



Lou Ann Texeira
Executive Officer

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January 11, 2012 (Agenda)

**January 11, 2012
Agenda Item 8**

Contra Costa Local Agency Formation Commission
 651 Pine Street, Sixth Floor
 Martinez, CA 94553

Mt. Diablo Health Care District Special Study and Governance Options

Dear Members of the Commission:

SYNOPSIS

This report presents the LAFCO special study of governance options for the Mt. Diablo Health Care District (MDHCD) (Attachment 1), and a discussion of LAFCO’s authority and governance options. The report also provides general background and process information, highlights from the special study and public comments, and a summary of next steps.

On January 11, the Commission will conduct a public hearing at which time it will receive the Final Draft Special Study and be asked to consider selection of a governance option and related actions. Representatives of the MDHCD will also provide a presentation at the hearing.

COMMISSION’S AUTHORITY

A number of the public comment letters received in response to the MDHCD special study raised questions regarding LAFCO’s authority.

LAFCOs were formed in 1963 to 1) encourage the logical and orderly formation of local government agencies, 2) preserve agricultural resources, and 3) discourage urban sprawl. LAFCO's authority is vested in the Cortese-Knox-Hertzberg Local Government Act of 2000 (Gov. Code §56000 et seq.). All references in this staff report are to the Government Code, unless otherwise noted.

LAFCO can regulate changes of organization (e.g., annexation/detachment, incorporation/disincorporation, formation/dissolution, consolidation/merger, etc.), establish and amend spheres of influence (SOIs), authorize the extension of services outside a local agency's jurisdictional boundary, conduct municipal service reviews (MSRs), and initiate certain changes of organization (i.e., consolidation, dissolution, merger, establishing subsidiary districts). LAFCO-initiated actions must be supported by an SOI update, MSR or special study.

LAFCO can conditionally approve a change of organization or SOI amendment by including terms and conditions (Gov. Code §§56375, 56428, 56880). The Commission may condition its approval on an array of factors including those set forth in Government Code Section 56886 (Attachment 2).

LAFCO's mandate to conduct MSRs of cities and special districts involves the review of various factors including 1) growth and population projections; 2) present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies; 3) financial ability of agencies to provide services; 4) status of, and opportunities for, shared facilities; and 5) accountability for community service needs, including governmental structure and operational efficiencies. The outcome of a LAFCO MSR may result in improved efficiencies, operations and accountability of local agencies.

LAFCO does not directly oversee local agencies, nor does LAFCO establish local agency policies and standards. The Board of Supervisors, city councils and special district boards are responsible for setting policy and directing the operations of their respective local agencies.

BACKGROUND

History of Mt. Diablo Health Care District - The MDHCD, previously the Concord Hospital District, was formed in 1948, with voters approving the District formation and a special parcel tax to build the Mt. Diablo Community Hospital. The MDHCD boundaries include the cities of Martinez, Lafayette (portions), Concord, and Pleasant Hill (portions), along with the unincorporated communities of Clyde and Pacheco.

The District is funded primarily by property tax revenues (ad valorem). In 1996, MDHCD faced bankruptcy and the voters approved a Community Benefit Agreement (CBA) which transferred the assets of the District to John Muir Health (JMH), in exchange for certain assurances regarding health care services to be provided within the District. Per the Agreement, JMH provides funding for administrative expenses and contributes \$1 million per year to fund programs and events that address health issues and promote a health community.

The MDHCD does not own or operate any facilities. Per the Agreement between MDHCD and JMH, all rights and title in the Mt. Diablo Medical Center, including land, buildings and equipment, were transferred to JMH. In return, JMH is required to operate and maintain the District's healthcare facilities and assets for the benefit of the communities served by the District.

The CBA is effective until December 31, 2049, will automatically renew for three additional successive 50-year terms, and includes provisions that allow for termination. The CBA also provides that the MDHCD Directors serve on the Community Health Fund Board and participate in the decisions to allocate funds to health care causes within the District. MDHCD does not control the Community Health Fund Board, although it has the power to appoint one half of the board members.

Chronology of Events Leading to Special Study - On May 11, 2011, the Commission received a report relating to the MDHCD, its history and background, a summary of the findings contained in the 2007 *Health Care Services MSR* (available on the Contra Costa LAFCO website), and an overview of ongoing concerns relating to the District's finances and operations as presented in the 2007 MSR, and raised by the Contra Costa Civil Grand Jury (in four separate reports) and the Contra Costa Taxpayers Association.

Following discussion and public comment, the Commission directed staff to prepare a task list, timeline and estimated budget to proceed with a special study relating to governance options, including dissolution, for the MDHCD.

