



# Agenda

## WEST CONTRA COSTA HEALTHCARE DISTRICT

### FINANCE COMMITTEE

Thursday, September 30, 2021, 1:00 p.m.  
Zoom (virtual) Conference Room, Martinez

Please use the zoom link below to join the meeting:  
<https://cchealth.zoom.us/j/2564242228>

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
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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 March 15, 2021 Record of Action (attachment)
4. WCCHD 2020-21 Audited Financials..... Patrick Godley
  1. Presentation summary: Financial Audit completed by JWT & Associates with no adverse findings. (attachment)
  2. *Action: Accept and Approve 2020-21 Audited Financials*
5. WCCHD 2020-21 Successor Retirement Plan Audited Financials..... Patrick Godley
  1. Presentation summary: Pension Audit completed by JWT & Associates, LLP. The District's 2020/21 Successor Retirement Audited Financials have been prepared assuming that the plan will continue as a going concern. As of June 30, 2021, the District has funded 36% of the actuarially determined plan liabilities and fully expects to fund all participant liabilities with ongoing future contributions (attachment).
  2. *Action: Accept and Approve 2020-21 Successor Retirement Plan Audited Financials*
6. Refunding of the 2018 and 2019 Bonds ..... Patrick Godley/Kathy White
  1. Presentation Summary: Successful refunding of the 2018 and 2019 bonds would conservatively result in a projected savings of \$8.4 million (private placement) or \$8.5-10 million (public placement), resulting in a projected average annual savings of over \$500,000 through 2028, and then \$400,000 annually through 2042. (attachments)
  2. *Action:*
    - a. *Authorize the finance team to explore dual track (private and public) refunding of the 2018 and 2019 bonds*
    - b. *Authorize the finance team to proceed with the refunding option that results in the largest savings to the District*
    - c. *Authorize the preparation of the necessary documents in connection with the issuance and sale of the Bonds*
    - d. *Authorize submission of the bond documents, inclusive of a board resolution, to the District Board on October 12, 2021 for final approval and*
    - e. *Authorize payment for underwriter fees, bond counsel, financial advisors, rating agency fees and related items in an amount not to exceed \$600,000 upon successful completion of the bond placement.*
7. Adjourn

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

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*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

March 15, 2021  
2 p.m.

Zoom (virtual) Conference Room, 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 2:03 p.m. on March 15, 2021.*

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 December 9, 2019 Record of Action.

*The committee approved the December 9, 2019 Record of Action.*

AYE: Chair John Gioia, Vice Chair Federal Glover

Passed

4. Presentation of the WCCHD 2019-20 Audited Financials - Patrick Godley.

*The committee accepted and approved the 2019-20 Audited Financials.*

AYE: Chair John Gioia, Vice Chair Federal Glover

Passed

5. Presentation of the WCCHD 2019-20 Successor Retirement Plan Audited Financials - Patrick Godley

*The committee accepted and approved the 2019-20 Successor Retirement Plan Audited Financials.*

AYE: Chair John Gioia, Vice Chair Federal Glover

Passed

6. Presentation of the Tax Conversion for 2019 Refunded Bonds - Patrick Godley

*The committee accepted and approved the resolution to initiate tax conversion.*

AYE: Chair John Gioia, Vice Chair Federal Glover

Passed

7. Presentation of the WCCHD Approval for Court Filing to Exit Bankruptcy - Patrick Godley

*The committee approved the filing of court documents to close bankruptcy.*

AYE: Chair John Gioia, Vice Chair Federal Glover

Passed

8. Adjourn

*Chair Gioia adjourned the meeting at 2:13 p.m.*

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For Additional Information Contact:

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Audited Financial Statements  
WEST CONTRA COSTA  
HEALTHCARE DISTRICT

June 30, 2021

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JWT & Associates, LLP  
Advisory Assurance Tax

West Contra Costa Healthcare District

Audited Financial Statements

June 30, 2021

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# **JWT & Associates, LLP**

## **Advisory Assurance Tax**

1111 East Herndon, Suite 211, Fresno, California 93720  
Voice: (559) 431-7708 Fax:(559) 431-7685

### *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, 2021, which comprise the statement of net position as of June 30, 2021 and 2020, and the related statements of revenues, expenses and changes in net position, and cash flow 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 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, 2021 and 2020, and the results of its operations and its cash flows for the years 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

September XX, 2021

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# West Contra Costa Healthcare District

## Management's Discussion and Analysis

June 30, 2021

### 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 year ended June 30, 2021, 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 year ended June 30, 2021. 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, 2021

### **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 paid \$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 fiscal year ending June 30, 2021. 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 ten 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 have been paid and received approximately \$2.7 million over the past three years on a pro rata share of their claim basis.
- The Employment Development Department claim of \$1.3 million was 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. Under the terms of the plan of adjustment, the District has resumed providing healthcare services to the residents of the District and County as available funds allow.
- The first round of payments were made under the bankruptcy plan in December 2018. The second round of payments under the bankruptcy plan were made in December 2020. The third round of payments were made in December 2020.
- On June 25, 2021, the bankruptcy court entered an order closing the chapter 9 bankruptcy for the District.

# West Contra Costa Healthcare District

## Management's Discussion and Analysis

June 30, 2021

### 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, 2020.

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, 2020 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, 2021

The report recommended that funds allocated by the District for community benefit (\$900,000 for fiscal year ended June 30, 2021) 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 30<sup>th</sup>. These financial statements cover the year ended June 30, 2021. The first full fiscal year subsequent to the change.

