

FINAL

Municipal Service Review (MSR) and Sphere of Influence (SOI) Update

Health Care Districts (Antelope Valley Medical Center and Beach Cities Health District)

September 14, 2022

This Municipal Service Review was conducted for the two (2) health care districts located in the County of Los Angeles: the Antelope Valley Medical Center (AVMC) and the Beach Cities Health District (BCHD).

The Commission adopted this MSR on September 14, 2022

Chapter One: LAFCO Background

Municipal Boundaries

The State of California possesses the exclusive power to regulate boundary changes. Cities and special districts do not have the authority to change their own boundaries without State approval.

The California Constitution (Article XI, Section 2.a) requires the Legislature to “prescribe [a] uniform procedure for city formation and provide for city powers.” The Legislature also has the authority to create, dissolve, or change the governing jurisdiction of special districts because they receive their powers only through State statutes.

The Legislature has created a “uniform process” for boundary changes for cities and special districts in the Cortese Knox-Hertzberg Local Government Reorganization Act of 2000 (California Government Code Section 56000 *et seq*, or “Act”). The Act delegates the Legislature’s boundary powers over cities and special districts to Local Agency Formation Commissions (LAFCOs) established in each county in the State. The Act is the primary law that governs LAFCOs and sets forth the powers and duties of LAFCOs.

In addition to the Act, LAFCOs must comply with the following State laws:

- California Revenue and Taxation Code Sections 93 and 99. LAFCO considers the revenue and taxation implications of proposals and initiates the property tax negotiation process amongst agencies affected by the proposal.
- California Environmental Quality Act (CEQA) (California Public Resources Code Section 21000 *et seq*) and the related CEQA Guidelines (Title 14, California Code of Regulations Section 15000 *et seq*). Applications before LAFCO are typically considered to be “projects” under CEQA.
- Ralph M. Brown Act (California Government Code Section 54950 *et seq*). Commonly known as the State’s “open meeting law,” the Brown Act ensures that the public has adequate opportunity to participate in the LAFCO process.

- Political Reform Act (California Government Code Section 81000 *et seq*). Commissioners, some LAFCO staff, and legal counsel are subject to the Political Reform Act, which requires the filing of annual reports of economic interests.

What are LAFCO's?

LAFCOs are public agencies with county-wide jurisdiction for the county in which they are located. LAFCOs oversee changes to local government boundaries involving the formation and expansion of cities and special districts.

In creating LAFCOs, the Legislature established four (4) priorities: encourage orderly growth and development, promote the logical formation and determination of local agency boundaries, discourage urban sprawl, and preserve open space and prime agricultural lands.

Created by the State but with local (not State) appointees, each of the 58 counties in the State of California has a LAFCO. Each LAFCO operates independently of other LAFCOs, and each LAFCO has authority within its corresponding county.

While a LAFCO may purchase services from a county (i.e., legal counsel, employee benefits, payroll processing), LAFCO's are not County agencies.

Local Agency Formation Commission for the County of Los Angeles ("LA LAFCO")

LA LAFCO regulates the boundaries of all eighty-eight (88) incorporated cities within the County of Los Angeles. LAFCO regulates most special district boundaries, including, but not limited to:

- California water districts
- Cemetery districts
- Community service districts ("CSDs")
- County service areas ("CSAs")
- County waterworks districts
- Fire protection districts
- Hospital and health care districts
- Irrigation districts
- Library districts
- Municipal utility districts
- Municipal water districts
- Reclamation districts
- Recreation and parks districts
- Resource conservation districts
- Sanitation districts
- Water replenishment districts

LAFCO does not regulate boundaries for the following public agencies:

- Air pollution control districts
- Bridge, highway, and thoroughfare districts
- Community college districts

- Community facility districts (aka “Mello-Roos” districts)
- Improvement districts
- Mutual water companies
- Private water companies
- Redevelopment agencies
- School districts
- Special assessment districts

LAFCO does not regulate the boundaries of counties.

State law specifically prohibits LAFCOs from imposing terms and conditions which “directly regulate land use, property development, or subdivision requirements.” In considering applications, however, State law requires that LAFCO take into account existing and proposed land uses, as well as General Plan and zoning designations, when rendering its decisions.

The Local Agency Formation Commission for the County of Los Angeles (LA LAFCO, the Commission, or LAFCO) is composed of nine voting members:

- Two (2) members of the Los Angeles County Board of Supervisors (appointed by the Los Angeles County Board of Supervisors);
- One (1) member of the Los Angeles City Council (appointed by the Los Angeles City Council President);
- Two (2) members of city councils who represent the other 87 cities in the county other than the City of Los Angeles (elected by the City Selection Committee);
- Two (2) members who represent independent special districts (elected by the Independent Special Districts Selection Committee);
- One (1) member who represents the San Fernando Valley (appointed by the Los Angeles County Board of Supervisors); and
- One (1) member who represents the general public (elected by the other 8 members).

LAFCO also has six (6) alternate members, one (1) for each of the six (6) categories above.

The Commission holds its “regular meetings” at 9:00 a.m. on the second Wednesday of each month. The Commission periodically schedules “special meetings” on a date other than the second Wednesday of the month. Commission meetings are held in Room 381B of the Kenneth Hahn Hall of Administration, located at 500 West Temple Street in downtown Los Angeles, unless the meeting is scheduled as a virtual meeting consistent with applicable law. Public notice, including the Commission agenda, is posted at the Commission meeting room and on LAFCO’s website (www.lalafco.org).

The Commission appoints an Executive Officer and Deputy Executive Officer. A small staff reports to the Executive Officer and Deputy Executive Officer.

LAFCO's office is located at 80 South Lake (Suite 870) in the City of Pasadena. The office is open to the public Monday through Thursday from 9:00 a.m. to 5:00 p.m. The office is closed on Fridays.

What are LAFCO's responsibilities?

LAFCO oversees changes to local government boundaries involving the formation and expansion of cities and special districts. This includes annexations and detachments of territory to and/or from cities and special districts; incorporations of new cities; formations of new special districts; consolidations of cities or special districts; mergers of special districts with cities; and dissolutions of existing special districts. LAFCO also approves or disapproves proposals from cities and special districts to provide municipal services outside their jurisdictional boundaries.

An important tool used in implementing the Act is the adoption of a Sphere of Influence (SOI) for a jurisdiction. An SOI is defined by Government Code Section 56425 as "...a plan for the probable physical boundary and service area of a local agency." An SOI represents an area adjacent to a city or special district where a jurisdiction might be reasonably expected to provide services over the next twenty (20) years. The SOI is generally the territory within which a city or special district is expected to annex.

LAFCO determines an initial SOI for each city and special district in the County. The Commission is also empowered to amend and update SOIs.

All jurisdictional changes, such as incorporations, annexations, and detachments, must be consistent with the affected agency's Sphere of Influence, with limited exceptions.

Municipal Service Reviews

State law also mandates that LAFCO prepares Municipal Service Reviews (MSRs). An MSR is a comprehensive analysis of the municipal services, including an evaluation of existing and future service conditions, provided in a particular region, city, or special district. Related to the preparation of MSRs, and pursuant to State Law, LAFCOs must review and update SOIs "every five years, as necessary." The Commission adopted MSRs for all cities and special districts in the County prior to the January 1, 2008 deadline (Round One).

In preparing MSRs, LAFCOs are required to make seven (7) determinations pursuant to section Government Code § 56430:

- Growth and population projections for the affected area;
- The location and characteristics of any disadvantaged unincorporated communities (DUCs) within or contiguous to a city or district's SOI;
- Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies;
- Financial ability of agencies to provide services;
- Status of, and opportunities for, shared facilities;

- Accountability for community service needs, including governmental structure and operational efficiencies; and
- Any other matter related to effective or efficient service delivery.

Chapter Two: Health Care Districts (Health and Safety Code § 32000 *et seq*)

Health Care Districts (HCDs, and formerly known as hospital districts) are independent special districts, managed by an elected board of directors, which provide healthcare services within a specified geographic area. According to the Association of California Healthcare Districts (ACHD), there are seventy-seven (77) HCDs in California.¹

Each type of special district is governed by a “principal act” in State law. The principal act governing health care districts is the Local Health Care District Law (Health and Safety Code § 32000 *et seq*), which was enacted in 1945. In a 2017 Report, the Little Hoover Commission provided a synopsis of the evolution of these districts:

Californians began to form hospital districts in the 1940s when the Legislature passed the Local Health Care District Law to deal with a shortage of hospital beds and medical care in a growing state. By the late 1970s and into the 1980s, however, these and other smaller hospitals struggled as public and private insurers increasingly implemented cost-saving strategies. Since then, a growing emphasis on wellness and preventive care accelerated by the passage of the Affordable Care Act in 2010 continues to drive a trend of less hospitalization. A 2006 Healthcare Foundation study noted that districts increasingly offer substance abuse and mental health programs, outpatient services, and free clinics. They also run senior programs that include transportation to wellness and outpatient care. Another key development in the evolution of health care districts without hospitals is their role as grant-makers to community organizations.²

The Legislature recognized the evolution of these districts with the adoption of SB 1169 (Maddy) in 1994. SB 1169 “renamed hospital health care districts, reflecting that health care was increasingly being provided outside of the hospital setting.”³ The Legislature “also established seismic standards for hospitals requiring compliance by 2030, and in some cases, the replacement of existing hospitals.”⁴

The typical governing body of an HCD is a board of directors of five (5) members; under specified conditions, the board may be increased to seven (7), nine (9), or eleven (11) members. The geographic boundary of an HCD may include contiguous or noncontiguous territory, as well as territory within a city or within County unincorporated territory. Territory of a city may not be divided by an HCD boundary. These same requirements apply for any territory which is proposed to be annexed into an existing HCD.

California Health & Safety Code (HSC) § 32121, identifies a range of services which an HCD may provide. Some HCDs in California operate hospitals and community-based medical clinics; other HCDs focus on wellness and prevention programs. According to ACHD, HCDs provide services such as the following:

- Hospital care
- Emergency room and trauma care
- Ambulance services
- Laboratory and radiology services
- Outpatient surgery
- Maternal and childhood services
- Skilled nursing facilities
- Rural health clinics
- Mental health and substance abuse services
- Medical transportation
- Adult day care and senior services
- School-based health services
- Hospice care
- Nutrition education⁵

According to the 2017 Little Hoover Commission Report, thirty-seven (37) health care districts operate a total of thirty-nine (39) hospitals.⁶

The two (2) health care districts located in the County of Los Angeles are the Antelope Valley Medical Center (AVMC), which operates a traditional hospital in the City of Lancaster, serving that city, the City of Palmdale, and the surrounding unincorporated communities; and the Beach Cities Health District (BCHD), which provides health and wellness programs focused on preventative health in the Cities of Hermosa Beach, Manhattan Beach, and Redondo Beach; the BCHD formerly operated a hospital, which closed in 1998.

Chapter Three: Antelope Valley Medical Center

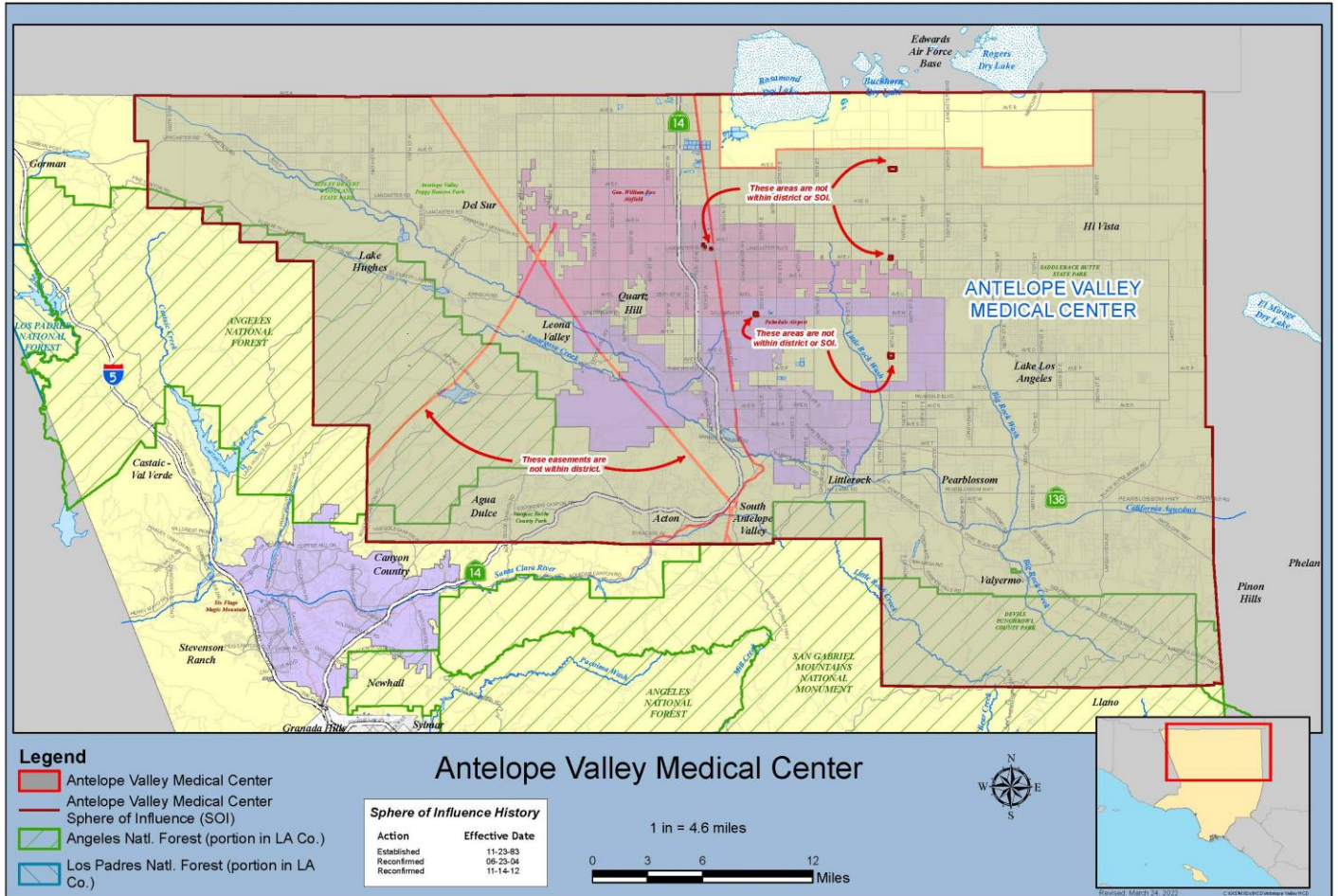
Background:

The Antelope Valley Medical Center (AVMC or District) is an independent special district, with facilities in the Cities of Lancaster and Palmdale, and serving the greater Antelope Valley. The AVMC opened the Antelope Valley Hospital with eighty-six (86) beds in 1955. Originally established as the Antelope Valley Health Care District, the District's board of directors voted to change its name in 1972 to the Antelope Valley Medical Center (AVMC).⁷

The AVMC is governed by a five-member elected board of directors. The AVMC Board of Directors meets on the last Wednesday of the month at 6:30 p.m. Meeting agendas are available on the AVMC website (www.avmc.org).

The jurisdictional boundary of the AVMC includes the City of Lancaster and the City of Palmdale, as well as unincorporated communities in the Antelope Valley (Acton, Juniper Hills, Lake Hughes, Lake Los Angeles, Leona Valley, Quartz Hill, and Pearblossom). To the south, the District includes unincorporated Agua Dulce, as well as portions of the Angeles National Forest and the Devil's Punchbowl County Park; to the east, the AVMC boundary includes all of Antelope Valley to the San Bernardino County line; to the north, the boundary includes most of Antelope Valley (excluding Edwards Air Force Base (EAFB) and unincorporated Gorman) to the Kern County line; and on the west, the boundary includes portions of the Angeles National Forest. Exhibit 1 on Page 7 shows the jurisdictional and SOI boundary of the AVMC.

