



Table 5: Long-term WCCHD Budget Forecast

Item	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>Beginning Balance</b>	9,362,448	7,969,717	6,411,607	5,319,729	3,798,923	2,751,677	1,559,538	834,046	(342,687)	(1,077,023)	954,271	4,693,318	8,077,391	16,267,675
<b>Revenues</b>														
Property Tax (1)	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	4,224,279	4,329,886	4,438,133	4,549,086	4,662,814
Special Tax (2)	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	4,224,279	4,329,886	4,438,133	4,258,808	5,600,000
<b>Total Revenues</b>														
<b>Expenditures (3)</b>														
Payroll/Administration	253,567	259,906	266,404	273,064	279,891	286,888	294,060	301,411	308,947	316,670	324,587	332,702	341,019	349,545
Bookkeeping Services	39,000	18,000	18,450	18,911	19,384	19,869	20,365	20,874	21,396	21,931	22,480	23,042	23,618	24,208
Cost Rpt. Audits, Stlmt	30,000	30,750	31,519	32,307	33,114	33,942	34,791	35,661	36,552	37,466	38,403	39,363	40,347	41,355
Annual Financial Audit	30,000	30,750	31,519	32,307	33,114	33,942	34,791	35,661	36,552	37,466	38,403	39,363	40,347	41,355
Pension Audit/Actuarial	60,000	61,500	63,038	64,613	66,229	67,884	69,582	71,321	73,104	74,932	76,805	78,725	80,693	82,711
IT Costs	12,000	12,300	12,608	12,923	13,246	13,577	13,916	14,264	14,621	14,986	15,361	15,745	16,139	16,542
Other	10,000	10,250	10,506	10,769	11,038	11,314	11,597	11,887	12,184	12,489	12,801	13,121	13,449	13,785
<b>Total Personnel/Consul</b>	434,567	423,456	434,043	444,894	456,016	433,474	444,311	455,419	466,804	478,474	490,436	502,697	515,265	528,146
<b>Office Expenses</b>														
Total Facilities Costs	30,000	30,750	31,519	32,307	33,114	33,942	34,791	35,661	36,552	37,466	38,403	39,363	40,347	41,355
Worker Comp	500,000	250,000	250,000	250,000	250,000									
Legal	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Lincoln	27,000	27,000	27,000	27,000	27,000	27,000	27,000	27,000	27,000	27,000	27,000	27,000	27,000	27,000
Records Storage	216,164	191,904	164,316	131,606	96,116	62,722	34,391	23,653	18,980	15,045				
Fees and other	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Election Costs		450,000		450,000		450,000		450,000		450,000		450,000		450,000
Medical Pension Plan	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Pension Plan Payments	900,000	900,000	900,000	900,000	900,000	900,000	900,000	900,000	900,000	900,000	900,000	900,000	900,000	900,000
<b>Total Other Costs</b>	1,928,164	2,103,904	1,626,316	2,043,606	1,558,116	1,724,722	1,246,391	1,685,653	1,230,980	1,677,045	62,000	512,000	62,000	512,000
<b>Total Expenditures</b>	2,392,731	2,558,110	2,091,877	2,520,806	2,047,246	2,192,138	1,725,493	2,176,732	1,734,336	2,192,985	590,839	1,054,060	617,611	1,081,501
<b>Net</b>	(1,392,731)	(1,558,110)	(1,091,877)	(1,520,806)	(1,047,246)	(1,192,138)	(725,493)	(1,176,732)	(734,336)	(2,031,294)	3,739,047	3,384,073	8,190,283	9,181,312
<b>Ending Balance</b>	7,969,717	6,411,607	5,319,729	3,798,923	2,751,677	1,559,538	834,046	(342,687)	(1,077,023)	954,271	4,693,318	8,077,391	16,267,675	25,448,987

(1) Property taxes assumed to grow 2.5% annually. Prior to repayment of County loan, WCCHD receives \$1 million (fixed).  
(2) Special taxes currently are handled by WCCHD's fiscal agent and transferred directly to pay outstanding Certificates of Participation, until repaid.  
(3) Except where noted, expenditures assumed to grow 2.5% annually.

