

EXECUTIVE OFFICER'S REPORT

To The

Local Agency Formation Commission

TO:

Commissioner **DAVID WEST** [Public] Commissioner **MICHAEL KELLEY** [Supervisor]
Commissioner **JASON JACKSON** [City] Commissioner **RAY CASTILLO** (Vice Chair) [Supervisor]
Commissioner **MARIA NAVA-FROELICH** [City]
(Chair)

Alternate Commissioner **LUIS PLANCARTE** [Supervisor]
Alternate Commissioner **JIM PREDMORE** [City]
Alternate Commissioner **VACANT** [Public]

REPORT DATE: May 1, 2018

FROM: Jurg Heuberger, Executive Officer 

PROJECT: Report on Heffernan Memorial Health Care District

HEARING DATE: May 24, 2018 **TIME:** 8:30 AM

AGENDA ITEM NO: 8

HEARING LOCATION: El Centro City Council Chambers, 1275 Main Street, El Centro, CA

RECOMMENDATION(S) BY THE EXECUTIVE OFFICER (In summary & order)

OPTION #1: Approve the recommendations of the Executive Officer as set forth herein.

OPTION #2: Approve with modifications to the Executive Officers recommendations as set forth herein with the direction of the Commission.

REPORT:

The Heffernan Memorial Health Care District (HMHD) has been before your Commission several times and the Executive Officer has provided periodic information and updates.

The following is a summarized historic perspective of the HMHD.

- The Heffernan Memorial Hospital District was formed in 1947.
- The District's main source of revenue is its allocation of the general 1% property tax collected within its boundaries.
- In 1992 a .50% Supplemental Sales Tax was passed and the net proceeds of the sales tax were to be used exclusively for the district. The sales tax expired on 03/31/06 and ceased to be levied.
- The District filed for bankruptcy in 1995 and closed its acute hospital in 1998. The hospital was abandoned at that time but the district was not dissolved.
- On December 14, 2006 the Commission approved the SAP/MSR report by the EO and directed the district submit the next SAP by June 1, 2008. Said report was never received.
- On December 11, 2014 the Commission directed the district prepare an SAP and submit within 120 days (Minutes from 12/11/14), said report again was never received.
- In January 2015 Braitman & Associates was selected to prepare the SAP on behalf of and with consent of the district.
- On August 27, 2015 the SAP (Prepared by Braitman & Associates) was presented to the Commission. At that time the Commission directed the District prepare a draft "Business Plan" to be submitted within 60 days and a full plan to be submitted within 6 months (Resolution #2015-13).
- On January 21, 2016 a Draft Business Plan was received.
- On January 28, 2016 the Commission directed the District submit an updated/detailed business plan by April 28, 2016 (Resolution #2016-04).
- On April 28, 2016 the updated Business Plan was received.
- On May 26, 2016 the SAP/Business Plan was adopted by the Commission with direction that the District provide a Business Plan update on an annual basis. (Resolution #2016-19).
- On May 27, 2017 an updated Business Plan was received and was scheduled to be heard by the Commission on August 24, 2017. Due to issues that staff became aware of the item was continued.
- On January 25, 2018 the Commission was made aware of recent issues and the EO's plan was to meet with the district to obtain more information and to request a more in-depth plan.

ANALYSIS

As required by the Cortese Knox Hertzberg Reorganization Act of 2000, LAFCO, i.e. your Commission has specific statutory authority over districts which comes the responsibility to review said districts and make determinations, which can reach the point of a "dissolution" or a "merger" or "reorganization".

In the case of HMHD, there have been issues, questions, and concerns about their operations and more critically their use of public funds which a few years ago led to an extensive report that suggested the District should be Dissolved.

During the hearing of August 27, 2015 your Commission directed that we not proceed with a dissolution, placing the district on a quasi-probation status, which in turn was intended to allow them time to make changes within their operation that would then not require you to take the action to dissolve.

There were no guarantees by your Commission that you could not or would not at some future date still make the determination that the district should be dissolved.

Following your action of January 28, 2016, the Executive Officer/Staff began working with the District in an effort to make changes that your Commission discussed. A principal component of your direction was that the District would provide LAFCO with periodic status reports and more importantly would attempt to enter into agreements/contracts with health care providers such as El Centro Regional Medical Center and Pioneers Memorial Hospital District in an effort to bring realistic health care programs to the community, thereby properly using their public funds.