Exhibit 1 Antelope Valley Medical Center Existing Jurisdictional and SOI Boundary



The District operates the Antelope Valley Medical Center, a full-service hospital, which includes an emergency room, an intensive care unit, a critical care unit, a range of medical specialties, and an on-site laboratory and pharmacy. The AVMC opened the first Level II Trauma Center in the Antelope Valley in 2010. The AVMC adopted a Master Facility Plan in 2012, resulting in the development of a cancer center, a certified primary stroke center, a heart and vascular care center, and a 172-seat auditorium. Other services offered by the AVMC include home health services, mental health services, palliative care, and physical and occupational therapy. The hospital, as well as most AVMC programs and facilities, are located in a large complex in multiple buildings at 1600 West Avenue J in the City of Lancaster. The AVMC also operates two (2) off-site outpatient imaging centers; and the Antelope Valley Medical Center for Women, Infants, & Children (WIC); all of which are located in the City of Palmdale.⁸

The main hospital building—constructed in 1955, and now in its seventh decade of operation—is outdated and in need of significant repairs. According to AVMC staff, and due to limitations

imposed by the aging facility, certain portions of the hospital are not used; the main hospital is licensed for 420 beds, but is only operating at 250 beds. The emergency room, designed for 28,000 patients per year, now sees in excess of 140,000 patients per year.¹⁰

The District employs more than 2,600 individuals, and its annual payroll is in excess of \$230 million.¹¹

According to the State Controller's Office, and as confirmed by an AVMC representative, the AVMC does not receive a portion of the one percent (1%) *ad valorem* share of property taxes, nor does the district receive any voter-approved taxes and assessments.⁹

Functions or Classes of Services

The existing "functions or classes of services" are those municipal services that are already being provided by a special district within its boundaries; prior to recent changes in the Act, these existing functions or classes of services were known as "active powers." New or different functions or classes of services are those powers authorized by the principal act under which the district was formed, but not currently exercised by a special district; prior to recent changes in the Act, these existing functions or classes of services were known as "latent powers." State law directs LAFCOs to determine each special district's active powers, and to maintain a record of those active powers. Because LAFCO did not identify active powers for the AVMC when LAFCO added special district representatives, nor when LAFCO adopted prior MSRs, this MSR will determine those active powers which the AVMC is currently providing. All other services are considered to be latent powers; LAFCO approval (pursuant to Government Code Section 56824.10) would be required before the district could provide any new or different functions or classes of services.

By adopting this MSR, the Commission (LAFCO) hereby authorizes the AVMC to provide the following functions or classes of services:

Health & Safety Code (HSC) 32121:

- (a) To have and use a corporate seal and alter it at its pleasure.
- (b) To sue and be sued in all courts and places and in all actions and proceedings whatever.
- (c) To purchase, receive, have, take, hold, lease, use, and enjoy property of every kind and description within and without the limits of the district, and to control, dispose of, convey, and encumber the same and create a leasehold interest in the same for the benefit of the district.
- (d) To exercise the right of eminent domain for the purpose of acquiring real or personal property of every kind necessary to the exercise of any of the powers of the district.
- (e) To establish one or more trusts for the benefit of the district, to administer any trust declared or created for the benefit of the district, to designate one or more trustees for trusts created by the district, to receive by gift, devise, or bequest, and hold in trust or otherwise, property, including corporate securities of all kinds, situated in this state or

elsewhere, and where not otherwise provided, dispose of the same for the benefit of the district.

(f) To employ legal counsel to advise the board of directors in all matters pertaining to the business of the district, to perform the functions in respect to the legal affairs of the district as the board may direct, and to call upon the district attorney of the county in which the greater part of the land in the district is situated for legal advice and assistance in all matters concerning the district, except that if that county has a county counsel, the directors may call upon the county counsel for legal advice and assistance.

(g) To employ any officers and employees, including architects and consultants, the board of directors deems necessary to carry on properly the business of the district.

(h) To prescribe the duties and powers of the health care facility administrator, secretary, and other officers and employees of any health care facilities of the district, to establish offices as may be appropriate and to appoint board members or employees to those offices, and to determine the number of, and appoint, all officers and employees and to fix their compensation. The officers and employees shall hold their offices or positions at the pleasure of the boards of directors.

(i) To do any and all things that an individual might do that are necessary for, and to the advantage of, a health care facility and a nurses' training school, or a child care facility for the benefit of employees of the health care facility or residents of the district.

(j) To establish, maintain, and operate, or provide assistance in the operation of, one or more health facilities or health services, including, but not limited to, outpatient programs, services, and facilities; retirement programs, services, and facilities; chemical dependency programs, services, and facilities; or other health care programs, services, and facilities and activities at any location within or without the district for the benefit of the district and the people served by the district.

"Health care facilities," as used in this subdivision, means those facilities defined in subdivision (b) of Section 32000.1 and specifically includes freestanding chemical dependency recovery units. "Health facilities," as used in this subdivision, may also include those facilities defined in subdivision (d) of Section 15432 of the Government Code.

(k) To do any and all other acts and things necessary to carry out this division.

(l) To acquire, maintain, and operate ambulances or ambulance services within and without the district.

(m) To establish, maintain, and operate, or provide assistance in the operation of, free clinics, diagnostic and testing centers, health education programs, wellness and prevention programs, rehabilitation, aftercare, and any other health care services provider, groups, and organizations that are necessary for the maintenance of good physical and mental health in the communities served by the district.

(n) To establish and operate in cooperation with its medical staff a coinsurance plan between the hospital district and the members of its attending medical staff.

(o) To establish, maintain, and carry on its activities through one or more corporations, joint ventures, or partnerships for the benefit of the health care district.

(p) (1) To transfer, at fair market value, any part of its assets to one or more corporations to operate and maintain the assets. A transfer pursuant to this paragraph shall be deemed to be at fair market value if an independent consultant, with expertise in methods of appraisal and valuation and in accordance with applicable governmental and industry standards for appraisal and valuation, determines that fair and reasonable consideration is to be received by the district for the transferred district assets. Before the district transfers, pursuant to this paragraph, 50 percent or more of the district's assets to one or more corporations, in sum or by increment, the elected board shall, by resolution, submit to the voters of the district a measure proposing the transfer. The measure shall be placed on the ballot of a special election held upon the request of the district or the ballot of the next regularly scheduled election occurring at least 88 days after the resolution of the board. If a majority of the voters voting on the measure vote in its favor, the transfer shall be approved. The campaign disclosure requirements applicable to local measures provided under Chapter 4 (commencing with Section 84100) of Title 9 of the Government Code shall apply to this election.

(2) To transfer, for the benefit of the communities served by the district, in the absence of adequate consideration, any part of the assets of the district, including, without limitation, real property, equipment, and other fixed assets, current assets, and cash, relating to the operation of the district's health care facilities to one or more nonprofit corporations to operate and maintain the assets, subject to the limitations in that section (Subsections (2)(A) through (12), inclusive, which, while omitted herein for purposes of conciseness, are hereby incorporated by reference).

(q) To contract for bond insurance, letters of credit, remarketing services, and other forms of credit enhancement and liquidity support for its bonds, notes, and other indebtedness and to enter into reimbursement agreements, monitoring agreements, remarketing agreements, and similar ancillary contracts in connection therewith.

(r) To establish, maintain, operate, participate in, or manage capitated health care service plans, health maintenance organizations, preferred provider organizations, and other managed health care systems and programs properly licensed by the Department of Insurance or the Department of Managed Care, at any location within or without the district for the benefit of residents of communities served by the district. However, that activity shall not be deemed to result in, or constitute, the giving or lending of the district's credit, assets, surpluses, cash, or tangible goods to, or in aid of, any person, association, or corporation in violation of Section 6 of Article XVI of the California Constitution.

Nothing in this section shall be construed to authorize activities that corporations and other artificial legal entities are prohibited from conducting by Section 2400 of the Business and Professions Code.

Any agreement to provide health care coverage that is a health care service plan, as defined in subdivision (f) of Section 1345, shall be subject to Chapter 2.2 (commencing with Section 1340) of Division 2, unless exempted pursuant to Section 1343 or 1349.2.

A district shall not provide health care coverage for any employee of an employer operating within the communities served by the district, unless the Legislature specifically authorizes, or has authorized in this section or elsewhere, the coverage.

Nothing in this section shall be construed to authorize any district to contribute its facilities to any joint venture that could result in transfer of the facilities from district ownership.

(s) To provide health care coverage to members of the district's medical staff, employees of the medical staff members, and the dependents of both groups, on a self-pay basis.

HSC § 32121.1:

By resolution, the board of directors of a local hospital district may delegate to its administrator the power to employ (subject to the pleasure of the board of directors), and discharge, such subordinate officers and employees as are necessary for the purpose of carrying on the normal functions of any hospital operated by the district.

HSC § 32121.3:

(a) Notwithstanding any other provision of law, a hospital district, or any affiliated nonprofit corporation upon a finding by the board of directors of the district that it will be in the best interests of the public health of the communities served by the district and in order to obtain a licensed physician and surgeon to practice in the communities served by the district, may do any of the following:

(1) Guarantee to a physician and surgeon a minimum income for a period of no more than three years from the opening of the physician and surgeon's practice.

(2) Guarantee purchases of necessary equipment by the physician and surgeon.

(3) Provide reduced rental rates of office space in any building owned or leased by the district or any of its affiliated entities, or subsidize rental payments for office space in any other buildings, for a term of no more than three years.

(4) Provide other incentives to a physician and surgeon in exchange for consideration and upon terms and conditions the hospital district's board of directors deems reasonable and appropriate.

(b) Any provision in a contract between a physician and surgeon and a hospital district or affiliated nonprofit corporation is void which does any of the following:

(1) Imposes as a condition any requirement that the patients of the physician and surgeon, or a quota of the patients of the physician and surgeon, only be admitted to a specified hospital.

(2) Restricts the physician and surgeon from establishing staff privileges at, referring patients to, or generating business for another entity.

(3) Provides payment or other consideration to the physician and surgeon for the physician and surgeon's referral of patients to the district hospital or an affiliated nonprofit corporation.

(c) Contracts between a physician and surgeon and a hospital district or affiliated nonprofit corporation that provide an inducement for the physician and surgeon to practice in the community served by the district hospital shall contain both of the following:

- (1) A provision which requires the inducement to be repaid with interest if the inducement is repayable.
- (2) A provision which states that no payment or other consideration shall be made for the referral of patients to the district hospital or an affiliated nonprofit corporation.
- (d) To the extent that this section conflicts with Section 650 of the Business and Professions Code, Section 650 of the Business and Professions Code shall supersede this section.
- (e) The Legislature finds that this section is necessary to assist district hospitals to attract qualified physicians and surgeons to practice in the communities served by these hospitals, and that the health and welfare of the residents in these communities require these provisions.

HSC § 32121.4:

Notwithstanding any other provision of law, a hospital district or any affiliated nonprofit corporation, upon a finding by the board of directors of the district that it will be in the best interests of the district to provide additional diversification of facilities, may lease and operate the realty, facilities, and business of another hospital district in California, or create a leasehold interest in its own realty, improvements, and business in favor of another hospital district, if all of the following apply:

- (a) That the lease when taken together with any extensions of the lease shall not exceed a total of 30 years.
- (b) That the lessee district shall not finance any capital improvements through the use of the lessor district's credit.
- (c) That the lessor district shall have successfully completed any feasibility studies required by its board of directors as will reasonably ensure that the lessor hospital's financial stability will not be endangered by the lease transaction.
- (d) Nothing in this section shall be construed to impair or limit the authority of the California Medical Assistance Commission to contract for the provision of inpatient hospital services under the Medi-Cal program with local hospital district hospitals as sole distinct entities, even though one or more hospital districts may have entered into leasehold or joint-venture arrangements.

Any lease made pursuant to this section to one or more nonprofit corporations affiliated with a district, that is part of or contingent upon a transfer of 50 percent or more of the district's assets, in sum or by increment, to the affiliated nonprofit corporation shall be subject to the requirements of subdivision (p) of Section 32121.

HSC § 32121.5:

- (a) Notwithstanding any other provision of this division, a health care district may enter into a contract of employment with a hospital administrator, including a hospital administrator

who is designated as chief executive officer, the duration of which shall not exceed four years, but which may periodically be renewed for a term of not more than four years.

(b) A contract entered into, or renewed, on or after January 1, 2014, shall not authorize retirement plan benefits to be paid to a hospital administrator, including a hospital administrator who is designated as chief executive officer, prior to his or her retirement.

HSC § 32121.6:

If a health care district enters into a written employment agreement with a hospital administrator, including a hospital administrator who is designated as a chief executive officer, the written employment agreement shall include all material terms and conditions agreed to between the district and the hospital administrator regarding compensation, deferred compensation, retirement benefits, severance or continuing compensation after termination of the agreement, vacation pay and other paid time off for illness or personal reasons, and other employment benefits that differ from those available to other full-time employees.

HSC § 32121.9:

A district that leases or transfers its assets to a corporation pursuant to this division, including, but not limited to, subdivision (p) of Section 32121 or Section 32126, shall act as an advocate for the community to the operating corporation. The district shall annually report to the community on the progress made in meeting the community's health needs.

HSC § 32122:

The board of directors may purchase all necessary surgical instruments and hospital equipment and equipment for nurses' homes and all other property necessary for equipping a hospital and nurses' home.

HSC § 32123:

The board of directors may purchase such real property, and erect or rent and equip such buildings or building, room or rooms as may be necessary for the hospital.

HSC § 32124:

The board of directors may establish a nurses' training school in connection with the hospital, prescribe a course of study for such training and after the completion of the course, provide for the issuance of diplomas to graduate nurses.

HSC § 32125:

(a) The board of directors shall be responsible for the operation of all health care facilities owned or leased by the district, according to the best interests of the public health and shall make and enforce all rules, regulations and bylaws necessary for the administration, government, protection and maintenance of health care facilities under their management

and all property belonging thereto and may prescribe the terms upon which patients may be admitted thereto. Minimum standards of operation as prescribed in this article shall be established and enforced by the board of directors.

(b) A district shall not contract to care for indigent county patients at below the cost for care. In setting the rates the board shall, insofar as possible, establish rates as will permit the district health care facilities to be operated upon a self-supporting basis. The board may establish different rates for residents of the district than for persons who do not reside within the district.

(c) Notwithstanding any other provision of law, unless prohibited from doing so by action of the board of directors, the chief executive officer may establish a task force to assist the chief executive officer in operating the district's facilities. The chief executive officer shall, if required to do so by action of the board, select task force members from individuals nominated by the board. Once established, the task force may be dissolved by action of the chief executive officer or the board. Any action by the board under this subdivision shall require four votes from a board on which there are five members or five votes from a board on which there are seven members.

HSC § 32126:

(a) The board of directors may provide for the operation and maintenance through tenants of the whole or any part of any hospital acquired or constructed by it pursuant to this division, and for that purpose may enter into any lease agreement that it believes will best serve the interest of the district. A lease entered into with one or more corporations for the operation of 50 percent or more of the district's hospital, or that is part of, or contingent upon, a transfer of 50 percent or more of the district's assets, in sum or by increment, as described in subdivision (p) of Section 32121, shall be subject to the requirements of subdivision (p) of Section 32121. Any lease for the operation of any hospital shall require the tenant or lessee to conform to, and abide by, Section 32128. No lease for the operation of an entire hospital shall run for a term in excess of 30 years. No lease for the operation of less than an entire hospital shall run for a term in excess of 10 years.

(b) Notwithstanding any other provision of law, a sublease, an assignment of an existing lease, or the release of a tenant or lessee from obligations under an existing lease in connection with an assignment of an existing lease shall not be subject to the requirements of subdivision (p) of Section 32121 so long as all of the following conditions are met:

(1) The sublease or assignment of the existing lease otherwise remains in compliance with subdivision (a).

(2) The district board determines that the total consideration that the district shall receive following the assignment or sublease, or as a result thereof, taking into account all monetary and other tangible and intangible consideration to be received by the district including, without limitation, all benefits to the communities served by the district, is no less than the total consideration that the district would have received under the existing lease.

(3) The existing lease was entered into on or before July 1, 1984, upon approval of the board of directors following solicitation and review of no less than five offers from prospective tenants.

(4) If substantial amendments are made to an existing lease in connection with the sublease or assignment of that existing lease, the amendments shall be fully discussed in advance of the district board's decision to adopt the amendments in at least two properly noticed open and public meetings in compliance with Section 32106 and the Ralph M. Brown Act (Chapter 9 (commencing with Section 54950) of Part 1 of Division 2 of Title 5 of the Government Code).

(c) A health care district shall report to the Attorney General, within 30 days of any lease of district assets to one or more corporations, the type of transaction and the entity to whom the assets were leased.

HSC § 32126.5:

(a) The board of directors of a hospital district or any affiliated nonprofit corporation may do any of the following when it determines that the action is necessary for the provision of adequate health services to communities served by the district:

(1) Enter into contracts with health provider groups, community service groups, independent physicians and surgeons, and independent podiatrists, for the provision of health services.

(2) Provide assistance or make grants to nonprofit provider groups and clinics already functioning in the community.

(3) Finance experiments with new methods of providing adequate health care.