## PROPERTY TAXES

WCCHD's \$27.3 billion assessed value generated approximately a \$3.3 million share of ad valorem property tax revenues in FY15-16.<sup>17</sup> According to WCCHD's agreement with the County, WCCHD receives a fixed \$1 million annually from the taxes; the remainder accrues to the County until WCCHD's \$22.1 million debt to the County is repaid.<sup>18</sup> At current property tax collection rates, the debt would be repaid in approximately 10 years, or 2026; growth in property taxes could reduce this time frame, depending on the rate and timing of property tax increases. By 2026 after the County debt is repaid, District share of the ad valorem property taxes could total \$4.2 million annually.<sup>19</sup>

## PARCEL TAXES

The District collects parcel taxes. Measure D, which passed by 84% voter approval in 2004 for a \$52 annual single-family tax, currently repays WCCHD debt obligations. The debt includes COPs issued in 2004 and 2011 that were used for hospital improvements and to fund operating costs. The COPs are further described below under "WCCHD Liabilities."

The voters approved the Measure D tax pursuant to the following ballot measure: *"To prevent the life threatening shut-down of the West Contra Costa Healthcare District's only full service emergency room, which serves all West County residents, and prevent the closure of this community's local hospital so that victims of heart attacks, strokes, car accidents, burns, toxic chemical releases and other medical emergencies receive rapid response medical care, shall an annual special property tax be authorized with all revenue staying in our community for local emergency and healthcare services and facilities?"* By law, the revenues from any special tax may be used only for the purpose or service for which it was imposed. Gov. Code, § 53724.

District voters had passed a second parcel tax in November 2011 that is no longer being collected. Measure J (\$47/year parcel tax) passed in November 2011 with 74% support and raised approximately \$5.1 million annually. It contained a "sunset clause" providing that the tax would no longer be collected if the hospital and emergency room closed. After closure in April 2015, the tax was no longer collected as of the 2015-16 fiscal year.

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<sup>17</sup> Board Order from John Gioia, District I Supervisor, to Board of Supervisors, April 12, 2016.

<sup>18</sup> Board Order from John Gioia, District I Supervisor, to Board of Supervisors, April 12, 2016; amount shown includes final payment of \$645,000 in consideration of County's foregoing \$1 million/year per Resolution No. 2016/318.

<sup>19</sup> Estimated property taxes in 2026 assume 2.5% annual growth of current \$3.3 million.

## CASH AND OTHER LIQUID ASSETS

The District projected that on June 10, 2016, it would have a cash balance of approximately \$1.1 million. These funds include the District's \$1 million share of property taxes received from the County in May, and \$470,000 in AB 915 revenue<sup>20</sup> in May, less expenses due in May. The District projects it will draw down this balance, and incur potential negative balances, until property sale receipts of about \$13.3 million for the hospital are received in December 2016.<sup>21</sup> The District hopes to avoid the interim shortfalls by re-negotiating vendor contracts and implementing other cost reduction measures, and may tap its limited financial reserves.

## FIXED ASSETS

Since the closure of its hospital, the District has been disposing of its real estate and other property, including hospital equipment. The District contracted with a firm to handle disposition of its equipment, which has been completed.

At the Board meeting of May 18, 2016, the District approved an agreement for the sale of the District's 1.25-acre lot with a metal building on the corner of 34<sup>th</sup> and Moran Avenue in the City of Richmond for \$301,000.

The District is under contract to sell its hospital building. The sale is anticipated to close in December 2016 for a price of \$13.3 million, following completion of a due diligence period. The District has moved its offices into separate rented space in Pinole, 2200 San Pablo Avenue, Suite 201.

## WCCHD EXPENDITURES

Over the five-month period of May through September 2016, the District's monthly cash expenditures were estimated to average about \$525,000 per month.<sup>22</sup> Over the next 10 years, these expenditures are anticipated to decline, averaging about \$140,000 per month, or \$1.7 million annually, as staff, facilities and other financial responsibilities are reduced.