On July 13, 2011, the Commission received information relating to district dissolution (i.e., initiation, timing, election, public hearings, effects of dissolution, special study, etc.). Following discussion and public comment, the Commission directed LAFCO staff to prepare a scope of work and timeline for the special study, distribute a Request for Proposals (RFP), and bring a report and recommendation back to the Commission in August 2011. It should be noted that a detailed timeline for the special study, including release date of the Public Review Draft Study and deadline for public comment, was provided in July 2011. This report is available on the Contra Costa LAFCO website.

On August 10, 2011, LAFCO staff presented a summary of the proposals received in response to the RFP, along with a recommendation. Following discussion and public comment, the Commission authorized LAFCO staff to execute a contract with Economic & Planning Systems (EPS) to prepare the special study relating to MDHCD, and approved a budget adjustment to fund the study. This report is available on the Contra Costa LAFCO website.

In late August, EPS initiated the special study. As provided for in the scope of work, the consultants collected and reviewed information and interviewed affected and interested parties, including MDHCD, John Muir Health, Los Medanos Community Healthcare District, City of Concord, Contra Costa County Health Services Department, County Auditor and others.

The *Public Review Draft Special Study* was released on December 4, 2011. The Draft study was posted on the LAFCO website and notices were sent to affected agencies and interested parties informing them of the availability of the study. The deadline for submitting comments on the Draft study was December 27, 2011. LAFCO received a total of 25 comment letters and emails.

On December 14, 2011, the consultants presented to LAFCO an overview of the special study, and the Commission received public comments and provided input and direction to the project team.

On January 11, 2012, the Commission will conduct a public hearing at which time it will receive the Final Draft Special Study and summary of comments and responses to comments, and be asked to consider governance options and related actions.

SPECIAL STUDY

The special study was initiated in response to past and ongoing community concerns as to whether MDHCD should continue as a special district, and in response to findings contained in the 2007 LAFCO MSR. The special study provides an overview of the MDHCD - its history, population, operations and services, governance and fiscal condition.

The special study underwent a public review process; 25 comment letters and emails were received. The consultants have prepared a comment log with responses to comments. The comments letters and comment log/responses to comments are presented in the Special Study.

Based on the comments received, the consultants have made several significant additions to the report, including the following:

- Added discussion relating to Concord as a successor agency to continue the service via a subsidiary district
- Added information regarding services/programs provided by CSA EM-1 and related staffing needs
- Added updated information regarding MDHCD staff and budget
- Added a table depicting MDHCD expenditures and revenues 2000-2011 comparing overhead/administrative, insurance, and community action expenditures

The special study identifies a number of governance options, and discusses the advantages, disadvantages, effects and process associated with the various options as summarized below.

The special study recommends and provides justification for the dissolution of MDHCD. If services are to be continued, the special study recommends the appointment of CSA EM-1 as the successor agency to continue services.

GOVERNANCE OPTIONS:

1. *Maintain status quo* – Under this option, MDHCD would continue to exist and function under its current organization.

Advantages of this option are that property taxes collected in the District would continue to be spent in the District; and it would provide the MDHCD with time to make changes to its operations. The District recently hired an interim professional Executive Director with health care district experience to assist MDHCD in developing its 2012 budget and operational plan.

Disadvantages are that MDHCD may continue past practices of lack of program activity and high administrative/overhead expenditures.

2. *Consolidation with Los Medanos Community Healthcare District (LMCHD)* – Under this option, MDHCD and LMCHD would be consolidated into one district.

Advantages include the continuation of health related services to the MDHCD area; continues the community role in the CBA with JMH; combined revenues from the two districts could be used to enhance services of the consolidated district; and economies of scale could reduce administrative costs.

Disadvantages are that the revenues generated by the MDHCD would be expended for the benefit of all residents of the new, larger district, potentially reducing benefits to existing MDHCD taxpayers. Also, there would be reduced local representation, and likely political opposition to consolidation due to differing communities of interest.

3. *Dissolve MDHCD and appoint City of Concord as successor to wind up affairs of MDHCD* – Under this option, MDHCD ceases all functions and services. The City would be named as the successor agency to wind up the affairs of the MDHCD and would assume responsibility for the District's assets and liabilities.

Advantages include elimination of MDHCD administrative expenses, although the City of Concord would incur its own administrative expenses associated with winding up the affairs of the District. Existing property tax revenues would revert to other agencies (after payment of MDHCD obligations), as determined by the County Auditor; and avoids duplication of services provided by other public and private entities.

