

Eastern Plumas Hospital District and Sierra Valley Hospital District—Reorganization

LAFCo File No. 2018-0001

Summary

The Boards of Directors of the Eastern Plumas Hospital District (EPHD) and Sierra Valley Hospital District (SVHD) (both are Hospital Districts) have submitted a proposal to reorganize the two districts. The proposal would result in a large portion of the territory within SVHD to be annexed into the EPHD and the SVHD subsequently dissolved, ultimately transferring all services and assets to EPHD.

The reorganized district would contain the territory presently with the EPHD and the area proposed for annexation within the SVHD. A map showing the boundaries and sphere of influence of the reorganized EPHD is included herein as ***Attachment 1***. The two resolutions initiating the proposal including Maps, a Plan for Services and Statement of Justification are included herein as ***Attachment 2*** (EPHD adopted Resolution 259 on June 28, 2018; SVHD adopted Resolution 2018-001 on July 19, 2018).

Recommendation

Staff recommends that the Commission:

1. After considering the proposed reorganization and its compliance with LAFCo law and Commission policy, approve the proposal, subject to conditions as set forth in the staff report and proposed Resolution 2018-0008 (***Attachment 5***).

Suggested motions

- *Adopt proposed Resolution 2018-0007 adopting a Sphere of Influence amendment for the EPHD and the SVHD. (**Attachment 4**)*
- *Adopt proposed Resolution 2018-0008 approving this Annexation and determining that this proposed annexation to the Eastern Plumas Hospital District qualifies for an exemption to the California Environmental Quality Act under Class 20. (**Attachment 5**)*
- *Adopt proposed Resolution 2018-0009 dissolving the Sierra Valley Hospital District. (**Attachment 6**)*

Proposal and History

The two districts are located in and around the Sierra Valley in Plumas and Sierra Counties. Both agencies are empowered to provide healthcare services; however, SVHD no longer provides direct services. EPHD provides contract services to SVHD. EPHD currently operates the former SVHD facility as a skilled nursing facility and operates an adjacent clinic under the EPHD license as well as stages ambulances in the SVHD territory.

The LAFCo Act encourages consolidations and provides that if district boards adopt substantially similar resolutions of application (for consolidation or reorganization) the commission shall approve or conditionally approve the proposal. The Commission shall order the reorganization without an election, unless presented with a petition signed by 25% of the voters, or 25% of the number of landowners who own at least 25% of the assessed value of land within the territory. The two agencies have been engaged in some joint operational activities through contract services as previously described.

The Districts each adopted substantively similar Resolutions of Application for a reorganization that would reorganize the two districts; the terms and conditions set forth include annexation of

territory within SVHD by EPHD, transfer of all assets, reserves, facilities, employees, contracts and debt to the reorganized EPHD, which is identified as the successor agency, and dissolution of SVHD.

Subsequently, Sierra LAFCo adopted resolution 2018-0001 authorizing Plumas LAFCo to assume exclusive jurisdiction for the aforementioned reorganization or change of organization with respect the Sierra Valley and Eastern Plumas Hospital Districts, and on June 11, 2018 in Resolution 2018-0005 Plumas LAFCo accepted exclusive jurisdiction to process the application.

Organized Healthcare Services

The two districts are empowered to provide a variety of healthcare services by Division 23, Chapter 2, Article 2 of the Health and Safety Code, Hospital District Law (commencing with Section 32000 et seq).

EPHD operates a hospital, offers outpatient services for several specialities at 4 medical and 2 dental clinics, runs two skilled nursing facilities in Portola and Loyalton, and offers professional training courses. Additionally, EPHD provides a 24-hour, physician staffed stand by emergency room and ambulance service.

EPHD's acute care hospital has nine beds. Patients that are in need of a higher level of specialty care are evaluated, stabilized, and transported by ambulance or CareFlight to a larger hospital in Reno, NV or elsewhere.

The hospital offers a wide range of outpatient diagnostic services, including a full service clinical laboratory, a comprehensive imaging department offering preventive and diagnostic services, as well as:

- Behavioral Health
- Cardiology
- Dentistry
- Dermatology
- Gastroenterology
- Internal Medicine
- Obstetrics
- Orthopedics
- Pain Management
- Physical Medicine & Rehabilitation
- Podiatry
- Registered Dietician Counseling
- Surgery
- Telemedicine
- Urology
- Women's Health

As mentioned, EPHD currently operates the former SVHD facility as a skilled nursing facility and operates an adjacent clinic under the EPHD license as well as stages ambulances in the SVHD territory.