Expenditures include:

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<sup>20</sup> AB 915 established the Medi-Cal Inpatient Payment Adjustment Fund in 2002, funded by contributions from public, district and university hospitals, counties, which draw down matching federal funds, to provide supplemental compensation to private and public hospitals that serve a disproportionate share of the state's low-income population.

<sup>21</sup> DMC Financial Update, Report to the Board at its meeting May 3, 2016.

<sup>22</sup> DMC Financial Update, Report to the Board at its meeting May 3, 2016.

- **Personnel/Consulting Services** – The District anticipates ongoing administrative costs, including payroll, of \$260,000 annually. Another \$160,000 is budgeted largely for ongoing bookkeeping, annual financial reports and audits, and computer-related costs.
- **Legal** – The District requires ongoing annual legal services to handle board meetings and legal documents.
- **Records Storage** – As noted above under “Liabilities”, the District has an ongoing obligation to maintain its records and to handle requests for those records. Over time this annual contract cost with a service provider will decline.
- **Fees and Other** – The District pays various fees for banking and other financial services related to collection and reporting of parcel taxes.
- **Election Costs** – The District is required to elect directors at general elections every two years, at a current cost of about \$450,000 per election.
- **CNA Medical Pension Plan** – The District has budgeted annual payments of \$250,000 over the next 10 years towards this liability, assuming that the total liability of \$5.2 million is successfully negotiated downwards.
- **Successor Pension Plan Payments** – Approximately \$900,000 is shown each year towards paying off the District’s unfunded liability in its pension plan.
- **Workers Compensation** – The District’s budget includes payment of pending workers compensation claims that will be the District’s responsibility.

Debt payments towards the District’s COPs are not shown in the District’s budget; a fiscal agent handles parcel tax payments for COP obligations on behalf of the District. Parcel taxes are collected by the County Auditor and directed to the fiscal agent.

## WCCHD LIABILITIES

Most of the WCCHD use of revenue is related to the repayment of its long-term liabilities.

### 2004 AND 2011 CERTIFICATES OF PARTICIPATION

The WCCHD issued Certificates of Participation (COPs), which are essentially a form of debt, secured and repaid by parcel taxes paid by property owners with the district. The parcel taxes were approved by 84% of voters voting in favor of Measure D in 2004. A single-family property pays a fixed \$52 per year; other rates apply to other types of property.

As of June 30, 2016, WCCHD owed approximately \$17.2 million for its 2004 COP, and \$37.2 million for its 2011 COP, for a total of \$54.4 million. Amortization worksheets prepared by the



District estimate that the 2004 COP will be repaid by 9/1/22, and the remaining 2011 debt will be fully repaid by 1/1/29. These repayment schedules show all parcel tax revenues applied towards COP debt repayment.<sup>23</sup> The District is in the process of refinancing its COPs to reduce its interest rate and interest costs; this would accelerate the repayment of the COPs.

## COUNTY TAX SHARING AGREEMENT

The County and WCCHD entered into multiple agreements whereby the County advanced funds to WCCHD in exchange for District property tax as repayments. The most recent agreement acknowledged the amounts outstanding as of April 2016 totaling \$21,477,804.<sup>24</sup> That agreement provided for WCCHD to retain \$1 million of its property tax each year, rather than transferring 100% of its property tax to the County pursuant to prior agreements. The annual \$1 million is required by the WCCHD to avoid budget shortfalls. WCCHD agreed to a final transfer of \$645,000 to the County in consideration of the County deferring repayment by virtue of the revised tax sharing agreement. The total outstanding debt increased to approximately \$22.1 million, which is anticipated to be repaid by about 2026 (or sooner depending on the rate of assessed value growth in the District).

## WORKERS COMPENSATION

The District is self-insured for workers' compensation claims, with a self-insured retention of \$500,000 per occurrence, and has excess insurance coverage for the portion of each occurrence in excess of \$1,000,000.<sup>25</sup> As of July 2016, the District anticipates costs of approximately \$3 million in workers comp claims pending from claims filed in recent years prior to, and following, closure of the hospital.<sup>26</sup> A portion of those claims will be paid in 2016, and the District has budgeted \$1.5 million in expenditures from 2017 forward to cover claims over the next five-year period. The actual timing and amounts will depend upon final disposition of claims by the State's Division of Workers Compensation.

