



Contra  
Costa  
County

To: Board of Supervisors  
From: David Twa, County Administrator  
Date: July 10, 2018

Subject: Dissolution of the Los Medanos Community Healthcare District

**RECOMMENDATION(S):**

1. ADOPT Resolution No. 2018/218, authorizing the County Administrator, or designee, to submit to the Contra Costa Local Agency Formation Commission (LAFCO) an amended application for the dissolution of the Los Medanos Community Healthcare District (District) and a plan for providing comprehensive health-related services within the territory of the District, and AUTHORIZE the County Administrator, or designee, to provide any additional data and information as may be required by LAFCO pertaining to the dissolution of the District.

2. ADOPT Resolution No. 2018/436, establishing the Los Medanos Health Advisory Committee to develop and implement the Los Medanos Area Health Plan Grant Program, which will identify health disparities within the boundaries of the District and make recommendations for funding health-related services through the grant program, contingent upon the dissolution of the District by LAFCO.

3. ADOPT Resolution No. 2018/228, determining the property tax exchange for the area currently served by the District upon dissolution of the District, pursuant to Revenue and Taxation Code section 99 et seq.

☒ APPROVE

☐ OTHER

☒ RECOMMENDATION OF CNTY  
ADMINISTRATOR

☐ RECOMMENDATION OF BOARD  
COMMITTEE

Action of Board On: **07/10/2018** ☒ APPROVED AS RECOMMENDED ☐ OTHER

Clerks Notes:

**VOTE OF SUPERVISORS**

AYE: John Gioia, District I Supervisor  
Candace Andersen, District II Supervisor  
Diane Burgis, 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: July 10, 2018

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

Contact: Timothy M. Ewell,  
(925) 335-1036

By: June McHuen, Deputy

4. DIRECT the Auditor-Controller to establish the Los Medanos Community Healthcare revenue fund, a special revenue fund within the County

## RECOMMENDATION(S): (CONT'D)

Treasury, to segregate the property tax revenue received by the County pursuant to Resolution No. 2018/228, contingent upon the dissolution of the District by LAFCO.

5. APPROVE and AUTHORIZE the County Administrator, or designee, to remit a settlement payment of \$883,956 from the County, as successor to the District, to the California Office of Statewide Health Planning and Development (OSHPD) to resolve the outstanding balance of the District's bankruptcy debt, contingent upon the dissolution of the District by LAFCO.

6. APPROVE response to Civil Grand Jury Report No. 1802, "Los Medanos Community Healthcare District," and DIRECT the Clerk of the Board to forward the response to the Superior Court immediately following Board action.

## FISCAL IMPACT:

No fiscal impact.

## BACKGROUND:

Following the District's bankruptcy in 1994, the District closed the facility it had been operating as the Los Medanos Community Hospital and stopped providing direct services to the public. The District was able to emerge from bankruptcy in 1998 with the assistance of the County and the California Office of Statewide Health Planning and Development (OSHPD). OSHPD repaid the District's debt and became a creditor of the District. The County reopened what had been the District's hospital, creating the Pittsburg Health Clinic, and became a tenant of the District. All of the County's annual rent payments to date have been used to reduce the District's debt to OSHPD. To date, the County has spent approximately \$24.7 million on capital improvements to the Clinic property.

Last year, in anticipation of the County's 20-year lease with the District expiring at the end of July 2018, County staff met with the District to discuss the terms of a lease extension. The District proposed a ten-fold increase in the rent paid by the County for a facility that is used to provide primary and specialty healthcare to thousands of District residents. That response from the District led County staff and this Board to take a closer look at the services currently provided by the District with its roughly \$1 million in annual tax revenue. We learned that the District operates a community garden and a grant program and that roughly half of the District's annual revenue is used to pay administrative expenses. This fact was subsequently noted by the Little Hoover Commission in its report titled, "Special Districts: Improving Oversight and Transparency", which was released in August 2017. Specifically, the Little Hoover Commission called out the District as an example of a statewide trend of civil grand juries calling for dissolution of healthcare districts due to high administrative costs and the provision of redundant or uncoordinated services to the community.

Under its grant program, the District provides grants to third-party providers of various services. The stated goal of the grant program is to “advance solutions to health disparities.” The nexus between the District’s stated goal and its grant program is not always apparent. In the interest of making more efficient use of the healthcare dollars available to the residents of the District, the County submitted an application to LAFCO in November 2017, requesting that LAFCO initiate proceedings for the dissolution of the District and to transfer all of the assets, rights and responsibilities of the District to the County as the successor agency. Following the County's submission, the Contra Costa County Civil Grand Jury filed Report No. 1802, titled "Los Medanos Community Healthcare District" recommending the dissolution of the District and the appointment of the County as successor to the District.

### *LAFCO Comments*

Following the submission of the County’s November 2017 application, LAFCO reviewed the County's proposal and suggested areas of clarification that may help the Commission and the public better understand the County's vision. Specifically, LAFCO suggested that the County provide more detailed information on the following topics:

- Whether the County would continue to operate a grant program for the benefit of the District’s residents and, if so, how it would be administered.
- How the County would track the tax increment, to ensure it continues to benefit District residents.
- How the County would handle the remaining debt owed by the District to OSHPD.
- The County’s compliance with Revenue and Taxation Code section 99 et seq., related to the process of allocating property tax revenue when there is a jurisdictional change.

The County’s amended application will address these issues, which are summarized below.

