2019, the District recognized a pension related loss under the Plan of \$2,280,789. At June 30, 2019, the District's reported deferred outflows and inflows of resources related to the Plan were considered immaterial.

The following is the aggregate pension expense for the years ended June 30, 2019:

Interest cost	\$ 648,355
Expected return on assets	(163,722)
Amortization of liability gains and losses	(382,539)
Amortization of assumption changes	2,070,021
Amortization of investment gains and losses	64,661
Administrative expenses paid from trust	(28,163)
	<u>\$ 2,208,613</u>

West Contra Costa Healthcare District

Notes to Financial Statements

June 30, 2019

NOTE 7- RETIREMENT PLANS (continued)

The net pension liability at June 30, 2019 is as follows:

Interest on total pension liability	\$ 648,355
Liability (gain) loss	(382,539)
Assumption change	2,070,021
Benefit payments	<u>(848,182)</u>
Net change in total pension liability	1,487,655
Total pension liability at beginning of the year	<u>12,206,697</u>
Total pension liability at the end of the year	<u><u>\$ 13,694,352</u></u>

The fiduciary net position at June 30, 2019 is as follows:

Investment income (loss)	\$ 69,265
Employer contributions	1,000,000
Benefits paid	(848,182)
Administrative expenses	<u>(28,163)</u>
Net change in total pension liability	192,920
Total fiduciary net position at beginning of the year	<u>2,879,711</u>
Total fiduciary net position at the end of the year	<u><u>\$ 3,072,631</u></u>
District's net pension liability (total liability less net position)	<u><u>\$ 10,621,721</u></u>
Plan fiduciary net position as a % of the total liability	22%
Actuarially determined contributions	\$ 992,990
Actual contributions	<u>(1,000,000)</u>
Contribution (excess) deficiency	<u><u>\$ (7,010)</u></u>

West Contra Costa Healthcare District

Notes to Financial Statements

June 30, 2019

NOTE 7- RETIREMENT PLANS (continued)

The following table summarizes the actuarial assumptions used to determine net pension liability and plan fiduciary net position as of June 30, 2019:

Actuarial valuation date	June 30, 2019
Methods and assumptions	
Actuarial cost method	Unit credit (all benefits are fully accrued)
Amortization method	Straight line
Asset valuation	Market value of assets
Investment rate of return	4.00%
Inflation rate	2.00%
Projected salary increases	N/A
Mortality table	Pub-2010 Public Retirement Plans Mortality Tables (Healthy and Contingent Annuitant) projected with Scale MP-2018

Other disclosures about the non-contributory single employer defined benefit pension plan are as follows:

Description of the Plan: Effective March 2, 2000, the District began a single-employer defined benefit plan. This plan became effective on that date with a plan year end of June 30. This plan guarantees participants with a specific lifetime benefit funded 100% by the District.

Benefits provided: Benefitted full and part-time employees were eligible per plan specifications. The retirement formula is based on a percentage of the employee's compensation in each calendar year. Credit for past service is given to benefitted full and part-time employees up through 2000, at the same retirement formula of the employee's compensation in each consecutive calendar year in which the employee completed 1,000 hours of service.

Employees covered by benefit terms: As of June 30, 2019, there are 208 participants in the plan, 98 deferred vested participants and 110 retired participants and beneficiaries. There are no participating employees.

Contributions: The recommended contribution for the 2019 plan year is \$992,990 (assuming contributions will be deposited throughout the plan year).

West Contra Costa Healthcare District

Notes to Financial Statements

June 30, 2019

NOTE 7- RETIREMENT PLANS (continued)

Discount rate: The discount rate used to measure the total pension liability was 4.0%. In the previous valuation, the discount rate used to measure the total pension liability was also 4.0%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

Sensitivity of the net pension liability to changes in the discount rate: It is estimated that a 1% increase in the discount rate from 5.50% would decrease the net pension liability by approximately \$931,000 and a 1% decrease in the discount rate from 5.50% would increase the net pension liability by approximately \$1,092,000.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Litigation - The District may from time-to-time be involved in litigation and regulatory investigations, which arise in the normal course of doing business. After consultation with legal counsel, management estimates that matters existing as of June 30, 2019, will be resolved without material adverse effect on the District's future financial position, results from operations or cash flows.

ANNA M. ROTH, R.N., M.S., M.P.H.
HEALTH SERVICES DIRECTOR

PATRICK GODLEY, MBA
CHIEF OPERATING OFFICER
CHIEF FINANCIAL OFFICER



OFFICE OF THE
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To: West Contra Costa Healthcare District Finance Committee
John Gioia, Supervisor, District I
Federal Glover, Supervisor, District V

From: Patrick Godley *P.G.*
Chief Operating Officer and Chief Financial Officer, Health Services Department

Date: December 9, 2019

Subject: West Contra Costa Healthcare District (WCCHD) Retirement Plan Audit

Please see below for a discussion concerning the Successor Retirement Plan Audit:

- **JWT & Associates, LLP performed an 18-month audit of the West Contra Costa Successor Retirement Plan.**
- The Successor Plan is a defined benefit pension plan that was frozen January 1, 1994 and no new participants were eligible for the Successor Plan after that date.
- For this Successor Plan, jobs the participants held were a variety from housekeepers through management.
- After the Successor Plan was frozen, employees were offered other retirement options.
- Lincoln Financial manages the Successor Plan on behalf of the District ("Plan Sponsor").
- The Successor Plan has assets of \$3 million as of 6/30/19.
- The funds are 100% invested in a money market account (Blackrock Institutional Fund) with no risk of loss. No change in investment strategy is anticipated for this coming year as funds are conservatively invested and to mitigate risk of loss.
- The funds earned 2.3% during the year ending 6/30/19 versus the expected 5.5% per last year's actuarial evaluation. As a result, the discount rate was reduced to 4% in the current actuarial analysis. The discount rate will increase 0.5% annually until the Successor Plan is fully funded under current projections.
- \$1M was contributed to the Successor Plan in December 2018 by the District. The District will increase contributions to \$2M beginning this year 2019/2020.
- Under current projections, the Successor Plan will be totally funded in 2024.
- The Successor Plan made benefit payments of \$848k year ending 6/30/19.



- The Successor Plan has 208 members, down from 218 last year. Of these members 110 members (including 10 beneficiaries) are receiving benefits and 98 are entitled but are not yet receiving benefits.
- 20 participants gave DMC (2000 Vale Rd) as their contact information. Staff has located last available addresses on each and Lincoln is attempting contact. Amounts range from \$108.70 to \$5,629.56 each.
- Findley, as Third-Party Administrator, notifies all participants as they become eligible for pension benefits under the Successor Plan.
- **The audit had no adverse findings.**
- **It is recommended that the audit report be accepted and approved by the Finance Committee and forwarded to the full Board for approval.**

Audited Financial Statements
and Supplemental Information

West Contra Costa Healthcare District
Successor Retirement Plan

June 30, 2019 and 2018

DRAFT

JWT & Associates, LLP
Advisory Assurance Tax

West Contra Costa Healthcare District Successor Retirement Plan

Audited Financial Statements

June 30, 2019 and 2018

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DRAFT

JWT & Associates, LLP

Advisory Assurance Tax

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Report of Independent Auditors

Board of Directors of
West Contra Costa Healthcare District
San Pablo, California

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the West Contra Costa Healthcare District Successor Retirement Plan (the Plan), which comprise the net assets available for benefits as of June 30, 2019 and 2018, the related statement of changes in net assets available for benefits for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform audits of the Plan's internal controls over financial reporting. Our audits included consideration of internal controls over financial reporting as a basis of designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal controls over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for plan benefits of the Plan as of June 30, 2019 and 2018, and the changes in net assets available for plan benefits for the year then ended, in conformity with generally accepted accounting principles.