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# West Contra Costa Healthcare District

## Statement of Net Position

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 4,201,450	\$ 4,989,400
Assets limited as to use	3,418,967	2,684,711
Other receivables	-	2,157
Estimated third-party payors settlements receivable	136,397	71,082
Total current assets	7,756,814	7,747,350
Assets limited as to use, less current portion	-	1,001,915
Other assets	516,598	555,186
Total assets	\$ 8,273,412	\$ 9,304,451
<b>Liabilities and net position</b>		
Current liabilities		
Current maturities of debt borrowings	\$ 1,470,000	\$ 1,353,000
Accounts payable and accrued expenses	1,406,456	1,299,156
Pension liability, current portion	1,000,000	1,000,000
Other liabilities, current portion	1,683,041	5,070,811
Total current liabilities	5,559,497	8,722,967
Debt borrowings, net of current maturities	49,767,000	51,237,000
Net long-term pension liability	8,562,213	9,791,845
Other liabilities, net of current	1,742,083	3,518,835
Total liabilities	65,630,793	73,270,647
Net position		
Unrestricted	(57,357,381)	(63,966,196)
Total net position	(57,357,381)	(63,966,196)
Total liabilities and net position	\$ 8,273,412	\$ 9,304,451

*See accompanying notes to the financial statements*

## West Contra Costa Healthcare District

### Statements of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Operating revenues</b>		
Operating revenue	\$ 276,252	\$ 88,699
Total operating revenue	276,252	88,699
<b>Operating expenses</b>		
Community Benefit Expense	650,000	650,000
Professional fees	691,062	640,885
Depreciation and amortization	38,588	38,588
Other operating expenses	11,865	25,155
Total operating expenses	1,391,515	1,354,628
Operating loss	(1,115,263)	(1,265,929)
<b>Nonoperating revenues (expenses)</b>		
District tax revenue	10,581,330	10,528,435
Investment income	9,153	113,489
Interest expense	(2,370,810)	(2,504,871)
Other non-operating revenues (expenses), net	(495,595)	(2,189,807)
Total nonoperating revenues (expenses)	7,724,078	5,947,246
Change in net position	6,608,815	4,681,317
Net position at beginning of the year	(63,966,196)	(68,647,513)
Net position at end of the year	\$ (57,357,381)	\$ (63,966,196)

*See accompanying notes to the financial statements*

# West Contra Costa Healthcare District

## Statements of Cash Flows

For the Year Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities</b>		
Cash received from patient services	\$ (65,315)	\$ 196,240
Cash received from operations, other than patient services	278,409	106,328
Cash payments to suppliers and contractors	(1,245,627)	(329,192)
Net cash used in operating activities	(1,032,533)	(26,624)
<b>Cash flows from noncapital financing activities</b>		
Net change in other liability	(5,164,522)	(5,771,587)
Principal payments on debt borrowings	(1,353,000)	(1,241,000)
Interest payments on debt borrowings	(2,370,810)	(2,504,871)
Net change in pension liability	(1,229,632)	170,124
Other non-operating income (expense)	274,773	(19,683)
Parcel tax revenues levied for debt service	3,810,286	2,754,855
Ad valorem and parcel tax revenues to support operations	6,771,044	7,773,580
Net cash provided by noncapital financing activities	\$ 738,139	\$ 1,161,418
<b>Cash flows from investing activities</b>		
Net investment gain	9,153	113,489
Net change in assets whose use is limited	267,659	(1,608,184)
Net pension expense	(770,368)	(2,170,124)
Net change in other assets	-	15,979
Net cash used in investing activities	(493,556)	(3,648,840)
Net decrease in cash and cash equivalents	(787,950)	(2,514,046)
Cash and cash equivalents, beginning of year	4,989,400	7,503,446
Cash and cash equivalents, end of year	\$ 4,201,450	\$ 4,989,400

*See accompanying notes to the financial statements*

# West Contra Costa Healthcare District

## Statements of Cash Flows (continued)

For the Year Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Reconciliation of operating loss to net cash provided by operating activities</b>		
Loss from operations	\$ (1,115,263)	\$ (1,265,929)
Adjustments to reconcile loss from operations to net cash provided by operating activities		
Depreciation and amortization	38,588	38,588
Changes in operating assets and liabilities:		
Other receivables	2,157	17,629
Accounts payable	107,300	986,848
Estimated third-party payors settlements receivable	(65,315)	196,240
Net cash used in operating activities	<u>\$ (1,032,533)</u>	<u>\$ (26,624)</u>
<b>Non cash disclosures</b>		
Non cash payments on county loan	<u>\$ 3,993,712</u>	<u>\$ 3,947,927</u>

*See accompanying notes to the financial statements*



# West Contra Costa Healthcare District

## Notes to Financial Statements

June 30, 2021

### **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, 2020.

**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, 2021

### 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 year ended June 30, 2021, was \$38,588.

**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; and natural disasters. 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.

**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..

# West Contra Costa Healthcare District

## Notes to Financial Statements

June 30, 2021

### **NOTE 1 - ORGANIZATION AND ACCOUNTING POLICIES**

**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 year ended June 30, 2021, the district received approximately 97.4% 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, 2021, 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 \$7,620,417. 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, 2021

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

The composition of assets limited as to use at June 30, 2021 and 2020, is set forth in the following table. Investments are stated at fair value.

Held by Trustee	2021	2020
US Government Securities and Repurchase Agreements	\$ 3,418,967	\$ 3,686,626
Total	<u>\$ 3,418,967</u>	<u>\$ 3,686,626</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, 2021, they are due \$136,397 from Medicare for settlements through December 2015.

