

EXHIBIT A

HEFFERNAN MEMORIAL HEALTHCARE DISTRICT

MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE

Report to the
Imperial Local Agency Formation Commission

Prepared By:
Braitman & Associates

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1. MUNICIPAL SERVICE REVIEW

DESCRIPTION OF DISTRICT

The Heffernan Memorial Healthcare District is one of more than 70 special districts in the State of California that operate pursuant to the Local Health Care District Law, which is found in the California Health and Safety Code (Sections 32000 et seq.).

The District's Mission Statement says:

HMHD is a healthcare district serving the people of Calexico, Calif. Its mission is to be the area's leading healthcare organization by being a good steward of its finances, a catalyst for the delivery of new and enhanced healthcare services, a consistent supporter of health and wellness, and a reliable healthcare resource for district residents. .

As shown on the attached map the District extends from east to west and is contiguous with the international border with Mexico. District boundaries encompass the City of Calexico and some unincorporated territory. District boundaries and its Sphere of Influence as adopted by LAFCO are coterminous.

The District is governed by a five-member Board of Directors elected at large by voters throughout the District.

The District has no full time staff. It has four part-time contract employees. These are its Legal Counsel, Board Secretary, Accountant/Bookkeeper and custodian. The Legal Counsel provides legal and administrative support services.

The District receives a portion of the general 1% property tax collected within its boundaries. The amount received is based on the District property tax rate that was being levied at the time Proposition 13 was approved in 1978, which was 20 years prior to the closing of the District's hospital. The amount is adjusted each year based on growth in the taxable assessed value within the District.

OTHER RELEVANT GOVERNMENTAL AGENCIES

County of Imperial

The District is located entirely within Imperial County, which as one of the 58 counties in California is responsible for specific public health related services.

The County Public Health Department states its role "is to protect the community from disease, illness and injury and to improve the overall health status of residents by preventing illness, disability, premature death, and promoting good health practices" and states it "works closely with local hospitals, community clinics and medical providers to share timely, up to date public health information with partner agencies."

City of Calexico

Almost the entire District population resides within the City of Calexico. There are 14,978 registered voters residing within the District. Of these, 14,736 (or 98.4%) reside within the City. The remaining 242 voters reside in the portion of the District outside of the City. Source: County Registrar of Voters, July, 2015

Similar to the number of registered voters, property taxes allocated to the District from properties within the City of Calexico constitute the great majority of all of the property tax revenue that is received by the District.

City of El Centro

The El Centro Regional Medical Center is the hospital closest to the District. This 165 acute bed community hospital with a staff of more than 250 physicians and surgeons is owned and operated by the City of El Centro and provides healthcare services to the residents of the City and surrounding Imperial Valley.

Pioneers Memorial Healthcare District

Located north of Calexico and El Centro, Pioneers Memorial Healthcare District, similar to Heffernan Memorial Healthcare District, operates pursuant to Health & Safety Code Section 32000 et seq.

The District owns and operates Pioneers Memorial Hospital in Brawley which opened its doors in 1950. It is a 107-bed acute care facility located at 207 W. Legion Road

Although it is not within its boundaries - but is within the Heffernan District - the Pioneers District staffs and operates the Calexico Health Center at 450 E. Birch Street in Calexico. It is described as a full service healthcare office with physicians and an Urgent Care Center to serve the residents of Calexico and the neighboring communities.

Earlier the two Districts entered in a Joint Powers Memorandum of Agreement to help finance expenses to provide expanded night hours for this facility but it was mutually determined this utilization was no longer justified and the MOA is no longer active. The Pioneers District still operates the Calexico Health Clinic without the local subsidy.

GENERAL ANALYSIS

This report is not a criticism of the Heffernan Memorial Healthcare District or members of its Board of Directors or its staff. It describes the District and its activities with regard to preparing a Municipal Service Review and an Update to its Sphere of Influence.

Given the population and location of Imperial County communities, and the ongoing need for adequate and accessible health care services, consideration has been given at various times to forming or creating a countywide health care system.

After examining the District history, current activities and expenditures of public funds, we believe the current governmental organization in Imperial County should be modified for the overall public good.