Other Matters

The accompanying financial statements have been prepared assuming the Plan will continue as a going concern. As discussed in Notes 1, 3 and 6 to the financial statements, the Plan's funded status has declined to 22.44% of the actuarial present value of future benefits at June 30, 2019. The Plan's sponsor, West Contra Costa Healthcare District (the District), ceased operations in April 2015 and filed for bankruptcy protection in October 2016. The District has reached an agreement with the bankruptcy court whereby they will make twelve annual contributions of \$1,000,000 to the Plan starting in fiscal year ending June 30, 2018 and ending in fiscal year ending June 30, 2029. The District will then make a final payment of \$647,000 during fiscal year ending June 30, 2030. Based on current actuarially determined Plan liabilities and anticipated estimated earnings, distributions and expenses, the Plan is expected to be able to fund all participant liabilities. The District's plans regarding these matters are also described in Note 6.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The required supplemental information as of or for the years ended June 30, 2019 and 2018, are presented for purposes of complying with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 and are not a required part of the basic financial statements. This required supplemental information has been subjected to the auditing procedures applied in our audit of the June 30, 2019 and 2018 financial statements and, in our opinion, is fairly stated in all material respects in relation to the June 30, 2019 and 2018 financial statements taken as a whole.

December XX, 2019

West Contra Costa Healthcare District Successor Retirement Plan

Statement of Net Assets Available for Plan Benefits

June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Cash and cash equivalents	\$ 6,059	\$ 4,585
Investments, at fair value	3,072,631	2,879,711
Total assets	<u>3,078,690</u>	<u>2,884,296</u>
Liabilities		
Other liabilities	6,059	4,585
Total liabilities	<u>6,059</u>	<u>4,585</u>
Net assets available for plan benefits	<u>\$ 3,072,631</u>	<u>\$ 2,879,711</u>

See accompanying notes to the financial statements

West Contra Costa Healthcare District Successor Retirement Plan

Statement of Changes in Net Assets Available for Plan Benefits

Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Additions		
Net realized gain on investments	\$ -	\$ 206,692
Interest and dividend income	69,265	18,971
Employer contributions	1,000,000	1,000,000
Total additions	<u>1,069,265</u>	<u>1,225,663</u>
Deductions		
Benefits distributed to participants	848,182	853,126
Administrative expenses	28,163	8,815
Total deductions	<u>876,345</u>	<u>861,941</u>
Net additions for the year	<u>192,920</u>	<u>363,722</u>
Net assets available for plan benefits at beginning of year	2,879,711	2,515,989
Net assets available for plan benefits at end of year	<u><u>\$ 3,072,631</u></u>	<u><u>\$ 2,879,711</u></u>

See accompanying notes to the financial statements

West Contra Costa Healthcare District Successor Retirement Plan

Notes to Financial Statements

June 30, 2019 and 2018

NOTE 1 - DESCRIPTION OF THE PLAN

The following brief description of the West Contra Costa Healthcare District Successor Retirement Plan (the Plan) is provided for general information only. Participants should refer to the Plan agreement for more complete information.

General

The Plan is a governmental plan as defined in section 414(d) of the Internal Revenue Code (IRC). The Plan was established on March 9, 2000 by the Plan Sponsor, West Contra Costa Healthcare District (the District), as a successor plan to the West Contra Costa Healthcare District Employees' Retirement Plan, which was terminated on that date. The Plan is intended to qualify as a defined benefit plan under section 401(a) of the IRC and is to be interpreted in a manner consistent with those requirements. The participants of the predecessor plan were given the option to receive immediate lump sum distributions of the present value of their benefits, to roll the benefits into an Individual Retirement Plan (IRA) or other plan, or to participate in a successor plan. During the year ended June 30, 2001, when the requested distributions were completed by the predecessor plan, the successor trust, which holds the assets of the successor plan, was funded. Periodic payments for that year were made by the predecessor plan. The amount of the funding was approximately 110% of the present value of the predecessor plan's liabilities. As of July 1, 2001, the successor plan assumed the predecessor plan's liabilities for the pension benefits of those participants who chose to take part in the successor plan and who made periodic payments.

Pension Benefits and Vesting

The Plan is to provide benefits on the same terms and in the same amounts as the predecessor plan.

The predecessor plan was frozen effective January 1, 1994. No participants accrued benefits on or after that date and each participant's benefit became fully vested and non-forfeitable on that date.

Employees with 5 or more years of service, or any employees of Brookside Hospital as of January 1, 1994, are entitled to annual pension benefits beginning at normal retirement, age 65, or as early as age 60, with full pension benefit. Plan members are entitled to a reduced benefit, if elected, at any time after age 50. Benefits are based on years of credited service and average earnings in the last three years of employment through the date that the predecessor plan was frozen and are offset by a portion of the vested employee's social security benefit.

Effective April 1, 1998, upon attaining his or her normal retirement date (age 65); whether or not he or she actually retires on that date, a participant shall be entitled to receive a monthly Single-Life Annuity.

West Contra Costa Healthcare District Successor Retirement Plan

Notes to Financial Statements

June 30, 2019 and 2018

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

Contributions

The predecessor plan was frozen effective January 1, 1994 and, therefore, there would be no future employer contributions to the Plan, unless required to fund benefits that have already been accrued. The amount of employer contributions would be determined based on actuarial valuations and recommendations as to the amounts required to fund benefits. During the years ended June 30, 2019 and 2018, the plan sponsor made no contributions to the plan.

In the actuarial report dated May 10, 2001, it was recommended by the actuarial consultants that if, as of any future valuation date, Plan assets drop below the then actuarial present value of future benefits, that such difference be funded, with assumed interest, in level additional contributions to the Plan by the District over a period not longer than five years, depending in part on the Plan's projected liquidity needs. It was also recommended that actuarial valuations be performed approximately every twelve months.

As of the valuation dates of June 30, 2019 and 2018, Plan assets are less than the actuarial present value of future benefits by the amount of \$10,621,721 and 9,326,986, respectively. This amount is amortized over five years using the 2019 assumptions. Based upon this method, the actuarial consultants recommend that a contribution of at least \$992,990 be made to the Plan for the 2020 plan year. The Plan's sponsor has reached an agreement with the bankruptcy court whereby they will make twelve annual contributions of \$1,000,000 to the Plan starting in fiscal year ending June 30, 2018 and ending in fiscal year ending June 30, 2029. The Plan sponsor will then make a final payment of \$647,000 during fiscal year ending June 30, 2030. Based on current actuarially determined Plan liabilities and anticipated estimated earnings, distributions and expenses, the Plan is expected to be able to fund all participant liabilities.