Disadvantages include no further provision of MDHCD services/programs; loss of the property tax allocation to fund community health needs; loss of those benefits provided for in the CBA with JMH,

such as participation on the Community Health Foundation, oversight of certain aspects of JMHC facilities and licenses. Dissolution of the District under this option will involve terminating the CBA. The Commission would need to decide whether the District's potential future right to reacquire the facilities now owned by JMHC is to be treated as an asset of the District, or whether that future right is sufficiently remote and uncertain that when the CBA is terminated any reversionary right to the hospital facilities is also terminated, in which case JMHC would have the exclusive rights to those facilities now and in the future.

4. *Dissolve MDHCD and appoint County Service Area (CSA) EM-1 as the successor to continue services* - Under this option, MDHCD would no longer exist. CSA EM-1 would take over the District's obligations including those of the lifetime health insurance benefits of the two MDHCD Board members using the District's reserves and/or property tax revenues.

CSA EM-1 would also continue health care related services. CSA EM-1 provides a range of programs and services including, but not limited to, the following:

- CPR – *How to Save a Life* and *CPR at Home* programs
- Placement of Public Access Defibrillators (AEDs) in community locations
- Public awareness campaigns (e.g., stroke system program – *Act in Time*, cardiovascular emergencies symptoms and actions/response, etc.)
- Child and senior injury prevention programs
- Community disaster preparedness to promote resiliency

As suggested in the special study, LAFCO could condition appointing CSA EM-1 and the flow of the MDHCD property tax allocation on the formation of a zone and establishing an advisory body, and provisions to continue the provisions provided for in the CBA.

Advantages are that the existing territory served by MDHCD would continue to be served by CSA EM-1 (zone), and a portion of the property tax would continue to be directed to community health care needs. Local representation could be achieved by establishing an advisory body. The MDHCD administrative/overhead costs would be eliminated. However, some staffing costs could be incurred as a result of increased programs/services and oversight. It is estimated that a 0.5 to 0.8 position would likely be required depending on the extent of services and activities (e.g., implementing new programs, staffing an advisory body, etc.). We believe these costs would be less than the costs of a District General Manager and/or other administrative costs. CSA EM-1 indicates that it would work to design a program that would be both efficient and accountable so that most of the funding would go to community benefit rather than administrative activities.

Disadvantages are that CSA EM-1 programs are primarily focused on ambulance and emergency medical services; loss of a locally elected board; and the potential for some of the cities to opt out of the zone resulting in reduced future property tax.

5. *Dissolve MDHCD and appoint City of Concord as the successor to continue services* – Under the current configuration of the MDHCD, the City of Concord could not be appointed as the successor agency, as the District bounds extend well beyond the Concord City limits and overlap with other cities.

However, it is possible for the City of Concord to be appointed the successor agency under specific conditions. The City of Concord could apply to LAFCO to form a subsidiary district (i.e., a district of limited powers where the city council serves as ex-officio board of directors of the district). Pursuant to Government Code §57105, a subsidiary district must contain either the

entire territory of the district, **or** represent 70% or more of the area of land within the district and 70% or more of the registered voters who reside within the district.

Under this option, the District's boundary would need to be reduced to include only the City of Concord and some surrounding unincorporated areas (e.g., Ayers Ranch, Clyde, Pacheco).

Advantages are that some property tax funding would continue to be directed to community health care needs; and reduced administrative/overhead and election costs, although the City would likely incur some administrative costs associated with services and programs.

Disadvantages are related to costs/benefits. The City would receive only a portion of the property tax allocation from those areas within the bounds of the new subsidiary district; the City may incur election costs as establishment of a subsidiary district is subject to protest proceedings; and the City would incur costs associated with preparing an application to LAFCO to form a subsidiary district. LAFCO cannot form a subsidiary district in this situation as it is not consistent with the recommendation/conclusion of an MSR or special study.

NEXT STEPS/TIMELINE

The process and next steps are dependent on the selected governance option. The process for a change of organization (e.g., dissolution) includes several basic steps as summarized below. An approximate timeline is also provided. There may be some variation in the process and timeline depending on what action LAFCO takes.

- a. At a noticed public hearing, the Commission accepts the special study, considers adopting a zero SOI to signal proposed dissolution and, for consistency with SOI (GC §56375.5), considers making findings in accordance with the conclusion/recommendation of the special study and considers adopting a resolution initiating dissolution. **January 2012**
- b. LAFCO notifies State agencies per GC §56131.5 and allows a 60-day comment period. **January 2012**
- c. At a noticed public hearing, LAFCO considers approving dissolution, naming a successor agency and imposing terms and conditions. **April 2012**
- d. Following a 30-day reconsideration period (GC §56895), LAFCO staff holds protest hearing in the affected territory (GC §57008). The protest hearing is a ministerial action. While the Commission is the conducting authority, it often designates the Executive Officer to conduct the hearing. **May 2012**
- e. Absent requisite protest, Commission orders dissolution after determining whether an election is required. **June 2012**
- f. If there is no election or the dissolution is approved by the voters, LAFCO staff records dissolution paperwork and files with the State Board of Equalization making dissolution effective. **June 2012**