(b) Nothing in this section shall authorize activities which corporations and other artificial legal entities are prohibited from conducting by Section 2400 of the Business and Professions Code.

HSC § 32127:

The hospital district shall establish its own treasury and shall appoint a treasurer charged with the safekeeping and disbursement of the funds in the treasury of the district. The board of directors shall fix the amount of the bond to be given by such treasurer and shall provide for the payment of the premium therefor out of the maintenance and operation fund.

All moneys derived from that portion, if any, of the annual tax or assessment levied for capital outlay purposes shall be placed in the capital outlay fund. Any moneys derived from a special tax or assessment levied under Article 3 of Chapter 3 hereof shall be placed in a special assessment fund and shall be used exclusively for the purposes for which such special tax or assessment was voted.

All moneys derived from the regular annual tax or assessment provided in Article 1, Chapter 3 hereof, except any part thereof levied for capital outlay purposes, shall be placed in the maintenance and operation fund. All receipts and revenues of any kind from the operation of the hospital shall be paid daily into the treasury of said district and placed in the maintenance and operation fund. Moneys in the maintenance and operation fund may be expended for any of the purposes of the district; provided, however, that no such moneys may be expended for new construction of additional patient bed capacity other than as authorized by Section 32221 hereof. Whenever it appears that the sum in the bond interest and sinking fund will be insufficient to pay the interest or principal of bonds next coming due

and payable therefrom, a sum sufficient to pay such principal and interest shall be transferred by the board of directors from the maintenance and operation fund to said bond interest and sinking fund.

Except as to principal and interest of bonds, moneys in the treasury of the district shall be paid out by the treasurer, or such other officer or officers of the district, including the administrator, as may be authorized by the board. The treasurer shall keep such order as his voucher and shall keep accounts of all receipts into the district treasury and all disbursements therefrom.

Where bonds of the district are payable at the office of the district, all receipts from taxes levied to pay the principal and interest of such bonds shall be paid into the treasury of the district, and the treasurer of the district shall pay therefrom the principal and interest of such bonds.

Where bonds of the district are payable at the office of the county treasurer of the organizing county, at the option of the holder, or otherwise, all receipts from taxes levied to pay principal and interest of such bonds shall be paid into the treasury of the organizing county and shall be placed by the county treasurer in the bond interest and sinking fund of the district, and he shall pay the principal and interest of such bonds therefrom and shall keep an account of all moneys received into and paid out of said fund.

Any moneys in the treasury of the district and any moneys of the district in the bond interest and sinking fund of the district in the treasury of the organizing county may be deposited in accordance with the provisions of the general laws of the State of California governing the deposit of public moneys of cities or counties in such bank or banks in the State of California as may be authorized to receive deposits of public funds, in the same manner and upon the same security as public moneys of cities and counties are deposited in such banks, and with like force and effect. The board of directors of the district are authorized to create a revolving fund which fund shall not exceed the sum of 10 percent of the estimated annual expenditures of the district at any one time and which shall be used for the purpose of paying the interim expenses of the operation of any hospital within the district without the necessity of a written order signed by the president and countersigned by the secretary as provided herein. The treasurer is authorized to deposit said fund in such bank or banks in the county as may be authorized to receive deposits of public funds in the same manner and upon the same security as public moneys of cities and counties are deposited in such banks and with like force and effect, and shall be subject to withdrawal upon the signature of the treasurer, or such other official of the district as may be authorized by the board of directors, for the use and purpose provided for herein.

HSC § 32127.2:

Exclusively for the purpose of securing state insurance of financing for the construction of new health facilities, the expansion, modernization, renovation, remodeling and alteration of existing health facilities, and the initial equipping of any such health facilities under Chapter 1 (commencing with Section 129000) of Part 6 of Division 107, and notwithstanding any provision of this division or any other provision or holding of law, the board of directors of any district may (a) borrow money or credit, or issue bonds, as well as by the financing methods specified in this division, and (b) execute in favor of the state first mortgages, first deeds of trust, and other necessary security interests as the Office of Statewide Health

Planning and Development may reasonably require in respect to a health facility project property as security for the insurance. No payments of principal, interest, insurance premium and inspection fees, and all other costs of state-insured loans obtained under the authorization of this section shall be made from funds derived from the district's power to tax. It is hereby declared that the authorizations for the executing of the mortgages, deeds of trust and other necessary security agreements by the board and for the enforcement of the state's rights thereunder is in the public interest in order to preserve and promote the health, welfare, and safety of the people of this state by providing, without cost to the state, a state insurance program for health facility construction loans in order to stimulate the flow of private capital into health facilities construction to enable the rational meeting of the critical need for new, expanded and modernized public health facilities.

HSC § 32127.3:

(a) Exclusively for the purpose of securing federal mortgage insurance, federal loans, federal loans or grants or guaranteed loans issued pursuant to the federal Consolidated Farm and Rural Development Act (7 U.S.C. Sec. 1921, et seq.), as amended by Public Law 109-171 on February 8, 2006, or federally insured loans issued pursuant to the National Housing Act (12 U.S.C. Secs. 1715w and 1715z-7) for financing or refinancing the construction of new health facilities, the expansion, modernization, renovation, remodeling, or alteration of existing health facilities, and the initial equipping of those health facilities under the federal mortgage insurance programs as are now or may hereafter become available to a local hospital district, and notwithstanding any provision of this division, or any other provision or holding of law, the board of directors of any district may do either or both of the following:

(1) Borrow money or issue bonds, in addition to other financing methods authorized under this division.

(2) Execute, in favor of the United States, appropriate federal agency, or federally designated mortgagor, first mortgages, first deeds of trust, or other necessary security interests as the federal government may reasonably require with respect to a health facility project property as security for that insurance.

(b) No payments of principal, interest, insurance premiums and inspection fees, and all other costs of financing obtained as authorized by this section shall be made from funds derived from the district's power to tax.

(c) The Legislature hereby determines and declares that the authorizations for executing the mortgages, deeds of trust, or other necessary security agreements by the board and for the enforcement of the federal government's rights thereunder are in the public interest in order to preserve and promote the health, welfare, and safety of the people of the state by providing, without cost to the state, a federal mortgage insurance program for health facility construction loans in order to stimulate the flow of private capital into health facilities construction to enable the critical need for new, expanded, and modernized public health facilities to be met.

(d) The Legislature further determines and declares that the United States, appropriate federal agency, or federally designated mortgagor named as beneficiary of any first

mortgage or other security interest delivered as authorized by this section is not a private person or body within the meaning of Section 11 of Article XI of the California Constitution.

HSC § 32128:

(a) The rules of the hospital, established by the board of directors pursuant to this article, shall include all of the following:

(1) Provision for the organization of physicians and surgeons, podiatrists, and dentists licensed to practice in this state who are permitted to practice in the hospital into a formal medical staff, with appropriate officers and bylaws and with staff appointments on an annual or biennial basis.

(2) Provision for a procedure for appointment and reappointment of medical staff as provided by the standards of the Joint Commission on Accreditation of Healthcare Organizations.

(3) Provisions that the medical staff shall be self-governing with respect to the professional work performed in the hospital; that the medical staff shall meet in accordance with the minimum requirements of the Joint Commission on Accreditation of Healthcare Organizations; and that the medical records of the patients shall be the basis for such review and analysis.

(4) Provision that accurate and complete medical records be prepared and maintained for all patients.

For purposes of this paragraph medical records include, but are not limited to, identification data, personal and family history, history of present illness, physical examination, special examinations, professional or working diagnoses, treatment, gross and microscopic pathological findings, progress notes, final diagnosis, condition on discharge, and other matters as the medical staff shall determine.

(5) Limitations with respect to the practice of medicine and surgery in the hospital as the board of directors may find to be in the best interests of the public health and welfare, including appropriate provision for proof of ability to respond in damages by applicants for staff membership, as long as no duly licensed physician and surgeon is excluded from staff membership solely because he or she is licensed by the Osteopathic Medical Board of California.

(b) Notwithstanding any other provision of law, the board of directors may indemnify for damages and for costs associated with the legal defense of any nonemployee member of the medical staff when named as a defendant in a civil action directly arising out of opinions rendered, statements made, or actions taken as a necessary part of participation in the medical peer review activities of the district. This provision for indemnification for damages shall not include any award of punitive or exemplary damages against any nonemployee member of the medical staff. If the plaintiff prevails in a claim for punitive or exemplary damages against a nonemployee member of the medical staff, the defendant, at the option of the board of directors of the district, shall be liable to the district for all the costs incurred in providing representation to the defendant.

(c) Notwithstanding subdivision (b) or any other provision of law, a district is authorized to pay that part of a judgment that is for punitive or exemplary damages against a nonemployee member of the medical staff arising out of participation in peer review activities, if the board of directors of the district, in its discretion, finds all of the following:

(1) The judgment is based on opinions rendered, statements made, or actions taken as a necessary part of participation in the medical peer review activities of the district.

(2) At the time of rendering of the opinions, making the statements, or taking the actions giving rise to the liability, the nonemployee member of the medical staff was acting in good faith, without actual malice, and in the apparent best interests of the district.

(3) Payment of the claim or judgment against the nonemployee member staff would be in the best interests of the district.

(d) The rules of the hospital shall, insofar as consistent with this article, be in accord with and contain minimum standards not less than the rules and standards of private or voluntary hospitals. Unless specifically prohibited by law, the board of directors may adopt other rules which could be lawfully adopted by private or voluntary hospitals.

HSC § 32128.10:

No hospital established by the board of directors pursuant to this article which permits sterilization operations for contraceptive purposes to be performed therein, nor the medical staff of such hospital, shall require the individual upon whom such a sterilization operation is to be performed to meet any special nonmedical qualifications, which are not imposed on individuals seeking other types of operations in the hospital. Such prohibited nonmedical qualifications shall include, but not be limited to, age, marital status, and number of natural children.

Nothing in this section shall prohibit requirements relating to the physical or mental condition of the individual or affect the right of the attending physician to counsel or advise his patient as to whether or not sterilization is appropriate. This section shall not affect existing law with respect to individuals below the age of majority.

HSC § 32129:

Notwithstanding the provisions of the Medical Practice Act, the board of directors of a hospital district or any affiliated nonprofit corporation may contract with physicians and surgeons, podiatrists, health care provider groups, and nonprofit corporations for the rendering of professional health services on a basis as does not result in any profit or gain to the district from the services so rendered and as allows the board to ensure that fees and charges, if any, are reasonable, fair, and consistent with the basic commitment of the district to provide adequate health care to all residents within its boundaries.

HSC § 32129.5:

Notwithstanding any other provision of law, the board of directors of a hospital district or any affiliated nonprofit corporation may contract with a physician and surgeon or podiatrist for

the rendering of professional services in the hospital, for the purpose of assuring that a physician and surgeon or podiatrist will be on duty in an outpatient emergency department maintained by the hospital, on a basis as does not result in any profit or gain to the district from the professional services of the physician and surgeon. For purposes of this section, the contract with the podiatrist shall be for those services which the podiatrist is licensed to practice pursuant to Chapter 5 (commencing with Section 2000) of Division 2 of the Business and Professions Code.

HSC § 32130:

A district may borrow money and incur indebtedness in an amount not to exceed 85 percent of all estimated income and revenue for the current fiscal year, including, but not limited to, tax revenues, operating income, and any other miscellaneous income received by the district, from whatever source derived. The money borrowed and indebtedness incurred under this section shall be repaid within the same fiscal year.

HSC § 32130.1:

A district is also authorized, when funds are needed to meet current expenses of maintenance and operation, to borrow money on certificates of indebtedness or other evidence of indebtedness in an amount not to exceed five cents (\$0.05) on each one hundred dollars (\$100) of assessed valuation of the district, the certificates of indebtedness to run for a period not to exceed five years and to bear interest not to exceed the rate prescribed in Section 53531 of the Government Code.

All certificates of indebtedness or other evidence of indebtedness shall be issued after the adoption by a three-fifths vote of the board of directors of the district of a resolution setting forth the necessity for the borrowing and the amount of the assessed valuation of the district and the amount of funds to be borrowed thereon. All certificates of indebtedness or other evidence of indebtedness shall be offered at public sale by the board of directors of the district after not less than 10 days advertising in a newspaper of general circulation within the district and if no newspaper of general circulation is printed within the district, then in a newspaper of general circulation within the county in which the district is located. Each sale shall be made to the bidder offering the lowest rate of interest or whose bid represents the lowest net cost to the district. However, the rate of interest shall not exceed the rate prescribed in Section 53531 of the Government Code.

The certificates of indebtedness or other evidences of indebtedness shall be signed on behalf of the district by the presiding officer and attested by the secretary of the board of directors of the district. The board of supervisors of the county in which the district lies shall, at the time of fixing the general tax levy, sometimes called the annual assessment or regular annual assessment for the district, and in the manner for the general tax levy provided, levy and collect annually each year until the certificates of indebtedness or other evidences of indebtedness are paid or until there is a sum in the treasury set apart for that purpose sufficient to meet all sums coming due for principal and interest on the certificates of indebtedness or other evidences of indebtedness, tax sufficient to pay the interest on the certificates of indebtedness as the same become due and also, to constitute a sinking fund for the payment of the principal thereof at maturity. The tax shall be in addition to all of the taxes levied for district purposes and shall be placed in a certificate of indebtedness, interest and sinking fund of the district and, until all of the principal of the interest and certificates of

indebtedness is paid, the money in the fund shall be used for no other purpose than the payment of the certificates of indebtedness and accruing interest thereon.

HSC § 32130.2:

(a) A district may, by resolution adopted by a majority of the district board, issue negotiable promissory notes to acquire funds for any district purposes subject to the restrictions and requirements imposed by this section. The maturity of the promissory notes shall not be later than 10 years from the date thereof. The total aggregate amount of the notes outstanding at any one time shall not exceed 85 percent of all estimated income and revenue for the current fiscal year, including, but not limited to, tax revenues, operating income, and any other miscellaneous income of the district. Indebtedness incurred pursuant to any other provision of law shall be disregarded in computing the aggregate amount of notes that may be issued pursuant to this section.

(b) Negotiable promissory notes may be issued pursuant to this section for any capital outlay facility, equipment, or item which has a useful life equal to, or longer than, the term of the notes, as determined by the board of directors.

(c) The maximum annual interest rate which may be paid on negotiable promissory notes shall at no time exceed the amount authorized under Section 53531 of the Government Code.

HSC § 32130.5:

The first board of directors of a district may, within a period of two years from and after the formation of the district, pursuant to a resolution adopted by it for the purpose, borrow money on certificates of indebtedness, promissory notes, or other evidences of indebtedness, in anticipation of the estimated tax revenue for the following fiscal year, to be repaid within two years from the date of borrowing with interest at a rate not to exceed 5 percent per annum, in order to enable the district to meet all of its necessary initial expenses of organization, construction, acquisition, maintenance, and operation. The total amount of money borrowed and indebtedness incurred under this section and Section 32130 during this two-year period shall not exceed 50 percent of the total amount of estimated tax revenue as estimated by the county auditor or auditors of the county or counties in which the district lies for the following fiscal year.

The provisions of Section 32130 are applicable in respect to any indebtedness incurred under this section to the extent that they are consistent with this section.

HSC § 32130.6:

Notwithstanding any other provision of law, a district may do any of the following by resolution adopted by a majority of the district board:

(a) (1) Enter into a line of credit with a commercial lender that is secured, in whole or in part, by the accounts receivable or other intangible assets of the district, including anticipated tax

revenues, and thereafter borrow funds against the line of credit to be used for any district purpose.

(2) Any money borrowed under this line of credit pursuant to paragraph (1) shall be repaid within five years from each separate borrowing or draw upon the line of credit.

(3) The district may enter into a new and separate line of credit to repay a previous line of credit pursuant to paragraph (1), provided that the district complies with this section in entering into a new line of credit.

(4) Enter into a line of credit with a commercial lender for the sole purpose of consolidating debt incurred by the district prior to January 1, 2010. Debt incurred under this paragraph shall be repaid within 20 years of the consolidation borrowing. The total amount of debt that a district may have outstanding at any one time under this paragraph shall not exceed the amount of two million dollars (\$2,000,000).

(b) Enter into capital leases for the purchase by the district of equipment to be used for any district purpose.

(1) The term of any capital lease shall not be longer than 10 years.

(2) The district may secure the purchase of equipment by a capital lease by giving the lender a security interest in the equipment leased under the capital lease.

(c) Enter into lease-purchase agreements for the purchase by the district of real property, buildings, and facilities to be used for any district purpose. The term of any lease-purchase agreement shall not exceed 10 years.