The funded status of the plan declined during the plan year ended June 30, 2019, from 23.59% funded to 22.44% funded. The long-term stability of the plan remains in question without future cash contributions. Annual benefit payments are projected to continue to exceed annual expected investment returns. This will continue to put pressure on the viability of the plan to close the underfunding purely through investments.

Death Benefits

The Plan provides a death benefit to all participants. For participants who are fully vested and married at the time of death, their spouse will receive an annuity of 50% of the benefit the participant had accrued through the date of death, commencing when the participant would have reached age 50. If a participant is not married or does not have five years of vesting credit, the participant's named beneficiary shall receive a lump-sum death benefit of \$500 plus one month's salary for each year of service up to six months.

West Contra Costa Healthcare District Successor Retirement Plan

Notes to Financial Statements

June 30, 2019 and 2018

NOTE 1 - DESCRIPTION OF THE PLAN (continued)

Description of Vesting

Effective January 1, 1994, the Plan was frozen, and forfeitures were applied to reduce employer contributions up to that date. Each participant's benefit became fully vested and non-forfeitable upon the plan freeze.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Plan Administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Investment Valuation and Income Recognition

The Plan's investments are stated at fair value. All of the Portfolio Investments of the Collective Investment Trust are valued based on quoted market prices on the last business day of the Plan year. Net appreciation or depreciation in fair value of investments includes net unrealized and realized appreciation or depreciation for the year.

Security transactions are accounted for on the trade date, and the dividend income is recorded on the ex-dividend date. Interest income is recorded on an accrual basis. Costs used in determining gains (losses) on investment transactions are on the average cost basis.

West Contra Costa Healthcare District Successor Retirement Plan

Notes to Financial Statements

June 30, 2019 and 2018

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Actuarial Present Value of Accumulated Plan Benefits

Accumulated plan benefits are those future periodic payments which are attributable under the Plan's provisions to the service employees have rendered. Accumulated plan benefits include benefits expected to be paid to (a) retired or terminated employees or their beneficiaries, (b) beneficiaries of employees who have died, and (c) present employees or their beneficiaries. Benefits under the Plan are based on employees' highest annual compensation during the employees last three years of credited service. Benefits payable under all circumstances are included, to the extent they are deemed attributable to employee service rendered, through the valuation date. The actuarial valuations are done using the beginning-of-the-year method. In the event of the termination of the Plan, the benefit obligation would be revalued as of the date of the termination and under different assumptions than those used to determine the actuarial present value of accumulated Plan benefits.

NOTE 3 – ACCUMULATED PLAN BENEFITS

The actuarial present value of accumulated plan benefits is determined by the Plan's consulting actuary, Willis Towers Watson. This amount results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment. For the periods ended June 30, 2019 and 2018, the actuarial methods and assumptions used were consistent with the prior year.

The more significant assumptions underlying the actuarial computations for the Plan year are as follows:

- Rate of investment return – 4.0%.
- Retirement Age - Normal retirement is age 65, full pension benefits are available at age 60, early retirement is available at reduced benefits (ages 50 to 59).
- Life expectancy of participants – Pub-2010 Public Retirement Mortality Tables (Healthy and Contingent Annuitant) projected with Scale MP-2018.

These actuarial assumptions are based on the presumption that the Plan will continue. If the Plan terminates, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits. The assumptions used consider the effect of the Plan's frozen status (as discussed in Note 1).

West Contra Costa Healthcare District Successor Retirement Plan

Notes to Financial Statements

June 30, 2019 and 2018

NOTE 3 – ACCUMULATED PLAN BENEFITS (continued)

The actuarial present value of accumulated plan benefits as of June 30, 2019 and 2018, is as follows:

	2019	2018
Vested benefits		
Participants currently receiving payments	\$ 4,519,136	\$ 4,028,210
Other participants	9,175,216	8,178,487
Total vested benefits	13,694,352	12,206,697
Non-vested benefits	-	-
Total actuarial present value of accumulated plan benefits	\$ 13,694,352	\$ 12,206,697

Changes in the actuarial present value of accumulated plan benefits for the years ended June 30, 2019 and 2018 were as follows:

	2019	2018
Actuarial present value of accumulated plan benefits at beginning of plan year	\$ 12,206,697	\$ 14,936,968
Changes during the year attributable to:		
Decrease in discount period	265,816	456,567
Benefits paid	(848,182)	(853,126)
Change in assumptions	2,070,021	(2,333,712)
Net increase (decrease)	1,487,655	(2,730,271)
Actuarial present value of accumulated plan benefits at end of plan year	\$ 13,694,352	\$ 12,206,697

NOTE 4 - INVESTMENTS

Benefit Trust Company (Benefit), corporate trustee of the Plan, holds the Plan's assets and executes transactions therein. Security transactions are made by the investment manager based on parameters established by the Board of Directors of the District.

West Contra Costa Healthcare District Successor Retirement Plan

Notes to Financial Statements

June 30, 2019 and 2018

NOTE 4 – INVESTMENTS (continued)

The Plan assets are invested in products sold by Benefit. Net realized and unrealized gain on investment value for the years ended June 30, 2019 and 2018 was \$-0- and \$206,692, respectively. Investments at Benefit consist of the following at June 30, 2019 and 2018, stated at fair value:

	<u>2018</u>	<u>2017</u>
Mutual funds	\$ 3,072,631	\$ 2,879,711
	<u>\$ 3,072,631</u>	<u>\$ 2,879,711</u>

Individual investments that represent 5 percent or more of the Plan's net assets at June 30, 2019 and 2018 are as follows:

<u>Description</u>	<u>2018</u>	<u>2017</u>
Blackrock Funds Money Market Portfolio	\$ 3,072,631	\$ 2,879,711

Due to the nature of the investment management services provided by Benefit, they qualify as a party-in-interest of the Plan. Fees paid by the Plan to Benefit for such services for the years ended June 30, 2019 and 2018 amounted to \$5,163 and \$8,815, respectively.

NOTE 5 – TAX STATUS

The predecessor plan obtained its latest determination letter on February 24, 2000, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code (IRC). Since the Successor Plan has replaced the predecessor plan, a new determination letter has not been obtained. However, since the plans are identical, the Plan sponsor's board of directors understands that the Plan, as currently designed and operated, is in compliance with the applicable requirements of the IRC. Therefore, no provision for income taxes has been included in the Plan's financial statements. The Plan Administrator believes it is no longer subject to income tax examinations for years prior to 2016.

West Contra Costa Healthcare District Successor Retirement Plan

Notes to Financial Statements

June 30, 2019 and 2018

NOTE 6 – RISKS AND UNCERTAINTIES

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statement of net assets available for benefits.

