



November 5, 2020

Desert Healthcare District
Andrea Hayles, District Clerk
1140 N. Indian Canyon Drive
Palm Springs, CA 92262

Palo Verde Healthcare District
Dakota Doyle, District Clerk
250 N. First Street
Blythe, CA 92225

San Gorgonio Memorial Healthcare District
Bobbi Duffy, District Clerk
600 N. Highland Springs Avenue
Banning, CA 92220

RE: LAFCO 2019-12-3,4&5-Countywide Municipal Service Review and Sphere of Influence Reviews and Potential Amendments Healthcare Districts: Desert Healthcare District, Palo Verde Healthcare District and San Gorgonio Memorial Healthcare District

You are hereby notified that the above named proposal was received and filed by the Riverside Local Agency Formation Commission at a public hearing held on October 22, 2020. A copy of Resolution No. 21-20 is attached for your records.

Should you have any questions, please feel free to contact our office.

Sincerely,

A handwritten signature in black ink, appearing to read "Elizabeth R. Valdez", is written over a horizontal line.

Elizabeth R. Valdez
Commission Clerk

cc:

Desert Healthcare District, Chris Christensen, Chief Admin Officer - email
Palo Verde Healthcare District, Sandra Anaya - email
San Gorgonio Memorial Healthcare District, Steven Barron, Chief EO - email
Clerk of the Board, Kecia Harper - email
Executive Office, Scott Bruckner, Principal Mgmt. Analyst- email

1 RIVERSIDE LOCAL AGENCY FORMATION COMMISSION

2 RESOLUTION NO. 21-20

3 MAKING DETERMINATIONS PURSUANT TO THE COUNTYWIDE MUNICIPAL
4 SERVICE REVIEW-HEALTHCARE DISTRICTS: DESERT HEALTHCARE DISTRICT,
5 PALO VERDE HEALTHCARE DISTRICT, AND SAN GORGONIO MEMORIAL
6 HEALTHCARE DISTRICT
7 LAFCO 2019-12-3,4&5
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9 WHEREAS a service review mandated by Government Code Section
10 56430 has been conducted by the Riverside Local Agency Formation
11 Commission in accordance with the Cortese-Knox-Hertzberg Local
12 Government Reorganization Act of 2000 (Government Code Section
13 56000 et.seq.); and

14 WHEREAS a duly noticed public hearing was held by this
15 Commission on October 22, 2020; and

16 WHEREAS the Municipal Service Review was received and filed by
17 the Commission on October 22, 2020.

18 NOW THEREFORE BE IT RESOLVED AND DETERMINED, based on the
19 Municipal Service Review, the attached determinations are made in
20 conformance with Government Code Section 56430.

21 BE IT FURTHER RESOLVED that the Commission takes the following
22 actions:

23 1. Find the Municipal Service Review is exempt from the
24 California Environmental Quality Act (CEQA) review pursuant to
25 Section 15306, Class 6, of the CEQA Guidelines in that municipal
26 service reviews consist of basic data collection, research, and
27 resource evaluation activities which do not result in a serious or
28 major disturbance to an environmental resource.

1 2. The determinations included in Attachment "A" for each
2 healthcare district incorporated herein by reference are adopted.

3 3. Receive and file LAFCO 2019-12-3,4&5-Countywide Municipal
4 Service Review-Healthcare Districts: Desert Healthcare District,
5 Palo Verde Healthcare District and San Gorgonio Memorial Healthcare
6 District.

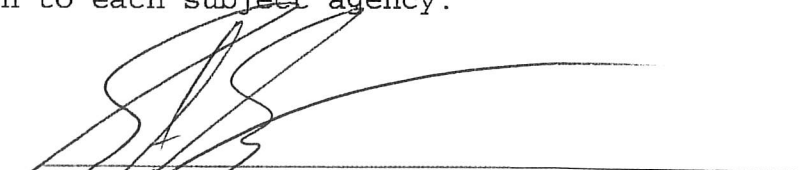
7 4. The Executive Officer is authorized to post additional
8 information received as appendices or errata to the Municipal
9 Service Review on the Commission website.

10 5. The Executive Officer is directed to transmit a certified
11 copy of this resolution to each subject agency.

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Steve Sanchez, Chair


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16 I certify the above resolution was passed and adopted by the
17 Riverside Local Agency Formation Commission on October 22, 2020.

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Gary Thompson, Executive Officer

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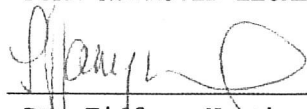
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FORM APPROVED LEGAL COUNSEL

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The foregoing instrument is certified, under penalty of
perjury, to be a true copy of the original on file in this
office.