Finances and Operations

Both districts are primarily funded through charges for services with supplemental income coming from a small portion of the property tax collected within each district's boundaries. SVHD also has a parcel assessment that it uses to pay a bond.

Concerns about ensuring that the debts and obligations or any infrastructure deficiencies of the respective districts are borne by the customers residing in the territory of the respective districts have prompted the Boards to consider establishing separate benefit zones so that costs may be allocated to the appropriate zone. Additionally, EPHD Eastern Plumas Hospital District is considering a specific zone of benefit for the provision of ambulance and EMS services

generally described as the Long Valley are south of State Highway 70 and east of the Humboldt-Toiyabe and Tahoe National Forest boundary.

Property Tax Apportionment

Because this proposal is an annexation of additional territory, the property tax apportionment is subject to the provisions in the Revenue and Taxation Code Sections 99 and 99.1. As such, EPHD and the County of Sierra met and came to a tax sharing agreement, which were adopted in Resolution 2018-123 by the Sierra County Board of Supervisors and Resolution 264 by the EPHD Board of Directors. The portion of the \$3,052,951 tax revenue projected to be for the SVHD is \$91,430 for FY 2018-2019.

Provisional Appropriations Limit

In 1979 voters passed Proposition 4, establishing what is referred to as the “Gann Limit.” Also known as an “appropriations limit,” this is the maximum amount of tax proceeds that an agency may spend each fiscal year (note: the Gann Limit does not apply to revenues from assessments, fees or rates). Pursuant to Section 7902.7 and Article XIII B of the State Constitution, the Commission can set a provisional appropriations limit for a reorganized district. As a condition of the reorganization it is recommended that the Commission transfer the existing appropriations limit of the Sierra Valley Hospital District to the successor Eastern Plumas Hospital District, as the agency’s provisional appropriations limit, as of the effective date of this reorganization. The permanent appropriation limit will be established by the Eastern Plumas Hospital District Board of Directors within the first fiscal year of operations following the effective date of this reorganization. Once the permanent limit is established, the district will adjust it annually based on a formula involving population growth and the Consumer Price Index.

Personnel

EPHD provides all personnel that operate SVHD facilities. As such, transfer of employees does not need to be considered as part of the conditions for transfer of services from SVHD to EPHD.

Sphere of Influence

The Sphere of Influence for Eastern Plumas Hospital District was last updated as being coterminous with its bounds in Resolution 2016-0005 on August 8, 2016. Government Code Section 56375.5 requires that annexations be consistent with an agency’s Sphere of Influence. Consequently, in order for the Commission to approve the proposed annexation, EPHD’s Sphere of Influence must be amended for consistency with the proposed reorganization area. The Commission will consider the amended Sphere of Influence in Resolution 2018-0007 following the noticed Public Hearing on December 10, 2018.

Boundary

The boundaries for the reorganized EPHD will consist of the District’s existing boundaries and the proposed annexation territory within SVHD.

CEQA Compliance

The Eastern Plumas Hospital District, acting as Lead Agency, has determined the annexation qualifies for Categorical Exemption to CEQA under 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. The District has filed a Notice of Exemption (**Attachment 3**). LAFCo staff concurs with the District’s determination, and has included direction to staff to also file a Notice of Exemption in the proposed draft resolution.

Compliance with Applicable Plans

The Counties of Sierra and Plumas, as well as the Cities of Loyalton and Portola are the applicable land use authorities. The territory includes a variety of land uses, including various types of residential development, commercial, industrial, public facilities, agricultural, and open space. Note that the proposed consolidation will not directly affect existing or future land uses.

The proposed consolidation does not conflict with the General Plans of any of the land use authorities.