One method to move in this direction is to expand the Pioneers Memorial Healthcare District to include the territory within the Heffernan Memorial Healthcare District and create a joint powers authority or mutual working arrangement between that expanded District and the El Centro Regional Medical Center.

DISTRICT SERVICES

Information upon which this report is based was provided by the District and available in correspondence and various reports that are listed later.

Revenues and Expenses to Maintain the District

Property tax revenue - By far the overwhelming source of income or revenue to the District is its allocation of the general 1% property tax collected within its boundaries. Going back to the enactment of Proposition 13 in 1978, this amount is a direct result of the amount of property tax revenue the District received in the prior fiscal year plus any additional taxes generated by the growth in taxable assessed value within its boundaries.

In other words, the amount of property tax received annually by the District is not related to or affected by the types and levels of services it provides to its constituents.

The property tax apportioned to the District in FY 2013-14 was \$520,619. The amount of property tax estimated for FY 2014-15 is \$584,045.

Supplemental sales tax revenue - The District reports that it and the City of Calexico executed a "Joint Exercise of Powers Agreement" in 1996. A portion of that agreement that was to extend for a 10-year term was a supplemental sales tax. The resulting sale tax revenue was for the exclusive use of the District

The supplemental sales tax has not been levied since 2006. The Joint Power Agreement, titled the "Calexico Special Financing Authority is administering the remaining funds from this supplemental sales tax, which is approximately \$1,500,000.

Board of Directors Expenses - Members of the District Board of Directors receive a payment or stipend of \$500 per month. For FY 2013-14 the Board member payments or stipends were \$29,900, or an average of \$5,980 per board member.

Other expenses for training and education programs, meals and mileage reimbursement for FY 2013-14 was \$14,166, or an average of \$2,833 per board member.

District Staff Expenses – The District has four part-time contract employees. The cost of these positions for FY 2013-14 was \$56,457.

Legal Counsel	\$34,707
Accountant/Bookkeeper	12,350
Board Secretary	7,800
Custodian	1,600

In summary, the annual administrative costs to maintain this District is about \$100,000, which raises a question of whether any of the identified options which are described later would require this level of funding or whether those options would free up all or part of these funds for effective public healthcare related services.

Current District Programs

The District closed its acute care hospital in 1998 and since that time the District has not operated any healthcare facilities. Although the hospital was abandoned the District was not dissolved at that time and has operated and received property taxes since then.

In the questionnaire for this Municipal Service Review and Sphere of Influence Update the District states, “The District is underserved with health services and physicians. The District is attempting to recruit doctors and other health care providers to the District.”

The District owns and maintains an office building at 601 Heber Street in Calexico. This facility also serves as a meeting facility for community and health services organizations.

In 2015 the District purchased an office complex on Mary Avenue in Calexico intended for the use of health care providers. The facility has six offices and the District is in negotiation with physicians for the use of this space.

Significant funds were spent with a consulting firm, Strategic Medical Properties, to help the District develop service projects. One project pursued by the District was a “Program of All-inclusive Care for the Elderly” (PACE). The District would have been the first rural PACE program in the State. Despite the significant expenditure of District funds it failed to materialize due to lack of reimbursement commitments from the State.

The District expends its funds for a variety of different programs. Expenditures, perhaps not all of which are thought of as traditional healthcare programs, are described in detail in expense tables provided by the District.

In Fiscal Year 2013-14 District grants are listed in the attachment and include:

- High school scholarships (\$3,500)
- Calexico Football Team donations (\$500)
- Calexico Desert Sun Girls Softball (\$2,500)
- Calexico Softball Program (\$1,300)
- Donation to Sports Camp for Calexico (\$2,000)
- Annual Mariachi Festival Sin Fronteras (\$2,000)
- Calexico Relay for Life (\$2,500)
- Telemedicine Endocrinology Clinic Visits (\$5,600)

Some of these expenses raise questions as to whether they are the best use of public resources given the healthcare challenges facing the residents of the District and whether they would be funded by other health care agencies.

Unmet Health Care Needs

The information provided by the District to prepare this Municipal Service Review and Sphere of Influence Update illustrates the situation facing the community in securing adequate healthcare services.