In September 2019, an actuarial valuation was prepared for the purpose of determining contributions for the plan year beginning July 1, 2019. As of that date, plan assets are less than the actuarial present value of future benefits in the amount of \$10,621,721. In accordance with the Plan sponsor's policy the total unfunded liability would be amortized over the next five years. The actuarial recommendation was for the sponsor to contribute \$992,990 during the plan year ended June 30, 2020. The Plan's sponsor has reached an agreement with the bankruptcy court whereby they will make twelve annual contributions of \$1,000,000 to the Plan starting in fiscal year ending June 30, 2018 and ending in fiscal year ending June 30, 2029. The Plan sponsor will then make a final payment of \$647,000 during fiscal year ending June 30, 2030. Based on current actuarially determined Plan liabilities and anticipated estimated earnings, distributions and expenses, the Plan is expected to be able to fund all participant liabilities.

The funded status of the plan decreased during the plan year ended June 30, 2019 from 23.59% funded to 22.44% funded. The long-term stability of the plan remains in question without the above-mentioned future cash contributions. Annual benefit payments are projected to continue to exceed annual expected investment returns. This will continue to put pressure on the viability of the plan to close the underfunding purely through investments.

The District, the Plan's sponsor, has liabilities that exceed assets by \$68,647,513 at June 30, 2019 (audited), reported a net loss of \$892,238 for the six-months ended June 30, 2019 (audited), but has cash reserves of \$9,581,888. Based on a financial analysis by the District's management, they anticipated significant difficulties in continuing to meet on-going financial obligations related to their hospital operations and in April 2015 closed the hospital and ceased its operations. The District also filed for bankruptcy in October 2016. The District has sold all assets, is settling liabilities and wrapping up all other administrative issues. Based on current actuarially determined Plan liabilities and anticipated estimated earnings, distributions and expenses, the Plan is expected to be able to fund all participant liabilities.

Whether all participants receive their benefits will depend on the sufficiency, at the time, of the Plan's net assets to provide those benefits, the priority of those benefits to be paid, and the level and type of benefits guaranteed by the California Public Employment Retirement System (PERS) at that time. Some benefits may be fully or partially provided for by the then-existing assets and the PERS guaranty, while other benefits may not be provided at all.

West Contra Costa Healthcare District Successor Retirement Plan

Notes to Financial Statements

June 30, 2019 and 2018

NOTE 7 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

NOTE 8 - FAIR VALUE MEASUREMENTS

FASB ASC Topic 820, *Fair Value Measurements and Disclosures* (ASC 820) provides a framework for measuring fair value under U.S. generally accepted accounting principles. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The following provides a general description of the three levels of inputs that may be used to measure fair value under ASC 820:

Level 1 - Inputs to the valuation methodology are based on quoted prices available in active markets for identical assets or liabilities on the reporting date.

Level 2 - Inputs to the valuation methodology are other than quoted market prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology include significant inputs that are generally unobservable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value including assumptions regarding risk. Level 3 instruments include those that may be more structured or otherwise tailored to the Plan's needs.

As required by ASC 820, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The Plan's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

West Contra Costa Healthcare District Successor Retirement Plan

Notes to Financial Statements

June 30, 2019 and 2018

NOTE 8 - FAIR VALUE MEASUREMENTS (continued)

Following is a description of the valuation methodologies used for assets measured at fair value.

Mutual funds are valued at the market value of shares held by the Plan at year-end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation method are appropriate and consistent with other market participants, the use of different methodologies for assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date. Assets measured at fair value as of June 30, 2019 and 2018 are as follows:

	2019			
	Level 1	Level 2	Level 3	Total
Mutual funds				
Short-term, stable, money market	3,072,631	-	-	3,072,631
Total assets at fair value	<u>\$ 3,072,631</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,072,631</u>
	2018			
	Level 1	Level 2	Level 3	Total
Mutual funds				
Short-term, stable, money market	2,879,711	-	-	2,879,711
Total assets at fair value	<u>\$ 2,879,711</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,879,711</u>

Required Supplemental Information

DRAFT

West Contra Costa Healthcare District Successor Retirement Plan

Required Supplemental Information

Years Ended June 30, 2019 and 2018

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Underfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
June 30, 2019	\$ 3,072,631	\$ 13,694,352	\$ 10,621,721	22%	N/A	N/A
June 30, 2018	\$ 2,879,711	\$ 12,206,697	\$ 9,326,986	24%	N/A	N/A
June 30, 2017	\$ 2,515,989	\$ 14,936,968	\$ 12,420,979	17%	N/A	N/A
June 30, 2016	\$ 3,098,074	\$ 15,899,212	\$ 12,801,138	19%	N/A	N/A
June 30, 2015	\$ 4,174,333	\$ 14,649,496	\$ 10,475,163	28%	N/A	N/A

Schedule of Contributions to Plan

Year Ended	Annual Required Contribution (ARC)	Percentage of ARC Contributed
June 30, 2019	992,990	101%
June 30, 2018	813,720	123%
June 30, 2017	2,262,505	0%
June 30, 2016	2,016,149	0%
June 30, 2015	1,422,125	0%

Effective January 1, 1994, the Plan was frozen. Forfeitures were applied to reduce employer contributions up to January 1, 1994 when each participant's benefit became fully vested and non-forfeitable upon the plan freeze.

West Contra Costa Healthcare District Successor Retirement Plan

Required Supplemental Information

June 30, 2019 and 2018

The information presented in the required supplemental schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	June 30, 2019	June 30, 2018
Actuarial cost method	Projected Unit Credit	Projected Unit Credit
Asset valuation method	Market value of assets	Market value of assets
Actuarial assumptions:		
Investment rate of return	4.00%	3.17%
Compensation increase rate	N/A	N/A
Inflation adjustment	2.00%	2.00%

DRAFT

ANNA M. ROTH, R.N., M.S., M.P.H.
HEALTH SERVICES DIRECTOR

PATRICK GODLEY, MBA
CHIEF OPERATING OFFICER
CHIEF FINANCIAL OFFICER



OFFICE OF THE
DIRECTOR

50 Douglas Drive, Suite 310-A
Martinez, California
94553
Ph (925) 957-5405
Fax (925) 957-5401

To: West Contra Costa Healthcare District Finance Committee
John Gioia, Supervisor, District I
Federal Glover, Supervisor, District V

From: Patrick Godley *P.G.*
Chief Operating Officer and Chief Financial Officer, Health Services Department

Date: December 17, 2019

Subject: Doctors Medical Center (DMC) Foundation Dissolution

In the Fall of 2019, the District was contacted by the CPA for the DMC Foundation asking for assistance in transferring the Foundation's remaining funds, approximately \$77,000, to the District for healthcare. This event was triggered by an IRS audit of the 2015 Foundation which resulted in the revocation of the Foundation's tax-exempt status under Section 501(c)(3) of the Internal Revenue Code due to inactivity.

After researching the documents of the Foundation and interviewing the accountant and secretary of the Foundation, the District proposes the following plan to contribute the money to the community benefits for West Contra Costa Healthcare District. Following are the steps recommended by Counsel to 1) dissolve the Foundation under law and; 2) distribute the Foundation's remaining assets to the District's community benefit account. The two representatives of the DMC Foundation who have been maintaining the Foundation records are eager to proceed with this plan.