Terms and Conditions

As noted above, in line with the legislature’s directive to encourage reorganizations that result in consolidations, the Commission must approve or conditionally approve the proposal. LAFCo staff has reviewed the requested terms and conditions contained within the initiating resolutions adopted by the two applicants, and recommends the Commission incorporate all of them. In addition, staff recommends several additional conditions:

- The property tax apportionment to the reorganized EPHD shall be as adopted in the tax sharing agreement approved by the Sierra County Board of Supervisors and the EPHD Board of Directors.
- The current appropriations limit of the SVHD shall be transferred to EPHD.
- The Board of the SVHD shall make provisions for appointment of two members to the EPHD Board until such time as the Board terms expire and the Board of the reorganized district is reduced to five members.
- The indebtedness of each District shall remain the legal obligation of only the lands and areas which incurred such indebtedness. Sierra County Board of Supervisors shall continue to take on responsibility for Sierra Valley Hospital District’s outstanding bond.
- EPHD may, at its discretion, establish zones to ensure that the debts and obligations or any infrastructure deficiencies of the respective districts are borne by the customers residing in the territory of the respective districts or for the provision of ambulance and EMS services in a defined smaller area than EPHD’s reorganized boundaries.

GOVERNING LAW AND LAFCo POLICY

Generally, Government Code §56000 *et seq.* governs proceedings. The proposal largely complies with LAFCo’s legal and policy requirements, as summarized below:

GOVERNING LAW

LAFCo is charged with applying the policies and provisions of the Cortese-Knox-Hertzberg Act to its decisions regarding annexations, incorporations, reorganizations, and other changes of government.

Factors to be considered in the review of a proposal shall include, but not be limited to, all of the following Section 56668 of the Government Code:

- **Population, and population density; land area and land use; per capita assessed valuation; topography, natural boundaries, and drainage basins; proximity to other populated areas; the likelihood of significant growth in the area, and in adjacent incorporated and unincorporated areas, during the next 10 years.**

The territory is inhabited, and includes a wide variety of land uses and designations. Because the subject territory has portions that are within an incorporated city where water and sewer services are provided, the area can be expected to grow at a faster pace than other areas of the County.

- **The need for organized community services; the present cost and adequacy of governmental services and controls in the area; probable future needs for those services and controls; probable effect of the proposed incorporation; formation, annexation, or exclusion and of alternative courses of action on the cost and adequacy of services and controls in the area and adjacent areas. “Services,” as used in this subdivision, refers to governmental services whether or not the services are services, which would be provided by local agencies subject to this division, and includes the public facilities necessary to provide those services.**

The subject area is remotely located with limited healthcare service options provided entirely by the two applicant districts. There is a demand for these services as there are few options within the nearby communities. The proposal aims to consolidate these services under a single provider to enhance efficiency of services. Under the terms of the proposed reorganization, the services, facilities, equipment, revenues (with the exception of SVHD assessment revenue that will go to Sierra County to pay for bond debt), debts (with the exception of SVHD bond debt that will go to Sierra County), expenses, employees, and contractual obligations of the SVHD will be transferred to EPHD as the successor agency.

- **The effect of the proposed action and of alternative actions, on adjacent areas, on mutual social and economic interests, and on the local governmental structure of the county.**

The proposed reorganization is not expected to result in noticeable impacts on other agencies or result in adverse impacts on various social and economic interests.

- **The conformity of both the proposal and its anticipated effects with both the adopted commission policies on providing planned, orderly, efficient patterns, of urban development, and the policies and priorities set forth in Section 56377.**

Analysis of the project’s consistency with adopted LAFCo policies is addressed in a subsequent section of this report.

- **The effect of the proposal on maintaining the physical and economic integrity of agricultural lands, as defined by Section 56016.**

The proposed reorganization of the two agencies does not include expansion of the current service areas. The current levels of development in the area are not expected to be directly affected by this proposal, and it is therefore unlikely that current agricultural uses within the area will be affected.