Challenges facing the District are the implementation of health related services for District residents. The District is anticipating partnering with other health care organizations to provide better health care services to District residents.

The District is underserved with health services and physicians. The District is attempting to recruit doctors and other health care providers to the District. Pioneers Memorial Healthcare District and El Centro Regional Medical Center have clinics in Heffernan's service area. Heffernan has partners with both entities in providing services in the past and foresee providing services in the future with both agencies.

The District has engaged in detailed and protracted efforts to bring health care services to District residents. The District recognizes the lack of effort by other local health care providers to expand or locate healthcare services in the District's community.

GOVERNMENTAL STRUCTURE OPTIONS

It is our conclusion that a preferable alternative to the current governmental structure would be to implement one of four possible governmental changes

- Option 1 - Maintain the status quo

There would be no change in the current governmental structure and the Heffernan Memorial Healthcare District would continue to exist and operate as it currently does.

- Option 2 – County of Imperial as Successor

Imperial County is responsible for significant public health related services for its citizens. If the District is dissolved and its property tax reallocated to the County, the County would be better able to provide health related services. This could be done either by the County itself or by it financially supporting local healthcare providers.

- Option 3 – Establish a Subsidiary District

A subsidiary district is a district in which a city council acts as district board of directors. To become a subsidiary district at least 70 percent of the land area and 70 percent of the number of registered voters within the district must be within the city.

Under this option the District would continue to exist and the Calexico City Council would govern the District and presumably it would provide staff support services.

- Option 4 –City of Calexico as Successor

The vast majority of District population resides within the City. Under this option, the District would be dissolved, eliminating the overlap of local agencies and streamlining the local governmental structure.

Within the City District property tax revenues would be reallocated to the City and could be used for health-related services, an example being Advanced Life Support Paramedics for the City Fire Department.

The small amount of property tax revenues received by the District outside of the City would accrue to the County.

- Option 5 – Annex to Pioneers Memorial Healthcare District

It is telling that the Pioneers District operates a health center in Calexico even though its facility is outside it District boundaries. It reflects reality that health service needs in the Calexico community are being met by an “outside agency.”

Although the Heffernan and Pioneers Memorial Healthcare Districts are not contiguous to each other, combining them would provide a more efficient and streamlined local governmental structure. The resources of both agencies would be combined. There would be one elected board of directors and one staff rather than having the expenses associated with having separate governing structures.

Health & Safety Code Section 32001 provides that a healthcare district may include both incorporated and unincorporated territory and territory comprising the district need not be contiguous.

One procedure to achieve this objective would be concurrently dissolve Heffernan Memorial Healthcare District and annex its territory to Pioneers Memorial Healthcare District. The result would be a single healthcare district that includes the territory currently within both existing districts.

Another procedure would be to consolidate the two Districts with the result also being one healthcare district that includes the territory within both existing districts.

The law allows LAFCO in approving a consolidation of districts or the reorganization of two or more Healthcare Districts into a single district to increase the number of directors to serve on the board of directors to 7, 9 or 11 members as of the effective date of the consolidation or reorganization. This may be worth consideration.

Under any alternative, other than status quo, expenses necessary to maintain the District would be reduced or eliminated, making funds available for services directly benefiting the public.

2. MSR DETERMINATIONS

This portion of the report addresses the factors specified in the governing statute for Municipal Service Reviews.

Infrastructure Needs and Deficiencies

The District has no hospital or healthcare facilities it operates though it owns a building that may be rented to physicians for their use. There are no plans to acquire or construct additional facilities. There are ongoing and growing needs for healthcare facilities within the District as reflected by the Calexico Health Center.

Growth and Population Projections

District services do not facilitate or affect the rate or location of population growth.

Financing Constraints and Opportunities

Many healthcare districts depend on State and Federal statutes governing distribution of certain types of revenues and issues include credit risk, Medicare, Medi-Cal, insurance policies, self-pay, third-party payers and so forth.

The Heffernan Memorial Healthcare District however, having closed its hospital in 1998, does not provide traditional healthcare services.

The District is funded primarily by property taxes. For FY 2013-14 this amount was \$520,619 and the estimate for FY 2014-15 is \$584,045.