## RECORDS STORAGE AND MANAGEMENT

The District is required to maintain medical records for up to 10 years (e.g., through 2026) to respond to records requests. The District has contracted with a private vendor to handle all of

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<sup>23</sup> File: "Cops amortization and restructured county advance.xlsx" provided by WCCHD, 5/23/16.

<sup>24</sup> Resolution No. 2016/318, Board of Supervisors of Contra Costa County, California.

<sup>25</sup> WCCHD Notes to Financial Statements, TCA Partners, LLP, December 31, 2013.

<sup>26</sup> Correspondence from Vickie Sharr, Associate Administrator, WCCHD, 7/11/16.

their records requirements, and budgeted approximately \$1 million total through 2026. The annual cost is expected to decline as records are transferred.

## CALIFORNIA NURSES ASSOCIATION (CNA) MEDICAL PENSION PLAN

District staff reports a \$5.2 million obligation for retiree medical expenses.<sup>27</sup> The District's 10-year budget forecast allocates \$250,000 annually to fully fund this obligation, which assumes that the District successfully negotiates the reduction.

## SUCCESSOR PENSION PLAN

The District 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 DMC. 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. The Actuarial Accrued Unfunded Liability (AAUL) as of the 2013 report was \$5,934,000 at the end of 2013.<sup>28</sup> District staff indicates that the AAUL has grown to about \$12.8 million.<sup>29</sup>

The District's 10-year budget forecast allocates \$900,000 annually to fully fund the AAUL. The District will prepare a financial audit by the end of 2016 that should document current liabilities.

## ELECTIONS COST

The WCCHD spends approximately \$450,000 every two years for election costs. Staff reports that the District did not compensate the County for this cost in 2014, and repayment remains an obligation of the District.

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<sup>27</sup> Interview with WCCHD staff, 2016-05-23.

<sup>28</sup> Audited Financial Statements, WCCHD, December 31, 2013, TCA Partners, LLP (see page 26).

<sup>29</sup> Correspondence with WCCHD staff, 2016-08-18, based on actuarial analysis August 2016.

## 6. GOVERNANCE OPTIONS

This report evaluates governance options for the WCCHD, including maintaining the status quo. Each option presents a different set of legal and policy choices. The following sections describe each option, and the required LAFCO process to implement the option. Advantages and disadvantages are summarized for each option including policy, service and financial implications.

While clearly there are significant needs for new services and facilities, as well as programs to better take advantage of those that exist, the governance option selected ultimately will need to include a plan, program and strategy to focus on addressing community needs in a cost-effective manner.

Each option, except dissolution without services continuity, generally offers similar opportunities to address needs in the longer-term, when fiscal resources become available; however, the various options' organizational and political structures differ and will influence future programs. As noted below, the subsidiary district option will significantly reduce future revenues.

Most of the governance options below can be initiated by an affected local agency (i.e., County, city, district) or by a petition of affected landowners or registered voters. Some of the governance options listed below can also be initiated by LAFCO.

In addition to the governance options discussed below, there is an option to pursue special legislation to change the directly elected governing board of the WCCHD to an appointed board (either temporarily or permanently). This option is discussed in the Summary of Findings.

### SERVICES

All of the options described below (except dissolution with no continuing service), could augment existing facilities and services currently provided within the District, contingent on available financing; and could include the following services as allowed by law for healthcare districts. Creation of a CSA, which allows the CSA to provide any service a County provides, also could provide some combination of the following:

- Urgent care services
- Health facilities, diagnostic and testing centers, and free clinics
- Outpatient programs, services, and facilities

- Retirement programs services and facilities (i.e., senior care, continuing care, and skilled nursing programs)
- Chemical dependency services, and facilities
- Other healthcare programs, services, and facilities
- Health education programs
- Wellness and prevention programs
- Support other healthcare service providers, groups, and organizations
- Ambulance or ambulance services
- Participate in or manage health insurance programs

As described in **Chapter 4**, significant needs exist in West Contra Costa County for a range of healthcare services and facilities. Depending on the option pursued, implementation should include creation of a detailed plan for services and facilities.

