

January 27, 2020

Sonoma County LAFCO  
111 Santa Rosa Avenue, Suite 240  
Santa Rosa, CA 95404

Subject: Fee Waiver—Dissolution of the Palm Drive Healthcare District

Dear LAFCO Commissioners:

As the petitioners for the dissolution of the Palm Drive Healthcare District, we respectfully request that LAFCO waive all of its deposits and fees for processing and administration of our petition effort. We are an all-volunteer group, and we are determined to finally end the District on behalf of West County taxpayers.

LAFCO commissioners and staff are painfully aware of the years-long trials and tribulations of the Palm Drive District. Voters approved the District in 2000 and supported a parcel tax in 2004—unfortunately, with no sunset date—solely to ensure the survival of Sebastopol’s public hospital with an emergency room and related medical services.

But due to relentless hospital operating losses, the District has suffered two bankruptcies itself, in 2007 and 2014, along with the bankruptcy of a hospital manager, SWMC, in 2018. It allowed its former manager, SWMC, to engage in a dubious drug testing scheme with a Florida attorney. Only after SWMC was sued for insurance fraud and declared bankruptcy did the District make a hasty agreement with a private, for-profit corporation named SSH to manage, lease and eventually buy the hospital.

Because of these bankruptcies and related borrowing, two-thirds of the District’s parcel tax receipts have been committed for the next 15 years to pay off \$25 million in debt incurred over the last 15 years.

As of December 2019, the District has sold the hospital, land and equipment to SSH. But even before that, the District leased its assets to SSH back in April 2019, and it declared in a resolution in May that it was “out of the business of running a hospital.”

As a result of these actions, the District no longer has a voter-approved purpose or funding. And because of two previous detachments that LAFCO unanimously approved, it has fewer than 60% of its original parcels.

Most residents we talk with don’t understand why the District was not dissolved automatically with the sale of the hospital. They are shocked by the news that, unless someone stops it, the District will use the never-ending tax revenues for overhead and new programs, or worse, use future taxes as collateral to add even more debt.

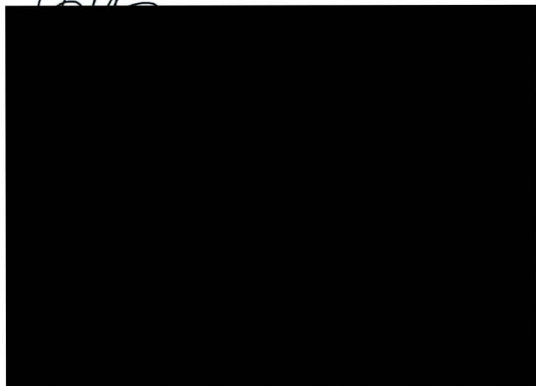
So what are our options to end the District? The District board could dissolve itself, by far the quickest and easiest solution. Although the District apparently will discuss dissolution at its February meeting, we can't rely on it. LAFCO itself could vote to dissolve the District, subject to a protest period, but it appears you are reluctant to take that step unilaterally.

So we are determined to follow the petition protocol and perform this public service for West County taxpayers. In about two weeks, we have collected more than 500 of the roughly 2400 signatures required for our petition. We'll continue to sit at tables outside stores and post offices, walk our neighborhoods, and recruit our friends until we achieve our goal. We're currently spending our own money to inform the public about their options for ending this tax.

We respectfully request that LAFCO waive all of its fees in recognition of the value of our volunteer efforts in ending a public district that no longer serves its purpose.

We understand there are costs incurred by LAFCO in this process. The point is that our volunteer group is not a municipality with "deep pockets" to defray this expense. We genuinely believe that the intent of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 is to provide fair and equitable jurisdiction of local districts. We further believe that the Act is not meant to make it difficult or penalize a citizens group from achieving their lawful rights.

Thank you very much for your consideration,



Gayle Bergman

Alan Murakami

Jim Horn