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, 2021, they have no additional receivable or payable with Medi-Cal.

# West Contra Costa Healthcare District

## Notes to Financial Statements

June 30, 2021

### NOTE 4- DEBT BORROWINGS

A schedule of changes in the District's debt borrowings for the years ended June 30, 2021 and 2017 is as follows:

	<u>06/30/20</u>	<u>Additions</u>	<u>Reductions</u>	<u>06/30/21</u>
<b>Bonds payable</b>				
Certificates of Participation - Series 2018	\$ 12,127,000	\$ -	\$ (1,239,000)	\$ 10,888,000
Certificates of Participation - Series 2019	40,463,000	-	(114,000)	40,349,000
	<u>\$ 52,590,000</u>	<u>\$ -</u>	<u>\$ (1,353,000)</u>	<u>\$ 51,237,000</u>
	<u>06/30/19</u>	<u>Additions</u>	<u>Reductions</u>	<u>06/30/20</u>
<b>Bonds payable</b>				
Certificates of Participation - Series 2018	\$ 13,322,000	\$ -	\$ (1,195,000)	\$ 12,127,000
Certificates of Participation - Series 2019	40,509,000	-	(46,000)	40,463,000
	<u>\$ 53,831,000</u>	<u>\$ -</u>	<u>\$ (1,241,000)</u>	<u>\$ 52,590,000</u>

The terms and due dates of the District's debt borrowings at June 30, 2021, are as follows:

- 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 2020 Certificates of Participation dated June 2019, original amount of 40,509,000, principal payable in semi-annual installments ranging from \$46,000 in 2021 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, 2021

### NOTE 4- DEBT BORROWINGS (continued)

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

Year Ending June 30	Debt Borrowings	
	Principal	Interest
2022	1,484,000	2,140,735
2023	1,615,000	1,994,023
2024	1,675,000	1,932,830
2025	1,740,000	1,870,038
2026	1,774,000	1,802,093
Thereafter	42,949,000	18,636,051
	<u>\$51,237,000</u>	<u>\$28,375,770</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, 2021 is \$1,391,706. 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, 2021

### 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 196 ex-District employees participating in the plan.

For the year ended June 30, 2021, the District recognized a pension related loss under the Plan of \$575,408. At June 30, 2021, 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, 2021:

Interest cost	\$ 442,469
Expected return on assets	(139,381)
Amortization of liability gains and losses	372,879
Amortization of assumption changes	(178,038)
Amortization of investment gains and losses	19,505
Administrative expenses	28,178
	<u>\$ 545,612</u>

# West Contra Costa Healthcare District

## Notes to Financial Statements

June 30, 2021

### NOTE 7- RETIREMENT PLANS (continued)

The net pension liability at June 30, 2021 is as follows:

Interest on total pension liability	\$ 442,485
Liability (gain) loss	371,834
Assumption change	(178,038)
Benefit payments	<u>(829,841)</u>
Net change in total pension liability	(193,560)
Total pension liability at beginning of the year	<u>15,161,340</u>
Total pension liability at the end of the year	<u><u>\$ 14,967,780</u></u>

The fiduciary net position at June 30, 2021 is as follows:

Investment income (loss)	\$ 3,449
Employer contributions	2,000,000
Benefits paid	(829,841)
Administrative expenses	<u>(13,208)</u>
Net change in total pension liability	1,160,400
Total fiduciary net position at beginning of the year	<u>4,245,167</u>
Total fiduciary net position at the end of the year	<u><u>\$ 5,405,567</u></u>
District's net pension liability (total liability less net position)	<u><u>\$ 9,562,213</u></u>
Plan fiduciary net position as a % of the total liability	36%
Actuarially determined contributions	\$ 919,640
Actual contributions	<u>(2,000,000)</u>
Contribution (excess) deficiency	<u><u>\$ (1,080,360)</u></u>



# West Contra Costa Healthcare District

## Notes to Financial Statements

June 30, 2021

### 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, 2021:

Actuarial valuation date	June 30, 2021
<b>Methods and assumptions</b>	
Actuarial cost method	Unit credit (all benefits are fully accrued)
Amortization method	Straight line
Asset valuation	Market value of assets
Investment rate of return	3.00%
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-2020

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, 2021, there are 196 participants in the plan, 97 deferred vested participants and 99 retired participants and beneficiaries. There are no participating employees.

**Contributions:** The recommended contribution for the 2021 plan year is \$951,869 (assuming contributions will be deposited throughout the plan year).

# West Contra Costa Healthcare District

## Notes to Financial Statements

June 30, 2021

### **NOTE 7- RETIREMENT PLANS (continued)**

**Discount rate:** The discount rate used to measure the total pension liability was 3.0%. In the previous valuation, the discount rate used to measure the total pension liability was also 3.0%. 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 3.0% would decrease the net pension liability by approximately \$1,242,000 and a 1% decrease in the discount rate from 3.0% would increase the net pension liability by approximately \$1,772,000.

### **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, 2021, will be resolved without material adverse effect on the District's future financial position, results from operations or cash flows.