BY: Tiffany North DATE 10/28/2020

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Elizabeth R. Valdez, Commission Clerk
Riverside Local Agency Formation Commission
Executed on November 5, 2020 at
Riverside, California

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DESERT HEALTHCARE DISTRICT MSR DETERMINATIONS

Growth and Population Projections

- ❖ The population of DHD is difficult to estimate since Coachella Valley is a resort destination. Based on Department of Finance estimates for 2020, the number of permanent residents within the District is approximately 445,721.
- ❖ According to SCAG, the annual growth rate in the District is estimated to be about one percent through 2045.⁹³ Based on these estimates, the District's population is projected to be approximately 501,332 in 2030 and 571,695 in 2045.
- ❖ There is anticipated to be a significant increase of the population over 65 years of age, while the age groups of 15 to 44 and 0 to 14 are estimated to grow at a moderate and slow rate respectively over the next 10 years.

The Location and Characteristics of Disadvantaged Unincorporated Communities Within or Contiguous to the Agency's SOI

- ❖ Riverside LAFCO has identified 40 disadvantaged unincorporated communities in Riverside County within or near cities' spheres of influence, 13 of which are within or adjacent to DHD's boundaries.

Present and Planned Capacity of Public Facilities and Adequacy of Public Services, Including Infrastructure Needs and Deficiencies

- ❖ Present capacity of the District's services is constrained by finite funding and lack of sufficient medical staffing. Additional challenges to providing services consist of the presence of MUAs and healthcare shortage areas.
- ❖ The greatest impact on the District's capacity to provide services is the addition of significant territory and population from annexation in 2018, which resulted in greater demand to provide expanded services to new district residents with no additional funding. The District is working to address this issue by securing funding and resources on a large scale to advance a collective impact approach and leverage funding from foundations, government, and corporate fundraising.
- ❖ In regard to DRMC's capacity, there is overall sufficient capacity to accommodate patient demand for its inpatient services. However, it appears that the ICU is at maximum capacity. The potential need for additional intensive care beds, as well as placement, will be addressed as part of the CHNA that is underway.

⁹³ Southern California Association of Governments, *Demographics and Growth Forecast*, Technical Report, Adopted on May 7, 2020, https://www.connectsocial.org/Documents/Adopted/fConnectSoCal_Demographics-And-Growth-Forecast.pdf.

- ❖ Future district services will need to address anticipated needs resulting in changes in demographics, such as an aging population. Future service needs will be identified and fulfilled as part of the CHNA.
- ❖ Service adequacy of healthcare districts that provide grant funding is defined by public outreach and accountability efforts, grant management practices, and resident satisfaction. Based on these indicators, DHD provides adequate services. In particular, DHD excels at issuing grant funds and follows best management practices with regard to grant approval and management.
- ❖ Service adequacy of hospital services are defined by 1) PQIs, 2) IMIs, 3) hospital volume indicators, 4) EMS ambulance diversion rates, 5) the extent to which residents go to other hospitals for service, 6) patient satisfaction, 7) hospital safety, and 8) accreditation. Based on these indicators, the DRMC's services appear to be mostly adequate and comparable to similar providers statewide.
- ❖ The hospital requires additional significant capital improvements, estimated between \$119 and \$180 million, in order to comply with 2030 seismic requirements. Actual capital costs will greatly depend on the degree to which the District plans to make use of the hospital facility in the long term, which will be determined by facility needs identified in the CHNA.

Financial Ability of Agencies to Provide Services

- ❖ The District has the financial ability to provide services. The District generally operates with an operational surplus, has established a reserve fund to meet infrastructure and other contingency needs, has sufficient reserves to operate for approximately two years, maintains limited debt, and has low pension and OPEB liabilities.
- ❖ Given the stability of the District's existing revenue sources, and the District's conservative budgeting practices, it appears that DHD is low risk for financial distress.
- ❖ Despite its strong financial position, the District may face challenges presented by hospital infrastructure needs, the potential necessity to take over the operations of the hospital, and the need to fund and extend healthcare services to the underserved areas of the recently annexed territory.

Status of, and Opportunities for, Shared Facilities

- ❖ The District practices facility sharing by leasing the DRMC and Las Palmas Medical Plaza to healthcare providers, as well as through its maintenance agreement with the City of Palm Springs for the Wellness Park.
- ❖ The District anticipates that future facility sharing opportunities will be identified during the development of the CHNA, which will guide facility needs, and thus sharing opportunities, in the eastern portion of the District.