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| <ul style="list-style-type: none"> • The definiteness and certainty of the boundaries of the territory, the nonconformance of proposed boundaries with lines of assessment or ownership, the creation of islands or corridors of unincorporated territory, and other similar matters affecting the proposed boundaries. <i>The boundaries of the subject territory include the territory within SVHD to the east of the crest of the Sierra Nevadas. The boundaries of the proposed annexation area are clearly defined in the map of the annexation area (Attachment 1).</i> |
| <ul style="list-style-type: none"> • Consistency with city or county general and specific plans. <i>As discussed in the above section on Planning Consistency, the current land use does not conflict with the General Plans of the two counties and two cities.</i> |
| <ul style="list-style-type: none"> • The Sphere of Influence of any local agency which may be applicable to the proposal being reviewed. <i>As discussed in the above section on Sphere of Influence, for consistency the EPHD's SOI must be amended to include the proposed annexation area prior to approval of the application. At present, EPHD's SOI is contiguous to its boundaries.</i> |
| <ul style="list-style-type: none"> • The comments of any affected local agency or other public agency. <i>No comments have been received to date.</i> |
| <ul style="list-style-type: none"> • The ability of the newly formed or receiving entity to provide the services which area the subject of the application to the area, including the sufficiency of revenues for those services following the proposed boundary change. <i>The level of services currently provided within the area is not expected to change; all current operational revenues will be transferred to the successor district, which will be empowered to utilize its resources in the same manner as currently exercised.</i> |
| <ul style="list-style-type: none"> • The extent to which the proposal will affect a city or cities and the county in achieving their respective fair shares of the regional housing needs as determined by the appropriate council of governments consistent with Article 10.6 (commencing with section 65580) of Chapter 3 of Division 1 of Title 7. <i>This proposal will neither assist nor detract from the cities' or counties' abilities to achieve their RHNA targets.</i> |
| <ul style="list-style-type: none"> • Any information or comments from the landowner or owners, voters, or residents of the affected territory. <i>No comments have been received to date.</i> |
| <ul style="list-style-type: none"> • Any information relating to existing land use designations. <i>This issue is discussed in detail in a preceding section of the report.</i> |
| <ul style="list-style-type: none"> • The extent to which the proposal will promote environmental justice. As used in this subdivision, "environmental justice" means the fair treatment of people of all races, cultures, and incomes with respect to the location of public facilities and the provision of public services. <i>Because no change in the present use of the property will result from the reorganization, this proposal will neither promote nor detract from environmental justice.</i> |

PLUMAS LAFCo GENERAL & SPECIFIC POLICIES

Plumas LAFCo policy is to evaluate proposals for consolidation in the same manner it evaluates district formation; after reviewing the Plan for Services and other data, the Commission will determine whether the districts’ organizations and operations can be feasibly combined.

General Policies:

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| Communication between local agencies is encouraged. | Consistent |
| Urban development proposals shall include annexation to a city or district where possible. <i>The proposal to reorganize two existing districts into a single district is not an urban development proposal.</i> | Not Applicable |
| LAFCo will discourage urban sprawl and will normally deny proposals that result in sprawl. <i>This reorganization will not result in urban sprawl as characterized in LAFCo policy.</i> | Consistent |
| Environmental consequences (CEQA) shall be considered. <i>The Eastern Plumas Hospital District is acting as Lead Agency for the project and has determined it to be categorically exempt from the provisions of CEQA.</i> | Consistent |
| LAFCo will encourage applications that improve the regional balance between jobs and housing. <i>This proposal will neither improve nor detract from the regional jobs/housing balance.</i> | Not Applicable |
| LAFCo will favor proposals that promote compact urban form and infill development. <i>This reorganization will not directly result in an increase in the area’s level of development. However, the proposal will ensure the continued level of services within the territory. Stability of service will tend to promote compact urban form and infill development in the area.</i> | Consistent |
| Government structure should be simple, accessible, and accountable. <i>Both applicant districts appear to be accessible and accountable, and the proposed reorganization has been conducted in an open and public manner.</i> | Consistent |
| Agencies must provide documentation that they can provide service within a reasonable period of time. <i>The applicant agencies have provided documentation, including a Plan for Services that indicate the new agency will be capable of continuing the present level of service to the subject territory.</i> | Consistent |

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| <p>Efficient services are obtained when proposals:</p> <ol style="list-style-type: none"> a. Utilize existing public agencies. b. Consolidate activities and services. c. Restructure agency boundaries to provide more logical, effective, and efficient services. | Consistent |
| <p><i>This proposal will consolidate the organizations, facilities and services currently provided by the applicant districts to ensure continued efficient service provision. The recommended noninclusion of the area within SVHD to the west of the crest of the Sierra Nevadas, where services are not being provided, will allow for more logical boundaries.</i></p> | |
| <p>Adverse impacts on adjacent areas, social and economic interests and the local government structure must be mitigated.</p> | Consistent |
| <p><i>There do not appear to be adverse impacts, which require mitigation.</i></p> | |
| <p>Conformance with general and specific plans required.</p> | Consistent |
| <p><i>The proposal does not conflict with the General Plans of the two counties and two cities.</i></p> | |
| <p>Boundaries:</p> <ol style="list-style-type: none"> a. Definite boundaries are required. b. Boundaries that are favored: <ul style="list-style-type: none"> • Create logical boundaries & eliminate islands or illogical boundaries. • Follow natural or man-made features and include logical service areas. c. Boundaries that are disfavored: <ul style="list-style-type: none"> • Split neighborhoods or communities. • Result in islands, corridors, or peninsulas. • Are drawn for the primary purpose of encompassing revenue-producing territories. • Create areas where it is difficult to provide services. <p><i>The boundaries of the subject territory include the territory within SVHD to the east of the crest of the Sierra Nevadas. The boundaries of the proposed annexation area are clearly defined in the map of the annexation area (Attachment 1).</i></p> | Consistent |
| <p>Revenue neutrality is required for all proposals.</p> | Consistent |
| <p>Agricultural and Open Space Land conservation standards are:</p> <ol style="list-style-type: none"> a. The proposal must lead to planned, orderly and efficient development. b. An approved Sphere of Influence Plan is required. c. Findings with respect to alternative sites are required. d. Impact on adjacent agricultural/open space lands must be assessed. <p><i>As discussed in the above section on Planning Consistency, this proposal will not result in conversion of Agricultural or Open Space lands.</i></p> | Not Applicable |