Audited Financial Statements  
and Supplemental Information

West Contra Costa Healthcare District  
Successor Retirement Plan

June 30, 2021 and 2020

DRAFT

JWT & Associates, LLP  
Advisory Assurance Tax

West Contra Costa Healthcare District Successor Retirement Plan

Audited Financial Statements

June 30, 2021 and 2020

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# **JWT & Associates, LLP**

## **Advisory Assurance Tax**

1111 E. Herndon Avenue, Suite 211, Fresno, CA 93720

Voice: (559) 431-7708 Fax: (559) 431-7685

### 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, 2021 and 2020, 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, 2021 and 2020, 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 is at 36% of the actuarial present value of future benefits at June 30, 2021. The Plan's sponsor, West Contra Costa Healthcare District (the District), ceased operations of Doctors Medical Center 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 minimum annual contributions of \$1,000,000 to the Plan starting in fiscal year ending June 30, 2018 and ending when the District's financial obligation is satisfied. 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, 2021 and 2020, 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, 2021 and 2020 financial statements and, in our opinion, is fairly stated in all material respects in relation to the June 30, 2021 and 2020 financial statements taken as a whole.

September XX, 2021

Fresno, California

# West Contra Costa Healthcare District Successor Retirement Plan

## Statement of Net Assets Available for Plan Benefits

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 24	\$ 1,331
Investments, at fair value		
Registered investment companies	5,405,567	4,284,167
Total investments	<u>5,405,567</u>	<u>4,284,167</u>
Total assets	<u>5,405,591</u>	<u>4,285,498</u>
<b>Liabilities</b>		
Other liabilities	24	40,331
Total liabilities	<u>24</u>	<u>40,331</u>
Net assets available for plan benefits	<u>\$ 5,405,567</u>	<u>\$ 4,245,167</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, 2021 and 2020

	2021	2020
<b>Additions</b>		
Investment income		
Interest and dividend income	\$ 19,448	\$ 48,391
Total investment income	19,448	48,391
Employer contributions	2,000,000	2,000,000
Total additions	2,019,448	2,048,391
<b>Deductions</b>		
Benefits distributed to participants	830,870	831,920
Administrative expenses	28,178	43,935
Total deductions	859,048	875,855
Net change in net assets	1,160,400	1,172,536
Net assets available for plan benefits at beginning of year	4,245,167	3,072,631
Net assets available for plan benefits at end of year	\$ 5,405,567	\$ 4,245,167

*See accompanying notes to the financial statements*



# West Contra Costa Healthcare District Successor Retirement Plan

## Notes to Financial Statements

June 30, 2021 and 2020

### 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, 2021 and 2020

### 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, 2021 and 2020, the plan sponsor made contributions to the plan totaling \$2,00,000 for both years..

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, 2021 and 2020, Plan assets are less than the actuarial present value of future benefits by the amount of \$9,562,213 and \$10,916,173, respectively. This amount is amortized over five years using the 2021 assumptions. Based upon this method, the actuarial consultants recommend that a contribution of at least \$924,145 be made to the Plan for the 2021 plan year. The Plan's sponsor has reached an agreement with the bankruptcy court whereby they will make minimum annual contributions of \$1,000,000 to the Plan starting in fiscal year ending June 30, 2018 and ending when the District's financial obligation is satisfied. The Plan sponsor made contribution payments totaling \$2,000,000 during the year ended June 30, 2021. 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 at June 30, 2021 and 2020, is 36.11% and 28.00% respectively. 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, 2021 and 2020

### 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, 2021 and 2020

### 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, Findley. 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, 2021 and 2020, 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 – 3.0%.
- 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-2020.

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, 2021 and 2020

### NOTE 3 – ACCUMULATED PLAN BENEFITS (continued)

The actuarial present value of accumulated plan benefits as of June 30, 2021 and 2020, is as follows:

	2021	2020
Vested benefits		
Participants currently receiving payments	\$ 7,558,729	\$ 7,732,283
Other participants	7,409,051	7,429,057
Total vested benefits	14,967,780	15,161,340
Non-vested benefits	-	-
Total actuarial present value of accumulated plan benefits	\$ 14,967,780	\$ 15,161,340

Changes in the actuarial present value of accumulated plan benefits for the years ended June 30, 2021 and 2020 were as follows:

	2021	2020
Actuarial present value of accumulated plan benefits at beginning of plan year	\$ 15,161,340	\$ 13,694,352
Changes during the year attributable to:		
Decrease in discount period	815,348	1,023,743
Benefits paid	(830,870)	(831,920)
Change in assumptions	(178,038)	1,275,165
Net increase (decrease)	(193,560)	1,466,988
Actuarial present value of accumulated plan benefits at end of plan year	\$ 14,967,780	\$ 15,161,340

# West Contra Costa Healthcare District Successor Retirement Plan

## Notes to Financial Statements

June 30, 2021 and 2020

### 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.

The Plan assets are invested in products sold by Benefit. There was no realized or unrealized gain or loss on investment value for the years ended June 30, 2021 and 2020, as the Plan's investments are in money market backed stable value investments that do not fluctuate with the stock market. Investments at Benefit consist of the following at June 30, 2021 and 2020, stated at fair value:

	<u>2021</u>	<u>2020</u>
Registered investment companies		
Mutual funds - money market	\$ 5,405,567	\$ 4,284,167
	<u>\$ 5,405,567</u>	<u>\$ 4,284,167</u>

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, 2021 and 2020 amounted to \$6,208 and \$4,935, 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.

