

January 17, 2023

TO: Mendocino Coast Health Care District Board of Directors (Board)  
FROM: Jim Hurst, Chair of Measure C Oversight Committee  
RE: Relationship between District Board and Measure C Committee

Measure C is the Mendocino Coast Health Care District Parcel tax that was approved with a 66.8% Majority vote on June 5, 2018. A two-thirds (66.67 percent) supermajority was required for approval. The Parcel Tax expires 2030.

Measure C's passage authorized the District to levy an annual parcel tax in the amount of \$144 per parcel for 12 years, beginning July 1, 2018, to fund healthcare facilities and services, raising an estimated \$1,700,000 annually after exemptions and consolidations. The Measure required the District Board to establish an independent taxpayer oversight committee to oversee that the revenues are spent in accordance with the criteria below. The Measure also required that the "proceeds of the healthcare parcel tax shall be deposited in a separate account created by the District. (see attached Text of Measure C)

#### **CRITERIA FOR EXPENDITURE OF MEASURE C FUNDS**

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

#### **THE MEASURE C COMMITTEE**

In late 2018 and early 2019 the District adopted By Laws for the C Committee (attached), recruited, and appointed seven people to the Committee effective January 16, 2019. The original members were Steven Antler, Myra Beals, Robert Becker, Lea Christensen, Kathe Charter Jim Hurst, and Kitty Bruning. Four members were appointed to 4-year terms and 3 were appointed to 3-year terms.

Members have resigned and terms ended over the years. The District found it difficult to recruit new members, however, and in 2022 reduced the C Committee to 5 members. Except for Jim Hurst, all other terms of the C Committee members expired as of January 15. His term expires in 2026.

The District Board also adopted in June a policy regarding the relationship of the Measure C Funds to the Improvement Fund and the process required to use Measure C Funds for proposed improvements. That will be discussed further in the Lease Relationship Section of this report.

The C Committee is supposed to meet Quarterly in January, April, July, and October. It last met July 7, 2022. Initially Hospital District Staff in conjunction with the District Board would present a list of Capital Improvement projects to the C Committee to review for compliance with the Measure C Criteria. The Committee would meet and discuss with the Districts Financial Officer the list of projects and vote their approval of the qualifying projects.

Measure C requires the District to issue an annual report on the amount of funds collected, expenditure of the funds and the status of any project or program to be funded. The C Committee formerly approved this report. The Annual Report is required to be submitted to the District Board within sixty days of the closed of each fiscal year.

After the merger with Adventist the process became disjointed as the District Board did not have staff to prepare a proposal for Measure C funds. Adventist would submit a list to the District Board which would then come to the C Committee for discussion. Some projects met Measure C Criteria and others did not. Adventist would modify their proposals and the C Committee would vote their approval.

On February 18, 2021, the C Committee approved \$2,225,478 in projects. In June Adventist 2021 asked for a reallocation of those funds which were approved by the C Committee at their July 7, 2022 meeting. The C Committee has not received a followup report as to the expenditure of these funds.

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

#### PARCEL TAX RECEIPTS

Parcel Tax Revenues are received by the District in August (the true up of the previous year); December (first payment for current fiscal year); and April (second payment for current fiscal year). The County deducts a fee for processing the parcel tax. Parcel tax funds are deposited in a Tri County bank account entitled "Measure "C" Restricted Fund."

Exemptions to the Parcel tax are allowed for "contiguous residential parcels. Some nonprofit owned parcels can be legally exempted and assessor parcels, consolidated for mapping purposes which are essentially a single parcel, receive only a single parcel tax charge. Approved exemptions and consolidation continue from year to year unless the property is sold. Initially the exemptions and consolidations reduced the annual parcel tax revenue \$157,824 and have totaled an additional \$43,056 since then.

The Parcel Tax Net Revenue, after fees and exemptions (rebates), received by the district from January 2019 to April 2022 totals \$6,337,206. The Committee has approved Measure "C" qualifying expenditures of \$4,086,476 through February 2021. The unallocated Measure C funds totaled \$2,250,730 through April 14, 2022. Based on past history I would estimate that the District received True Up Parcel Tax funds of \$100,000 + in August 2022, and \$900,000 in December, 2022. Unallocated funds should now total about \$3,250,000 and be on deposit in the Tri County Bank account entitled "Measure C Restricted Fund."

## LEASE REQUIREMENTS WITH ADVENTIST HEALTH

In accordance with Section 7.1 of the Lease Agreement entered into by the District and Adventist Health Network, the District makes two equal deposits annually (July 1 and January 1) into a restricted account at Tri County Bank entitled "Improvement Fund." The initial amount was \$2,000,000.

The amount is escalated by the lesser of the CPI or 3%. The escalation is cumulative from year to year. For Fiscal Year 2023 the amount of deposits was estimated by the district to be \$2.06 million.

These deposits can be made from either the Tax Revenue Account which holds the property tax revenue; the Restricted Measure C Fund; or other fund sources such as the Lease Payments made by Adventist Health to the District.

The District Board has the final discretion on how much of each revenue source to use. However, prior to transferring funds from the Measure C Account, the Measure C Committee and the District Board must issue a finding that the funded projects are compliant with the Measure C ballot language, (criteria).

I would recommend that the Board obtain a copy of the policy titled "Relationship to Improvement Fund."

Respectively submitted,

*Jim Hurst*

Jim Hurst, Chair

Measure C Oversight Committee