Accountability for Community Service Needs, Including Governmental Structure and Operational Efficiencies

- ❖ The District primarily conducts outreach via its website, which makes available comprehensive information and documents to the public and solicits input from customers. The website complies with SB 929, AB 2257, and AB 2019 requirements.
- ❖ Accountability is best ensured when contested elections are held for governing body seats, constituent outreach is conducted to promote accountability and ensure that constituents are informed and not disenfranchised, and public agency operations and management are transparent to the public. The District demonstrated accountability with respect to these factors.
- ❖ No governance structure options were identified over the course of this review with regard to DHD.

PALO VERDE HEALTHCARE DISTRICT MSR DETERMINATIONS

Growth and Population Projections

- ❖ Based on the 2018 Census Tract population estimates and California Department of Finance 2019 and 2020 population estimates, the estimated population of PVHD is approximately 21,376.
- ❖ The population of PVHD fluctuates due to seasonal visitors to the area.
- ❖ According to SCAG, the annual growth rate in the District is estimated to be about one percent through 2045.¹⁹⁴ Based on these estimates, the District's population is projected to be approximately 24,785 in 2030 and 30,049 in 2045.

The Location and Characteristics of Disadvantaged Unincorporated Communities Within or Contiguous to the Agency's SOI

- ❖ Riverside LAFCO has identified 40 disadvantaged unincorporated communities in Riverside County within or near cities' spheres of influence, two of which are within or adjacent to PVHD's boundaries.

Present and Planned Capacity of Public Facilities and Adequacy of Public Services, Including Infrastructure Needs and Deficiencies

- ❖ Present capacity of the District's services is constrained by financing challenges and a lack of sufficient medical staffing. Additional challenges to service provision consist of the presence of MUAs and healthcare shortage areas.
- ❖ The Palo Verde Hospital has an overall sufficient capacity to accommodate the existing and projected demand for the existing bed types. However, the hospital provides a limited range of services and District residents frequently have to travel outside of the area to seek necessary medical care.
- ❖ Despite current financing challenges and a limited range of services, PVHD has significantly improved its financial health and service adequacy in the last several years.
- ❖ Service adequacy of hospital services are defined by 1) PQIs, 2) IMIs, 3) hospital volume indicators, 4) EMS ambulance diversion rates, 5) the extent to which residents go to other hospitals for service, 6) patient satisfaction, 7) hospital safety, and 8) accreditation. Based on these indicators, the Palo Verde Hospital's services appear to be marginally adequate given the challenges it is facing. However, the District continues to make improvements towards achieving better service levels. Its

¹⁹⁴ Southern California Association of Governments, *Demographics and Growth Forecast*, Technical Report, Adopted on May 7, 2020, https://www.connectsocal.org/Documents/Adopted/fConnectSoCal_Demographics-And-Growth-Forecast.pdf.

efforts and improvements are recognized by accrediting, grant-giving and regulating agencies and organizations.

- ❖ The hospital requires significant capital improvements in order to comply with the 2030 seismic requirements. PVHD is yet to identify and plan for the infrastructure needs and sources of financing that would be necessary to achieve compliance.

Financial Ability of Agencies to Provide Services

- ❖ The District has the financial ability to provide services. The District generally operates with an operational surplus, has financial reserves to meet infrastructure and other contingency needs, maintains limited debt, and has no pension and OPEB liabilities.
- ❖ Although PVHD has significantly improved its financial health in the last several years the District remains concerned about financing challenges it continues to encounter. The District continuously looks for new sources of funding and ways to cut costs and reduce expenditures.
- ❖ Given the instability of the District's existing revenue sources it appears that PVHD is high risk for financial distress. This risk is mitigated however by the District's conservative budgeting practices and proactive approach to finding innovative financing solutions.

Status of, and Opportunities for, Shared Facilities

- ❖ The District practices facility sharing by renting some of its medical facilities and leasing or sub-leasing its facilities to healthcare providers.
- ❖ PVHD aims to establish affiliations with larger hospital facilities, systems or teaching institutions. The District is working on establishing links with healthcare organizations in Indio through the ED.
- ❖ Facility sharing opportunities are generally limited due to the hospital's remote location.

Accountability for Community Service Needs, Including Governmental Structure and Operational Efficiencies

- ❖ The District primarily conducts outreach via its website, which makes available information and documents to the public and solicits input from customers. The website generally complies with SB 929, AB 2257, and AB 2019 requirements; however, PVHD needs to ensure that its website is fully functional and has all the required and appropriate up-to-date information.
- ❖ Accountability is best ensured when contested elections are held for governing body seats, constituent outreach is conducted to promote accountability and ensure that constituents are informed and not disenfranchised, and public agency operations and management are transparent to the public. The District demonstrated accountability with respect to these factors.