In accordance with guidance on accounting for uncertainty in income taxes, the plan administrator has evaluated the Plan's tax positions and does not believe the Plan has any uncertain tax positions that require disclosure or adjustment to the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

# West Contra Costa Healthcare District Successor Retirement Plan

## Notes to Financial Statements

June 30, 2021 and 2020

### 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 August 2021, an actuarial valuation was prepared for the purpose of determining contributions for the plan year beginning July 1, 2021. As of that date, plan assets are less than the actuarial present value of future benefits in the amount of \$9,562,213. 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 \$924,145 during the plan year ended June 30, 2021. The Plan's sponsor has reached an agreement with the bankruptcy court whereby they will make minimum annual contributions of \$1,000,000 to the Plan starting in fiscal year ending June 30, 2018 and ending when the District's financial obligation is satisfied. The Plan sponsor made contribution payments totaling \$2,000,000 during the year ended June 30, 2021. 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 increased during the plan year ended June 30, 2021 from 28.00% funded to 36.11% 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 \$57,162,421 at June 30, 2021 (audited), reported net income of \$6,803,775 for the year ended June 30, 2021 (audited), and has cash reserves of \$7,620,417. 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. The bankruptcy was closed in June 2021 and the District has and is complying with all agreed upon terms of the bankruptcy. 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, 2021 and 2020

### 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, 2021 and 2020

### 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, 2021 and 2020 are as follows:

	2021			
	Level 1	Level 2	Level 3	Total
Registered investment companies				
Mutual funds - money market	\$ 5,405,567	\$ -	\$ -	\$ 5,405,567
Investments at fair value	\$ 5,405,567	\$ -	\$ -	\$ 5,405,567
	2020			
	Level 1	Level 2	Level 3	Total
Registered investment companies				
Mutual funds - money market	\$ 4,284,167	\$ -	\$ -	\$ 4,284,167
Investments at fair value	\$ 4,284,167	\$ -	\$ -	\$ 4,284,167

Required Supplemental Information

DRAFT

# West Contra Costa Healthcare District Successor Retirement Plan

## Required Supplemental Information

Years Ended June 30, 2021 and 2020

### 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, 2021	\$ 5,405,567	\$ 14,967,780	\$ 9,562,213	36%	N/A	N/A
June 30, 2020	\$ 4,245,167	\$ 15,161,340	\$ 10,916,173	28%	N/A	N/A
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

### Schedule of Contributions to Plan

Year Ended	Annual Required Contribution (ARC)	Percentage of ARC Contributed
June 30, 2021	\$ 924,145	216%
June 30, 2020	\$ 1,009,390	198%
June 30, 2019	\$ 992,990	101%
June 30, 2018	\$ 813,720	123%
June 30, 2017	\$ 2,262,505	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, 2021 and 2020

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, 2021	June 30, 2020
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	3.00%	4.00%
Compensation increase rate	N/A	N/A
Inflation adjustment	2.00%	2.00%

DRAFT

## **2021 WCCHD Refinance Opportunity Summary September 14, 2021**

The District has two outstanding revenue bonds that are secured by and repaid from the District's parcel taxes:

1. **2018 Bonds** (\$15,015,000 original principal amount sold to Pacific Western Bank at 3.625% with a final maturity of July 1, 2028)
2. **2019 Bonds** (\$20,254,500 original principal amount sold to Pacific Western Bank and \$20,254,500 original principal amount sold to Western Alliance Business Trust both initially at a taxable rate of 5.00% that have been converted to a tax-exempt rate of 4.125% earlier this year, both with a final maturity of July 1, 2042).

Both the 2018 Bonds and the 2019 Bonds (the "Outstanding Bonds") are callable on any interest payment date, at par, with no prepayment penalty. The first interest payment date the District can refund the Outstanding Bonds is **January 1, 2022**. As such, we can issue refunding bonds to currently refund the Outstanding Bonds sometime between **October 3, 2021, and December 31, 2021**, so the refunding would qualify as a current refunding and be eligible as a tax-exempt obligation. There is a required written notice of redemption to current bond holders by the Trustee that must be provided by the Trustee no less than 30 days prior to the redemption date (which redemption date shall not be less than 60 days after notice of redemption has been delivered to the Trustee by the District).

### **Why now?**

Since the Outstanding Bonds were sold, interest rates have declined, and the District's credit profile has improved. The combination of these two factors combined with the favorable prepayment (optional redemption) provisions associated with the Outstanding Bonds has created an opportunity to generate substantial debt service savings by refunding the Outstanding Bonds. **If we miss the January 1 date, the next available redemption date is July 1, 2022 and the current desired low interest rate may not be available.**

**Status:**

## **Private Placement Proposal received September 10, 2021, from Umpqua Bank:**

- Callable at any time with a call premium that starts at 3% and declines to 0% in 10 years
- Total Savings are \$8.1 million gross and \$6.6 million on a net present value basis which is over 13% of the refunded par amount.

## **Should the District Explore Public Placement?**

- WCCHD can access the public bond market.
- Based upon recent experience with similar CA hospital district credits, Piper Sandler believes that it is possible for the District to achieve an investment grade rating on publicly offered refunding bonds.
- For comparison purposes, assuming a Baa1 rating from Moody's is achieved and interest rates remain at today's level, estimated net present value savings would be approximately \$8,979,000 vs \$8,168,140 for the Umpqua private placement. The Baaa1 rating is conservative / likely the floor, and the savings opportunity may be higher.

## **Risks of public offering to consider:**

- Additional management time and effort to prepare disclosure documents and maintain a rating as well as requirements to provide ongoing public disclosure of the District's financial information.
- A longer optional call feature with bonds unlikely to be callable until July 1, 2031.
- More interest rate risk due to approximately 1-month longer period before District can lock in the interest rate.
- The rating comes in significantly below expectations

## **The Financial Team recommends a dual track process:**

- Continue to pursue the private placement for a lower interest rate

- Explore the public offering which commences with a phone conference with Moody's to initiate an updated rating on September 24, 2021.