RECOMMENDATIONS

- I. Accept the *Special Study: Mt. Diablo Health Care District Governance Options*.
- II. Select a governance option.
- III. If the selected option involves dissolution, take the following actions:
 - A. Find that the dissolution is categorically exempt from CEQA pursuant to CEQA Guidelines General Rule exemption Section §15061(b)(3), and pursuant to Class 20 – Changes in the organization or reorganization of local governmental agencies where the

- changes do not change the geographical area in which previously existing powers are exercised.
- B. Approve the attached resolution adopting a zero SOI (Attachment 3) to allow for dissolution of the MDHCD, and find that the proposed dissolution is consistent with the District's SOI;
 - C. Adopt the appropriate resolution initiating dissolution of the MDHCD and either appointing the City of Concord to wind up the affairs of the District (Attachment 4), or appointing CSA EM-1 to continue the services (Attachment 5);
 - D. Provide direction to staff regarding desired terms and conditions;
 - E. Direct staff to return to the Commission in April 2012 with a report and recommended terms and conditions. It should be noted that draft resolutions were not provided for the other governance options identified in the special study (i.e., consolidating MDHCD and LMCHD, establishing a subsidiary district) as neither of these options are consistent with the special study or are recommended.
 - F. Determine that the District is legally inhabited.
 - G. In accordance with the special study, make the following findings:
 - 1. Determine that the public service costs resulting from a dissolution or change of organization would be less than or substantially similar to the costs of alternative means of providing the service.
 - 2. Determine that the dissolution or change of organization would promote public access and accountability for the community services needs and financial resources.

Sincerely,

LOU ANN TEXEIRA
EXECUTIVE OFFICER

c: Distribution

Attachments:

- 1 – Final Draft Special Study: Mt. Diablo Health Care District Governance Options w/Comment Log
- 2 - Government Code Section 56886 – Terms and Conditions
- 3 – Draft Resolution Adopting a Zero SOI for the MDHCD
- 4 – Draft Resolution Initiating Dissolution of the MDHCD and Appointing the City of Concord as the Successor Agency to Wind up the Affairs of the District
- 5 – Draft Resolution Initiating Dissolution of the MDHCD and Appointing CSA EM-1 to Continue the Service

**Attachment 1:
Final Draft with Comment Log**

Please see

http://www.contracostalafco.org/MtDiablo_Health_Care_District.htm

for this report

Government Code Section 56886

56886. Any change of organization or reorganization may provide for, or be made subject to one or more of, the following terms and conditions. If a change of organization or reorganization is made subject to one or more of the following terms and conditions in the commission's resolution making determinations, the terms and conditions imposed shall constitute the exclusive terms and conditions for the change of organization or reorganization, notwithstanding the general provisions of Part 5 (commencing with Section 57300). However, none of the following terms and conditions shall directly regulate land use, property development, or subdivision requirements:

(a) The payment of a fixed or determinable amount of money, either as a lump sum or in installments, for the acquisition, transfer, use or right of use of all or any part of the existing property, real or personal, of any city, county, or district.

(b) The levying or fixing and the collection of any of the following, for the purpose of providing for any payment required pursuant to subdivision (a):

(1) Special, extraordinary, or additional taxes or assessments.

(2) Special, extraordinary, or additional service charges, rentals, or rates.

(3) Both taxes or assessments and service charges, rentals, or rates.

(c) The imposition, exemption, transfer, division, or apportionment, as among any affected cities, affected counties, affected districts, and affected territory of liability for payment of all or any part of principal, interest, and any other amounts which shall become due on account of all or any part of any outstanding or then authorized but thereafter issued bonds, including revenue bonds, or other contracts or obligations of any city, county, district, or any improvement district within a local agency, and the levying or fixing and the collection of any (1) taxes or assessments, or (2) service charges, rentals, or rates, or (3) both taxes or assessments and service charges, rentals, or rates, in the same manner as provided in the original authorization of the bonds and in the amount necessary to provide for that payment.

(d) If, as a result of any term or condition made pursuant to subdivision (c), the liability of any affected city, affected county, or affected district for payment of the principal of any bonded indebtedness is increased or decreased, the term and condition may specify the amount, if any, of that increase or decrease which shall be included in, or excluded from, the outstanding bonded indebtedness of that entity for the purpose of the application of any statute or charter provision imposing a limitation upon the principal amount of outstanding bonded indebtedness of the entity.

(e) The formation of a new improvement district or districts or the annexation or detachment of territory to, or from, any existing improvement district or districts.