(d) Nothing in this section shall provide the district with the authority to increase taxes in order to repay a line of credit established pursuant to subdivision (a) unless the tax is passed pursuant to Article 4.6 (commencing with Section 53750) of Chapter 4 of Part 1 of Division 2 of Title 5 of the Government Code.

HSC § 32131:

The board of directors may maintain membership in any local, state or national group or association organized and operated for the promotion of the public health and welfare or the advancement of the efficiency of hospital administration, and in connection therewith pay dues and fees thereto.

Any and all other powers not identified above, which the AVMC may propose to exercise, are considered to be new or different functions or classes of services (formerly known as "latent powers"). The AVMC is prohibited from exercising such new or different functions or classes of services without the advance, written approval of the Commission pursuant to Government Code Sections 56824.10 through 56824.14, inclusive, and as addressed elsewhere in the Act.

As noted previously, HSC § 32121(j) states that a health care district has the following authority:

(j) To establish, maintain, and operate, or provide assistance in the operation of, one or more health facilities or health services, including, but not limited to, outpatient programs,

services, and facilities; retirement programs, services, and facilities; chemical dependency programs, services, and facilities; or other health care programs, services, and facilities and activities **at any location within or without the district** for the benefit of the district and the people served by the district [emphasis added].

While this section states that a health care district may provide services outside its jurisdictional boundary, a health care district may not do unless and until it first secures the approval of the Commission (LAFCO), pursuant to Government Code § 56133.

Municipal Service Review Determinations

Government Code Section 56430 requires LAFCO to “conduct a service review of the municipal services” and to “prepare a written statement of its determinations” relative to several factors below. This section addresses these factors and includes the recommended determinations.

1. Growth and Population Projections

Based upon 2020 Census data, the current population within the AVMC’s jurisdictional boundary is 420,286.¹²

According to the Southern California Association of Governments (SCAG), the projected population of this area is 468,373. This equals a growth rate of 11.44% for the 2020-2035 period.¹³

While the growth rate is significant, it is important to note that, over several decades, the AVMC has added new facilities, programs, and services to accommodate a growing population. Since the establishment of the AVMC several decades ago, there are additional hospitals, medical centers, and service providers which have been established and which provide similar services to that of the district. In that regard, the growth projected in the AVMC’s service territory is not expected to have a significant effect on the district’s ability to provide medical services to its customers.

Determinations:

- The population within the boundaries of the AVMC is expected to grow at a significant rate of 11.44 % between now and 2035.
- The growth projected in the AVMC’s service territory is not expected to have a significant effect on the district’s ability to provide medical services to its customers.

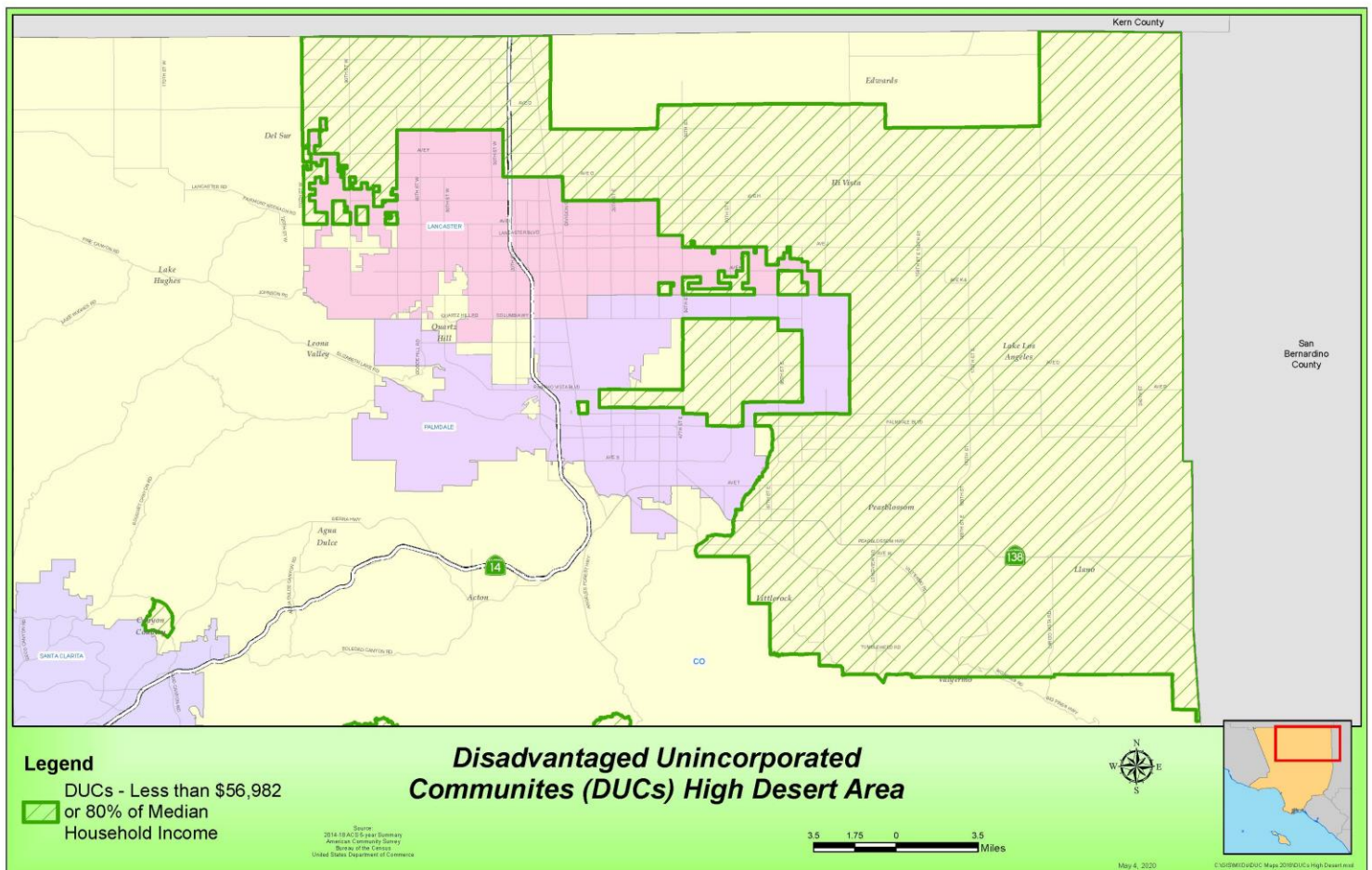
2. Location and Characteristics of Disadvantaged Unincorporated Communities

Pursuant to the State’s passage of Senate Bill 244, and as of January 1, 2012, LAFCOs are required to make determinations regarding Disadvantaged Unincorporated Communities (DUCs) for an Update of an SOI. The law defines a DUC as a community with an annual median household income that is less than eighty percent (80%) of the statewide annual median household income. The law also requires that LAFCOs consider “the location and characteristics of any disadvantaged communities within or contiguous to the sphere of influence” when preparing an MSR.

The intent of SB 244 is to protect against the potential for cities and special districts to engage in a pattern of “selective” annexations which may lead to the establishment “service islands” in which disadvantaged residents receive inferior structural fire protection, municipal water, and sanitary sewage disposal and treatment services compared to adjoining areas within a city or

Exhibit 2

Disadvantaged Unincorporated Communities



district's boundary. The AVMC's focus on providing medical services is unrelated to these traditional municipal services (fire, water, sanitation).

There are multiple DUCs spread throughout the Antelope Valley (see Exhibit 2, above); nearly all of which lie within the boundaries of the AVMC. Of the existing DUCs in the Antelope Valley, only a relatively small portion of the southeasterly corner of a very large DUC (generally located south of the unincorporated communities of Juniper Hills and Valyermo, as well as Devil's Punchbowl County Park) lies outside the boundaries of the AVMC, and this area is sparsely populated.

The AVMC provides health services to communities it serves, regardless of whether the involved territory lies within, or outside of, a DUC. Additionally, and given the constraints of Federal and state laws, hospital staff are precluded from denying emergency services to prospective patients.

Determinations:

- The core services provided by the AVMC do not impact the present and probable need for public facilities or services related to sewers, municipal and industrial water, and structural fire protection for any disadvantaged unincorporated communities within the existing and proposed SOI.
- The AVMC provides its services in all portions of its district, regardless of whether the involved territory lies within, adjacent to, or outside of, a DUC.

3. *Present and Planned Capacity of Public Facilities; Adequacy of Public Services; Infrastructure Needs or Deficiencies.*

The current public facilities and infrastructure of the AVMC are sufficient. The District has substantial assets (land, buildings, equipment/facilities) which enable it to adequately provide a range of medical services to residents of the Antelope Valley.

In the long term, the District will need to undertake a substantial modernization of the existing main hospital building, or replace it altogether. The District recently formulated a plan to replace the main hospital building on adjoining district-owned land. Upon completion of the new main hospital building, the old hospital building would close; all services, facilities and patients would transfer to the new hospital building. This plan was dependent on the passage of a bond (Measure H) in June of 2022; although the bond received majority voter approval, it did not receive the two-thirds voter approval required by State law.

Under current State laws concerning seismic issues, the District may continue to operate the main hospital building until the year 2030. District representatives are reevaluating all options relative to the future of the main hospital building. Because the building is largely constructed of solid cement, the building is a poor candidate to be retrofitted. Pursuing a bond presents certain challenges, given that Measure H is the third time that a bond has received majority approval but failed to reach the required two-thirds threshold for passage. Given these circumstances, it is fair to say that the planned capacity of the main hospital is not sufficient in the longer term. It is important to note, however, that District representatives are intimately aware of the building's limitations and the need to address the issue, and they are performing serious and comprehensive due diligence to evaluate all options before proceeding.

Determinations:

- At this time, the current public facilities and infrastructure of the AVMC are adequate.
- The District has substantial assets (land, buildings, equipment/facilities) which enable it to provide a range of medical services to residents of the Antelope Valley.
- The planned capacity of the main hospital is not sufficient in the long-term.

- District representatives are aware of the main hospital building's limitations and the need to address the issue, and they should continue to exercise serious and comprehensive due diligence to evaluate all options before proceeding.

4. Financial Ability of Agency to Provide Services

As noted in Exhibit 3 on Page 27, the AVMC is in a strong financial position. Over the last four (4) years, the District's total operating revenues have increased at a rate equal to, or above, the increases in total operating expenditures. With the exception of 2020—the year the AVMC was most impacted by increased costs associated with the COVID-19 pandemic—the District has had a positive cash flow for four (4) of the last five (5) years.

The District has adequate funding from multiple sources to finance on-going operations. The District also maintains a healthy reserve fund, with a balance currently in excess of \$200 million.¹⁴

Determinations:

- The AVMC is in a strong financial positions, maintaining consistent growth in operating revenues, and achieving positive cash flow in four of the last five years (the one exception due to COVID-pandemic impacts).
- The District has adequate funding from multiple sources to finance on-going operations.
- The District also maintains a health reserve fund, with a balance currently in excess of \$200 million.

5. Status of, and Opportunities for, Shared Facilities

The District owns and operates several buildings, and it also leases property and space within its building to tenants, all of which are medical care or medical-related uses. Beyond the on-going changes in tenancy, which are normal for any landlord, there are no apparent additional opportunities to share facilities with other agencies.

Determinations:

- The AVMC leases property and space within its buildings to medical care and medical-related tenants.
- There are no apparent additional opportunities to share facilities with other agencies.

6. Accountability for Community Service Needs

The AVMC is governed by a five-member elected board of directors. The AVMC Board of Directors meets at the hospital on the last Wednesday of the month at 6:30 p.m. The District's current board meeting agenda, and prior agendas, are available on the District's website (avmc.org).

Exhibit 3

AVMC – Budgetary Highlights

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Total Operating Revenues	\$ 418,393,000	\$ 435,015,000	\$ 447,411,000	\$ 466,415,000	\$ 554,277,000
Percentage change	N/A	3.97%	2.85%	4.25%	18.84%
Total Operating Expenses	\$ 391,480,000	\$ 399,368,000	\$ 419,828,000	\$ 431,789,000	\$ 507,333,000
Percentage change	N/A	2.01%	5.12%	2.85%	17.50%
Depreciation/Interest	\$ 22,618,000	\$ 24,033,000	\$ 25,091,000	\$ 24,528,000	\$ 25,902,000
Percentage change	N/A	6.26%	4.40%	-2.24%	5.60%
Income (Loss) from Operations	\$ 4,295,000	\$ 11,614,000	\$ 2,492,000	\$ 10,098,000	\$ 21,042,000
Percentage change	N/A	170.41%	-78.54%	305.22%	108.38%
Investment/Capital Contribs.	\$ 1,164,000	\$ 2,487,000	\$ 6,211,000	\$ 9,215,000	\$ 4,279,000
Percentage change	N/A	113.66%	149.74%	48.37%	-53.56%
Net Income	\$ 5,459,000	\$ 14,101,000	\$ 8,703,000	\$ 19,313,000	\$ 25,321,000
Percentage change	N/A	158.31%	-38.28%	121.91%	31.11%

There are three (3) laws which require public agencies to post specific information to their website:

- Senate Bill 929 (2018) requires all independent special districts in California to create and maintain a website, which shall include specified information about the district, as of January of 2020;
- Senate Bill 272 (2015) requires that public agencies create a catalog of their enterprise systems (any software application or computer system that collects, stores, exchanges, and analyzes information that the agency uses), and post the catalog to the homepage of the agency's website; and
- AB 1728 (2018) requires health care districts to maintain a website which includes contact information, a list of board-members, meeting information, the adopted budget,

the latest audit and annual financial reports, recipients of grant funding, the District's grant funding policies, and a copy of LAFCO's most recent MSR of the district (or a link to the MSR on LAFCO's website).

The District maintains a website which conforms to most of these requirements, above, with the following exceptions:

- The agenda is not "searchable and indexable" (it should be noted that most public agency websites do not meet this requirement);
- There is no list of enterprise systems (by law, it should be on the district website's homepage); and
- There is no copy (nor a website) link to LAFCO's 2004 MSR of the district.

Determination:

- The AVMC operates in a transparent manner, and it is reasonably in compliance with applicable State law relative to the posting of meeting agendas and website requirements.

7. Other Matters

(None)

Determinations:

(No additional determinations)

Sphere of Influence Update

In reviewing and updating the Antelope Valley Medical Center Sphere of Influence, LAFCO is required to adopt written determinations relative to several factors specified in Government Code § 56425:

1. Present and planned land uses in the area including agricultural and open-space lands

Determinations:

- The jurisdictional boundary of the AVMC includes the City of Lancaster and the City of Palmdale, as well as unincorporated communities in the Antelope Valley (Acton, Juniper Hills, Lake Hughes, Lake Los Angeles, Leona Valley, Quartz Hill, and Pearblossom). To the south, the District includes unincorporated Agua Dulce, as well as portions of the Angeles National Forest and the Devil's Punchbowl County Park; to the east, the AVMC boundary includes all of Antelope Valley to the San Bernardino County line; to the north, the boundary includes most of Antelope Valley (excluding Edwards Air Force Base (EAFB) and unincorporated Gorman) to the Kern County line; and on the west, the boundary includes portions of the Angeles National Forest.

- The District includes encompasses nearly all territory within the Antelope Valley, which includes a variety of land uses: developed single-family residential, multiple-family residential, commercial, retail, and industrial space; public parks, recreation areas, active open space, and passive open space; and portions of the Angeles National Forest; and it is traversed by two major highways (State Routes 14 and 138).
- Most developed land is clustered in the two cities (Lancaster and Palmdale), with some also in County unincorporated communities, the largest of which is unincorporated Quartz Hill.
- The region is expected to grow substantially in the future, especially in terms of additional residential development.

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

Determination:

- The region served by the AVMC will continue to require public facilities and services indefinitely, including the services provided by the AVMC.

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

Determinations:

- The current public facilities and infrastructure of the AVMC are adequate at this time.
- The District has substantial assets (land, buildings, equipment/facilities) which enable it to provide a range of medical services to residents of the Antelope Valley.
- The planned capacity of the main hospital is not sustainable in the long-term.
- District representatives are aware of the main hospital building's limitations and the need to address the issue, and they should continue to exercise serious and comprehensive due diligence to evaluate all options before proceeding.
- The AVMC is in a strong financial position, maintaining consistent growth in operating revenues, and achieving positive cash flow in four of the last five years (the one exception due to COVID-pandemic impacts).
- The District has adequate funding from multiple sources to finance on-going operations.
- The District also maintains a health reserve fund, with a balance currently in excess of \$200 million.

4. Existence of any social or economic communities of interest in the area

Determinations:

- There are multiple social and economic communities of interest in the area served by the AVMC.
- The AVMC provides its services in all portions of its District, regardless of whether the involved territory lies within, adjacent to, or outside of, a social and economic community of interest.