# West Contra Costa Healthcare District Rating Agency Presentation

Prepared for Moody's Investor Service



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# Meeting Participants

## West Contra Costa Healthcare District

- Patrick Godley, COO/CFO Contra Costa Health Services
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- Bud De Cesare, Fiscal Manager and Budget Officer, Contra Costa Health Services
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## Moody's Ratings

- Helen Cregger, VP – Senior Credit Officer
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## District's Municipal Advisor – G.L. Hicks Financial, LLC

- Gary Hicks, President
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## Bond Counsel – Quint and Thimmig LLP

- Brian Quint, Esq.
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## Underwriter – Piper Sandler & Co.

- Todd Van Deventer, Managing Director
  - (913) 345-3352 ([todd.vandeventer@psc.com](mailto:todd.vandeventer@psc.com))

# Schedule and Purpose

## Purpose of the Bonds

- The Series 2021 Parcel Tax Refunding Revenue Bonds (the “Bonds”) will refund the outstanding Series 2018 and Series 2019 Bonds.
- All bonds are currently callable and are expected to be redeemed on January 1, 2021.

### Preliminary Sources & Uses of Funds\*

Bond Proceeds:	
Par Amount	\$45,195,000
Premium	7,042,365
<hr/>	
Total Sources of Funds	\$52,237,365
Refunding Escrow Deposits	\$51,556,648
Estimated Costs of Issuance	677,925
Additional Proceeds	2,792
<hr/>	
Total Uses of Funds	\$52,237,365

\*Preliminary, subject to change.

### Transaction Schedule

Rating Meeting – September 24

Rating Received – October 8

Anticipated Sale Date – November 4

Anticipated Closing – November 23

# Estimated Savings:

## Purpose of the Bonds

- The Series 2021 Parcel Tax Refunding Revenue Bonds are expected to save the District approximately \$9 million in reduced debt service costs through 2042.
- Average annual savings are estimated at over \$500,000 annual through 2028 and then \$400,000 annually through 2042.

Year	Series 2018 & 2019			Series 2021			
	Principal	Interest	Debt Service	Principal	Interest	Debt Service	Savings
2022	\$1,585,000	\$2,023,969	\$3,608,969	\$2,205,000	\$1,094,723	\$3,299,723	\$309,246
2023	1,645,000	1,963,913	3,608,913	1,370,000	1,719,600	3,089,600	519,313
2024	1,707,000	1,902,293	3,609,293	1,430,000	1,664,800	3,094,800	514,493
2025	1,772,000	1,836,897	3,608,897	1,480,000	1,607,600	3,087,600	521,297
2026	1,840,000	1,769,714	3,609,714	1,545,000	1,548,400	3,093,400	516,314
2027	1,909,000	1,699,992	3,608,992	1,605,000	1,486,600	3,091,600	517,392
2028	1,982,000	1,627,699	3,609,699	1,670,000	1,422,400	3,092,400	517,299
2029	2,059,000	1,550,319	3,609,319	1,855,000	1,355,600	3,210,600	398,719
2030	2,145,000	1,464,478	3,609,478	1,925,000	1,281,400	3,206,400	403,078
2031	2,234,000	1,375,089	3,609,089	2,005,000	1,204,400	3,209,400	399,689
2032	2,327,000	1,281,988	3,608,988	2,085,000	1,124,200	3,209,200	399,788
2033	2,424,000	1,184,989	3,608,989	2,170,000	1,040,800	3,210,800	398,189
2034	2,525,000	1,083,968	3,608,968	2,255,000	954,000	3,209,000	399,968
2035	2,631,000	978,698	3,609,698	2,345,000	863,800	3,208,800	400,898
2036	2,740,000	869,055	3,609,055	2,440,000	770,000	3,210,000	399,055
2037	2,855,000	754,834	3,609,834	2,535,000	672,400	3,207,400	402,434
2038	2,973,000	635,869	3,608,869	2,635,000	571,000	3,206,000	402,869
2039	3,097,000	511,954	3,608,954	2,740,000	465,600	3,205,600	403,354
2040	3,226,000	382,862	3,608,862	2,850,000	356,000	3,206,000	402,862
2041	3,361,000	248,387	3,609,387	2,965,000	242,000	3,207,000	402,387
2042	3,501,000	108,302	3,609,302	3,085,000	123,400	3,208,400	400,902
<b>Total</b>	<b>\$50,538,000</b>	<b>\$25,255,268</b>	<b>\$75,793,268</b>	<b>\$45,195,000</b>	<b>\$21,568,723</b>	<b>\$66,763,723</b>	<b>\$9,029,545</b>

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# Parcel Tax Bond Security

## Pledge of Parcel Taxes

- On June 8, 2004, 84% of the voters in the District voted to approve Measure D, which imposed a parcel tax (the “2004 Parcel Tax”) on all taxable real property in the District.
- The 2004 Parcel Tax Revenues are pledged to the repayment of the Series 2021 Bonds.
- The County levies and collects the 2004 Parcel Tax.
- The Parcel Taxes are subject to a “lockbox” provision.
  - Once the County has collected such taxes, it is required to transfer those funds directly to the Trustee for payment of the Bonds.
  - Once the Trustee has collected sufficient Parcel Taxes each year to pay debt service, additional Parcel Tax Revenues for that year are remitted to the District.

## Statutory Lien

- Pursuant to California Government Code section 53515 the Bonds are secured by a statutory lien on all 2004 Parcel Tax revenues pursuant to the levy and collection of the tax.