Steps:

1. WCCHD, in its capacity as the sole member of the Foundation, approves the dissolution of the Foundation and the transfer of the Foundation's remaining assets to the District's community benefit account
2. WCCHD, in its capacity as the sole member of the Foundation, appoints two persons to serve as the sole members of the Foundation's board of directors for the purpose of taking whatever actions are required to effect the dissolution of the Foundation
3. The Foundation seeks the legally required approval of the California Attorney General to dissolve the Foundation and transfer its remaining assets to the District's community benefit account

Once Attorney General approval is received, the District is formally dissolved and its remaining assets transferred to the District's community benefit account

Attached is a Board resolution required to implement the dissolution. The Finance Committee approval is requested. Full Board approval will be requested at the December 17, 2019 meeting.



Resolution No. 2019/___

RESOLUTION APPROVING DISSOLUTION OF DMC FOUNDATION, THE DISTRIBUTION OF ITS REMAINING ASSETS AND RELATED MATTERS

WHEREAS, DMC Foundation (the “Foundation”) is a California nonprofit public benefit corporation that was formed for the purpose of supporting West Contra Costa Healthcare District (the “District”);

WHEREAS, the District is the sole member of the Foundation under California law, with the legal power and authority to appoint the members of its board of directors and to approve its dissolution;

WHEREAS, the Foundation has been inactive for a number of years, which inactivity triggered an audit by the Internal Revenue Service that resulted in the revocation of the Foundation’s tax exempt status under Section 501(c)(3) of the Internal Revenue Code;

WHEREAS, the Foundation’s assets currently consist of approximately \$77,000 in cash;

WHEREAS, it is proposed that the Foundation dissolve under California law and distribute its remaining assets to the District;

WHEREAS, due to the Foundation’s inactivity, the identity of the members of the Foundation’s board of directors has become unknown or uncertain;

WHEREAS, as a matter of California law and prior action taken, this Board of Supervisors now sits as the board of directors of the District and, in such capacity, now has the legal authority to: (i) appoint the members of the Foundation’s board of directors; (ii) approve the dissolution of the Foundation and the liquidating distribution of its remaining assets; and (iii) approve whatever other actions are necessary or appropriate in connection with the Foundation’s dissolution and liquidating distribution;

NOW, THEREFORE, BE IT RESOLVED by the board of directors of the West Contra Costa Healthcare District as follows:

1. The proposed dissolution of the Foundation under California law, and the distribution of its remaining assets in liquidation to the District for deposit into the District’s community benefit account, are hereby approved in all respects;
2. To clearly identify the members of the Foundation’s board of directors having authority to take whatever actions are necessary or appropriate in connection with the Foundation’s dissolution, all persons currently having any status as members of the Foundation’s board of directors are hereby removed, and Jim Beaver and Harry Bergland, CPA, are each hereby appointed to serve as the sole members of the Foundation’s board of directors;
3. The members of the Foundation’s board of directors are hereby authorized and directed to take all actions necessary or appropriate to provide for the dissolution of the

To: West Contra Costa Healthcare District
 From: Anna Roth, Health Services Director
 Date: December 17, 2019



Contra
 Costa
 County

Subject: West Contra Costa Healthcare District (WCCHD) Banking Services

RECOMMENDATION:

APPROVE and AUTHORIZE the County Treasurer to enter into a three-year contract with U.S. Bank National Association (U.S. Bank) for banking services on behalf of West Contra Costa Healthcare District (WCCHD).

FISCAL IMPACT:

Service fees and costs of approximately \$5,000 annually will be deducted directly from the monies deposited with U.S. Bank and interest on those monies.

BACKGROUND:

Effective January 1, 2019, the County Board of Supervisors became the Board of Directors for WCCHD. As a result, WCCHD became a dependent district of Contra Costa County and its unrestricted cash was transferred into County Treasury. The Health Services Department is administratively responsible for the day to day operation of the District.

After performing extensive due diligence and working with bond counsel and financial consultants, the County Treasurer identified U.S. Bank as the most qualified financial institution to administer WCCHD's cash balance. Investment options for these monies are limited because they relate to proceeds from WCCHD's bonds, which are tax-exempt. U.S. Bank is able to offer investment vehicles that will help maintain the tax-exempt status of the bonds.

Pursuant to the agreement, WCCHD will deposit monies in a bank account with US Bank. The cost of banking services will be directly deducted by deposited monies and the interest earned on the deposited monies. Under the agreement, WCCHD is required to indemnify U.S. Bank relating to its performance under the agreement.

This agreement was reviewed and approved by the WCCHD Finance Committee on December 9, 2019.

CONSEQUENCE OF NEGATIVE ACTION:

If the agreement is not authorized, WCCHD will need to identify an alternative investment mechanism for these monies to allow its bonds to maintain their tax-exempt status.

CHILDREN'S IMPACT STATEMENT:

Not applicable.

APPROVE

OTHER

RECOMMENDATION OF CNTY ADMINISTRATOR

RECOMMENDATION OF BOARD COMMITTEE

Action of Board On: 12/17/2019 APPROVED AS RECOMMENDED OTHER

Clerks Notes:

VOTE OF SUPERVISORS

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.

Contact: Anna Roth,
 (925) 957-5403

ATTESTED: December 17, 2019
 David J. Twa, County Administrator and Clerk of the Board of Supervisors

cc:

By: , Deputy

DEPOSIT AGREEMENT

THIS DEPOSIT AGREEMENT ("Agreement"), dated as of November ___, 2019 ("Effective Date"), is by and between West Contra Costa Healthcare District, a local hospital district organized and existing under the constitution and laws of the State of California ("Depositor"), and U.S. Bank National Association, a national banking association, as depository agent ("Agent").

BACKGROUND

WHEREAS, Depositor desires to deposit funds with Agent; and

WHEREAS, Agent has agreed to accept, hold, and disburse the funds deposited with it and the earnings thereon in accordance with the terms of this Agreement.

STATEMENT OF AGREEMENT

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, for themselves, their successors and assigns, hereby agree as follows:

1. Definitions. The following terms shall have the following meanings when used herein:

"Depositor Representative" shall mean the person(s) so designated on Schedule B hereto or any other person designated in a writing signed by Depositor and delivered to Agent in accordance with the notice provisions of this Agreement, to act as its representative under this Agreement.

"Funds" shall mean the funds deposited with Agent pursuant to Section 3 of this Agreement, together with any interest and other income thereon.

"Written Direction" shall mean a written direction executed by a Depositor Representative and directing Agent to disburse all or a portion of the Funds or to take or refrain from taking an action pursuant to this Agreement.

2. Appointment of and Acceptance by Agent. Depositor hereby appoints Agent to serve hereunder. Agent hereby accepts such appointment and agrees to hold and disburse the Funds in accordance with this Agreement.

3. Deposit of Funds. Depositor will transfer the Funds from time to time, by wire transfer of immediately available funds, to the depository account identified in Schedule A hereto.

4. Disbursements of Funds. Agent shall disburse Funds at any time and from time to time, upon receipt of, and in accordance with, Depositor's Written Direction. Such Written Direction shall contain wiring instructions or an address to which a check shall be sent. All disbursements of funds from the Funds shall be subject to the fees and claims of Agent and the Indemnified Parties (as defined below) pursuant to Section 9 and Section 10 below.