(f) The incurring of new indebtedness or liability by, or on behalf of, all or any part of any local agency, including territory being annexed to any local agency, or of any existing or proposed new improvement district within that local agency. The new indebtedness may be the obligation solely of territory to be annexed if the local agency has the authority to establish zones for incurring indebtedness. The indebtedness or liability shall be incurred substantially in accordance with the laws otherwise applicable to the local agency.

(g) The issuance and sale of any bonds, including authorized but unissued bonds of a local agency, either by that local agency or by a local agency designated as the successor to any local agency which is extinguished as a result of any change of organization or reorganization.

(h) The acquisition, improvement, disposition, sale, transfer, or division of any property, real or personal.

(i) The disposition, transfer, or division of any moneys or funds, including cash on hand and moneys due but uncollected, and any other obligations.

(j) The fixing and establishment of priorities of use, or right of use, of water, or capacity rights in any public improvements or facilities or any other property, real or personal. However, none of the terms and conditions ordered pursuant to this subdivision shall modify priorities of use, or right of use, to water, or capacity rights in any public improvements or facilities that have been fixed and established by a court or an

Government Code Section 56886

order of the State Water Resources Control Board.

(k) The establishment, continuation, or termination of any office, department, or board, or the transfer, combining, consolidation, or separation of any offices, departments, or boards, or any of the functions of those offices, departments, or boards, if, and to the extent that, any of those matters is authorized by the principal act.

(l) The employment, transfer, or discharge of employees, the continuation, modification, or termination of existing employment contracts, civil service rights, seniority rights, retirement rights, and other employee benefits and rights.

(m) The designation of a city, county, or district, as the successor to any local agency that is extinguished as a result of any change of organization or reorganization, for the purpose of succeeding to all of the rights, duties, and obligations of the extinguished local agency with respect to enforcement, performance, or payment of any outstanding bonds, including revenue bonds, or other contracts and obligations of the extinguished local agency.

(n) The designation of (1) the method for the selection of members of the legislative body of a district or (2) the number of those members, or (3) both, where the proceedings are for a consolidation, or a reorganization providing for a consolidation or formation of a new district and the principal act provides for alternative methods of that selection or for varying numbers of those members, or both.

(o) The initiation, conduct, or completion of proceedings on a proposal made under, and pursuant to, this division.

(p) The fixing of the effective date or dates of any change of organization, subject to the limitations of Section 57202.

(q) Any terms and conditions authorized or required by the principal act with respect to any change of organization.

(r) The continuation or provision of any service provided at that time, or previously authorized to be provided by an official act of the local agency.

(s) The levying of assessments, including the imposition of a fee pursuant to Section 50029 or 66484.3 or the approval by the voters of general or special taxes. For the purposes of this section, imposition of a fee as a condition of the issuance of a building permit does not constitute direct regulation of land use, property development, or subdivision requirements.

(t) The extension or continuation of any previously authorized charge, fee, assessment, or tax by the local agency or a successor local agency in the affected territory.

(u) The transfer of authority and responsibility among any affected cities, affected counties, and affected districts for the administration of special tax and special assessment districts, including, but not limited to, the levying and collecting of special taxes and special assessments, including the determination of the annual special tax rate within authorized limits; the management of redemption, reserve, special reserve, and construction funds; the issuance of bonds which are authorized but not yet issued at the time of the transfer, including not yet issued portions or phases of bonds which are authorized; supervision of construction paid for with bond or special tax or assessment proceeds; administration of agreements to acquire public facilities and reimburse advances made to the district; and all other rights and responsibilities with respect to the levies, bonds, funds, and use of proceeds that would have applied to the local agency that created the special tax or special assessment district.

(v) Any other matters necessary or incidental to any of the terms and conditions specified in this section. If a change of organization, reorganization, or special reorganization provides for, or is made subject to one or more of, the terms and conditions specified in this section, those terms and conditions shall be deemed to be the exclusive terms and conditions for the change of organization, reorganization, or special reorganization, and shall control over any general provisions of Part 5 (commencing with Section 57300).