5. For cities or special districts that provide public facilities or services related to sewers, municipal and industrial water, or structural fire protection, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities with the existing sphere of Influence.

Determinations:

- The core services provided by the AVMC do not impact the present and probable need for public facilities or services related to sewers, municipal and industrial water, and structural fire protection for any disadvantaged unincorporated communities within the existing and proposed SOI.
- The AVMC provides its services in all portions of its District, regardless of whether the involved territory lies within, adjacent to, or outside of, a DUC.

Antelope Valley Medical Center SOI Recommendation:

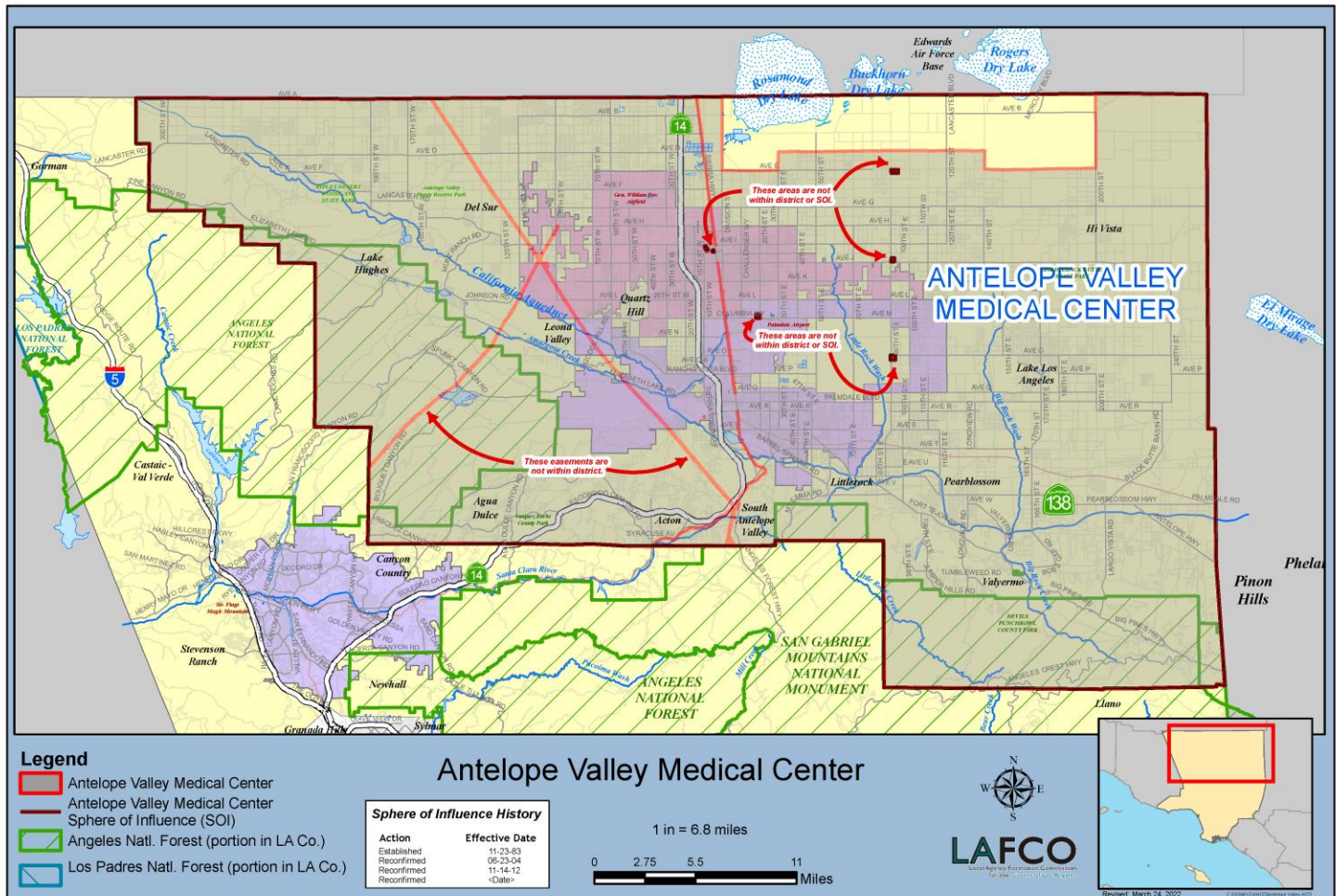
Staff recommends that the Commission reconfirm the existing SOI for the AVMC, as shown in the map in Exhibit 4 on Page 31, below, based upon the following considerations:

1. The Coterminous SOI for the AVMC covers vast territory, encompassing most of the Antelope Valley, and including significant portions of unincorporated Acton and Agua Dulce.
2. According to AVMC representatives, the AVMC has no interest in annexing additional territory into its jurisdictional boundary in the foreseeable future.

(continues on Page 31)

Exhibit 4

Proposed Antelope Valley Medical Center SOI Boundary



(continues on Page 32)

Chapter Four: Beach Cities Health District

The Beach Cities Health District (BCHD or District) is an independent special district that was established in 1955. The District was originally established to develop a hospital. Upon the passage of a bond by the voters in 1956, construction began in 1957, and the hospital opened in 1960.¹⁵

The hospital was leased to American Medical International (AMI) as an operator in 1984 for a thirty-year term, to 2014. In 1995, Tenet Healthcare Corp. acquired AMI and assumed the lease. The District closed the hospital on May 31, 1998. In 1998, Tenet paid out the remaining lease term.¹⁶ Since that time, the District has utilized some space in the former hospital building for its own programs, and leased other space to tenants providing health and wellness services and programs.

As noted on the District's website:

"Beach Cities Health District (BCHD) is a health care district focused on preventive health and serves the communities of Hermosa Beach, Manhattan Beach and Redondo Beach. Established in 1955 as a public agency, it offers an extensive range of dynamic health and wellness programs, with innovative services and facilities to promote health and prevent diseases across the lifespan.

"Focusing on wellness, not sickness, encourages people to make wiser health care decisions. Preventative causes of illness and death, like tobacco smoking, poor diet and physical inactivity, are estimated to be responsible for nearly a million deaths annually—almost 40 percent of total yearly mortality in the United States. According to the Center for Disease Control (CDC), about 90 percent of today's healthcare costs are for treating people with chronic yet preventable diseases. BCHD's wellness and healthy living programs and services are aimed at making prevention an integral part of the classrooms, workplace and homes of the beach cities."¹⁷

The BCHD is governed by a five-member board of directors, elected on an at-large basis. Each board-member serves a four-year term. The Board meets at on the fourth Wednesday of the month at the District's office at 6:30 p.m., except in August and December. Due to on-going issues associated with the COVID pandemic, the BCHD Board of Directors currently meets in a virtual format. The website includes board agendas, agenda packets, presentations, minutes, and video recordings of recent meetings.

The jurisdictional boundary of the BCHD includes the cities of Hermosa Beach, Manhattan Beach, and Redondo Beach. In addition to those three (3) cities, the SOI includes the cities of El Segundo, Gardena, Hawthorne, Lawndale, Palos Verdes Estates, Rancho Palos Verdes, Rolling Hills, Rolling Hills Estates, and Torrance, as well as several unincorporated communities (Del Aire, West Alondra Park, Westfield, and others). The jurisdictional and SOI boundaries of the BCHD are shown as Exhibit 5 on Page 34.

The BCHD owns seven (7) properties in the City of Redondo Beach (2114 Artesia Boulevard; 1272 Beryl Street; 601 So. Pacific Coast Highway; 510, 512, 514, and 520 No. Prospect Avenue); and one property each in the City of Hermosa Beach (1837 Pacific Coast Highway) and Manhattan Beach (1701 Marine Avenue).¹⁸ These various properties are developed with

multiple health-related uses, such as the Beach Cities Health Center; the Center for Health and Fitness (a fitness center with exercise equipment that offers personal training, small group training, and exercise classes for the general public, and exercise classes tailored to senior citizens); Adventure Plex (an indoor recreation and exercise facility for young children); as well as lessees that provide Alzheimer residential care, assisted living, radiological services, surgery center services, and urgent care, amongst other programs, BCHD offers the following services:

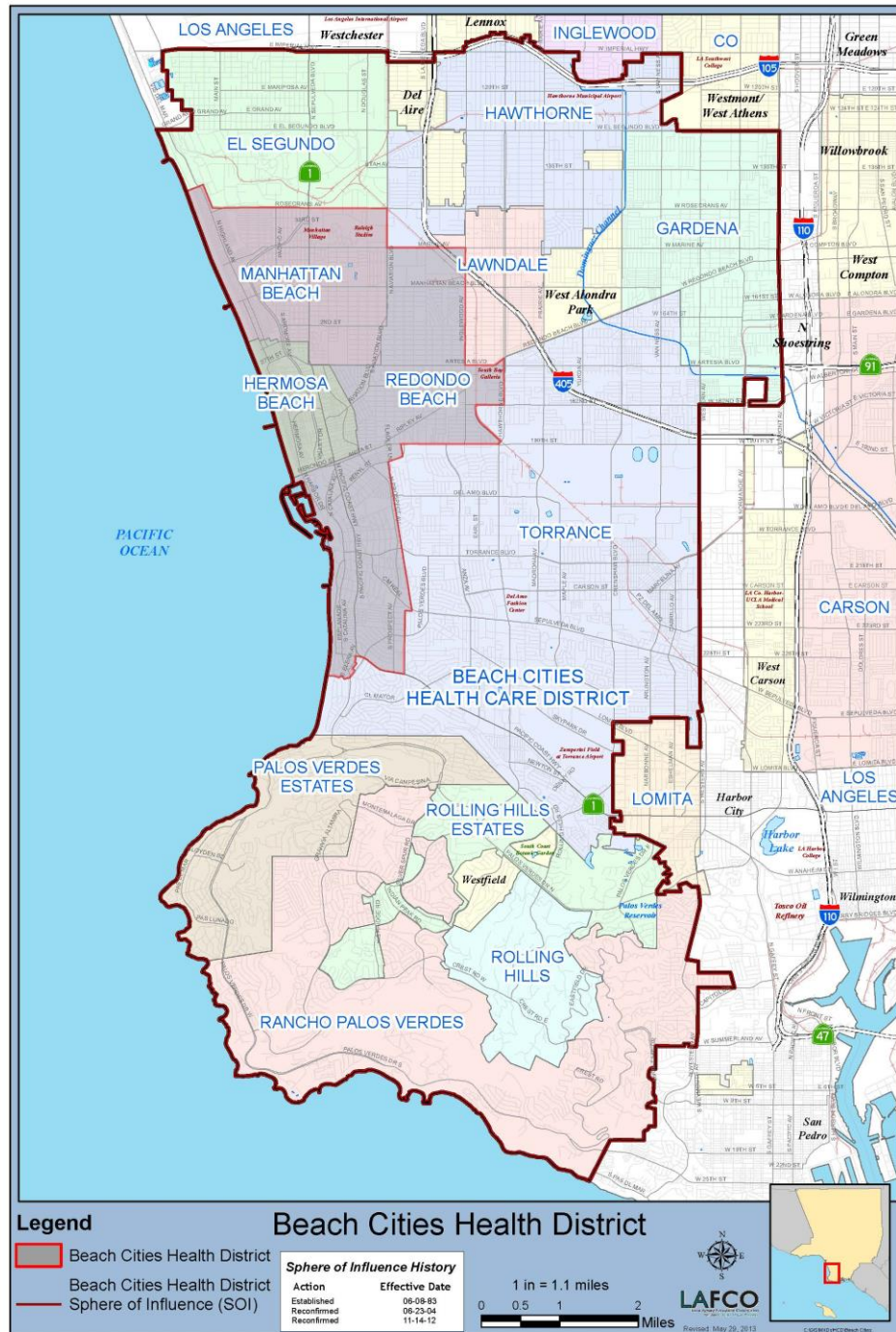
- Children: exercise programs, obesity prevention education, mental health awareness, school-based gardens, and volunteer-assisted walk-to-school programs;
- Middle-School and High School Students: mental health collaboration and wellness councils, substance abuse prevention;
- Senior citizens and persons with disabilities: care management (companionship, errand assistance, in-home exercise, limited transportation assistance, and on-line volunteer support.
- Mental health programs;
- Substance abuse prevention;
- Parenting education; and
- Blue Zones Project: programs which promote healthy exercise, eating, and shopping.¹⁹

BCHD has proposed a Healthy Living Campus Project, which entails a substantial redevelopment of the district's main campus in the City of Redondo Beach. The project includes the removal of the former hospital building (514 building), which, according to district representatives, is in need of a costly and significant seismic upgrade were it to be maintained; and development of new facilities: a 217-unit residential care facility for the elderly (RCFE), BCHD programs and services (care management for seniors and persons with disabilities), youth wellness center, active open space, an aquatics center, a health and fitness center, a community wellness pavilion with space for community meetings and events, and parking. The BCHD Board of Directors approved and certified an Environmental Impact Report (EIR) on September 8, 2021. BCHD representatives submitted a pre-application for Master Plan, Conditional Use Permit (CUP), and Design Review to the City of Redondo Beach on February 22, 2022.²⁰ City representatives provided comments to BCHD; city staff further indicated that BCHD representatives are working to address these comments and submit the application to the City of Redondo Beach.²¹

Funding for the District comes from property taxes, lease revenues, limited partnership income, user fees, and donations and grants.²² As of May, 2021, the BCHD staff includes one hundred fifty-six (156) employees.²³

(narrative continues on Page 34)

Exhibit 5
Existing Beach Cities Health District
Jurisdictional and SOI Boundary



Functions or Classes of Services

The existing “functions or classes of services” are those municipal services that are already being provided, and/or were previously provided by a special district within its boundaries; prior to recent changes in the Act, these existing functions or classes of municipal services were known as “active powers.” New or different functions or classes of services are those powers authorized by the principal act under which the district was formed, but not currently exercised by a special district; prior to recent changes in the Act, these existing functions or classes of municipal services were known as “latent powers.”

State law directs LAFCOs to determine each special district’s active powers, and to maintain a record of those active powers.

Because LAFCO did not identify active powers for the BCHD when LAFCO added special district representatives, nor when it adopted the Miscellaneous Government Services MSR and SOI Update in 2004, this MSR will identify those active powers which the BCHD is currently providing. All other services are considered to be latent powers; LAFCO approval (pursuant to Government Code Section 56824.10) would be required before the district could provide any new or different functions or classes of services.

By adopting this MSR, the Commission (LAFCO) hereby authorizes the BCHD to provide the following functions or classes of services:

Health & Safety Code (HSC) § 32121:

- (a) To have and use a corporate seal and alter it at its pleasure.
- (b) To sue and be sued in all courts and places and in all actions and proceedings whatever.
- (c) To purchase, receive, have, take, hold, lease, use, and enjoy property of every kind and description within and without the limits of the district, and to control, dispose of, convey, and encumber the same and create a leasehold interest in the same for the benefit of the district.
- (d) To exercise the right of eminent domain for the purpose of acquiring real or personal property of every kind necessary to the exercise of any of the powers of the district.
- (e) To establish one or more trusts for the benefit of the district, to administer any trust declared or created for the benefit of the district, to designate one or more trustees for trusts created by the district, to receive by gift, devise, or bequest, and hold in trust or otherwise, property, including corporate securities of all kinds, situated in this state or elsewhere, and where not otherwise provided, dispose of the same for the benefit of the district.
- (f) To employ legal counsel to advise the board of directors in all matters pertaining to the business of the district, to perform the functions in respect to the legal affairs of the district as the board may direct, and to call upon the district attorney of the county in which the greater part of the land in the district is situated for legal advice and assistance in all matters concerning the district, except that if that county has a county counsel, the directors may call upon the county counsel for legal advice and assistance.

(g) To employ any officers and employees, including architects and consultants, the board of directors deems necessary to carry on properly the business of the district.

(h) To prescribe the duties and powers of the health care facility administrator, secretary, and other officers and employees of any health care facilities of the district, to establish offices as may be appropriate and to appoint board members or employees to those offices, and to determine the number of, and appoint, all officers and employees and to fix their compensation. The officers and employees shall hold their offices or positions at the pleasure of the boards of directors.

(i) To do any and all things that an individual might do that are necessary for, and to the advantage of, a health care facility and a nurses' training school, or a child care facility for the benefit of employees of the health care facility or residents of the district.