Cost-Avoidance Opportunities

Given the nature of the District and its expenditure of funds, other than dissolution and transfer of District resources to other public agencies that provide healthcare services there do not appear to be significant cost-avoidance opportunities.

Opportunities for Rate Restructuring

Given the nature of the District and its activities, there do not appear to be significant rate restructuring opportunities

Opportunities for Shared Facilities

Since the District owns an office building there are no opportunities for sharing facilities with other public agencies, and it is possible the District may be leasing or renting office space to health care providers. The District has a history of financially supporting the Pioneers District operations of a health center in Calexico.

Government Structure Options

As discussed earlier there are at least three government structure options, in addition to the status quo, that apply to the Heffernan Memorial Healthcare District. Each of these three options involves dissolving the District.

The alternatives are to (a) have the County as the successor agency, (b) have the City of Calexico as the successor agency and (b) include the territory within the District as part of an expanded Pioneers Memorial Healthcare District.

Management Efficiencies

Given the nature of the District with limited staff, the cost to maintain and operate the District is about \$100,000 per year. If these funds were available to support services provided other more active agencies, or by a combined health care agency there may be greater efficiency in the use of these scarce governmental resources.

Local Accountability and Governance

An elected five-member Board of Directors governs the District and therefore accountable to its constituency. The Board meets regularly on the 1st and 3rd Wednesdays if each month. Board agendas are disseminated through print media and are posted at the District office and emailed to other community organizations. The District maintains a website at HeffernanMemorial.org.

3. SPHERE OF INFLUENCE REVIEW AND UPDATE

Government Code Section 56076 defines sphere of Influence as “A plan for the probable physical boundaries and service area of a local agency, as determined by the commission.”

The District feels its existing boundary and existing sphere of influence are correct at this time and no changes are being proposed by the District.

Description of Current Sphere of Influence

The District boundaries and sphere of influence are coterminous; see attached map.

Sphere of Influence Recommendation and Determinations

It is recommended the Commission approve the following determinations and affirm the existing Sphere of Influence as depicted on the map.

1. Present and planned land uses in the area, including agriculture and open-space.

Present and planned land uses within the District consist of a mix of residential, commercial, industrial, public uses, agriculture and open space. No significant changes are anticipated in the near future.

2. Present and probable need for public facilities and services in the area.

The land uses within the District require an array of public services and facilities including health related services. No significant changes are anticipated.

3. Present capacity of public facilities and adequacy of public service that the agency provides or is authorized to provide.

The District does not have sufficient facilities to provide the range of health care services required by the local population. Those requiring hospital care and many health related services must travel to neighboring communities.

4. Existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency.

Although the boundaries of the District are restricted to the Calexico area, the social and economic community of interest for healthcare services extends into neighboring communities and the entire developed portion of Imperial County.

If the District is dissolved and its territory annexed to the Pioneers Memorial Healthcare District it would no longer have a sphere of influence and its territory would be included in the expanded sphere of influence for that District.

4. ACKNOWLEDGEMENTS & REFERENCES

This draft Municipal Service Review and Sphere of Influence Update was prepared by Braitman & Associates working at the direction of the Imperial LAFCO staff. The responsibility for any errors or omissions rests with those who prepared the report.

The Heffernan Memorial Healthcare District provided much of the information on which the evaluation is based. The District General Counsel Eduardo Rivera was instrumental in assembling and providing data. His cooperation is much appreciated.

Available Documentation

The “Request for Information for Municipal Service Reviews” submitted by the District on February 12, 2015 is available in the LAFCO office.