5. Suspension of Performance; Disbursement Into Court. If, at any time, Agent is unable to determine, to Agent's good faith satisfaction, the proper disposition of all or any portion of the Funds or Agent's proper actions with respect to its obligations hereunder, then Agent may, in its good faith judgment, take either or both of the following actions:

a. suspend the performance of any of its obligations (including without limitation any disbursement obligations) under this Agreement until such dispute or uncertainty shall be resolved to the good faith satisfaction of Agent,

b. petition (by means of an interpleader action or any other appropriate method) any court of competent jurisdiction in any venue convenient to Agent, for instructions with respect to such dispute or uncertainty, and to the extent required or permitted by law, pay into such court, for holding and disposition in accordance with the instructions of such court, all Funds, after deduction and payment to Agent of all fees and expenses (including court costs and attorneys' fees) payable to, incurred by, or expected to be incurred by Agent in connection with the performance of its duties and the exercise of its rights hereunder.

Agent shall have no liability to Depositor or any other person with respect to any such suspension of performance or disbursement into court, specifically including any liability or claimed liability that may arise, or be alleged to have arisen, out of or as a result of any good faith delay in the disbursement of the Funds or any good faith delay in or with respect to any other action required or requested of Agent.

6. Investments. Based upon Depositor's prior review of investment alternatives, in the absence of further specific written direction to the contrary at any time that an investment decision must be made, Agent is directed to invest and reinvest the Funds in the investment identified in Schedule C. Agent will not provide supervision, recommendations or advice relating to either the investment of Funds or the purchase or disposition of any investment and the Agent shall not have any liability for any loss in an investment made pursuant to the terms of this Agreement. Agent has no responsibility whatsoever to determine the market or other value of any investment and makes no representation or warranty as to the accuracy of any such valuations. To the extent applicable regulations grant rights to receive brokerage confirmations for certain security transactions, Depositor waives receipt of such confirmations. Receipt of Funds and investment and reinvestment of Funds shall be confirmed by Agent by an account statement. Failure to inform Agent in writing of any error or omission in any such account statement within 90 days after receipt shall conclusively be deemed confirmation and approval by Depositor of such account statement.

7. Resignation or Removal of Agent. Agent may resign and be discharged from the performance of its duties hereunder at any time by giving thirty (30) days' prior written notice to the Depositor specifying a date when such resignation shall take effect and after such specified date, notwithstanding any other provision of this Agreement, Agent's sole obligation will be to hold the Funds pending appointment of a successor Agent. Similarly, Agent may be removed at any time by Depositor giving at least thirty (30) days' prior written notice to Agent specifying the date when such removal shall take effect. Upon the effective date of any such resignation or removal, Agent shall return the Funds to or at the direction of the Depositor after deduction and payment to Agent of all fees and expenses (including court costs and attorneys' fees) payable to or incurred by Agent, in its good faith judgment, in connection with the performance of its duties and the exercise of its rights hereunder. At least 10 days prior to making such deduction, Agent shall provide Depositor with a written accounting of the fees and expenses to be deducted. After Agent's resignation or removal, the provisions of this Agreement shall inure to its benefit as to any actions taken or omitted to be taken by it while it was acting under this Agreement.

8. Liability of Agent. Agent undertakes to perform only such duties as are expressly set forth herein and no duties shall be implied. Agent has no fiduciary or discretionary duties of any kind. Agent shall have no liability under and no duty to inquire as to the provisions of any agreement other than this Agreement. Agent shall not be liable for any action taken or omitted by it in good faith except to the extent that a court of competent jurisdiction determines, which determination is not subject to appeal, that any direct loss to the Depositor is attributable to Agent's gross negligence or willful misconduct. Agent's sole responsibility shall be for the safekeeping of the Funds in accordance with Agent's customary practices and disbursement of the Funds in accordance with the terms of this Agreement. Agent shall have no implied duties or obligations and shall not be charged with knowledge or notice of any fact or circumstance not specifically set forth herein. Agent may rely upon any notice, instruction, request or other instrument, not only as to its due execution, validity and effectiveness, but also as to the truth and accuracy of any information contained therein, which Agent believes to be genuine and to have been signed or presented by the person or parties purporting to sign the same. In no event shall Agent be liable for incidental, indirect, special, consequential or punitive damages (including, but not limited to lost profits), even if Agent has been advised of the likelihood of such loss or damage and regardless of the form of action. Agent shall not be obligated to take any legal action or commence any proceeding in connection with the Funds, any account in which Funds are deposited, or this Agreement, or to appear in, prosecute or defend any such legal action or proceeding or to take any other action that in Agent's sole judgment may expose it to potential expense or liability. Agent shall not be responsible or liable in any manner for the performance by any party of their respective obligations under any other agreement.

Agent is authorized, in its sole discretion, to comply with orders issued or process entered by any court with respect to the Funds, without determination by Agent of such court's jurisdiction in the matter. If any portion of the Funds is at any time attached, garnished or levied

upon under any court order, or in case the payment, assignment, transfer, conveyance or delivery of any such property shall be stayed or enjoined by any court order, or in case any order, judgment or decree shall be made or entered by any court affecting such property or any part thereof, then and in any such event, Agent is authorized, in its sole discretion, to rely upon and comply with any such order, writ, judgment or decree which it is advised by legal counsel selected by it is binding upon it without the need for appeal or other action; and if Agent complies with any such order, writ, judgment or decree, it shall not be liable to any of the parties hereto or to any other person or entity by reason of such compliance even though such order, writ, judgment or decree may be subsequently reversed, modified, annulled, set aside or vacated.

9. Indemnification. Depositor agrees to indemnify, defend, protect and hold harmless Agent, and its employees, officers, boards, attorneys, representatives and agents from all demands, losses, claims, costs, suits, damages, liabilities and expenses (collectively, "Liability") arising out of or relating to, Agent's performance under this Agreement except to the extent such Liability is caused by Agent's gross negligence or willful misconduct. Depositor shall not be required to indemnify, defend, protect and hold harmless for any Liability caused by the sole gross negligence or sole willful misconduct of Agent.

10. Compensation to Agent.

a. Fees and Expenses. Depositor shall compensate Agent for its services hereunder in accordance with Schedule A attached hereto and, in addition, shall reimburse Agent for all of its reasonable out-of-pocket expenses, disbursements, and advances, including without limitation the reasonable fees, expenses, and disbursements of its agents and attorneys incurred or made by the Agent in connection with performing under this Agreement or in connection with investigating and defending itself against any claim or liability in connection with its performance hereunder. The additional provisions and information set forth on Schedule A are hereby incorporated by this reference, and form a part of this Agreement. All of the compensation and reimbursement obligations set forth in this Section 10 shall be payable by Depositor upon demand by Agent. The obligations of Depositor under this Section 10 shall survive any termination of this Agreement and the resignation or removal of Agent.

b. Disbursements from Funds to Pay Agent. Agent is authorized to, and may, disburse to itself from the Funds the amount of reasonable compensation and reimbursement due and payable hereunder, as provided for in Attachment A. At least 10 days prior to making such disbursement, Agent shall provide Depositor with a written accounting setting for the fees and expenses constituting the basis of the disbursement, provided that (i) any crediting of funds or assets to the Funds shall be provisional in nature, and the Escrow Agent shall be authorized to immediately reverse or offset any such transactions or advances of funds in the event that it does not receive good funds with respect thereto, and (ii) nothing in this Agreement shall constitute a waiver of any of U.S. Bank National Association's rights as a securities intermediary under Uniform Commercial Code §9-206.

c. Security and Offset. Depositor hereby grants to Agent and the Indemnified Parties a first priority security interest in and lien upon the Funds to secure all obligations hereunder, and Agent and the other Indemnified Parties shall have the right to offset the amount of reasonable compensation or reimbursement due any of them hereunder, as provided for in Attachment A against the Funds. If for any reason the Funds available to Agent and the other Indemnified Parties pursuant to such security interest or right of offset are insufficient to cover such compensation and reimbursement, Depositor shall promptly pay such amounts to Agent and the Indemnified Parties upon receipt of an itemized invoice.