(j) To establish, maintain, and operate, or provide assistance in the operation of, one or more health facilities or health services, including, but not limited to, outpatient programs, services, and facilities; retirement programs, services, and facilities; chemical dependency programs, services, and facilities; or other health care programs, services, and facilities and activities at any location within or without the district for the benefit of the district and the people served by the district. "Health care facilities," as used in this subdivision, means those facilities defined in subdivision (b) of Section 32000.1 and specifically includes freestanding chemical dependency recovery units. "Health facilities," as used in this subdivision, may also include those facilities defined in subdivision (d) of Section 15432 of the Government Code.

(k) To do any and all other acts and things necessary to carry out this division.

(m) To establish, maintain, and operate, or provide assistance in the operation of, free clinics, diagnostic and testing centers, health education programs, wellness and prevention programs, rehabilitation, aftercare, and any other health care services provider, groups, and organizations that are necessary for the maintenance of good physical and mental health in the communities served by the district.

(o) To establish, maintain, and carry on its activities through one or more corporations, joint ventures, or partnerships for the benefit of the health care district.

(p) (1) To transfer, at fair market value, any part of its assets to one or more corporations to operate and maintain the assets. A transfer pursuant to this paragraph shall be deemed to be at fair market value if an independent consultant, with expertise in methods of appraisal and valuation and in accordance with applicable governmental and industry standards for appraisal and valuation, determines that fair and reasonable consideration is to be received by the district for the transferred district assets. Before the district transfers, pursuant to this paragraph, 50 percent or more of the district's assets to one or more corporations, in sum or by increment, the elected board shall, by resolution, submit to the voters of the district a measure proposing the transfer. The measure shall be placed on the ballot of a special election held upon the request of the district or the ballot of the next regularly scheduled election occurring at least 88 days after the resolution of the board. If a majority of the voters voting on the measure vote in its favor, the transfer shall be approved. The campaign disclosure requirements applicable to local measures provided under Chapter 4

(commencing with Section 84100) of Title 9 of the Government Code shall apply to this election.

(2) To transfer, for the benefit of the communities served by the district, in the absence of adequate consideration, any part of the assets of the district, including, without limitation, real property, equipment, and other fixed assets, current assets, and cash, relating to the operation of the district's health care facilities to one or more nonprofit corporations to operate and maintain the assets, subject to the limitations in that section (Subsections (2)(A) through (12), inclusive, which, while omitted herein for purposes of conciseness, are hereby incorporated by reference).

(r) To establish, maintain, operate, participate in, or manage capitated health care service plans, health maintenance organizations, preferred provider organizations, and other managed health care systems and programs properly licensed by the Department of Insurance or the Department of Managed Care, at any location within or without the district for the benefit of residents of communities served by the district. However, that activity shall not be deemed to result in, or constitute, the giving or lending of the district's credit, assets, surpluses, cash, or tangible goods to, or in aid of, any person, association, or corporation in violation of Section 6 of Article XVI of the California Constitution.

Nothing in this section shall be construed to authorize activities that corporations and other artificial legal entities are prohibited from conducting by Section 2400 of the Business and Professions Code.

Any agreement to provide health care coverage that is a health care service plan, as defined in subdivision (f) of Section 1345, shall be subject to Chapter 2.2 (commencing with Section 1340) of Division 2, unless exempted pursuant to Section 1343 or 1349.2.

A district shall not provide health care coverage for any employee of an employer operating within the communities served by the district, unless the Legislature specifically authorizes, or has authorized in this section or elsewhere, the coverage.

Nothing in this section shall be construed to authorize any district to contribute its facilities to any joint venture that could result in transfer of the facilities from district ownership.

(s) To provide health care coverage to members of the district's medical staff, employees of the medical staff members, and the dependents of both groups, on a self-pay basis.

HSC § 32121.1:

By resolution, the board of directors of a local hospital district may delegate to its administrator the power to employ (subject to the pleasure of the board of directors), and discharge, such subordinate officers and employees as are necessary for the purpose of carrying on the normal functions of any hospital operated by the district.

HSC § 32125:

(a) The board of directors shall be responsible for the operation of all health care facilities owned or leased by the district, according to the best interests of the public health and shall make and enforce all rules, regulations and bylaws necessary for the administration, government, protection and maintenance of health care facilities under their management

and all property belonging thereto and may prescribe the terms upon which patients may be admitted thereto. Minimum standards of operation as prescribed in this article shall be established and enforced by the board of directors.

(b) A district shall not contract to care for indigent county patients at below the cost for care. In setting the rates the board shall, insofar as possible, establish rates as will permit the district health care facilities to be operated upon a self-supporting basis. The board may establish different rates for residents of the district than for persons who do not reside within the district.

(c) Notwithstanding any other provision of law, unless prohibited from doing so by action of the board of directors, the chief executive officer may establish a task force to assist the chief executive officer in operating the district's facilities. The chief executive officer shall, if required to do so by action of the board, select task force members from individuals nominated by the board. Once established, the task force may be dissolved by action of the chief executive officer or the board. Any action by the board under this subdivision shall require four votes from a board on which there are five members or five votes from a board on which there are seven members.

HSC § 32126.5:

(a) The board of directors of a hospital district or any affiliated nonprofit corporation may do any of the following when it determines that the action is necessary for the provision of adequate health services to communities served by the district:

(1) Enter into contracts with health provider groups, community service groups, independent physicians and surgeons, and independent podiatrists, for the provision of health services.

(2) Provide assistance or make grants to nonprofit provider groups and clinics already functioning in the community.

(3) Finance experiments with new methods of providing adequate health care.

(b) Nothing in this section shall authorize activities which corporations and other artificial legal entities are prohibited from conducting by Section 2400 of the Business and Professions Code.

HSC § 32127:

The hospital district shall establish its own treasury and shall appoint a treasurer charged with the safekeeping and disbursement of the funds in the treasury of the district. The board of directors shall fix the amount of the bond to be given by such treasurer and shall provide for the payment of the premium therefor out of the maintenance and operation fund.

All moneys derived from that portion, if any, of the annual tax or assessment levied for capital outlay purposes shall be placed in the capital outlay fund. Any moneys derived from a special tax or assessment levied under Article 3 of Chapter 3 hereof shall be placed in a special assessment fund and shall be used exclusively for the purposes for which such special tax or assessment was voted.

All moneys derived from the regular annual tax or assessment provided in Article 1, Chapter 3 hereof, except any part thereof levied for capital outlay purposes, shall be placed in the maintenance and operation fund. All receipts and revenues of any kind from the operation of the hospital shall be paid daily into the treasury of said district and placed in the maintenance and operation fund. Moneys in the maintenance and operation fund may be expended for any of the purposes of the district; provided, however, that no such moneys may be expended for new construction of additional patient bed capacity other than as authorized by Section 32221 hereof. Whenever it appears that the sum in the bond interest and sinking fund will be insufficient to pay the interest or principal of bonds next coming due and payable therefrom, a sum sufficient to pay such principal and interest shall be transferred by the board of directors from the maintenance and operation fund to said bond interest and sinking fund.

Except as to principal and interest of bonds, moneys in the treasury of the district shall be paid out by the treasurer, or such other officer or officers of the district, including the administrator, as may be authorized by the board. The treasurer shall keep such order as his voucher and shall keep accounts of all receipts into the district treasury and all disbursements therefrom.

Where bonds of the district are payable at the office of the district, all receipts from taxes levied to pay the principal and interest of such bonds shall be paid into the treasury of the district, and the treasurer of the district shall pay therefrom the principal and interest of such bonds.

Where bonds of the district are payable at the office of the county treasurer of the organizing county, at the option of the holder, or otherwise, all receipts from taxes levied to pay principal and interest of such bonds shall be paid into the treasury of the organizing county and shall be placed by the county treasurer in the bond interest and sinking fund of the district, and he shall pay the principal and interest of such bonds therefrom and shall keep an account of all moneys received into and paid out of said fund.

Any moneys in the treasury of the district and any moneys of the district in the bond interest and sinking fund of the district in the treasury of the organizing county may be deposited in accordance with the provisions of the general laws of the State of California governing the deposit of public moneys of cities or counties in such bank or banks in the State of California as may be authorized to receive deposits of public funds, in the same manner and upon the same security as public moneys of cities and counties are deposited in such banks, and with like force and effect. The board of directors of the district are authorized to create a revolving fund which fund shall not exceed the sum of 10 percent of the estimated annual expenditures of the district at any one time and which shall be used for the purpose of paying the interim expenses of the operation of any hospital within the district without the necessity of a written order signed by the president and countersigned by the secretary as provided herein. The treasurer is authorized to deposit said fund in such bank or banks in the county as may be authorized to receive deposits of public funds in the same manner and upon the same security as public moneys of cities and counties are deposited in such banks and with like force and effect, and shall be subject to withdrawal upon the signature of the treasurer, or such other official of the district as may be authorized by the board of directors, for the use and purpose provided for herein.

HSC §32127.2:

Exclusively for the purpose of securing state insurance of financing for the construction of new health facilities, the expansion, modernization, renovation, remodeling and alteration of existing health facilities, and the initial equipping of any such health facilities under Chapter 1 (commencing with Section 129000) of Part 6 of Division 107, and notwithstanding any provision of this division or any other provision or holding of law, the board of directors of any district may (a) borrow money or credit, or issue bonds, as well as by the financing methods specified in this division, and (b) execute in favor of the state first mortgages, first deeds of trust, and other necessary security interests as the Office of Statewide Health Planning and Development may reasonably require in respect to a health facility project property as security for the insurance. No payments of principal, interest, insurance premium and inspection fees, and all other costs of state-insured loans obtained under the authorization of this section shall be made from funds derived from the district's power to tax. It is hereby declared that the authorizations for the executing of the mortgages, deeds of trust and other necessary security agreements by the board and for the enforcement of the state's rights thereunder is in the public interest in order to preserve and promote the health, welfare, and safety of the people of this state by providing, without cost to the state, a state insurance program for health facility construction loans in order to stimulate the flow of private capital into health facilities construction to enable the rational meeting of the critical need for new, expanded and modernized public health facilities.

HSC § 32129:

Notwithstanding the provisions of the Medical Practice Act, the board of directors of a hospital district or any affiliated nonprofit corporation may contract with physicians and surgeons, podiatrists, health care provider groups, and nonprofit corporations for the rendering of professional health services on a basis as does not result in any profit or gain to the district from the services so rendered and as allows the board to ensure that fees and charges, if any, are reasonable, fair, and consistent with the basic commitment of the district to provide adequate health care to all residents within its boundaries.

32130.6:

Notwithstanding any other provision of law, a district may do any of the following by resolution adopted by a majority of the district board:

(a) (1) Enter into a line of credit with a commercial lender that is secured, in whole or in part, by the accounts receivable or other intangible assets of the district, including anticipated tax revenues, and thereafter borrow funds against the line of credit to be used for any district purpose.

(2) Any money borrowed under this line of credit pursuant to paragraph (1) shall be repaid within five years from each separate borrowing or draw upon the line of credit.

(3) The district may enter into a new and separate line of credit to repay a previous line of credit pursuant to paragraph (1), provided that the district complies with this section in entering into a new line of credit.

(4) Enter into a line of credit with a commercial lender for the sole purpose of consolidating debt incurred by the district prior to January 1, 2010. Debt incurred under this paragraph shall be repaid within 20 years of the consolidation borrowing. The total amount of debt that a district may have outstanding at any one time under this paragraph shall not exceed the amount of two million dollars (\$2,000,000).

(b) Enter into capital leases for the purchase by the district of equipment to be used for any district purpose.

(1) The term of any capital lease shall not be longer than 10 years.

(2) The district may secure the purchase of equipment by a capital lease by giving the lender a security interest in the equipment leased under the capital lease.

(c) Enter into lease-purchase agreements for the purchase by the district of real property, buildings, and facilities to be used for any district purpose. The term of any lease-purchase agreement shall not exceed 10 years.

(d) Nothing in this section shall provide the district with the authority to increase taxes in order to repay a line of credit established pursuant to subdivision (a) unless the tax is passed pursuant to Article 4.6 (commencing with Section 53750) of Chapter 4 of Part 1 of Division 2 of Title 5 of the Government Code.

HSC § 32131:

The board of directors may maintain membership in any local, state or national group or association organized and operated for the promotion of the public health and welfare or the advancement of the efficiency of hospital administration, and in connection therewith pay dues and fees thereto.

HSC § 32132.9:

(a) Notwithstanding Section 32132 or any other law, upon approval by the board of directors of the Beach Cities Health District, the design-build process described in Chapter 4 (commencing with Section 22160) of Part 3 of Division 2 of the Public Contract Code may be used to assign contracts for the construction of facilities or other buildings in that district.

(b) For purposes of this section, all references in Chapter 4 (commencing with Section 22160) of Part 3 of Division 2 of the Public Contract Code to "local agency" shall mean the Beach Cities Health District and its board of directors.

(c) To the extent that any project utilizing the design-build process authorized by subdivision (a) is otherwise required to comply with the standards and requirements of the Alfred E. Alquist Hospital Facilities Seismic Safety Act of 1983 (Chapter 1 (commencing with Section 129675) of Part 7 of Division 107), this section shall not be construed as an exemption from that act.

(d) This section shall remain in effect only until January 1, 2023, and as of that date is repealed, unless a later enacted statute that is enacted before January 1, 2023, deletes or extends that date.

At LAFCO's request, BCHD representatives provided a chart ("Beach Cities Health District Services") which documented those powers it believes it has exercised or is currently exercising. Other than more "general" district powers (i.e., to have a corporate seal, or to hire legal counsel), which are common to nearly all special districts, the documents provided examples of BCHD programs and services for the associated active services. Staff found the examples provided to be consistent with those services described in HRC § 32121, with the following modifications:

(l) To acquire, maintain, and operate ambulances or ambulance services within and without the district.

Under existing agreements, the district provides non-medicinal supplies (bandages, masks, gloves) to the ambulances operated and maintained by the fire departments in the three cities (Hermosa Beach, Manhattan Beach, and Redondo Beach). These services provided by the District, however, do not constitute the operation of ambulance or ambulance services; this activity is functionally equivalent to the District's other grant programs, which provide funding to various government agencies and non-profit organizations (the distinction is that these are *in-kind* contributions as opposed to *financial* contributions).

The PACE (Program for the All-Inclusive Care for the Elderly) program is a program which the District proposes to operate in the future. Members of the public contacted LAFCO relative to PACE, stating that PACE would constitute a "new service," one which would require an application to, and approval, by the Commission. A review of the separate components of the PACE program, however, indicates that all of these components are already offered by the BCHD in existing programs, as documented in information provided to LAFCO, and as further reflected on BCHD's website and in BCHD publications. For example, the District already provides on-site housing for senior citizens; both directly, as a partner in the Sunrise Assisted Living residences; and indirectly, through a tenant on the main campus which provides Alzheimer residential care. Further, the District employs a team of counselors who assist senior citizens to age in place; these counselors ensure that seniors within the district get access to medical care, nutritionists, and other assistance, both in terms of making contacts with providers, scheduling appointments, and arranging transportation.

With respect to eminent domain authority (HSC § 32121(d)), staff notes that the District was originally formed having eminent domain authority, which it utilized to acquire the property needed for the original hospital building. Eminent domain authority, therefore, was essential to the district's formation; the district used it to acquire land on which to construct a hospital; and this occurred in the mid-1950s, which is eight (8) years prior to the State of California establishing a LAFCO in each county. Further, the sections in the Act involving new or different functions or classes of services were originally incorporated into the Act in 2001, and amended as recently as 2011. Given the foregoing, it is certain that eminent domain authority rests with the district.

The BCHD is not authorized to provide any and all other powers not specifically identified above, and which are those municipal services which the district is not already providing, or has not provided in the past; prior to recent changes in the Act, these existing functions or classes of

services were known as “latent powers.” The BCHD is prohibited from exercising such new or different functions or classes of municipal services without the advance, written approval of the Commission pursuant to Government Code Sections 56824.10 through 56824.14, inclusive, and as addressed elsewhere in the Act.

As noted previously, HSC § 32121(j) states that a health care district has the following authority:

(j) To establish, maintain, and operate, or provide assistance in the operation of, one or more health facilities or health services, including, but not limited to, outpatient programs, services, and facilities; retirement programs, services, and facilities; chemical dependency programs, services, and facilities; or other health care programs, services, and facilities and activities **at any location within or without the district** for the benefit of the district and the people served by the district [emphasis added].

While this section states that a health care district may provide services outside its jurisdictional boundary, a health care district may not do unless and until it first secures the approval of the Commission (LAFCO), pursuant to Government Code § 56133.

Municipal Service Review Determinations

Government Code Section 56430 requires LAFCO to “conduct a service review of the municipal services” and to “prepare a written statement of its determinations” relative to several factors below. This chapter addresses these factors and includes the recommended determinations.