Other documents that are part of the record include:

- Heffernan Memorial Healthcare District information including:
 - Grants Issued by the District (July 2012 through March 2015)
 - Payments made by the District to Strategic Medical Properties, Inc. (January 2012 through June 2015)
 - Stipend Payments to District Board Members (July 2012 - June 2013)
 - Stipend Payments to District Board Members (July 2013 - June 2014)
 - Stipend Payments to District Board Members (July 2014 - March 2015)
 - Expense Payments to District Board Members (July 2013 - June 2014)
 - Expense Payments to District Board Members (July 2014 - March 2015)
 - Payments to District staff members (July 2012 – March 2015)
- Heffernan Wellness for Kids (HW4K) Program prepared by Dr. Luz Elva Tristan (August 2015-4)
- 2013-2014 Imperial County Civil Grand Jury Report on Heffernan Memorial Hospital District and Heffernan Memorial Healthcare District Response to Civil Grand Jury Report (September 29, 2014)
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5. RECOMMENDATIONS

In consideration of information gathered and evaluated during the Municipal Service Review it is recommended the Commission:

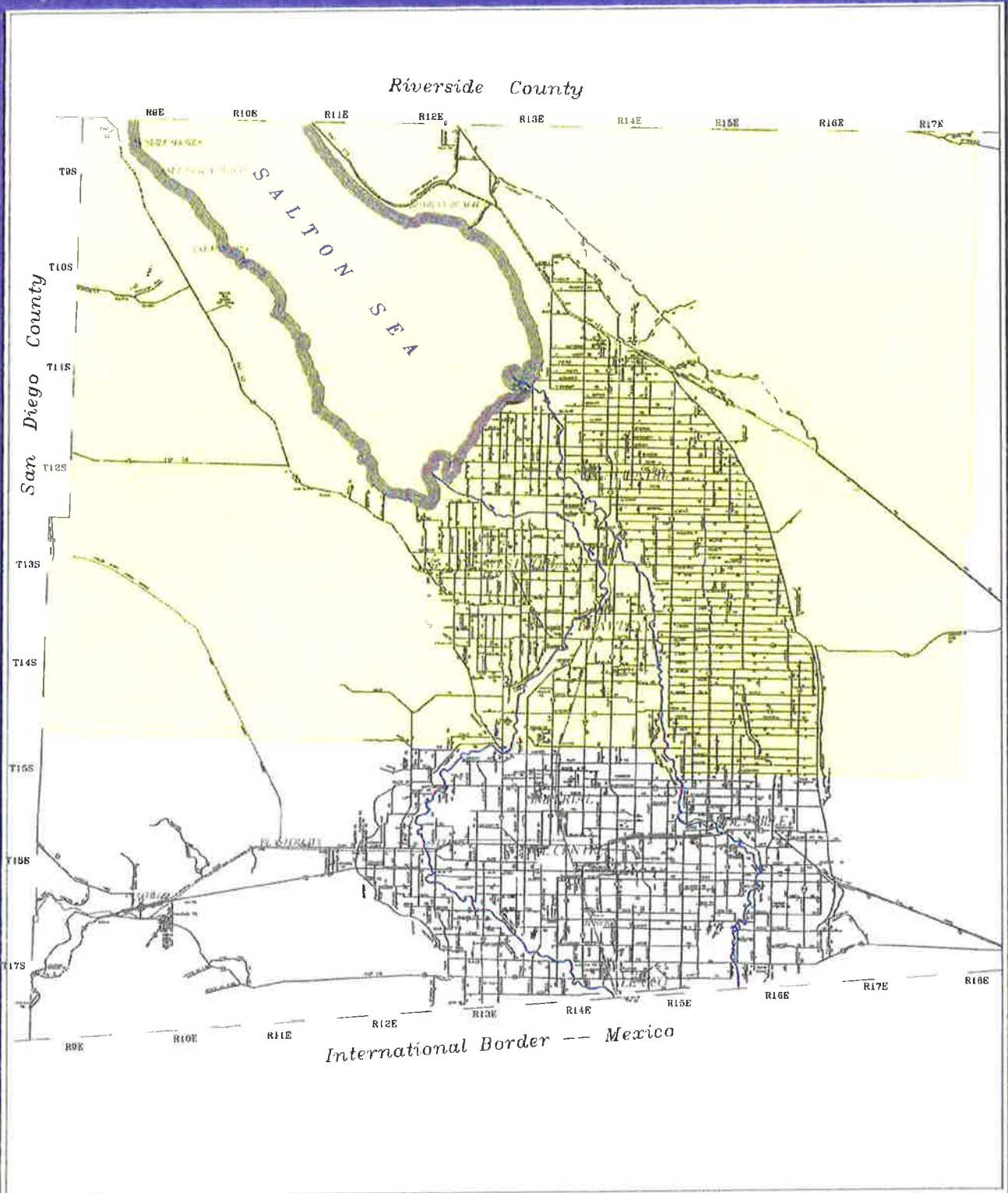
1. Accept any public testimony regarding the proposed Municipal Service Review and the proposed Sphere of Influence Update.
2. Approve the recommended Municipal Service Review determinations, together with any changes deemed appropriate.
3. Approve the recommended Sphere of Influence determinations and affirm the existing Sphere of Influence.
4. Adopt the enclosed resolution initiating a reorganization to concurrently (a) dissolve the Heffernan Memorial Healthcare District and (b) annex territory within the District to the Pioneers Memorial Healthcare District, creating one District and considering whether the Board of Directors of the expanded District should be enlarged.