RESOLUTION OF THE CONTRA COSTA LOCAL AGENCY FORMATION COMMISSION

**ADOPTING A ZERO SPHERE OF INFLUENCE FOR THE
MT. DIABLO HEALTHCARE DISTRICT**

WHEREAS, Government Code §56425 requires the Local Agency Formation Commission (LAFCO) to determine the sphere of influence (SOI) of each local governmental agency within the County; and

WHEREAS, Government Code §56425(f) requires that LAFCO review and update the SOI as necessary, not less than once every five years; and

WHEREAS, Government Code §56430 requires that a municipal service review (MSR) be conducted prior to or in conjunction with an SOI update; and

WHEREAS, in August 2007, LAFCO conducted a countywide review of healthcare services, including those provided by the Mt. Diablo Healthcare District (MDHCD) and adopted written determinations as required by Government Code §56430; and

WHEREAS, the MSR report identified a number of SOI and governance options for MDHCD including adopting a zero SOI to allow for dissolution of the District; and

WHEREAS, in 2007, the Commission retained the existing SOI for the MDHCD conditioned upon the District addressing deficiencies identified in the MSR report and providing LAFCO with annual progress reports; and

WHEREAS, since 2008, the MDHCD provided one annual update to LAFCO; and

WHEREAS, there continue to be ongoing concerns regarding the District's governance, operations and finances; and

WHEREAS, in August 2011, the Commission initiated a special study of the MDHCD pursuant to Government Code §56378 to review governance options including dissolution; and

WHEREAS, the special study recommends, and provides justification for, dissolution of MDHCD; and

WHEREAS, the service boundary and coterminous SOI of the MDHCD encompass approximately 51.8 square miles, and include the cities of Concord, Lafayette (portions), Martinez, and Pleasant Hill (portions), along with the unincorporated communities of Clyde and Pacheco; and

WHEREAS, no change in regulation, land use or development will occur as a result of adopting a zero SOI for the District; and

WHEREAS, in the form and manner prescribed by law, the Executive Officer has given notice of a public hearing by this Commission regarding the SOI action; and

WHEREAS, the SOI action was duly considered at public meeting held on January 11, 2012;
and

WHEREAS, Contra Costa LAFCO heard and received all oral and written protests, objections and evidence that were made, presented or filed, and all persons present were given an opportunity to appear and be heard with respect to any matter pertaining to said SOI action.

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED that Contra Costa LAFCO does hereby:

1. Adopt a zero SOI to allow for dissolution of the MDHCD.
2. Determine, as lead agency for the purposes of the California Environmental Quality Act (CEQA), that the SOI action is categorically exempt under §15061(b)(3) of the CEQA Guidelines, and direct staff to file a Notice of Exemption.
3. Determine that the Commission has considered the criteria set forth in Government Code §56425(e) as follows:
 - a. *The present and planned land uses in the area, including agricultural and open-space lands* – Land uses within the District boundaries are varied, and are under the jurisdiction of the County and cities. Healthcare services do not themselves induce or encourage growth, and no change to the present or planned uses will result from this SOI action. No Williamson Act contracts will be affected.
 - b. *The present and probable need for public facilities and services in the area* – The District boundaries contain urbanized areas that place a demand on healthcare service providers. The District does not own or manage any facilities, and is authorized to provide a range of other healthcare services. The provision of these services has been limited due to financial constraints, significant administrative/overhead costs, and operational and governance challenges.
 - c. *The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide* – Over the years, the District has suffered from severe financial constraints due to legal and administrative liabilities. The legal fees have been paid; however, the administrative liabilities continue. Due to fiscal, operational and governance challenges, the District provided limited services to support healthcare needs within the District boundaries.
 - d. *The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency* – The District bounds generally include the cities of Concord, Lafayette (portions), Martinez and Pleasant Hill (portions), and the unincorporated communities of Clyde and Pacheco. In 1996, District voters approved the transfer of the District assets, including the Mt. Diablo Community Hospital, to an affiliate - John Muir Health. In addition, a portion of the 1% property tax accrues to the District for healthcare services. The residents have an economic interest in the programs and services to be provided by the MDHCD. Due to the limited services provided, the SOI action will not significantly affect the existence of any social or economic communities of interest in the area that are relevant to the District.

e. *Nature, location, extent, functions & classes of services to be provided* – -The MDHCD does not own or manage any facilities. The District is authorized to provide a range of healthcare services within its District boundaries. From 2000 to 2007, virtually no funds were spent for community health care purposes, and over the past 11 years, the majority of the District’s revenues have been expended on administrative/overhead costs.

PASSED AND ADOPTED THIS 11TH day of January 2012, by the following vote:

AYES:

NOES:

ABSTENTIONS:

ABSENT:

_____, CHAIR, CONTRA COSTA LAFCO

I hereby certify that this is a correct copy of a resolution passed and adopted by this Commission on the date stated above.

