

September 16, 2024

TO: MENDOCINO COAST HEALTH CARE DISTRICT BOARD OF DIRECTORS

FROM: MEASURE C TAXPAYER OVERSIGHT COMMITTEE

RE: ANNUAL REPORT FOR FISCAL YEARS 2023 AND 2024

Measure C is the Mendocino Coast Health Care district Parcel Tax that was approved June 5, 2018, with a 66.8% vote. A two thirds vote (67.67%) was required for passage. It passed by 5 votes. The Parcel tax expires in 2030.

The Parcel Tax raises about \$1.5 million net per year after exemptions, consolidations and expenses. The Measure required the District to deposit Parcel Tax receipts in a separate restricted account and to establish an independent taxpayer Oversight Committee to oversee that the revenue is spent in accordance with the following criteria:

- Maintain local emergency room services;
- Attract and retain high quality doctors and nurses;
- Maintain local ambulance and related 911 services;
- Make critical repairs and upgrades to medical equipment and facilities;
- Maintain local surgical services; and
- Maintain local obstetric services

The Oversight Committee (Measure C Committee) is responsible for preparing an annual written report to the District Board within 60 days of the close of the Fiscal Year which shall include:

- i. A statement indicating whether the District's parcel tax revenue expenditures for the preceding year were made in accordance with the stated purpose of Measure C, and
- ii. A summary of the Committee's proceedings for the preceding year.

The Measure C Committee was without a quorum from January 2023 to January 2024, so the last Annual Report was made in July 2022. This report will cover Fiscal years 2023 and 2024.

FISCAL YEAR 2023

The Measure C Committee was unable to meet in 2023 and no Parcel Tax revenue was allocated.

The District's Lease Agreement with Adventist Health (AH) requires the District to "keep and maintain the Premises and the Existing FF&E in good order, condition, and repair ...". The Lease Agreement requires the District to make \$2,000,000 annually available in an "Improvement Fund" for this purpose. Both parties acknowledged in the Lease that the "Premises and the Existing FF&E will require significant and ongoing maintenance, repair, and improvements".

The District's CFO, Wayne Allen, maintains that the District Board decided that 100% of the Parcel Tax receipts would be contributed to the \$2,000,000 Improvement Fund with the District making up the

balance from other sources. The Lease Agreement gives AH sole discretion in determining and prioritizing "Improvement Fund" projects "except as may be required to comply with the provisions of Measure C".

FISCAL YEAR 2024

The Measure C Committee was unable to meet until January 2024 to determine which AH Improvement Project expenses qualified for Measure C Funding. The result was AH paying for the improvements from its funds.

On January 22, 2024, and February 12, 2024, the Measure C Committee reviewed the AH November 1, 2023, Report on Building Maintenance and Equipment Expenditures and determined that the following completed and nearly completed projects met the criteria for Parcel Tax Funding:

• Auto Transfer Switch	\$186,802
• Medical Air Replacement	\$959,688
• HVAC-Surgery & Central Sterile Supply	\$ 18,567
• Fire Sprinkler Pipe Rust Issues	\$ 8,110
• Roof Repairs-Main Building	\$ 57,040
• Fire Roll-Down NFPA Code Replacement	\$135,000
• Infection Control -Lobby Flooring	\$132,722
• Oncology-Infection Control Updates	\$ 60,480
• Infection Control Flooring- ER Waiting, Front Lobby PT, Lab	\$275,998
• Infection Control Flooring-RT, Cardio, PT Rooms	\$153,455
• 3D Mammography-Facility Remodel	\$ 308
• Ambulance Replacement Unit	\$ 11,202
• Legionella Compliance Equipment Replacement Unit	\$ 65,000
• ED Hot Water Heater	\$ 20,516
• 7 Zoll Defibrillators	\$171,540

TOTAL MEASURE C ALLOCATED AH PROJECT EXPENSES \$2,255,428

Note: These allocations were in addition to the \$2.225,478 allocation in 2021 for some of these projects.

On April 23, 2024, The Measure C Committee met to consider AH's request for additional Parcel Tax funding for 10 projects in 2024,2025 and 2026, totaling \$5,742,417. The Measure C Committee approved an allocation of \$2,258,810 for the three (3) most pressing needs:

• Auto Transfer Switch (2025/2026)	\$1,700,000
• Vacuum Pump replacement (2024/2025)	\$ 500,000
• OR and Surgical Areas Flooring Repairs (2024)	\$ 58,810

TOTAL MEASURE C ALLOCATED AH PROJECT EXPENSES \$2,258,810

The Committee agreed to consider the additional requests at a future meeting. It was the understanding of the Measure C Committee that these were requests for future funding, however, District CFO Wayne Allen has included them in his Fiscal Year 6-30-2024 Reconciliation Report. Only \$108,810 of the total was projected for Calendar year 2024 and probably in the second half of the year which would be FYE 2025.

ADDITIONAL ISSUES

- Since the lease of the hospital facility to Adventist Health, the District has consistently failed to comply with the Measure C requirement for the deposit of Parcel Tax receipts in a separate restricted account. In 2019 the District opened a Tri County bank account entitled “Measure “C” Restricted Fund and began depositing Parcel Tax receipts.

Mendocino County distributes the Secured Property Taxes and Parcel Taxes to the District three times a year in a single check necessitating a separate transfer into the restricted Measure C account. District Boards following the lease of the hospital to AH failed to do so. Numerous efforts were made by subsequent District Board Members to correct this situation with limited success.

- It now appears in reports prepared by District CFO, Wayne Allen that the lease required Improvement Funds, and the Parcel Tax receipts are deposited in a Wells Fargo Bank Account controlled by AH. If true, this is not in compliance with the requirement of Measure C. (See Statement of Cash Receipts and Disbursements Page 7 of 7).
- Committing 100% of the Parcel Tax receipts to the lease required Improvement Fund does not comply with the Measure C Criteria for the use of Parcel Tax funds. Additionally, it hinders Adventist Health’s ability to make time improvements and upgrades to FF&E since the Measure C Funds cannot be used until it has been determined if the project meets the Criteria of Measure C.

RECOMMENDATIONS

- Limit the amount of Measure C Parcel Tax funds contributed to the Improvement Fund to 50% instead of 100% allowing for the funding of projects meeting other Criteria of Measure C.
- Report Quarterly to the Measure C Committee the Parcel Tax receipts received.
- Report Quarterly to the Measure C Committee the cash balance of the required restricted Measure C bank account.
- Establish a clear procedure for the District Board, Adventist Health, and the Measure C Committee to determine the use of Measure C funds for eligible past and future projects.
- Provide Annual verification to the Measure C Committee that allocated Measure C Funds have been used as designated.
- Appoint an Ad hoc to review and update the Bylaws of the Committee.

The Measure C Committee was originally a seven (7) member committee. The District Board amended the Committee By-Laws in June 2022 to reduce the members from 7 to 5 as it was proving difficult to find willing participants. Current members are Jim Hurst, Chair, Gabriel Maroney, Diane Harris, and Jessica Grinberg. Jim was appointed to a 4 year term in February 2022. Gabriel and Diane were appointed to 4 year terms in January of 2024. Jessica was appointed to a 4 year term in August of 2024. There is one vacancy.

The Committee abides by the “Brown Act” and the Bylaws are adopted and amended by the District Board. Regular meetings are held quarterly. Special Meetings are scheduled as necessary.

This report was approved by a --/-- vote of the Measure C Committee.

Respectfully submitted,

Jim Hurst, Chair