HEFFERNAN MEMORIAL HOSPITAL DISTRICT
Grants

July 2012 through March 2015

06/29/15

Type	Date	Num	Name	Memo	Amount
Bill	08/06/2012		UC REGENTS.-	INV.CALX0001 TELEMEDICINE ENDOCRINOLOGY CLINIC VISIT	700.00
Deposit	08/27/2012	001019	NATIONAL VOLUNTEER CAREGIVING NE...	REFUND PARTIAL SOUTHWEST AIRPLANE TICKET,SYLVIA B-M.TERESA-YNES ...	(675.00)
Bill	09/06/2012		UC REGENTS.-	INV.CALX0005 TELEMEDICINE ENDOCRINOLOGY CLINIC VISIT	700.00
Check	10/04/2012	2652	TELEMEDICINE	SEPTEMBER/2012 TELEMEDICINE ENDOCRINOLOGY CLINIC VISIT	700.00
Check	10/15/2012	2655	IMPERIAL COUNTY PUBLIC HEALTH DEP...	I.C. HEALTH DEPART FLU SHOTS	1,075.00
Check	11/19/2012	2676	TELEMEDICINE	OCTOBER/2012 TELEMEDICINE ENDOCRINOLOGY CLINIC VISIT	700.00
Check	12/19/2012	2710	ADELA LOPEZ	NOV-DEC./2012 WELLNESS PROGRAM ASSIST.	300.00
Check	12/19/2012	2711	MARTHA OTERO	NOV-DEC/2012 WELLNESS PROG.ASSIT.	300.00
Bill	12/27/2012	CALX008	UC REGENTS.-	INV.CALX0008 TELEMEDICINE ENDOCRINOLOGY CLINIC VISIT	700.00
Bill	12/27/2012	CAALX009	UC REGENTS.-	INV.CALX0009 TELEMEDICINE ENDOCRINOLOGY CLINIC VISIT	700.00
Bill	02/04/2013		UC REGENTS.-	INV.CALX0010 TELEMEDICINE ENDOCRINOLOGY CLINIC VISIT	700.00
Bill	02/04/2013		UC REGENTS.-	INV.CALX0011 TELEMEDICINE ENDOCRINOLOGY CLINIC VISIT	700.00
Bill	04/04/2013		UC REGENTS.-	INV.CALX0012 TELEMEDICINE ENDOCRINOLOGY CLINIC VISIT	700.00
Bill	05/07/2013	CALX0013	UC REGENTS.-	APRIL/2013 INV.CALX0013 TELEMEDICINE ENDOCRINOLOGY CLINIC VISIT	700.00
					8,000.00
	Jul '12 - Jun 13				
Check	07/15/2013	2866	ISAAC MONTOYA	CA.HIGH SCHOOL SCHOLARSHIPS	500.00
Check	07/25/2013	2869	ELSA PLIEGO	CA.HIGH SCHOOL SCHOLARSHIPS	500.00
Check	07/31/2013	2870	GREGORY GERARDO	CA.HIGH SCHOOL SCHOLARSHIPS	500.00
Check	08/12/2013	2883	RAYMUNDO SERRANO	CA.HIGH SCHOOL SCHOLARSHIPS	500.00
Check	08/12/2013	2884	ALVIN WONG	CA.HIGH SCHOOL SCHOLARSHIPS	500.00
Check	08/13/2013	2888	THE CALEXICO GRIDIRON BOOSTARZ CL...	CALEXICO FOOTBALL TEAM DONATIONS	500.00
Check	09/04/2013	2903	UC REGENTS.-	MAY-JUNE-JULY-AUG/2013 TELEMEDICINE ENDOCRINOLOGY CLINIC VISIT	2,800.00