11. Representations and Warranties. Depositor makes the following representations and warranties to Agent:

(i) It is duly organized, validly existing, and in good standing under the laws of the state of its incorporation or organization, and has full power and authority to execute and deliver this Agreement and to perform its obligations hereunder.

(ii) This Agreement has been duly approved by all necessary action, including any necessary shareholder or membership approval, has been executed by its duly authorized officers, and constitutes its valid and binding agreement enforceable in accordance with its terms.

(iii) The execution, delivery, and performance of this Agreement will not violate, conflict with, or cause a default under its articles of incorporation, articles of organization, bylaws, management agreement or other organizational document, as applicable, any applicable law or regulation, any court order or administrative ruling or decree to which it is a party or any of its property is subject, or any agreement, contract, indenture.

(iv) The applicable persons designated on Schedule B hereto have been duly appointed to act as its representatives hereunder and have full power and authority to execute and deliver any Written Direction, to amend, modify or waive any provision of this Agreement and to take any and all other actions under this Agreement, all without further consent or direction from, or notice to, it or any other party.

(v) No party other than the parties hereto has, or shall have, any lien, claim or security interest in the Funds or any part thereof. No financing statement under the Uniform Commercial Code is on file in any jurisdiction claiming a security interest in or describing (whether specifically or generally) the Funds or any part thereof.

(vi) All of its representations and warranties contained herein are true and complete as of the date hereof and will be true and complete at the time of any disbursement of the Funds.

12. Patriot Act/Identifying Information. To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account. For a non-individual person such as a business entity, a charity, a trust, or other legal entity, Agent requires documentation to verify its formation and existence as a legal entity. Agent may ask to see financial statements, licenses, or identification and authorization documents from individuals claiming authority to represent the entity or other relevant documentation. The Depositor acknowledges that a portion of the identifying information set forth herein is being requested by Agent in connection with the USA Patriot Act, Pub.L.107-56 (the "Act"), and agrees to provide any additional information requested by Agent in connection with the Act or any other legislation or regulation to which Agent is subject, in a timely manner. The Depositor represents that all identifying information set forth on Schedule A or otherwise provided to Agent, including without limitation, its Taxpayer Identification Number assigned by the Internal Revenue Service or any other taxing authority, is true and complete on the date hereof and will be true and complete at the time of any disbursement of the Funds.

13. Consent to Jurisdiction and Venue. In the event that any party hereto commences a lawsuit or other proceeding relating to or arising from this Agreement, the parties hereto agree that the U.S. District Court for the Northern District of California shall have jurisdiction over any such proceeding. If such court lacks federal subject matter jurisdiction, the parties agree that the Contra Costa County Superior Court shall have jurisdiction. Any of these courts shall be proper venue for any such lawsuit or judicial proceeding and the parties hereto waive any objection to such venue. The parties hereto consent to and agree to submit to the jurisdiction of any of the courts specified herein and agree to accept service of process to vest personal jurisdiction over them in any of these courts.

14. Notice. All notices, approvals, consents, requests, and other communications hereunder shall be in writing (provided that each such communication to Agent must be manually signed by the sender) and shall be deemed to have been given when the writing is delivered if given or delivered by hand, overnight delivery service or facsimile transmitter (with confirmed receipt) to the address or facsimile number set forth on Schedule A hereto, or to such other address as each party may designate for itself by like notice, and shall be deemed to have been given on the date deposited in the mail, if mailed, by first-class, registered or certified mail, postage prepaid, addressed as set forth on Schedule A hereto, or to such other address as each party may designate for itself by like notice.

15. Amendment, Waiver and Assignment. This Agreement may be changed, waived, discharged or terminated only by a writing signed by the parties hereto. No delay or omission by any party in exercising any right with respect hereto shall operate as a waiver. A waiver on any one occasion shall not be construed as a bar to, or waiver of, any right or remedy on any future occasion. Except as provided in Section 19, this Agreement may not be assigned by any party without the written consent of the other party.

16. Severability. To the extent any provision of this Agreement is prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

17. Governing Law. This Agreement shall be construed and interpreted in accordance with the internal laws of the State of California without giving effect to the conflict of laws principles thereof.

18. Entire Agreement. This Agreement constitutes the entire agreement between the parties relating to the holding, investment and disbursement of the Funds and sets forth in their entirety the obligations and duties of Agent with respect to the Funds. Nothing in this Agreement, express or implied, is intended to or shall confer upon any person other than the signatory parties hereto and the Indemnified Parties any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

19. Binding Effect; Successors. All of the terms of this Agreement, as amended from time to time, shall be binding upon, inure to the benefit of and be enforceable by the respective successors and assigns of Depositor and Agent. If Agent consolidates, merges or converts into, or transfers all or substantially all of its corporate trust business (including the account contemplated by this Agreement) to another entity, the successor or transferee entity without any further act shall be the successor Agent.

20. Execution in Counterparts. This Agreement may be executed in two or more counterparts, which when so executed shall constitute one and the same agreement or direction. The exchange of copies of this Agreement and of signature pages by facsimile transmission shall constitute effective execution and delivery of this Agreement as to the parties and may be used in lieu of the original Agreement for all purposes. Signatures of the parties transmitted by facsimile shall be deemed to be their original signatures for all purposes.

21. Term and Termination.

a. This Agreement terminates with three years of the Effective Date unless sooner terminated as provided herein.

b. Upon the disbursement of all amounts in the Funds pursuant to Written Directions or pursuant to Section 5, Section 7 or Section 8 hereof, this Agreement shall terminate, Agent shall be released from its obligations hereunder and Agent shall have no further liability with respect to the Fund, this Agreement, or any action or refusal to take action hereunder, except as provided by Paragraph 9.

22. Dealings. Agent and any stockholder, director, officer or employee of Agent may buy, sell, and deal in any of the securities of the Depositor and become financially interested in any transaction in which Depositor may be interested, and contract and lend money to the Depositor and otherwise act as fully and freely as though it were not acting as the depository Agent under this Agreement. Nothing herein shall preclude Agent from acting in any other capacity for the Depositor or for any other person or entity.