Dated: January 11, 2012

Lou Ann Texeira, Executive Officer

DRAFT

**RESOLUTION OF APPLICATION OF THE
CONTRA COSTA LOCAL AGENCY FORMATION COMMISSION
INITIATING PROCEEDINGS FOR
DISSOLUTION OF THE MT. DIABLO HEALTH CARE DISTRICT AND
APPOINTING THE CITY OF CONCORD AS SUCCESSOR AGENCY TO WIND
UP THE AFFAIRS OF THE MDHCD**

WHEREAS, on January 11, 2012, the Commission accepted the *Special Study: Mt. Diablo Health Care District Governance Options*; and

WHEREAS, in accordance with the findings and conclusions of the special study, the Contra Costa LAFCO desires to initiate a proceeding for dissolution specified herein; and

WHEREAS, this proposed dissolution is being considered because, for many years, the MDHCD has suffered from financial, operational and governance challenges. According to the Special Study, from 2000 through 2007, the District spent virtually no funds for community health care purposes; the District does not own or operate any facilities; and the District has spent significant funds on administrative, legal and overhead costs.

NOW, THEREFORE, the Contra Costa LAFCO does hereby resolve and order as follows:

1. This proposal is made, and it is requested that proceedings be taken, pursuant to the Cortese/Knox/Hertzberg Local Government Reorganization Act of 2000, commencing with section 56000 of the California Government Code.
2. This proposal is dissolution of the MDHCD and appointment of the City of Concord as successor agency to wind up the affairs of the MDHCD pursuant to Government Code §57451(c).
3. In accordance with Government Code §56375(a)(3), LAFCO may initiate a dissolution if it is consistent with a recommendation or conclusion of study prepared pursuant to Government Code §56378, 56425 or 56430, and LAFCO makes the determinations specified in §56881(b). A special study was undertaken pursuant to this section, and the proposed dissolution is consistent with the special study.

4. Pursuant to Government Code §56881(b), LAFCO finds that the public service costs resulting from the proposed dissolution would be less than or substantially similar to the costs of alternative means of providing the service; and that the proposed dissolution would promote public access and accountability for the community services needs and financial resources.

5. Pursuant to Government Code §56886, terms and conditions relating to the proposed dissolution and appointment of the City of Concord as the successor agency to wind up the affairs of the MDHCD will be developed.