Check	09/13/2013	2910	CESAR SERRANO	CA HIGH SCHOOL SCHOLARSHIPS	500.00
Check	10/02/2013	2934	UC REGENTS.-	SEPT./2013 TELEMEDICINE ENDOCRINOLOGY CLINIC VISIT	700.00
Check	10/11/2013	2935	ZULEYMA GAMEZ	CA.HIGH SCHOOL SCHOLARSHIPS	500.00
Check	10/15/2013	2937	DESERT SUN GIRLS SOFTBALL	CALEXICO DESERT SUN GIRLS SOFTBALL	2,500.00
Check	11/01/2013	2961	UC REGENTS.-	OCT./2013 TELEMEDICINE ENDOCRINOLOGY CLINIC VISIT	700.00
Check	12/03/2013		DONUT AVE#11	CATHOLIC CHARITIES EVENT	11.78
Check	12/03/2013		FIESTA RESTAURANT	LUNCH CATHOLIC CHARITIES VISIT 11/19/2013	43.97
Check	12/04/2013		UC REGENTS.-	NOV./2013 TELEMEDICINE ENDOCRINOLOGY CLINIC VISIT	700.00
Check	12/23/2013	2980	DONUT AVE#11	CATHOLIC CHARITIES EVENT 12/18/2013	58.59
Bill	01/06/2014		UC REGENTS.-	DEC./2013 INV.CALX0021 TELEMEDICINE ENDOCRINOLOGY CLINIC VISIT	700.00
Check	01/07/2014		DONUT AVE#11	CATHOLIC CHARITIES EVENT 1/07/2014	15.33
Check	02/19/2014	3041	UC REGENTS.-	JANUARY/2014 TELEMEDICINE ENDOCRINOLOGY CLINIC VISIT	700.00
Check	02/26/2014		Wal-mart Super Center	WALMART-HOMELESS SUPPLIES(POWDER-DEODORANT-ORAL B BRUSH	105.29
Check	03/03/2014		FRONTERA EQUIPMENT	HOMELESS SUPPLY	281.02
Check	03/06/2014		DONUT AVE#11	WORKSHOP EVENT 3/6/2014	21.45
Check	03/18/2014	1003	UC REGENTS.-	FEB-MARCH/2014 TELEMEDICINE/ENDOCRINOLOGY CLINIC VISIT	1,400.00
Check	04/08/2014	3088	CALEXICO SOFTBALL PRIDE	CALEXICO SOFTBALL PROGRAM-2014	1,300.00
Check	04/10/2014	3091	CALEXICO POLICE ATHLETIC LEAGUE	DONATION: SPORTS CAMP FOR CALEXICO,CA	25,000.00
Bill	05/07/2014		UC REGENTS.-	23rd ANNUAL MARIACHI FESTIVAL SIN FRONTERAS	2,000.00
Bill	05/07/2014		UC REGENTS.-	APRIL-2014 INV..CALX0025 TELEMEDICINE ENDOCRINOLOGY CLINIC VISIT	700.00
Check	05/14/2014	3115	CLX.MADNESS GIRLS SOFTBALL TRAVEL...	MEDICAL PHYSICALS-FIRST AID KIT-HYDRATION	859.00
Bill	06/05/2014		UC REGENTS.-	MAY-2014 INV..CALX0026 TELEMEDICINE ENDOCRINOLOGY CLINIC VISIT	700.00
Bill	06/27/2014		AMERICAN CANCER SOCIETY.	4/4 CALEXICO RELAY FOR LIVE EVENT-2013-2014	2,500.00
	Jul '13 - Jun 14				47,796.43



Pioneers Memorial Hospital District
 local agency formation commission

EXHIBIT 16