



**Contra
Costa
County**

To: Board of Supervisors
From: John Gioia, District I Supervisor
Date: April 12, 2016

Subject: RESOLUTION NO. 2016/318 AUTHORIZING AMENDMENTS TO PROPERTY TAX TRANSFERS
FROM WEST CONTRA COSTA HEALTH CARE DISTRICT TO CONTRA COSTA COUNTY

RECOMMENDATION(S):

ADOPT Resolution No 2016/318 approving an amendment to each of (1) the Amended and Restated Second Agreement for Property Tax Transfer from the West Contra Costa Health Care District to Contra Costa County, dated July 16, 2013, between the West Contra Costa Healthcare District (District) and the County, and (2) the Third Agreement for Property Tax Transfer From West Contra Costa Healthcare District to Contra Costa County,” dated July 1, 2014, between the District and County, which provide for a \$1 million reduction in the allocation of District ad valorem property tax revenues to the County under the Second Agreement and under the Third Agreement, and authorizing the County Auditor to transmit directly to the District, instead of to the County, \$1 million of the District’s annual ad valorem property tax allocation, each year in the month of April, and to make a final transfer of District ad valorem property taxes in the amount of \$645,000 in consideration of County foregoing \$1 million in District ad valorem property taxes that would otherwise be transferred to County under the second Agreement and the Third Agreement.

FISCAL IMPACT:

The fiscal impact of a modification to the District's ad valorem property tax allocation, as proposed, would be a \$1 million impact to the General Fund reserves annually until the

☒ APPROVE

☐ OTHER

☒ RECOMMENDATION OF CNTY
ADMINISTRATOR

☐ RECOMMENDATION OF BOARD
COMMITTEE

Action of Board On: **04/12/2016** ☒ APPROVED AS RECOMMENDED ☐ OTHER

Clerks Notes:

VOTE OF SUPERVISORS

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

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

ATTESTED: April 12, 2016

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

Contact: Supervisor John Gioia
(510) 374-3231

By: June McHuen, Deputy

agreements are complete. The impact to the County is a two to three year extension, which is cost neutral over time due to the final proposed transfer.

BACKGROUND:

In an attempt to keep Doctors Medical Center open, Contra Costa County provided \$35 million in emergency funding to the hospital since 2006. In exchange, the District authorized an allocation of its ad valorem property tax revenues to the County. The hospital closed April 21, 2015. The County receives all of the ad valorem property tax, which is annually approximately \$3.3 million.

There currently are two agreements between the County and the District providing for the allocation of ad valorem property taxes from the District to the County. The two agreements are the Amended and Restated Second Agreement for Property Tax Transfer from the West Contra Costa Health Care District to Contra Costa County, dated July 16, 2013 (“Second Agreement”), and the Third Agreement for Property Tax Transfer From West Contra Costa Healthcare District to Contra Costa County, dated July 1, 2014 (“Third Agreement”).

The total remaining ad valorem property tax revenues to be transferred to the County under the Second Agreement is \$13,277,804. The total amount of ad valorem property tax revenues to be transferred to the County under the Third Agreement is \$8,200,000. The property tax revenues are allocated from the District to the County at the rate of approximately \$3,300,000 per fiscal year. This amount may be higher or lower depending on property values in the District’s tax rate areas. The two property tax transfer agreements operate sequentially. In other words, the parties have agreed that property tax revenues will not be allocated to the County under the Third Agreement, until after all property tax revenues have been allocated to the County under the Second Agreement.

The District has requested that the County agree to forego \$1,000,000 of the District’s ad valorem property tax allocation that would otherwise be allocated to the County under both the Second Agreement and under the Third Agreement for the purpose of assisting the District in winding down its affairs. The District’s annual cash spend for operations and on-going post-closure obligations exceeds the District’s current funding. DMC struggles from lack of cash. Wherever possible, DMC is holding off payment on invoices; however, annual costs to operate the District and honor owed obligations continue. The District lists its high level summary of annual costs to operate the District as:

- General operating costs \$475,000. Includes general office personnel and office rental, outside bookkeeping, District audit, pension audit, and COPs repayment oversight.
- Successor pension plan payments \$900,000. Annual amount to fund the underfunded pension plan for past employees. This is based on last year’s actuarial estimate.
- Medical retiree medical plans \$250,000. Annual payment to fund the medical retirement plan.
- Workers compensation \$250,000. Claims from past employees still actively receiving workers compensation.

- Medical record storage \$200,000. Annual costs to store and retrieve medical records for previous DMC patients.
- Biennial Election Costs \$450,000. Cost of funding required Special District election costs.

The proposed amendments to the County's right to receive the allocation of District property taxes will not alter the total amount of property taxes that the District transferred to the County under the Second Agreement or Third Agreement, but will delay the repayment. Given the proposed amendment and the estimated total ad valorem, the final transfer will likely occur in FY 2023-24 rather than FY 2021-22. To make the amendment cost neutral to the County, the District would make a final transfer to the County of \$645,000, which would be added to the \$8.2 million in ad valorem property taxes to be transferred under the Third Agreement.

If this amendment is executed, the total amount of tax revenues allocated to the County from the District under the Second Agreement will be increased by \$645,000.

CONSEQUENCE OF NEGATIVE ACTION:

The County will receive the entire allocation of ad valorem property taxes described in the First Agreement and the Second Agreement between the County and the West Contra Costa Healthcare District.

CLERK'S ADDENDUM

Speaker: Eric Zell, West Contra Costa Health Care District.

ATTACHMENTS

Resolution No. 2016/318

Amended and Restated Second Agreement for Property Tax Transfer from WCCHCD to Contra Costa County

Amended and Restated Third Agreement for Property Tax Transfer from WCCHCD to Contra Costa County