



Contra
Costa
County

To: Board of Supervisors
From: Anna Roth, Health Services Director
Date: January 7, 2020

Subject: West Contra Costa Healthcare District re: Annual Audits and Foundation Dissolution

RECOMMENDATION(S):

Acting as the Governing Board of the West Contra Costa Healthcare District Board of Directors:

ACKNOWLEDGE the District Finance Committee met on December 9, 2019 and reviewed and approved the "January to June 2019" District audit report and reviewed and approved the "2018 and January to June 2019" Successor Retirement Plan audit report.

ACKNOWLEDGE the District Finance Committee reviewed the status of the Doctors Medical Center Foundation and approved dissolution.

APPROVE the District audit and Successor Retirement Plan audit as recommended by the District Finance Committee.

APPROVE the dissolution of the Doctors Medical Center Foundation and adopt the attached resolution as recommended by the District Finance Committee.

FISCAL IMPACT:

☒ APPROVE

☐ OTHER

☒ RECOMMENDATION OF CNTY

☐ RECOMMENDATION OF BOARD

ADMINISTRATOR

COMMITTEE

Action of Board On: **01/07/2020** ☒ 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: January 7, 2020

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

By: Stacey M. Boyd, Deputy

Contact: Patrick Godley,
925-957-5410

cc:

No impact related to the audits. Approximately \$77,000 will be transferred from the Foundation to the District for Community Benefit purposes.

BACKGROUND:

West Contra Costa Healthcare District Audit

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

West Contra Costa Healthcare District Successor

- JWT & Associates, LLP performed an 18-month audit of the West Contra Costa Successor Retirement Plan.
- The Successor Plan is a defined benefit pension plan that was frozen January 1, 1994 and no new participants were eligible for the Successor Plan after that date.
- For this Successor Plan, jobs the participants held were a variety from housekeepers through management.
- After the Successor Plan was frozen, employees were offered other retirement options.
- Lincoln Financial manages the Successor Plan on behalf of the District (“Plan Sponsor”).
- The Successor Plan has assets of \$3 million as of 6/30/19.
- The funds are 100% invested in a money market account (Blackrock Institutional Fund) with no risk of loss. No change in investment strategy is anticipated for this coming year as funds are conservatively invested and to mitigate risk of loss.
- The funds earned 2.3% during the year ending 6/30/19 versus the expected 5.5% per last year’s actuarial evaluation. As a result, the discount rate was reduced to 4% in the current actuarial analysis. The discount rate will increase 0.5% annually until the Successor Plan is fully funded under current projections.
- \$1M was contributed to the Successor Plan in December 2018 by the District. The District will increase contributions to \$2M beginning this year 2019/2020.
- Under current projections, the Successor Plan will be totally funded in 2024.
- The Successor Plan made benefit payments of \$848k year ending 6/30/19.
- The Successor Plan has 208 members, down from 218 last year. Of these members 110 members (including 10 beneficiaries) are receiving benefits and 98 are entitled but are not yet receiving benefits.
- 20 participants gave DMC (2000 Vale Rd) as their contact information. Staff has located last available addresses on each and Lincoln is attempting contact. Amounts range from \$108.70 to \$5,629.56 each.
- Findley, as Third-Party Administrator, notifies all participants as they become eligible for pension benefits under the Successor Plan.

Doctors Medical Center Foundation

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

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

Steps:

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

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

Attached is a Board resolution required to implement the dissolution.

CONSEQUENCE OF NEGATIVE ACTION:

The business functions of the District will be adversely impacted.

ATTACHMENTS

Resolution 2020/5

Pension Plan Audited Financial Statements

Audited Financial Statement