## OTHER ISSUES

Taking no action regarding the future of WCCHD does not appear to be an option preferred by either WCCHD or County representatives. However, if no action is taken, WCCHD will continue to incur election costs as well as significant administrative costs with no clear ability to provide services in the near future.

The first three options – maintaining the status quo, consolidating WCCHD with Los Medanos Community Healthcare District (LMCHD), and establishing a subsidiary district, are the least viable options, as explained below.

The next two options – consolidation with CSA EM-1 and reorganization/creation of a new CSA to continue services - require County participation. These options will likely depend on whether the County determines that the financial challenges in taking over the assets and obligations of the WCCHD are balanced by the opportunity to preserve some or all of the current revenues for the provision of healthcare in West County. The formation of a new CSA would require support from the five West County cities to be part of a CSA. Further, the County would need to apply to LAFCO to form the new CSA, and would be required to provide a plan for providing services which includes identification of revenue sources to fund services. It is likely that the property tax currently being allocated to WCCHD would be allocated to the new CSA; however, it is unclear whether the parcel tax would automatically be transferred to the new CSA, or whether voter approval would be required in order to continue the parcel tax. The CSA options would result in replacing the current directly elected WCCHD board with the County BOS. Two of the five members of the BOS are elected by residents in West Contra Costa County (one

supervisory district is wholly within West County and one is partially in West County). Any concern regarding local (i.e., West County) representation could be partially mitigated by creation of an advisory body.

The last option involves dissolving the WCCHD and naming a successor agency to wind up the affairs of the District.

Finally, current law provides that dissolution of healthcare district is subject to an election. There is pending legislation (AB 2910) that would modify this requirement, and allow for dissolution of a healthcare district without an election under certain conditions. As of August 15<sup>th</sup>, AB 2910 is awaiting the Governor's action.

## MAINTAIN THE STATUS QUO

The current district would remain intact in the Status Quo option, and the Board of Directors would continue to be elected and conduct district business.

The District's mission would shift from hospital ownership and oversight to other forms of provision of healthcare service, following payment of debts.

## ADVANTAGES AND DISADVANTAGES OF MAINTAINING THE STATUS QUO

### Advantages

- Property taxes and parcel taxes collected within the District will continue to be spent for healthcare services within the district once debts are paid off
- No reorganization proceedings or special elections required

### Disadvantages

- Limited resources are available until obligations are repaid, and there is a risk that revenues will be insufficient to meet those financial obligations during the next ten years
- The District may have no revenues available to provide services for a period of ten years, and the Board's primary role will be one of management and oversight of repayment of existing debts and obligations. Consequently, there is some risk that the District may have difficulty retaining active directors.
- The District will continue to incur substantial election costs

## LAFCO PROCESS – STATUS QUO

No LAFCO action necessary. LAFCO could request periodic updates and status reports to alert LAFCO as to any significant changes in WCCHD's financial condition and/or services.

## CONSOLIDATION WITH LOS MEDANOS COMMUNITY HEALTHCARE DISTRICT

According to a letter submitted by the LMCHD Board of Directors, the Board “does not want the LMCHD to consolidate with the West Contra Costa Healthcare District.”<sup>30</sup>

This option would consolidate the WCCHD with the LMCHD, which are “like” districts formed under the same statutes. The boundaries of the consolidated entity would correspond to the combined boundaries of the two existing districts (non-contiguous). The current share of WCCHD property taxes would be collected by the consolidated entity, subject to existing obligations to the County; these revenues would be available for use throughout the consolidated entity unless a zone is created to geographically restrict use of the revenues. An advisory board could be established to oversee and guide the use of funds collected and expended within the prior WCCHD boundaries. Existing LMCHD staff would be responsible for staff support, with direction from the Board of the consolidated entity. LAFCO could establish terms and conditions related to the initial and ultimate composition of the consolidated Board.