6. A map of the affected territory is set forth in Exhibit A, attached hereto and by reference incorporated herein.

7. The proposal is consistent with the Sphere of Influence of the District, as adopted by LAFCO on January 11, 2012.

8. The LAFCO Executive Officer shall be designated as the contact person for this proposal.

PASSED AND ADOPTED this 11th day of January 2012

AYES:
NOES:
ABSTENTIONS:
ABSENT

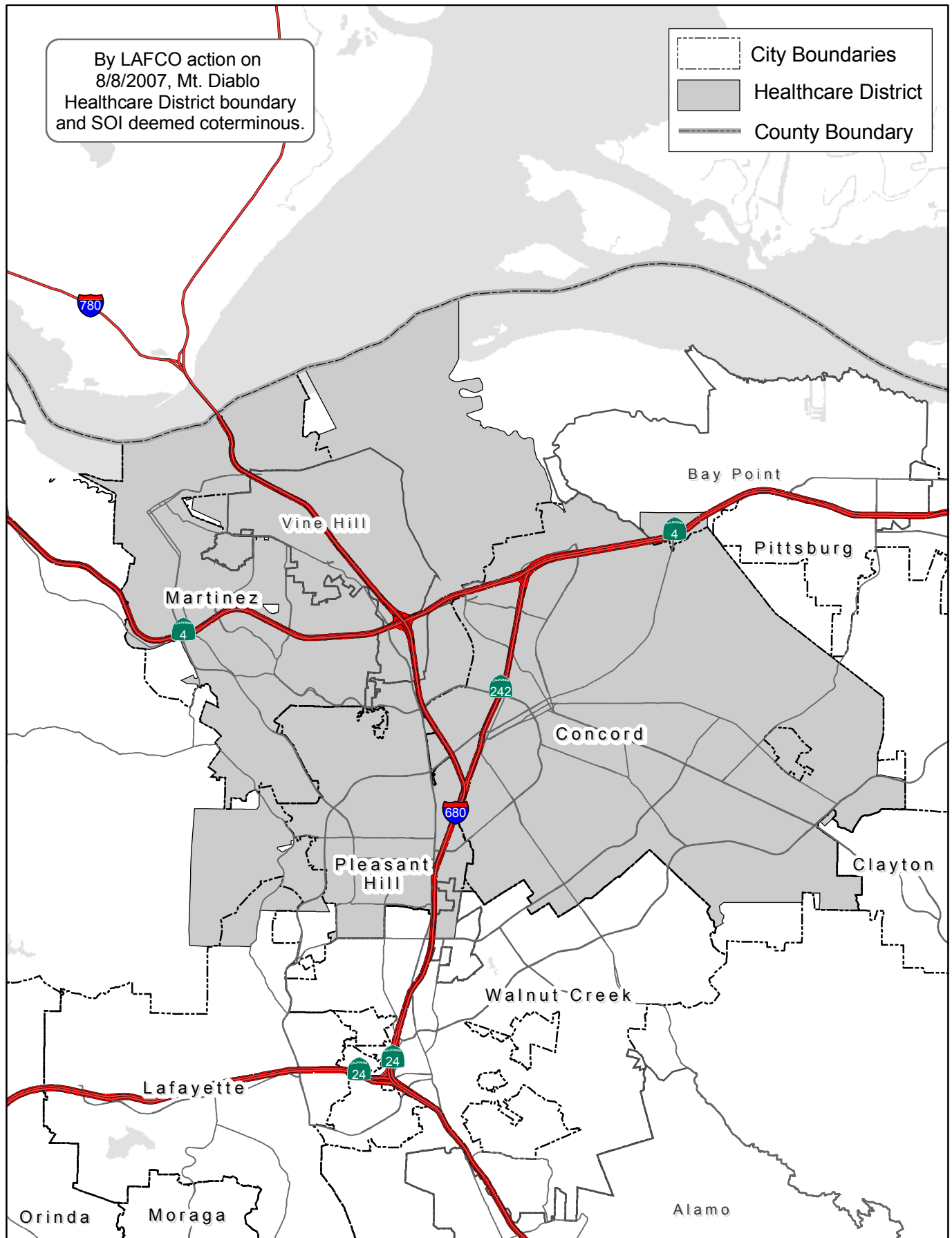
_____, CHAIR, CONTRA COSTA LAFCO

I hereby certify that this is a correct copy of a resolution passed and adopted by this Commission on the date stated above.

Dated: January 11, 2012

Lou Ann Texeira, Executive Officer

Mount Diablo Healthcare District



DRAFT

**RESOLUTION OF APPLICATION OF THE
CONTRA COSTA LOCAL AGENCY FORMATION COMMISSION
INITIATING PROCEEDINGS FOR
DISSOLUTION OF THE MT. DIABLO HEALTH CARE DISTRICT AND
APPOINTING COUNTY SERVICE AREA (CSA) EM-1
TO CONTINUE THE SERVICE**

WHEREAS, on January 11, 2012, the Commission accepted the *Special Study: Mt. Diablo Health Care District Governance Options*; and

WHEREAS, in accordance with the findings and conclusions of the special study, the Contra Costa LAFCO desires to initiate a proceeding for dissolution specified herein; and

WHEREAS, this proposed dissolution is being considered because, for many years, the MDHCD has suffered from financial, operational and governance challenges. According to the Special Study, from 2000 through 2007, the District spent virtually no funds for community health care purposes; the District does not own or operate any facilities; and the District has spent significant funds on administrative, legal and overhead costs.

NOW, THEREFORE, the Contra Costa LAFCO does hereby resolve and order as follows:

1. This proposal is made, and it is requested that proceedings be taken, pursuant to the Cortese/Knox/Hertzberg Local Government Reorganization Act of 2000, commencing with section 56000 of the California Government Code.
2. This proposal is dissolution of the MDHCD and appointment CSA EM-1 to take over the District's obligations and continue the service.
3. In accordance with Government Code §56375(a)(3), LAFCO may initiate a dissolution if it is consistent with a recommendation or conclusion of study prepared pursuant to Government Code §56378, 56425 or 56430, and LAFCO makes the determinations specified in §56881(b). A special study was undertaken pursuant to this section, and the proposed dissolution is consistent with the special study.

4. LAFCO finds that governance options exist that could better utilize MDHCD resources, in that CSA EM-1 could continue the services within the boundaries of MDHCD.

5. Pursuant to Government Code §56886, terms and conditions relating to the proposed dissolution and appointment of CSA EM-1 as the successor agency will be developed.

6. Pursuant to Government Code §56881(b), LAFCO finds that the public service costs resulting from the proposed dissolution would be less than or substantially similar to the costs of alternative means of providing the service; and that the proposed dissolution would promote public access and accountability for the community services needs and financial resources.

7. A map of the affected territory is set forth in Exhibit A, attached hereto and by reference incorporated herein.

8. The proposal is consistent with the Sphere of Influence of the District, as adopted by LAFCO on January 11, 2012.

9. The LAFCO Executive Officer shall be designated as the contact person for this proposal.

PASSED AND ADOPTED this 11th day of January 2012

AYES:
NOES:
ABSTENTIONS:
ABSENT

_____, CHAIR, CONTRA COSTA LAFCO

I hereby certify that this is a correct copy of a resolution passed and adopted by this Commission on the date stated above.

Dated: January 11, 2012

Lou Ann Texeira, Executive Officer

Mount Diablo Healthcare District