1. Growth and Population Projections

Based upon 2020 Census data, the current population within the BCHD’s jurisdictional boundary is 126,858.²⁴

According to the Southern California Association of Governments (SCAG), the projected population of this area is 129,719. This equals a very modest growth rate of 2.26% for the 2020-2035 period.²⁵ The increase in population in BCHD’s service territory is not expected to have a significant effect on the district’s ability to provide health and wellness services to its customers.

Determinations:

- The population within the boundaries of the BCHD is expected to grow at a very modest rate of 2.26% between now and 2035.
- The growth projected in the BCHD’s service territory is not expected to have a significant effect on the district’s ability to provide health and wellness services to its customers.

2. Location and Characteristics of Disadvantaged Unincorporated Communities

Pursuant to the State’s passage of Senate Bill 244, and as of January 1, 2012, LAFCOs are required to make determinations regarding Disadvantaged Unincorporated Communities (DUCs) for an Update of a Sphere of Influence. The law defines a DUC as a community with an

annual median household income that is less than eighty percent (80%) of the statewide annual median household income. The law also requires that LAFCOs consider “the location and characteristics of any disadvantaged communities within or contiguous to the sphere of influence” when preparing an MSR.

The intent of SB 244 is to protect against the potential for cities and special districts to engage in a pattern of “selective” annexations which may lead to the establishment “service islands” in which disadvantaged residents receive inferior structural fire protection, municipal water, and sanitary sewage disposal and treatment services compared to adjoining areas within a city or district’s boundary. The BCHD’s focus on health and wellness programs is unrelated to these more traditional municipal services (fire, water, sanitation). There are no DUCs within or adjacent to the jurisdictional boundary of the BCHD (see Exhibit 6 on Page 45).²⁶

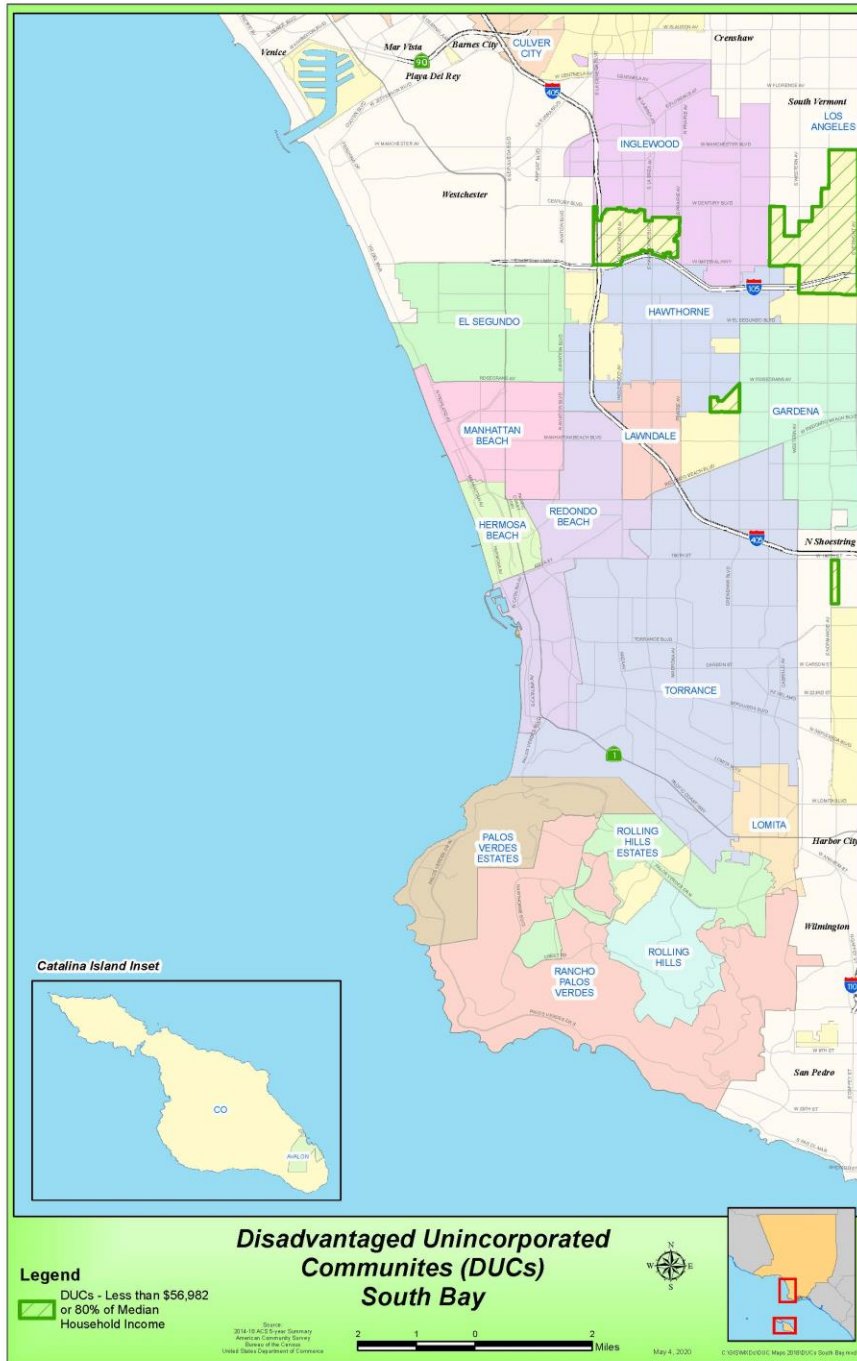
Determinations:

- The core services provided by the BCHD do not impact the present and probable need for public facilities or services related to sewers, municipal and industrial water, and structural fire protection for any disadvantaged unincorporated communities within the existing and proposed SOI.
- There are no DUCs within or adjacent to the BCHD jurisdictional boundary.

(continues on Page 45)

Exhibit 6

Disadvantaged Unincorporated Communities (DUCs)
South Bay



3. *Present and Planned Capacity of Public Facilities; Adequacy of Public Services; Infrastructure Needs or Deficiencies*

As District representatives publicly concede, the BCHD is at a turning point. The costs of maintenance, upkeep, and improvements on the existing former hospital building are escalating significantly every year. Based upon reports from qualified engineers, BCHD representatives have stated publicly that the former hospital building is in need of a costly seismic upgrade. The District is, therefore, faced with a choice: one, expend significant additional resources to improve the existing building, the costs of which, according to BCHD representatives, are prohibitive; two, demolish the former hospital building—the effect of which, according to BCHD representatives, would be a reduction in services, due to the loss of existing revenues; or three, demolish and replace the existing hospital building with a set of uses different than what is proposed in the current Healthy Living Campus proposal. Based upon the recommendations of its staff and outside consultants, the BCHD Board of Directors has decided to move forward with the second option, in the form of the proposed Healthy Living Campus described previously.

In this regard, it is fair to conclude that the present capacity of the existing public facilities on the main campus *is not* ideal for future utilization of the property. Whether or not the planned facilities will be ideal depends, almost entirely, on whether the Health Living Campus is approved by the City of Redondo Beach, and ultimately constructed by BCHD, or not; in that regard, it is not easy to answer the question, given that the outcome of the project is unknown.

Determinations:

- It is clear that the BCHD Board of Directors must either expend significant additional resources to improve the existing hospital building, or to demolish and replace it.
- The BCHD Board of Directors has chosen to demolish the existing hospital building and redevelop the main campus property as a means of improving the long-term budgetary prospects for the district, and the impacts of that decision are unknown at this time.
- Should the Healthy Living Campus not move forward, and relative to the former hospital building, the BCHD's other options would be an "improvement" option (which district representatives assert is cost-prohibitive), or the "demolish and replace" option, which would involve demolishing the building and replacing it with some as yet undefined use or uses.
- The adequacy of public services in the future depends, almost entirely, on whether the Health Living Campus is approved by the City of Redondo Beach, and ultimately constructed by BCHD; or whether the BCHD reverts to the "improvement" or "demolish and replace" option.

4. *Financial Ability of Agency to Provide Services*

Exhibit 7 on Page 48 excerpts noteworthy details of the BCHD's budgets for the last four (4) fiscal years (FY 2018-19, 2019-20, 2020-21, and 2021-22). These excerpts considered total revenue; total expenses; significant revenue sources, of which there are four (4) primary sources (property taxes, lease revenue, limited partnership revenue, and user fees revenue); and significant expenses, which consists of payroll expenses (on the "expense" side of the

budgets, all other expense categories pale in comparison to payroll expenses). These excerpts indicate:

- Total revenues have met or exceeded total expenses for the last four (4) fiscal years;
- The amount of total revenues has been reasonably constant over these four (4) years;
- Property taxes increased year-to-year, averaging a 6% increase overall;

(narrative continues on Page 48)

Exhibit 7

BCHD – Budgetary Highlights

	<u>Fiscal Year</u> <u>2018-19</u>	<u>Fiscal Year</u> <u>2019-20</u>	<u>Fiscal Year</u> <u>2020-21</u>	<u>Fiscal Year</u> <u>2021-22</u>
Total Revenues:	14,320,000	14,917,000	14,597,000	13,533,947
Total Expenses:	13,514,000	13,999,305	14,264,000	13,533,947
Significant Revenue Sources:				
Property Taxes	3,760,620	3,931,000	4,180,000	4,499,541
Percentage change (year-to-year)		5%	6%	8%
Lease Revenue	4,463,171	3,822,000	4,759,000	3,838,806
Percentage change (year-to-year)		-14%	25%	-19%
Limited Partnership Revenue	2,161,680	2,162,000	2,082,000	1,898,874
Percentage change (year-to-year)		0%	-4%	-9%
User Fees Revenue	2,880,985	2,994,000	2,994,000	1,331,778
Percentage change (year-to-year)		4%	0%	-56%
Significant Expenses:				
Payroll	6,400,076	6,856,096	4,948,479	6,837,703
Percentage change (year-to-year)		7%	-28%	38%

- Lease revenues have fluctuated significantly year-to-year;
- Limited partnership revenues have decreased significantly in the two most recent fiscal years;
- User fee revenue is down significantly in the most recent fiscal year, which is very likely due to decreased usership of BCHD facilities due to COVID restrictions; and
- Payroll has been reasonably constant over the four years, with the exception of Fiscal Year 2020-21, when it was significantly less, which is very likely due to decreased payroll costs during the COVID pandemic.²⁷

The fact that revenues have exceeded expenses in the last four (4) years is noteworthy, as it avoids the need to borrow funds or utilize reserves. The constancy of revenues over the four (4) year period—which included the COVID pandemic—is also significant. The growth in property taxes is positive, and, more importantly, the district’s property tax consultant is projecting a 3%-4% increase in property tax income over the next four (4) years (through Fiscal Year 2025-26).²⁸

In its most recent budget (FY 2021-22), District representatives maintain that “three of the four sources of funding are still experiencing major effects from the COVID-19 Pandemic in lost lease income, recovering but still low User Fees, and continued reduced joint venture income from its partnership with Sunrise Assisted Living that also experienced health and operational hardship from the effects of COVID-19.”²⁹ The decrease in lease revenues is nearly 20% in the most recent fiscal year, reflecting the loss of four (4) tenants; the decrease in limited partnership revenue is 9% in the most recent fiscal year, and the decrease in user fees is more than 50% in the most recent fiscal year. A recent audit identified BCHD’s “unique funding model, where generally over 70% of the incoming funds are from other sources than property taxes, like tenant rental income and limited partnerships”³⁰ Although the reduction in revenue in is a cause for concern, they are the result of pandemic-related economic impacts; in this regard, these losses are temporary, and in no way unique to the BCHD. The reduction in payroll expenses in Fiscal Year 2020-21 is not a concern, as it was associated with reduced personnel costs during the COVID-19 pandemic.

BCHD provides a defined benefit pension plan for its employees, administered by CalPERS.

As District representatives have conceded, the BCHD is at a turning point. The cost of maintenance, upkeep, and improvements on the existing former hospital building are escalating significantly every year. The District is faced with a choice: one, expend significant additional resources to improve the existing building; or two, demolish and replace the existing hospital building. Based upon the recommendations of staff and outside consultants, the BCHD Board of Directors has decided to move forward with the second option, in the form of the proposed Healthy Living Campus described previously. This decision also increases the district’s current costs, in the form of expenses associated with the proposed Healthy Living Campus: “[b]ased on the FY21-22 budget, the District Fund balance is projected to decrease by \$8 million due to its continued investment in long-term real property and development of the Healthy Living Campus.”³¹

The decision to move forward with the Health Living Campus proposal is not without its critics, evidenced by the substantial public input on the matter provided to LAFCO. It is important to note, however, that the land-use issues—environmental impacts, General Plan and zoning requirements, neighborhood compatibility, and related matters—are entirely within the jurisdiction of the City of Redondo Beach, which has land-use authority over the BCHD campus. These matters are not within LAFCO’s jurisdiction, as LAFCO is statutorily prohibited, by Government Code §56886, from intervening in land-use matters (“none of the following terms and conditions [associated with a LAFCO determination] shall directly regulate land use, property development or subdivision requirements).”

What is within LAFCO’s jurisdiction is ascertaining whether the BCHD has the financial ability to provide services in the future. The answer depends, almost entirely, on whether the Health Living Campus is approved by the City of Redondo Beach, and ultimately constructed by BCHD,

or not; in that regard, it is not easy to answer the question, given that the outcome of the project is unknown. The record does indicate, however, that the BCHD Board and staff have given due consideration to both options (improving the existing hospital building or demolishing it and redeveloping the property); and, further, based upon that assessment, the Board has decided to move forward with the Healthy Living Campus project. Further, should the Healthy Living Campus not move forward, the BCHD would very likely be compelled to the “improvement” option or the “demolish and replace” option.

Determinations:

- The BCHD has maintained a relatively constant revenue stream over the last few years, despite some reductions associated with impacts of COVID-19 restrictions.
- Several of the District’s primary funding sources experienced declines due to effects from the COVID-19 Pandemic.
- The District’s property tax revenues has grown at a steady pace in recent years, and it is expected to continue to do so in the next few years.
- It is clear that the BCHD Board of Directors must either expend significant additional resources to improve the existing hospital building, or to demolish and replace it.
- The BCHD Board of Directors has chosen to demolish the existing hospital building and redevelop the main campus property as a means of improving the long-term budgetary prospects for the district, and the impacts of that decision are unknown at this time.
- Should the Healthy Living Campus not move forward, the BCHD would very likely be compelled to revert to the “improvement” option.
- The BCHD’s financial ability to provide services in the future depends, almost entirely, on whether the Health Living Campus is approved by the City of Redondo Beach, and ultimately constructed by BCHD; or whether the BCHD reverts to the “improvement” or “demolish and replace” option.

5. *Status of, and Opportunities for, Shared Facilities*

The BCHD enjoys numerous partnerships, joint ventures, and shared facilities with other public agencies and non-profit organizations, as documented in Appendix A, on the district’s website, and in its publications. The number of separate entities with which the BCHD partners is significant. While some of these are long-term in nature, many others are more short-term, depending on evolving circumstances (cooperative ventures arose recently, for example, because of the COVID-19 pandemic). In that regard—and while the district should remain open to future opportunities for shared facilities—it is difficult to identify and anticipate what those opportunities might be.

Determination:

- There are many opportunities for future shared facilities, to which the district should remain open and accommodating.

6. *Accountability for Community Service Needs*

The BCHD is governed by a five-member board of directors, elected on an at-large basis. The BCHD Board of Directors meets monthly on the last Wednesday of the month at 6:30 p.m. Board and committee meeting agendas are available on the BCHD website (www.bchd.org).

There are three (3) laws which require public agencies to post specific information to their website:

- Senate Bill 929 (2018) requires all independent special districts in California to create and maintain a website, which shall include specified information about the district, January of 2020;
- Senate Bill 272 (2015) requires that public agencies create a catalog of their enterprise systems (any software application or computer system that collects, stores, exchanges, and analyzes information that the agency uses), and post the catalog to the homepage of the agency's website; and
- AB 1728 (2018) requires health care districts to maintain a website which includes contact information, a list of board-members, meeting information, the adopted budget, the latest audit and annual financial reports, recipients of grant funding, the district's grant funding policies, and a copy of LAFCO's most recent MSR of the district (or a link to the MSR on LAFCO's website).

The District maintains a website which generally conforms to these requirements. Tests of the "search" function of the District's agendas indicates that searches produce agenda documents as far back as 2017 (five years). The only exception is that there is no link to the most recent LAFCO MSR (see "Determinations," below).