- ❖ One government structure option was identified in the process of this MSR. This option includes the annexation of the territory between DHD and PVHD.

SAN GORGONIO MEMORIAL HEALTHCARE DISTRICT MSR DETERMINATIONS

Growth and Population Projections

- ❖ The population of San Gorgonio Memorial Healthcare District (SMGHD) is estimated to be 105,556 as of January 1, 2020.
- ❖ Historical growth within the District has been largely within cities. In particular, the City of Beaumont experienced 7.7 percent growth between 2018 and 2020, while Calimesa experienced 6.1 percent growth.
- ❖ According to SCAG, the annual growth rate in the District is estimated to be about 1.6 percent through 2045. Based on these estimates, the District's population is projected to be approximately 123,714 in 2030 and 156,561 in 2045.

The Location and Characteristics of Disadvantaged Unincorporated Communities Within or Contiguous to the Agency's SOI

- ❖ Riverside LAFCO has identified 40 disadvantaged unincorporated communities in Riverside County within or near cities' spheres of influence, one of which is within the SMGHD's boundaries near the City of Beaumont in the community of Highland Springs.

Present and Planned Capacity of Public Facilities and Adequacy of Public Services, Including Infrastructure Needs and Deficiencies

- ❖ Based on use of facilities and demand for services, there is sufficient facility capacity at present; however, given the anticipated high rate of growth in Banning and Calimesa, there will likely need to be plans for expansion to address associated additional demand.
- ❖ In addition to facility capacity and population growth, the Community Healthcare Needs Assessment identified a growing need for healthcare based on particular demographic trends, such as a rise in homelessness that suggests the need for more access to mental and behavioral health programs.
- ❖ Service adequacy of hospital services are defined by 1) prevention quality indicators, 2) inpatient mortality indicators, 3) hospital volume indicators, 4) EMS ambulance diversion rates, 5) the extent to which residents go to other hospitals for service, 6) patient satisfaction, 7) hospital safety, and 8) accreditation. Based on these indicators, the San Gorgonio Memorial Hospital's services appear to be mostly adequate and comparable to similar providers statewide.
- ❖ The Hospital has undergone significant capital improvements over the last 15 years and is considered to be in very good condition. In total \$137 million in improvements

were made, bringing the existing facilities into compliance with certain state seismic requirements. There is a continued need to address the 2030 seismic needs, which is planned to be addressed as part of the District's Patient Care Building over the next decade.

- ❖ The most significant immediate plan for capital improvement is for a Stroke Center, which would involve the replacement of the existing CT Scanner, purchase of another CT Scanner and MRI machine and locating these items in a new department. SGMHD has applied for grant funding for this project and plans to complete it over the next three years.

Financial Ability of Agencies to Provide Services

- ❖ The District has the financial ability to provide services. The District generally operates with an operational surplus, has established a reserve fund to meet infrastructure and other contingency needs, has sufficient reserves to operate for approximately six months, and has no pension and OPEB liabilities.
- ❖ Given the stability of the District's existing revenue sources, and the District's conservative budgeting practices, it appears that SGMHD is low risk for financial distress.
- ❖ While SGMHD has a relatively high ratio of long-term debt attributable to the bonds issued to fund infrastructure needs, the bond payments are made with property tax revenues, which are relatively secure and sufficient to fund the debt payments.

Status of, and Opportunities for, Shared Facilities

- ❖ The District practices facility sharing by leasing the San Geronio Memorial Hospital to the San Geronio Memorial Hospital Corporation for operation. Additionally, the District practices extensive partnering and collaboration in order to provide and extend a variety of programs.
- ❖ No additional opportunities for facility sharing were identified.

Accountability for Community Service Needs, Including Governmental Structure and Operational Efficiencies

- ❖ The District primarily conducts outreach via its website, which makes available comprehensive information and documents to the public and solicits input from customers. The website complies with SB 929 requirements; however, SGMHD needs to address AB 2257 agenda posting requirements, and ensure that all required up-to-date documents are posted on its website, including annual budgets and audited financial statements in order to comply with AB 2019.
- ❖ Accountability is best ensured when contested elections are held for governing body seats, constituent outreach is conducted to promote accountability and ensure that constituents are informed and not disenfranchised, and public agency operations and management are transparent to the public. The District demonstrated accountability with respect to these factors.

- ❖ No governance structure options were identified over the course of this review with regard to SGMHD.