### ADVANTAGES AND DISADVANTAGES OF CONSOLIDATION WITH LMCHD

#### Advantages

- Property taxes and parcel taxes collected within the district will continue to be spent for healthcare services
- No WCCHD dissolution election required
- Enhances revenue base of LMCHD to be used for community healthcare needs, subject to requirements that the existing WCCHD parcel taxes be used within the boundaries of the former WCCHD
- Reduces/eliminates existing WCCHD administrative costs, including elections for WCCHD board (although elections still required for board of the consolidated district)
- Continues mission and goals of the WCCHD (subject to decisions of consolidated board)

#### Disadvantages

- Reduces WCCHD residents’ proportionate vote in any district-wide elections over tax measures, board members, or other issues, unless the vote is limited to a WCCHD zone of the consolidated district.
- Revenues for services within prior WCCHD boundaries could be reduced if property tax revenues are shifted to other areas and services, unless a zone is created within LMCHD

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<sup>30</sup> Letter from D. Pete Longmire, Interim Executive Director, LMCHD, to Lou Ann Texeira, July 29, 2016.

corresponding to the prior WCCHD (this does not apply to parcel taxes, required by law to be spent within boundaries of the prior district)

- Consolidated district would incur all financial liabilities of current WCCHD and potential risks of shortfalls
- LMCHD represents a different community of interest, with different healthcare needs, and there is a possibility that consolidation would be met with community opposition

## LAFCO PROCESS

A consolidation would follow the LAFCO process involving a public hearing, reconsideration period, protest hearing, and possible election. A consolidation typically would be initiated by resolution of the affected agencies or by voter/landowner petition, although LAFCO may also initiate the process.

## REORGANIZE WCCHD AS SUBSIDIARY DISTRICT

A subsidiary district to the City of Richmond could be created to continue providing healthcare services. In accordance with State law (Gov. Code, §57105), the City would have to comprise at least 70% of land area and at least 70% of the registered voters within the subsidiary district. Under this scenario the WCCHD is not dissolved, and becomes a subsidiary district of the City with the Richmond City Council serving as the governing board of the subsidiary district.

Under the current configuration of the WCCHD, the City of Richmond could not be named the successor agency for the purpose of continuation of WCCHD services because neither the City's land area is (44%) nor number of registered voters (39%) meet the required 70%, as the current WCCHD boundaries overlap other cities and various unincorporated communities.

In order for the City of Richmond to meet the 70% thresholds, the boundary of the WCCHD would need to be reduced to about 63%, resulting in a significant reduction in total revenues (property tax and parcel tax). The parcel taxes represent a lien on secured property, and it is not expected that this lien could be reduced by a reorganization and boundary change.

## ADVANTAGES AND DISADVANTAGES OF REORGANIZING AS A SUBSIDIARY DISTRICT

### Advantages

- Property taxes and parcel taxes collected within the district will continue to be spent for healthcare services, although tax revenues will be significantly reduced as the boundary of the former WCCHD is reduced per State law
- Absent the requisite protest, no election required

- Existing municipality would provide overhead and administration services, potentially improving operational and cost effectiveness
- Reduction in current expenditures, including district board elections
- Property taxes and, potentially, parcel taxes collected within the district will continue to be spent for healthcare services within the district, although these revenues will be significantly reduced due to reduced boundaries necessary to form a subsidiary district

#### Disadvantages

- Current service area would be significantly reduced as the district boundary is scaled back to comply with State law (70% rules), effectively reducing current district boundary by over one-third
- Annual revenues would be reduced as boundary is scaled (note: continued collection of parcel taxes from the current WCCHD required until COPs are repaid; County repayment would also continue and/or require extended repayment period)
- Subsidiary district would incur all financial liabilities of current WCCHD and potential risks of shortfalls

#### LAFCO PROCESS

The process to reorganize the WCCHD (i.e., detachment and establishment of the district as a subsidiary district of a city) typically involves an application to LAFCO by the affected city, although LAFCO could initiate the process. The process would require a map and legal description, financial plan, and plan for service, a reconsideration period, a protest hearing, and possibly an election (with the requisite protest).