## Special Revenues

- Pursuant to the Bankruptcy Plan “Section 4 Treatment of Claims”:
  - Parcel Tax Bondholders were considered Class 1 and the “secured claim” of the Holders of the Bonds shall be paid in full with interest pursuant to the documents.

## Parcel Tax Revenues

- The annual parcel tax assessments are based on property use codes as illustrated by the table below:

Use Code	Rate
Single-Family Residential / Vacant / Misc.	\$52
Small Multi-Unit Residential	\$104
Small Commercial / Industrial	\$312
Medium Commercial / Industrial	\$520
Large Commercial / Industrial	\$1,040

- The 2004 Parcel Tax is not levied on the basis of assessed valuation but rather on the basis of a fixed amount for each of the five use codes categories above.
- There has not been a meaningful variance in the 2004 Parcel Taxes received at approximately \$5,650,000.
- Below is a Historical Pro Forma Maximum Annual Debt Service Calculation for the fiscal years 2014/2015 thru 2020/2021.

West Contra Costa Healthcare District							
Historical Parcel Tax Revenues versus Pro Forma Maximum Annual Debt Service*							
Fiscal Year	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Secured Tax Charge	5,679,336	5,649,228	5,647,044	5,640,414	5,638,308	5,645,328	5,652,296
Pro Forma MADS*	3,321,750	3,321,750	3,321,750	3,321,750	3,321,750	3,321,750	3,321,750
Historical Pro Forma MADS Coverage*	1.71x	1.70x	1.70x	1.70x	1.70x	1.70x	1.70x

\*Preliminary, subject to change

# Pro Forma Parcel Tax Coverage Analysis

Pro Forma Parcel Tax Coverage Analysis*				
Period Ending	Parcel Tax Revenues*	Debt Service	Surplus	Coverage
7/1/2022	5,652,296	\$3,321,440	2,330,856	1.70
7/1/2023	5,652,296	3,317,300	2,334,996	1.70
7/1/2024	5,652,296	3,322,250	2,330,046	1.70
7/1/2025	5,652,296	3,325,400	2,326,896	1.70
7/1/2026	5,652,296	3,321,750	2,330,546	1.70
7/1/2027	5,652,296	3,321,450	2,330,846	1.70
7/1/2028	5,652,296	3,324,350	2,327,946	1.70
7/1/2029	5,652,296	3,320,300	2,331,996	1.70
7/1/2030	5,652,296	3,319,450	2,332,846	1.70
7/1/2031	5,652,296	3,321,650	2,330,646	1.70
7/1/2032	5,652,296	3,321,750	2,330,546	1.70
7/1/2033	5,652,296	3,319,750	2,332,546	1.70
7/1/2034	5,652,296	3,320,650	2,331,646	1.70
7/1/2035	5,652,296	3,319,300	2,332,996	1.70
7/1/2036	5,652,296	3,320,700	2,331,596	1.70
7/1/2037	5,652,296	3,319,700	2,332,596	1.70
7/1/2038	5,652,296	3,321,300	2,330,996	1.70
7/1/2039	5,652,296	3,320,350	2,331,946	1.70
7/1/2040	5,652,296	3,321,850	2,330,446	1.70
7/1/2041	5,652,296	3,320,650	2,331,646	1.70
7/1/2042	5,652,296	3,321,750	2,330,856	1.70

\*Parcel tax revenues are assumed at amount from June 30, 2020 annual disclosure

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## The District - Overview

- The District was created in 1948 as a political subdivision of the State of California and is organized and operates under the Local Health Care District Law (the “District Law”).
- The District is located in Contra Costa County and covers the majority of the western portion of the County.
- The population of the District is approximately 260,000 persons.
- Cities and communities located within the District’s boundaries include, Richmond, San Pablo, El Cerrito, Hercules and Pinole as well as neighboring unincorporated cities.
- As a result of Senate Bill #522, the Contra County Board of Supervisors appointed itself as the District’s Board of Directors effective January 1, 2019.
- The District is a political agency and receives *ad valorem* property taxes annually.
  - The District received operating tax revenues of \$4,831,558.59 and \$5,051,610.08 in 2018-19 and 2019-20 fiscal years, respectively.
  - County currently collects and utilizes all but \$1,000,000 annually of this tax revenue to paydown the liability related to the Tax-Exchange Agreement.
  - The Tax Exchange Agreement is expected to be fully repaid in June of 2022 at which time the District will receive the full amount of the tax revenues for general operating purposes.

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## The District – Current Operations

- The District does not currently operate or own any health care facilities.
- The District does not have any employees with management of the District being handled by the County's employees along with support provided by ex-employees and independent contractors of the District.
- The District uses a portion of its annual surplus received from ad valorem operating taxes and surplus parcel tax revenues to provide grants and funding to support local health initiatives and expects to provide more significant grants and support as additional funds free up due to the pay off of remaining legacy obligations.
- The District/County has no intention to own or operate an acute care hospital.



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## The Bankruptcy

- The District ceased operating Doctor's Hospital in 2015 and filed for Chapter 9 Bankruptcy in October 2016.
- Through the bankruptcy process a plan for adjustment of debt (the "Plan") was confirmed by the Bankruptcy Court and overwhelmingly approved by the creditors of the District.
  - The Plan took effect April 4, 2018 in conjunction with the sale of the Hospital.
  - The Parcel Taxed Revenue Bonds were recognized in the Plan as allowed claims.
  - All unsecured creditors have been paid.
  - On June 25, 2021, the bankruptcy court entered an order closing the Chapter 9 bankruptcy for the District.
- The District has 5 remaining obligations:
  - 2018 and 2019 Bonds (to become the 2021 Bonds)
  - Tax exchange agreement with the County, will be satisfied in FY2022.
  - Unfunded pension/deferred compensation plan, estimated to be satisfied in FY2026.
  - California Nurses Association, balance of \$1,750,000 as of June 30, 2021. Balance to be paid off over the next 6 fiscal years.
  - Local 39 pension claim, balance of \$283,417.87 as of June 30, 2021. Balance to be paid off over the next 7 fiscal years.

