

Mt. Diablo Health Care District stripped of power; Concord assumes oversight

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Contra Costa regulators voted Wednesday to strip the Mt. Diablo Health Care District and its five elected board members of their authority and turn over its small pot of property tax revenues and limited duties to Concord.

The Contra Costa Local Agency Formation Commission's 6-1 decision signals a likely end to years of controversy surrounding a district that lost its hospital 16 years ago but continued to spend the vast majority of its money on elections, overhead and free lifetime health benefits for several elected directors.

The only no vote came from Commissioner Martin McNair, who fought for a clean shutdown of the 64-year-old health care district that includes Concord, Pleasant Hill, Martinez and portions of Lafayette. Contra Costa would have been the first in the state to disband a public agency under a new state law that allows a special district to be dissolved without a vote of its residents.

McNair's six colleagues on the commission, a seven-member board of county, city and special district officials who have authority over public agency service boundaries, chose a less confrontational path they said carries less legal risk but disbands the existing board and preserves at least a portion of the tax dollars for unmet community health needs.

"Being cautious puts us in the leadership role and we avoid the added risks," said Contra Costa Supervisor Federal Glover of Pittsburg.

He is referring to potential post-dissolution litigation over the 1996 agreement under which the health care district transferred its Concord hospital to the nonprofit John Muir Health that includes a mandatory \$1 million annual community grant program and a provision that returns the hospital to the district in 2049. The health care district's attorney said dissolution would jeopardize the agreement.

Mt. Diablo Health Care District Chairman Jeff Kasper expressed "cautious optimism" to the commissioners about a reorganization option. But a commissioner blasted Kasper after he asked for at least a year to "reestablish (the district's) proper role in the safety net that serves the area's most vulnerable residents."

"We've been giving you one year for years," said Commissioner Dwight Meadows. "How many years do we have to give you?"

A commission consultant found that the health care district spent in the past decade 85 percent of its property tax proceeds on overhead, elections and legal bills. The findings matched what four civil grand juries said for years.

But the commission and Concord are under the gun to finish the complex paperwork soon.

Four of the five health care board seats are up for election in November. If the city has not been named the district's governing board by the time the candidate filing period opens in early August, a costly election will proceed.

The tight timing was one of the key reasons why Contra Costa Supervisor Karen Mitchoff of Pleasant Hill, the city of Concord and John Muir representatives said they favored dissolution. They also weighed the potential election and administrative costs against the diminished property tax revenues of the smaller district.

"I'm very angry," Mitchoff said after the vote supported by Glover and Supervisor Mary Nejedly Piepho. "Concord, John Muir and the supervisor who represents this community all wanted dissolution, and my two colleagues on the commission voted against that."

Under the reorganization plan adopted Wednesday, Concord will create a new subsidiary district governed by the Concord City Council. The commission will reassign to the city governance of the district's assets and the transfer agreement. The existing elected health care board will be eliminated.

Concord will receive the property tax proceeds that currently go to the health care district, although the dollar amount will drop from \$240,000 a year to as little as \$100,000, depending on the size of the new district.

A Concord-led district will be smaller than the current one, as the city cannot govern residents outside its limits unless they represent at least 70 percent of the overall population in the subsidiary district. Concord makes up 44.5 percent of the existing district.

No tax dollars will be returned to residents. Money generated in areas of the district excluded from the new one will remain in the pool and distributed to cities, schools and other special districts.

The commission will also require the health care district to purchase an annuity that covers the costs of free lifetime benefits for board member Grace Ellis and former board member and Concord Councilman Ron Leone.

timeline

1948: Voters form the Mt. Diablo Health Care District and pass a new parcel tax to pay for the management and construction of a new hospital in Concord.

Nov. 1, 1994: California Legislature bans health care districts from offering new free lifetime medical benefits to their elected boards. Certain members who already held office were exempted: A member had to have been in office at least 12 years and elected before Jan. 1, 1995. Two Mt. Diablo Health District directors were eligible -- Grace Ellis and Ron Leone. Ellis is still on the board. Leone is a Concord councilman.

1996: The district hits rough financial waters and voters agree to turn over the hospital to John Muir Health. But the district and its elected board remain in place, where its duties include oversight of the transfer agreement, five seats on the 10-member community health fund and responsibility over roughly \$240,000 a year in property tax proceeds.

2001: Contra Costa civil grand jury recommends dissolution of the district, saying it has outlived its usefulness.

2003: Civil grand jury issues second call for the elimination of the district.

2007: Contra Costa Local Agency Formation Commission, which has jurisdiction over city and special district boundaries, questions the health care district's high level of spending on overhead and legal bills. It rejects dissolution demands but mandates annual progress reports.

2008: Third civil grand jury recommends disbanding the district.

2010: Three of the district's five elected board members vote to dissolve the agency, but it takes a supermajority, or four votes.

June 2011: A fourth grand jury demands the district shut its doors. Its findings show that the district had spent \$360,000 from 2000-2009 on health care benefits for the two eligible trustees, Ellis and Leone.

July 2011: Commission postpones a dissolution vote pending the outcome of Assembly Bill 912, a measure that would allow commissions to close public agencies without a vote of its residents. It was later signed into law.

August 2011: Commission initiates dissolution study.

September 2011: Health care district hires Sacramento lawyer Ralph Ferguson to help fight dissolution.

December 2011: The commission's consultant finds evidence to support elimination of the district, finding that the agency has spent 85 percent of its money since 2000 on elections, administration and legal bills, only rarely providing community grants.

Jan. 11: Commission votes unanimously in favor of dissolution but postpones decision about whether to shut the district down or turn over its duties and dollars to Concord.

March 14: Commission votes to strip the five health care district members of their authority and reassign the agency's property tax proceeds and duties to a new subsidiary zone governed by Concord.