### *Creation of Los Medanos Health Advisory Committee and Continuation of Grant Program*

Under the proposed amended application, the County will create the Los Medanos Health Advisory Committee (Committee). The proposed composition of the Committee is intended to achieve two goals. The first goal is to ensure that there is local oversight of the grant program. The second goal is to ensure that grants are used for programs that are known, on the basis of established research, to improve health. To achieve this second goal, the Committee will include health professionals who have an understanding of how to effectively combat health disparities and have an understanding of the spectrum of health services currently provided by the County within District boundaries. Each of the five members of the Committee will be appointed by this Board, based on recommendations received from each of the following:

- The City of Pittsburg

- The Bay Point Municipal Advisory Committee
- The County's Public Health Division
- The County's Behavioral Health Division
- The Board of Supervisors, based on a recommendation from the Internal Operations Committee of a resident of Pittsburg or Bay Point (an at-large representative)

The Committee will initially be charged with developing an area health plan that identifies major health disparities that impact residents within the District's boundaries. The plan will define opportunities to improve the health of residents in the area and will identify priorities for improving health outcomes.

Following the plan's adoption by the Board of Supervisors, the Committee will develop and release a formal Request for Proposals (RFP) from service providers capable of addressing the priorities outlined in the adopted plan. Funding provided through this process will supplement, not replace, any funding currently being spent by the County within the District boundaries for healthcare services. Following review of responses to the Committee RFP process, the Committee will develop funding recommendations and forward to this Board for review and approval.

The Committee described above is created by adoption of Resolution No. 2018/436 listed on today's agenda, contingent upon the dissolution of the District by LAFCO.

### *Property Tax Allocation*

Revenue and Taxation Code section 99 *et seq.* outlines a process for determining the exchange of property taxes in the event of a "jurisdictional change." A dissolution is considered to be a jurisdictional change. The Revenue and Taxation Code requires (i) the County Auditor to determine the amount of property tax revenue generated by the area affected by the proposed change, and (ii) the Board of Supervisors to facilitate a negotiation between the taxing entities that may be impacted by the jurisdictional change.

In this instance, the District's dissolution does not result in a service impact on any taxing entity other than the County, because the County is the only entity that provides healthcare services within the District and because the County will be replacing the District's grant program.

Adoption of Resolution No. 2018/228, which sets forth the steps this Board has taken in accordance with the Revenue and Taxation Code and allocates the District's property taxes to the County for the delivery of health-related services, satisfies the requirements of Revenue and Taxation Code section 99 *et seq.*

### *Tax Increment Tracking*

To ensure that tax increment money formerly allocated to the District is segregated and

used for the benefit of those who live within the District's territory, the County will direct that the Auditor-Controller establish a new special fund in the County Treasury to track the receipt and disbursement of the tax increment. Having a new special fund will also ensure that (i) the tax increment is used exclusively for the benefit of the residents of the District's territory, and (ii) funds not used in a given year remain in the fund and are available in subsequent years.

### *Outstanding Debt*

According to OSHPD, the District currently owes OSHPD \$2.2 million. As a result of negotiations between County staff and OSHPD representatives, OSHPD has agreed to settle the District's debt for \$1.38 million only if LAFCO approves the County's application. The settlement reached with OSHPD is only effective if LAFCO approves the County application for dissolution of the District.

The District's outstanding debt includes a scheduled payment of \$500,000 that is due from the District to OSHPD on August 1, 2018. If LAFCO dissolves the District, the County will remit the remaining balance of \$883,956 to OSHPD once the District is dissolved. Following its receipt of payment in full, OSHPD will release its liens on the District's real and personal property. Today's action authorizes the County Administrator to execute that payment upon approval of the dissolution by LAFCO.

### *Response to Civil Grand Jury*

Subsequent to the County filing its application for dissolution of the District in November 2017, the Contra Costa County Civil Grand Jury filed Report No. 1802, entitled "Los Medanos Community Healthcare District" on April 19, 2018. The report recommends the dissolution of the District and appointment of the County as successor to the District and made related findings and recommendations.

The Report was referred to the County Administrator by the Board of Supervisors on May 1, 2018, for response. The County Administrator has prepared a response for consideration by the Board of Supervisors, which clearly specifies:

- Whether a finding or recommendation is accepted or will be implemented;
- If a recommendation is accepted, a statement as to who will be responsible for its implementation and by what definite target date;
- A delineation of the constraints if a recommendation is accepted but cannot be implemented within a six-month period; and
- The reason for not accepting or adopting a finding or recommendation.

The draft response is attached to today's agenda packet for review and approval by the Board of Supervisors.

## *Future Actions*

Following approval of today's actions, County staff will finalize an amended application and file it with LAFCO. It is anticipated that LAFCO will then schedule a hearing to consider the dissolution.

### CONSEQUENCE OF NEGATIVE ACTION:

The amended application seeking dissolution of the District will not be filed.

### CHILDREN'S IMPACT STATEMENT:

No impact.

### ATTACHMENTS

Resolution No. 2018/218

Resolution No. 2018/218 - Attachment A - Subject Territory

Resolution No. 2018/218 - Attachment B - Terms and Conditions

Resolution No. 2018/436

Resolution No. 2018/228

Resolution No. 2018/228 - Attachment 1 - District Map

Resolution No. 2018/228 - Attachment 2 - Revenue and Taxation Code section 99 Sample Letter

Resolution No. 2018/228 - Attachment 3 - Revenue and Taxation Code section 99 Letter Mailing List

Civil Grand Jury Report No. 1802, "Los Medanos Community Healthcare District"

Response to Civil Grand Jury Report No. 1802, "Los Medanos Community Healthcare District"