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## The Tax Exchange Agreement

- The District entered into a tax exchange agreement with the County in April 2011.
- The agreement reached a maximum outstanding balance of \$25,296,000 in 2014.
- The County Auditor allocates and transfers to the County, pursuant to the agreement, all but \$1,000,000 of the District's general operating ad valorem tax revenues that would otherwise be remitted to the District.
- The operating tax revenues were over \$5 million in fiscal year 2020.
- The outstanding balance due to the County as of June 2021 was \$1,391,705 and the County is expected to be fully repaid as of by June 2022.
- By satisfying its annual obligations associated with the Tax Exchange Agreement the District will reduce its annual obligations by approximately \$4 million moving forward.

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## The District – The Board

- The District is governed by the Board of Directors of Contra Costa County (the “Board”), which consists of five members, each elected by geographic district to four-year terms.
- The Board has ultimate responsibility for District policies, strategic planning, as well as fiduciary responsibility for protecting and enhancing the District’s assets.
- The Board has turned over day-to-day responsibilities of managing the District to Contra Costa Health Services and certain outside consultants. Regular Board meetings are held monthly and are open to the public.
- The current members of the Board, including their titles, dates on which their current terms expire and total years as Board members, are set forth in the following table.

District Board of Commissioners		
Name	Position	Term Expires
John M. Gioia	Supervisor, District 1	January 2023
Candace Anderson	Supervisor, District 2	January 2025
Diane Burgis	Supervisor, District 3	January 2025
Karen Mitchoff	Supervisor, District 4	January 2023
Federal D. Glover	Supervisor, District 5	January 2025

WEST CONTRA COSTA HEALTHCARE DISTRICT

RESOLUTION NO. \_\_\_\_

**RESOLUTION AUTHORIZING THE COMMENCEMENT OF PROCEEDINGS IN CONNECTION WITH THE ISSUANCE, SALE AND DELIVERY OF REVENUE BONDS TO REFUND THE OUTSTANDING WEST CONTRA COSTA HEALTHCARE DISTRICT REFUNDING REVENUE BONDS, SERIES 2018, AND THE OUTSTANDING WEST CONTRA COSTA HEALTHCARE DISTRICT REFUNDING REVENUE BONDS, SERIES 2019, AND APPROVING CERTAIN OTHER ACTIONS**

RESOLVED, by the Board of Directors (the "Board") of the West Contra Costa Healthcare District (the "District"), as follows:

WHEREAS, the District has heretofore issued its West Contra Costa Healthcare District Refunding Revenue Bonds, Series 2018 (the "2018 Bonds"), of which \$10,249,000 is outstanding, and its West Contra Costa Healthcare Refunding Revenue Bonds, Series 2019 (the "2019 Bonds" and, with the 2018 Bonds, the "Prior Bonds"), of which \$40,289,000 is outstanding;

WHEREAS, the District's obligation to pay the principal of and interest on the Prior Bonds is secured by a first and prior lien on the revenues derived by the District from an annual special parcel tax on each taxable parcel of real property within the District (exclusive of parcels for which exemptions have been granted, approved by approximately 84% of the voters of the District at a special election held on June 8, 2011);

WHEREAS, the District has been made aware that it is possible to refund the Prior Bonds and realize substantial debt service savings by issuing its West Contra Costa Healthcare District Refunding Revenue Bonds, Series 2021 (the "Bonds"), pursuant to the provisions of section 53570 *et seq.* of the California Government Code; and

WHEREAS, it is appropriate that the Board formally authorize the preparation of the necessary documents in connection and other actions with the issuance and sale of the Bonds;

NOW, THEREFORE, it is hereby DECLARED and ORDERED, as follows:

*Section 1.* The Executive Director or the Treasurer, the Chief Operating Officer & CFO of Contra Costa Health Services, or the designee thereof (each, an "Authorized Officer"), and other appropriate officers and officials of the District to proceed with the preparation of the necessary documents in connection with the issuance and sale of the Bonds, subject to the final approval by the Board at a subsequent meeting. The Authorized Officers are also authorized and directed to schedule and meet with Moody's Investors Service to obtain a credit rating on the Bonds which

will be required if they are sold pursuant to a public offering and to solicit proposals from institutional investors for the purchase of the Bonds if they are sold pursuant to a private placement.

*Section 2.* The Board understands that all costs of issuance will be paid from the proceeds of the Bonds and will not be paid by the District and will be payable only upon the successful issuance and sale of the Bonds, other than a minor portion, capped at \$7,500.

*Section 3.* The Authorized Officers and other appropriate officers and officials of the District are hereby authorized and directed to take such action and to execute such documents as may be necessary or desirable to effectuate the intent of this Resolution.

*Section 4.* This Resolution shall be in full force and effect immediately upon its adoption.

\* \* \* \* \*

I hereby certify that the foregoing resolution was duly adopted at a meeting of the Board of Directors of the West Contra Costa Healthcare District held on the 5th day of October, 2021, by the following vote:

AYES, and in favor of, Board Members:

NOES, Board Members:

ABSENT, Board Members:

By \_\_\_\_\_  
Secretary