23. Optional Security Procedures. In the event funds transfer instructions, address changes or change in contact information are given (other than in writing at the time of execution of this Agreement), whether in writing, by facsimile or otherwise, Agent is authorized but shall be under no duty to seek confirmation of such instructions by telephone call-back to the person or persons designated on Schedule B hereto, and Agent may rely upon the confirmation of anyone purporting to be the person or persons so designated. The persons and telephone numbers for call-backs may be changed only in writing actually received and acknowledged by Agent and shall be effective only after Agent has a reasonable opportunity to act on such changes. If Agent is unable to contact any of the designated representatives identified in Schedule B, Agent is hereby authorized but shall be under no duty to seek confirmation of such instructions by telephone call-back to any one or more of Depositor's executive officers ("Executive Officers"), as the case may be, which shall include the titles of Chief Executive Officer, President and Vice President, as Agent may select. Such Executive Officer shall deliver to Agent a fully executed incumbency certificate, and Agent may rely upon the confirmation of anyone purporting to be any such officer. Depositor agrees that Agent may at its option record any telephone calls made pursuant to this Section. Agent in any funds transfer may rely solely upon any account numbers or similar identifying numbers provided by Depositor to identify (a) the beneficiary, (b) the beneficiary's Agent, or (c) an intermediary Agent. Agent may apply any of the Funds for any payment order it executes using any such identifying number, even when its use may result in a person other than the beneficiary being paid, or the transfer of funds to a Agent other than the beneficiary's Agent or an intermediary Agent designated. Depositor acknowledges that these optional security procedures are commercially reasonable.

24. Tax Reporting. Depositor agrees to assume all obligations imposed now or hereafter by any applicable tax law or regulation with respect to payments or performance under this Agreement. Upon Agent's request, Depositor shall provide Agent with a Form W-9 or Form W-8, as applicable, for each payee, together with any other documentation and information requested by Agent in connection with Agent's reporting obligations under the United States Internal Revenue Code and related regulations (the "Code"). If such tax documentation is not so provided, Agent is authorized to withhold taxes as required by the Code. Depositor shall accurately provide Agent with all information requested by Agent in connection with Agent's reporting obligations under the Code. Except as otherwise agreed by Agent in writing, Agent has no tax reporting or withholding obligation except with respect to Form 1099-B reporting on payments of gross proceeds under Code Section 6045 and Form 1099 and Form 1042-S reporting with respect to investment income, if any.

25. Compliance with Law. Agent agrees to comply in all respects with the provisions

of article 2 of Title 5, Division 2 of the California Government Code, and as otherwise required by law to the extent that Depositor has made Agent aware of such obligations.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first above written.

DEPOSITOR

By: _____
Name: _____
Title: _____

U.S. BANK NATIONAL ASSOCIATION

By: _____
Name: _____
Title: _____

SCHEDULE A

1. Deposit Account.

U.S. Bank National Association
ABA# 091 000 022
BNF ACCT# 180121167365
Re: West Contra Costa Deposit Ac 260839000

2. Agent Fees.

Acceptance Fee:	\$1,500.00
Annual Fee:	\$1,500.00
Out-of-Pocket Expenses	at cost
Other Fees/Attorney, etc.:	at cost

The Acceptance Fee and the Annual Fee are payable upon execution of the agreement. In the event the account is not funded, the Acceptance Fee and all related expenses, including attorneys' fees, remain due and payable, and if paid, will not be refunded. Annual fees cover a full year in advance, or any part thereof, and thus are not pro-rated in the year of termination.

The fees quoted in this schedule apply to services ordinarily rendered in the administration of an account and are subject to reasonable adjustment based on final review of documents, or when Agent is called upon to undertake unusual duties or responsibilities, or as changes in law, procedures, or the cost of doing business demand. Services in addition to and not contemplated in this Agreement, including, but not limited to, document amendments and revisions, non-standard cash and/or investment transactions, calculations, notices and reports, and legal fees, will be billed as extraordinary expenses.

Unless otherwise indicated, the above fees relate to the establishment of one account. Additional sub-accounts governed by the same Agreement may incur an additional charge. Transaction costs include charges for wire transfers, checks, internal transfers and securities transactions.

3. Taxpayer Identification Numbers.

Depositor: 94-6000509

5. Notice Addresses.

If to Depositor, at: Contra Costa County Treasurer-Tax Collector
West Contra Costa Healthcare District-~~Healthcare District~~
625 Court Street, Room 100
Martinez, CA 94553
ATTN: Belinda Zhu
Facsimile: (925) 957-2899
Telephone: (925) 957-2807
E-mail: ccctreasury@tax.cccounty.us

If to Agent, at: U.S. Bank National Association, as Agent
One California Street, Suite 1000
San Francisco, CA 94111
ATTN: David Jason
Facsimile: (415) 677-3769
Telephone: (415) 677-3622
E-mail: david.jason@usbank.com

SCHEDULE B

Each of the following person(s) is a **Depositor representative** and each is authorized to execute documents and direct Agent as to all matters, including fund transfers, address changes and contact information changes, on Depositor's behalf:

_____	_____	_____
Name	Specimen signature	Telephone No.
_____	_____	_____
Name	Specimen signature	Telephone No
_____	_____	_____
Name	Specimen signature	Telephone No

(Note: if only one person is identified above, please complete the following)
The following person not listed above is authorized for call-back confirmations:

[_____]	_____
Name	Telephone Number

SCHEDULE C

**U.S. BANK NATIONAL ASSOCIATION
Investment Authorization Form**

U.S. BANK MONEY MARKET DEPOSIT ACCOUNT

Description and Terms

The U.S. Bank Money Market Deposit Account is a U.S. Bank National Association (“U.S. Bank”) interest-bearing money market deposit account designed to meet the needs of U.S. Bank’s Corporate Trust Services Group and other Corporate Trust customers of U.S. Bank. Selection of this investment includes authorization to place funds on deposit and invest with U.S. Bank.

U.S. Bank uses the daily balance method to calculate interest on this account (actual/365 or 366). This method applies a daily periodic rate to the principal balance in the account each day. Interest is accrued daily and credited monthly to the account. Interest rates are determined at U.S. Bank’s discretion, and may be tiered by customer deposit amount.

The owner of the account is U.S. Bank as agent for its Corporate Trust customers. U.S. Bank’s Corporate Trust Services Group performs all account deposits and withdrawals. Deposit accounts are FDIC insured per depositor, as determined under FDIC Regulations, up to applicable FDIC limits.

U.S. BANK IS NOT REQUIRED TO REGISTER AS A MUNICIPAL ADVISOR WITH THE SECURITIES AND EXCHANGE COMMISSION FOR PURPOSES OF COMPLYING WITH THE DODD-FRANK WALL STREET REFORM & CONSUMER PROTECTION ACT. INVESTMENT ADVICE, IF NEEDED, SHOULD BE OBTAINED FROM YOUR FINANCIAL ADVISOR.

Automatic Authorization

In the absence of specific written direction to the contrary, U.S. Bank is hereby directed to invest and reinvest proceeds and other available moneys in the U.S. Bank Money Market Deposit Account. The customer(s) confirm that the U.S. Bank Money Market Deposit Account is a permitted investment under the operative documents and this authorization is the permanent direction for investment of the moneys until notified in