It is worth noting that the website contains an exhaustive amount of information: annual audits (since 2007-08), adopted annual budgets (since 2009-10), grants (since 2016-17); executive compensation; ethics certificates (AB 1234 compliance) for board-members; adopted financial policies; and a board agenda section which includes all agendas, agenda packets, minutes, and, for more recent meetings, videos of board meeting. The sheer volume of information provided is noteworthy within the context of information available amongst all special district websites. The district's website includes the last several months of newsletters, and it is updated regularly.

Over the course of time when LAFCO was preparing this MSR, and in response to inquiries from LAFCO, BCHD representatives addressed deficiencies on its website. This included adding a section to the district's homepage to address the requirements of SB 272 and adding the "search" function to its Board agendas. The district also added a "Transparency" section under the "Who We Are" section of its website (see "Determinations," below).

The District's Board of Directors adopted a Purchasing Policy on February 27, 2019. Components of this policy include:

- Services of \$10,000 or less annually must follow the District's purchasing procedures;
- Services totaling between \$10,001 and \$25,000 must be negotiated and documented in a quote, proposal, agreement, or contract; must be submitted to the district's Finance Department; and require approval by the Chief Executive Officer.
- Services in excess of \$25,000 are subject to bidding requirements; must be negotiated and documented in a contract; in compliance with all requirements of California Health and Safety Code § 32312(a);
- Staff cannot award a contract for services greater than \$50,000 unless and until it obtains approval from the BCHD Board of Directors; and
- All bids must be posted to a local newspaper's website and/or published for two consecutive weeks in a local newspaper.³²

In addition to posting/announcing solicitations/bids/Requests for Proposals/Requests for Qualifications in a local newspaper, the district should also post same to its website (see "Determinations," below).

The BCHD also distributes bi-monthly newsletters on health-related topics to the public.

The California Special District Association (CSDA) is a non-profit organization providing professional development, education, and advocacy on behalf of special districts. One of CSDA's program is its Transparency Certificate of Excellence, which the CSDA awards to special districts which have documented implementation of a number of measures which promote transparency. CSDA awarded the Transparency Certificate of Excellence to the BCHD in 2018, and renewed its certification in 2021.³³ Amongst other things, the certificate documents that the BCHD has met the following requirements:

- Board-Members have fulfilled requirements to receive annual ethics training;
- The district discloses all monetary reimbursements to Board-Member;
- BCHD performs audits on an annual basis;
- The District has adopted a policy to ensure compliance with the Ralph M. Brown Act;
- BCHD has adopted a policy to ensure compliance with the Public Records Act;
- The District has adopted a policy concerning financial reserves;
- BCHD has filed its Special Districts Financial Transactions Report (including compensation disclosure) with the State Controller's Office in a timely manner;

- The District's website includes all CSDA transparency requirements (i.e., description of election procedures, recent audits and budgets, SB 272 compliance, description of service area, etc.); and
- BCHD provides community outreach in at least two required manners, as specified by CSDA.

The CSDA Transparency Certificate of Excellence is valid for a period of three (3) years from the date of issuance.

A few members of the public emailed LAFCO stating their belief that the BCHD was not being responsive to requests for public information, as required by the Ralph M. Brown Act § 54950 *et seq.* On July 18, 2022, BCHD representatives provide LAFCO with a record of all public record requests since July of 2017, documenting the following:

- Members of the public submitted 1,412 total requests;
- The BCHD has replied to 1,328 requests;
- Thirty (30) requests were withdrawn; and
- Fifty-four (54) requests, in twenty (20) separate emails, remain in an "open" status, indicating that BCHD representatives are working to address the requests.

The statistics provided by BCHD reflect diligent and concerted effort by BCHD representatives to reply to all public records requests.

Some members of the public nevertheless continue to email LAFCO, stating that the BCHD is not fully complying with all requests. Given the back-and-forth amongst these stakeholders and the BCHD, it is difficult, if not impossible, for LAFCO to ascertain the accuracy of the statements by all parties. The allegations about the district's responsiveness to public records requests do not change an overall conclusion that the BCHD operates in a transparent manner.

Determinations:

- The BCHD operates in a transparent manner, and it is reasonably in compliance with applicable State law relative to the posting of meeting agendas and website requirements.
- The BCHD website contains an exhaustive amount of information, and substantially more than the average special district website.
- The BCHD Board of Directors should amend its Purchasing Policy to require that all solicitations/bids/Requests for Proposals/Requests for Qualifications for services in excess of \$25,000 should be posted to the district's website for at least two weeks prior to the deadline to submit bids/proposals (in addition to existing requirements to advertise in a local newspaper).

- Once adopted by the Commission and posted to LAFCO's website, the BCHD should update its website to include a copy of the MSR or a link to the MSR on LAFCO's website, as required by SB 272.
- The District should relocate the "Transparency" portion of the "Who We Are" section of its website to a prominent location on the homepage of its website.

7. Other Matters

The BCHD has been recognized by the following outside organizations:

- Association of California Healthcare Districts (ACHD) for Trustee of the Year (Vanessa Poster) in 2018, CEO of the Year (Tom Bakaly) in 2019, and District of the Year in 2021
- California Society of Municipal Finance Officers (CSMFO) 2021 Excellence Award for its Fiscal Year 2020-21 Operating Budget.
- California Special District Association "District of the Year" in 2021 for its emergency response providing COVID-19 testing and vaccinations, as well as providing timely COVID-19 information to the public.
- Government Finance Officers Association of the United States and Canada (GFOA) Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report for the fiscal year ending June 30, 2020 (and for the second consecutive year.
- GFOA 2021 Distinguished Budget Presentation Award with a Special Performance Measures Recognition.³⁴

The BCHD also maintains membership, and actively participates in, the California Special Districts Association (CSDA) and the Association of California Health Care Districts (ACHCD). A member of the BCHD Board of Directors serves on ACHCD's Board of Directors.

Determinations:

(No additional determinations)

(narrative continues on Page 55)

Sphere of Influence Update

In reviewing and updating the Beach Cities Health District Sphere of Influence, LAFCO is required to adopt written determinations relative to several factors specified in Government Code § 56425:

1. *Present and planned land uses in the area including agricultural and open-space lands*

Determinations:

- The jurisdictional boundary of the BCHD includes the cities of Hermosa Beach, Manhattan Beach, and Redondo Beach.
- These three (3) cities are fully developed with a variety of uses: single- developed single-family residential, multiple-family residential, commercial, retail, and industrial space; public parks, beaches, recreation areas, and active open space; and several public beaches portions of the Angeles National Forest; the most northeasterly portion of the district is bisected by the San Diego (405) Freeway, and Pacific Coast Highway traverses the district's westerly perimeter in a north-south direction.
- There are not agricultural lands in the area.
- Given that the three (3) cities are densely developed and built out, the area is not expected to see substantial growth.

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

Determinations:

- The region served by the BCHD will continue to require public facilities and services indefinitely, including the services provided by the BCHD.

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

Determinations:

- It is clear that the BCHD Board of Directors must either expend significant additional resources to improve the existing hospital building, or to demolish and replace it.
- The BCHD Board of Directors has chosen to demolish the existing hospital building and redevelop the main campus property as a means of improving the long-term budgetary prospects for the district, and the impacts of that decision are unknown at this time.
- Should the Healthy Living Campus not move forward, and relative to the former hospital building, the BCHD's other options would be the "improvement" option or the "demolish" option, as discussed herein.
- The BCHD's financial ability to provide services in the future depends, almost entirely,

on whether the Health Living Campus is approved by the City of Redondo Beach, and ultimately constructed by BCHD; or whether the BCHD reverts to the “improvement” or “demolish and replace” option.

4. Existence of any social or economic communities of interest in the area.

Determinations:

- There are multiple social and economic communities of interest in the area served by the BCHD.
- The BCHD provides its services in all portions of its district, regardless of whether the involved territory lies within, adjacent to, or outside of, a social and economic community of interest.

5. For cities or special districts that provide public facilities or services related to sewers, municipal and industrial water, or structural fire protection, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities with the existing sphere of Influence.

Determinations:

- There are no DUCs within the boundaries of the BCHD’s jurisdictional boundary.
- The core services provided by the BCHD do not impact the present and probable need for public facilities or services related to sewers, municipal and industrial water, and structural fire protection for any disadvantaged unincorporated communities within the existing and proposed SOI.

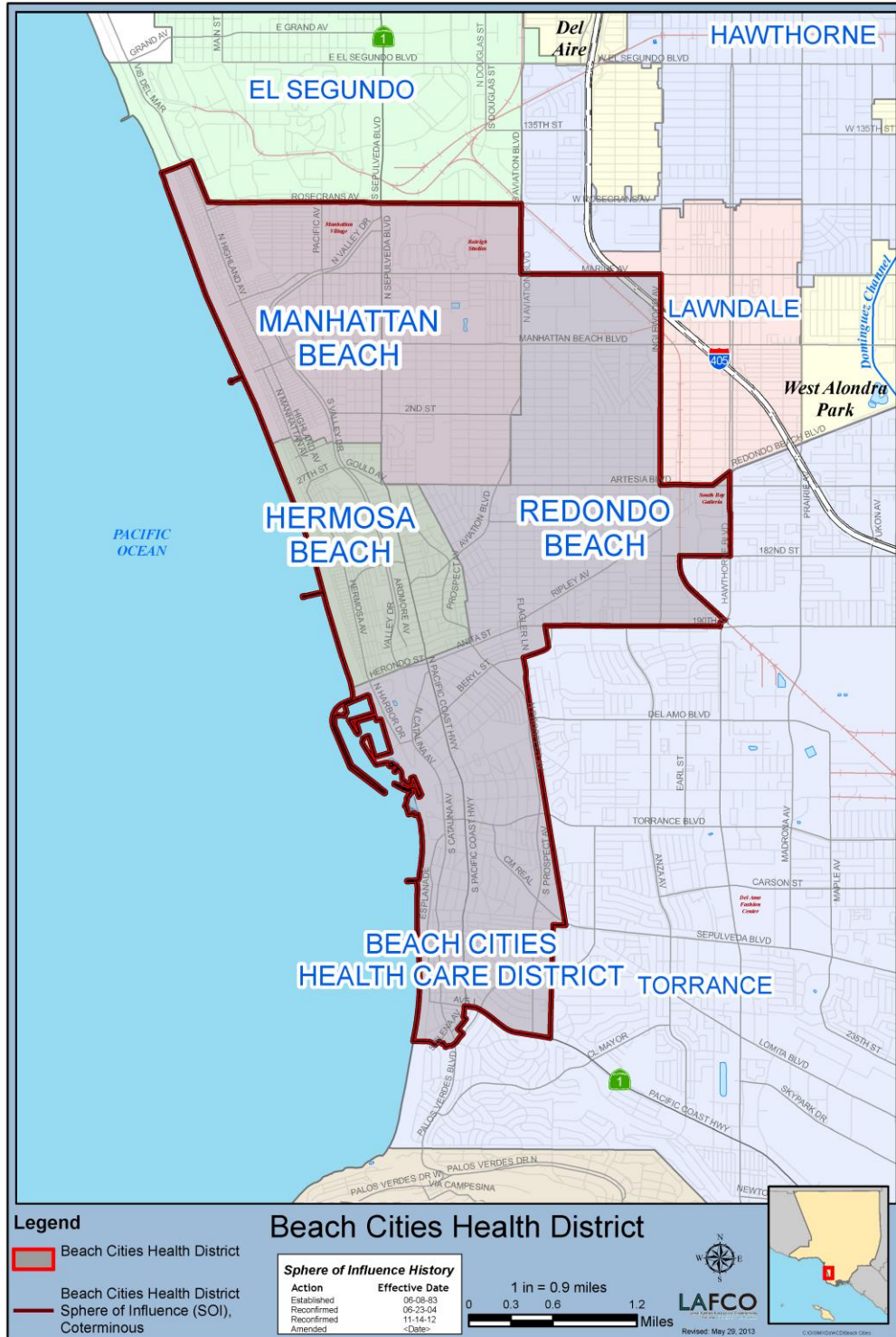
Beach Cities Health District SOI Recommendation:

The existing SOI for the BCHD is a “Larger Than SOI,” which is one in which the SOI includes territory which is outside the jurisdictional boundary of the involved agency. Staff recommends that the Commission amend the SOI for the BCHD to remove those areas within the SOI boundary that extend beyond the BCHD’s jurisdictional boundary—generally including the cities of El Segundo, Gardena, Hawthorne, Lawndale, Palos Verdes Estates, Rancho Palos Verdes, Rolling Hills, Rolling Hills Estates, and Torrance; and the unincorporated communities of Del Aire, West Alondra Park, Westfield, and others. Adoption of this recommendation would establish a “Coterminous SOI,” which is one in which the jurisdictional boundary and the SOI boundary are the same (as shown in Exhibit 8 on Page 57), and it is based upon the following considerations:

1. Since the adoption of the SOI in 1983, the BCHD has made no effort to expand its jurisdictional boundaries.
2. According to BCHD representatives, the BCHD has no interest in annexing additional territory into its jurisdictional boundary in the foreseeable future.

Exhibit 8

Proposed Beach Cities Health District Sphere of Influence



Footnotes

1. Association of Healthcare Districts Website downloaded March 15, 2022.
2. Special Districts: Improving Oversight & Transparency, Report #239, August 2017. Little Hoover Commission, Pages 42-43.
3. Overview of Health Care Districts; Legislative Analyst's Office; April 11, 2012; Page 1.
4. Municipal Services Review of the Peninsula Health Care District and the Sequoia Healthcare District; Harvey M. Rose Associates, LLC, as presented to San Mateo LAFCO; May 24, 2017; Page 3.
5. Association of California Healthcare Districts Website downloaded March 15, 2022.
6. Special Districts: Improving Oversight & Transparency, Report #239, August 2017, Little Hoover Commission, Page 41; and Association of Healthcare Districts Website, downloaded March 15, 2022.
7. Antelope Valley Medical Center Website, downloaded May 16, 2022.
8. Ibid.
9. State of California Controller Website, downloaded May 16, 2022; and Meeting with AVMC Chief Executive Officer Edward Mirzabegian; June 14, 2022.
10. Meeting with AVMC Chief Executive Officer Edward Mirzabegian; June 14, 2022.
11. Meeting with AVMC Chief Executive Officer Edward Mirzabegian; June 14, 2022; and AVMC Fiscal Year 2022 Budget.
12. United States Department of Commerce, Census Bureau, 2020 Census.
13. Southern California Association of Governments (SCAG), 2020-2035 Population Projections.
14. Meeting with AVMC Chief Executive Officer Edward Mirzabegian; June 14, 2022.
15. E-mail from BCHD Director of Well-Being Services Jacqueline Sun to LAFCO Executive Officer Paul Novak; July 8, 2022.
16. Ibid.
17. BCHD Website, downloaded May 17, 2022.
18. Beach Cities Health District Capital Asset Description; provided to LAFCO by BCHD representatives; May 7, 2021.
19. BCHD Website, downloaded May 17, 2022.

20. BCHD PowerPoint Presentation on the Health Living Campus Project to the Board of Directors; November 17, 2021.
21. City of Redondo Beach Community Development Director Brandy Forbes and Planning Manager Sean Scully, Virtual Meeting, May 17, 2022.
22. BCHD Fiscal Year 2021-22 Budget, Page 236.
23. Beach Cities Health District Employee Roster; provided to LAFCO by BCHD representatives; May 7, 2021.
24. United States Department of Commerce, Census Bureau, 2020 Census.
25. Southern California Association of Governments (SCAG), 2020-2035 Population Projections.
26. Disadvantaged Unincorporated Communities (DUCs), South Bay, downloaded from LAFCO website, May 17, 2022.
27. BCHD Fiscal Year 2018-19 Budget, Fiscal Year 2019-20 Budget, Fiscal Year 2020-21 Budget, and Fiscal Year 2021-22 Budget; and email from BCHD Director of Well-Being Services Jacqueline Sun to LAFCO Executive Officer Paul Novak; August 4, 2022.
28. BCHD Fiscal Year 2021-22 Budget, Page 25.
29. BCHD Fiscal Year 2021-22 Budget, Page 21.
30. DavisFarr, Independent Auditor's Report, Management Discussion & Analysis, Page 4.
31. Ibid, Page 21.
32. BCHD Purchasing Policy, adopted by the BCHD Board on February 27, 2019; Pages 1 through 3.
33. E-mail from BCHD Director of Well-Being Services Jacqueline Sun to LAFCO Executive Officer Paul Novak; August 4, 2022.
34. BCHD Fiscal Year 2021-22 Budget, Pages 9-12.