To that end HMHD did provide one or more reports, the most detailed being on or about May 26, 2017. Said report outlined various programs, contracts or agreements that HMHD had entered, was negotiating or working on. The report however did not provide the level of detail that was necessary to make a valid review possible. It did however show that the district was making an effort.

Therefore, the Executive Officer allowed the district more time and opportunity to show that it was meeting the expectations of LAFCO.

Ultimately in the late summer of 2017 information about a "retreat" in La Jolla area where significant public funds were expended, led to the EO's review of the contract between HMHD and a consultant that was hired by HMHD for approximately \$75,000. The scope of work when viewed against the Request for Proposal led to further questions about the contract and the EO requesting more information and clarification. The then president of the HMHD was most cooperative with the EO and this led the district to ultimately terminate the contract with the consultant and the restitution of some questionable expenditures.

Although other concerns over their Board actions ensued, the next significant issue that came to the attention of the EO was a request by the City of Calexico to HMHD to fund a substantial amount of the City's ambulance/fire paramedic program. The EO began reviewing this issue with both the City staff and the HMHD and strongly advised the HMHD to NOT pursue this funding arrangement as proposed. For complete transparency the EO met with the City Manager and a City Council person for Calexico to fully understand their position and request. As understood by the EO, the City was asking HMHD to fund approximately \$700,000 per year for a three-year period in order for the City to continue with the ambulance program and not lay-off paramedics.

A similar meeting occurred between the HMHD representatives and the EO.

The EO ultimately advised both parties that in his view the LAFCO would have a major problem with this arrangement for a number of reasons, chief among them as follows:

- a) The City did not need to provide its own ambulance program as there was a countywide program that the city could have but chose not to participate in.
- b) The City's proposed expenditures for this service seemed unrealistic and un-justified.
- c) The City provided no guarantees that this subsidy would end in a positive way at the end of three years and they would be at the same point again.
- d) This type of funding by HMHD while providing medical service would expend a significant amount of the districts funds/reserves for a very limited (per capita) portion of the city's residents.
- e) The City could not provide a realistic reason why they needed to continue with a service that was otherwise available especially in light of the city's own financial constraints.

The EO subsequently advised the HMHD that if they pursued this, they would risk the possibility of LAFCO seriously considering a dissolution as it was not the proper use of their funds. The HMHD and the City finally agreed to terminate this request.

During an update to the Commission on January 25, 2018, the Commission and the EO in the strongest terms possible made the HMHD aware of their concerns and that if the District did not immediately begin to address the Commissions concerns, the dissolution could once again be considered.

Among the suggestions made at this meeting were the following;

- a) The district should strongly consider through a transparent and valid process what they would fund
- b) The district should consider hiring either an executive secretary or executive officer to conduct the day to day operations including staff reports etc.
- c) The district should be more transparent through their web site and notices on their board meetings and pending actions.

Once again, following this meeting better cooperation and information sharing ensued between the EO and HMHD.

RECOMMENDATION:

Given the review of their financials, given their Board's current efforts, given that HMHD is in the process of hiring appropriate staffing and given that at least at this point the district appears to be taking the concerns of LAFCO serious the EO makes the following recommendation.

- A) Direct that HMHD provide a detailed 5-year plan to include but not limited to the following:
 1. List healthcare programs that may be considered and provide a copy of agreements for any proposed program.
 2. Provide copies of grant agreements.
 3. Provide in detail the services being provided and the costs.
 4. If the district is providing a range of services to the Calexico residents, state how.
 5. Show accountability for projects or programs that are or could/will be funded.
- B) Direct that HMHD provide a quarterly update to the LAFCO on its efforts to assist legitimate health care providers either through contracts with such providers or through other acceptable means.
- C) Direct that HMHD provide quarterly financial reports to LAFCO to show how it is appropriately utilizing the public funds for health care service.
- D) Direct that HMHD not be allowed to subsidize the City of Calexico in any fashion unless and until approval from LAFCO is first obtained.
- E) Direct that HMHD hire a qualified staff person in the form of an Executive Director or Executive Secretary or similar that can provide appropriate technical support to the Board.
- F) Direct that HMHD limit its compensated Board meetings to no more than two meetings per month, including therein emergency meetings.
- G) Direct that HMHD provide its audited financial report to the LAFCO within 30 days of its completion, and require this on an annual basis.
- H) Direct HMHD to develop strict policies on their evaluation of projects and accountability for funded projects.
- I) Give notice to the HMHD that LAFCO considers these conditions as placing the district on a probationary basis until such time that LAFCO has confidence that it is no longer necessary for LAFCO to have such close oversight and/or until such time the Commission determines to take further action.