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| <p>Need for services must be established, and exists when:</p> <p>a. A public health and safety threat exists.</p> <p>b. The residents have requested extension of non-growth-inducing community services.</p> <p>c. The subject area is likely to be developed for urban use within 5 years.</p> <p><i>The applicant agencies already provide service to the subject territory. The proposed reorganization will ensure the subject territory continues to receive an efficient level of service.</i></p> | Consistent |
| <p>Exceptions are justified on the following grounds:</p> <p>a. Unique</p> <p>b. Standards conflicts</p> <p>c. Quality/Cost</p> <p>d. No alternative is available</p> | |

CONSOLIDATION POLICIES

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| Consistency with LAFCO policies required | Consistent |
| Unmet Needs. <i>District formation encouraged in areas with a need for services that are not met by an existing agency</i> | Not Applicable |
| <p>Plan for services required.</p> <p><i>The two applicant districts have provided a comprehensive and adequate plan for service, which assures the continuation of existing services at the same or improved level.</i></p> | Consistent |
| <p>LAFCo will establish the service pattern</p> <p><i>The Commission will establish the service pattern by adoption of a resolution on the proposal.</i></p> | Consistent |
| <p>Consistency (with general and applicable specific plans) required</p> <p><i>The reorganization of the two districts will not conflict with the General Plans nor with any specific plans of the two counties and two cities.</i></p> | Consistent |
| Conflicts (with other agencies) not permitted. | Consistent |
| <p>Public benefit considered</p> <p><i>A discussion of the public benefits associated with the reorganization is included in the Remarks and Conclusion of the LAFCo staff report.</i></p> | Consistent |
| <p>Fiscal Solvency required.</p> <p><i>Consolidation of the two agencies will ensure sustained fiscal solvency.</i></p> | Consistent |
| County Service Area Formation Requirements | Not Applicable |

COMMENTS FROM THE PUBLIC AND FROM AFFECTED AGENCIES

No unfavorable comments or objections have been received from agencies affected by the proposal or from the public.

Remarks and Conclusion

Given that EPHD is already providing contract services at SVHD's facilities, this reorganization is a logical next step that aligns with the LAFCo purpose of ensuring efficient services. Services would continue to be provided at the same level as current services, and the reorganization would streamline governance and service delivery by eliminating an extra governing body.

The proposed reorganization does not appear to result in any adverse impacts on any other agency's ability to provide services. The proposal is consistent with LAFCo law and Commission policy.

The recommended noninclusion of the area within SVHD to the west of the crest of the Sierra Nevadas, where services are not being provided, will allow for more logical boundaries for the reorganized district, and will not adversely impact the properties.

Staff recommends approval of the Sphere of Influence amendment, annexation of a portion of the SVHD territory to the EPHD, transfer of all SVHD services and resources to the EPHD as the successor agency, and concurrent dissolution of SVHD, and has prepared draft resolutions (**Attachments 4, 5, and 6**) to that effect.

cc: Sierra LAFCo
Sierra Valley Hospital District
Eastern Plumas Hospital District

Attachments:

- 1 Map
- 2 EPHD and SVHD Resolutions Initiating Proposal including Statement of Justification and Plan for Services
- 3 CEQA Notice of Exemption
- 4 Proposed Resolution 2018-0007
5. Proposed Resolution 2018-0008
6. Proposed Resolution 2018-0009