## CONSOLIDATION WITH COUNTY SERVICE AREA EM-1

Consolidation with County Service Area EM-1 (CSA EM-1) would combine two districts with healthcare-related services, but which are “unlike” districts formed under different State statutes. The resulting district would be a CSA encompassing the entire county, although a separate zone could be created to correspond to the prior WCCHD boundaries in order to segregate specific revenues and services. The current share of WCCHD property taxes would be collected by the consolidated entity, subject to existing obligations to the County; these revenues would be available for use throughout the consolidated entity unless a zone is created to geographically restrict use of the revenues. Existing County staff would be responsible for staff support, with direction from the Board of Supervisors. An advisory board could be established to oversee and guide the use of funds collected and expended within the prior WCCHD boundaries.

### COUNTY SERVICE AREA EM-1

In 1989, CSA EM-1 was established to provide funding for enhancement of countywide emergency medical services including expansion of paramedic services, upgrades to the EMS communications system, and additional medical training and equipment for fire first responders. EM-1 is authorized to provide emergency medical services (EMS) and “miscellaneous extended services”, which includes services the County is authorized by law to perform, and which the County does not also perform to the same extent on a county-wide basis.

The EMS system includes communities, hospitals, clinics, senior nursing facilities, dispatch, pre-hospital first responders and transport providers who work in concert to support an integrated system of response in emergencies and disasters. According to the EMS Agency, EMS is evolving to play an increasingly important role supporting healthcare programs and community healthcare initiatives that reduce as well as treat illness and injuries.

In addition to serving as the EMS Agency overseeing CSA EM-1, CCHS provides a broad range of community health services spanning the range of services also authorized for healthcare districts. Numerous advisory groups exist which provide input and direction on specific issues and services. CCHS operates health facilities, clinics, outpatient programs and services, senior services, other healthcare programs and services, wellness and prevention programs, provides health insurance programs, and disseminates health information.

Initial discussions with County staff and officials indicate a lack of interest in this option.

## ADVANTAGES AND DISADVANTAGES OF CONSOLIDATION WITH CSA EM-1

### Advantages

- Property taxes and, potentially, parcel taxes collected within the district could continue to be spent for healthcare services within the boundaries of the former WCCHD, assuming a zone is implemented for that purpose
- No WCCHD dissolution election required
- Reduces/eliminates existing WCCHD administrative costs, including elections for WCCHD board
- The County would have the ability to adapt the current WCCHD property tax repayment obligation as necessary to mitigate potential negative cash flows, and would be motivated to take actions to assure financial feasibility and repayment
- CCHS, which would manage the district, provides a broad range of programs, including programs and facilities within WCCHD boundaries, and existing staff have the experience and expertise to augment needed service in West Contra Costa when revenues are available

### Disadvantages

- Revenues for services within prior WCCHD boundary could be reduced if property tax revenues are shifted to other areas and services, unless a zone is created within EM-1 corresponding to WCCHD (this does not apply to parcel taxes, required by law to be spent within boundaries of the prior district)
- Consolidation could blur the distinction between the services and resources of EM-1 with the other health-related expenditures and goals of the WCCHD and its revenues. Currently EM-1 focuses on funding emergency services and prioritizes the use of benefit assessments for this purpose; consolidation could undercut the benefits the benefit assessments prioritized for EMS.
- Loss of representation by the currently locally-elected board, although this could be partially mitigated by creation of an advisory body to oversee and direct district activities. The Board of Supervisors, which is the board of CSA EM-1, includes one member elected solely by West County residents, and one member elected by West County and other areas in the County.

## LAFCO PROCESS – CONSOLIDATION WITH CSA EM-1

A consolidation would be initiated by the County and follow the LAFCO process as described above for consolidation with LMCHD.

## REORGANIZATION WITH CREATION OF NEW DISTRICT (CSA) FOR CONTINUING SERVICE

County service areas (CSAs) are formed by counties to fund “miscellaneous extended services” that a county is authorized by law to perform and does not perform to the same extent countywide. Gov. Code, § 25213. The County could consider creating a new CSA, with the approval of the cities within the WCCHD service area and, essentially, annex the WCCHD into the new CSA. Under this option, the County would apply to LAFCO to form a new CSA to function as successor to the WCCHD; and any assets and liabilities would be transferred to the new CSA. The CCHS, under the direction of the County Board of Supervisors, would administer the CSA.

### ADVANTAGES AND DISADVANTAGES OF A NEW CSA

#### Advantages

- Property taxes and, potentially, parcel taxes collected within the district will continue to be spent to augment and expand healthcare services for West County residents, including urgent care, primary care, prevention programs, nurse advice lines, and other health programs.
- Reduces existing administrative costs, including elections, to help avoid currently projected potential negative cash flows
- The County would have the ability to adapt the current WCCHD property tax repayment obligation as necessary to mitigate potential negative cash flows, and would be motivated to take actions to assure financial feasibility and repayment
- CCHS, which would manage the district, provides a broad range of programs, including programs and facilities within WCCHD boundaries, and existing staff have the experience and expertise to augment needed services in West Contra Costa when revenues are available

#### Disadvantages

- Loss of representation by the currently locally-elected board, although this could be partially mitigated by creation of an advisory body to oversee and direct district activities. The Board of Supervisors, which is the board for all CSAs, includes one member elected solely by West County residents, and one member elected by West County and other areas in the County.
- Dissolution of WCCHD and formation of a new CSA requires an election

## LAFCO PROCESS – REORGANIZATION WITH CREATION OF NEW CSA

A CSA may be initiated by resolution of the County Board of Supervisors,<sup>31</sup> or by a petition signed by no less than 25% of registered voters living within the proposed district boundaries.<sup>32</sup> Voter approval is required for the CSA formation. The board may appoint one or more advisory committees to give advice to the board of supervisors regarding a CSA's services and facilities.<sup>33</sup>

Assuming the reorganization and formation of a new CSA is initiated by the County, a number of issues will need to be addressed by the County as part of its application to LAFCO:

- **Services** – Gov. Code section 25213 specifies the conditions under which the County is authorized to form a CSA. The proposed service must be a service that the County does not perform to the same extent on a countywide basis. The County provides healthcare through the Health Services Department on a countywide basis and emergency services through EM1 on a countywide basis. The County's application to LAFCO would need to clarify the nature of the "extended" services not currently performed by the County.
- **Funding** – Gov. Code §§25211.4 and 25211.5 prohibit LAFCO from approving a proposal that includes formation of a CSA unless the commission determines that the CSA will have sufficient revenues to carry out its purposes. LAFCO could condition the formation of the CSA on consolidation/reorganization with WCCHD and future revenue received thru WCCHD.
- **City Consent Required** – WCCHD contain five cities. Gov. Code §25211.4(c) prohibits LAFCO from approving a proposal that includes formation of a CSA that would include territory within a city unless, before the close of the commission's hearing, the city council has filed and not withdrawn a resolution that consents to the inclusion of that incorporated territory. Thus, LAFCO would need a resolution from each of the five cities consenting to the formation of the CSA.
- **Election Required** – As required by Gov. Code §25211.4(f), LAFCO must call an election on the formation of a proposed CSA.
- **Plan of Reorganization** – As part of as part of a dual application for CSA formation and consolidation of the new CSA with the WCCHD, the County would need to clarify the form of reorganization, i.e., whether it is a "consolidation of unlike districts" under Gov. Code §56826.5(b).
- **Continued Use of Parcel Tax** – A legal opinion would be required to establish the validity of the new agency continuing to use existing Measure D (2004) parcel tax proceeds after

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<sup>31</sup> Gov. Code Sec. 25211.3.

<sup>32</sup> Gov. Code Sec. 25211.1.

<sup>33</sup> Gov. Code Sec. 25212.4.