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**STATE OF MINNESOTA
IN COURT OF APPEALS
A09-1999**

City of Otsego,
Relator,

vs.

New River Hospital District,
Respondent.

**Filed August 24, 2010
Affirmed
Worke, Judge
Concurring specially, Johnson, Judge**

New River Medical Center

Andrew J. MacArthur, Sarah E. Schwarzhoff, Couri, MacArthur & Ruppe, PLLP, St. Michael, Minnesota (for relator)

Richard A. Duncan, Michelle E. Weinberg, Faegre & Benson, LLP, Minneapolis, Minnesota (for respondent)

Considered and decided by Worke, Presiding Judge; Halbrooks, Judge; and Johnson, Judge.

UNPUBLISHED OPINION

WORKE, Judge

Relator city challenges respondent hospital district's denial of its petition for detachment, arguing that the decision was arbitrary and capricious. We affirm.

FACTS

Respondent New River Hospital District was formed in 1961 by the City of Monticello, the City of Big Lake, Monticello Township, Big Lake Township, Becker Township, and Silver Creek Township. Relator City of Otsego was annexed into the hospital district in 1962. The hospital district originally maintained only a hospital in Monticello until acquiring a nursing home in 1976. The hospital district added its third facility and first clinical facility, the Big Lake Clinic, in 2008.

The hospital district is governed by an eight-member board of directors, including one appointee from each of the seven cities and townships in the hospital district as well as one at-large member. The hospital district is primarily funded by the operating revenue from the hospital, but the hospital district has taxed residents when necessary; pursuant to statute, taxes are assessed based on property value. In 2008, after receiving complaints from residents regarding paying a disproportionate amount of taxes compared to the services used, Otsego's city council petitioned for detachment from the hospital district.

The board's adopted evaluation criteria for Otsego's petition considered: (1) the benefit or harm to Otsego and the hospital district if the petition is granted; (2) whether Otsego is unique in comparison to the other cities/townships in the hospital district; (3) whether a substantial change in circumstances from the time of formation to the present justifies granting the petition; and (4) the probative, credible evidence supporting the reasons for detachment. The board held two public hearings to address Otsego's petition. Otsego asserted that, although the individual taxes—approximately \$50 per

year—were modest, eliminating this tax would benefit its residents because they were not using the services; in 2008, Otsego residents accounted for only 4.5% of total services provided by the hospital district. Otsego also argued that the harm to the hospital district would be minimal because the total taxes levied in 2008 accounted for less than three percent of the hospital district's total operating revenue of \$50,542,010, with the taxes paid by Otsego residents comprising less than one percent. Otsego further asserted that it paid 23% of the taxes but used only 4.5% of the services, thereby indicating a clear uniqueness of its situation. By comparison, in 2008, Monticello residents paid 29% of the total taxes while using 33% of the services, and Big Lake paid 14% of the taxes and used 26% of the services.

The hospital district countered with evidence that Otsego's use of the services has increased 45% over the previous two years: 451 residents used district services in 2006, and 654 residents used services in 2008. During that same two-year span, the next highest increase for a city was approximately 15%. The hospital district also argued that the tax benefit of detachment to Otsego would be nominal, considering the small amount of the tax and the board's recent reduction in taxes. And even if the detachment petition was granted, the hospital district argued that the benefit of no longer paying a small tax was tempered by the reality that Otsego residents would remain liable for the current indebtedness of the hospital district until the debt is paid in full in 2022. Conversely, the hospital district argued that losing the taxes from Otsego residents would require rebalancing the budget and making unplanned cuts, and could potentially lead to a

disorderly dissolution of the hospital district if other members petitioned for detachment as well.

The board denied Otsego's petition. The board found that: (1) the anticipated tax benefits to Otsego residents were modest and outweighed by the potential harm to the hospital district; (2) Otsego is not unique in comparison to other townships or cities within the hospital district; (3) there had been no meaningful change in circumstances from the time Otsego was annexed into the hospital district; and (4) there was insufficient evidence of financial hardship to sustain Otsego's purported reasons for detachment. This appeal follows.

D E C I S I O N

A city may request detachment from a hospital district by petitioning the hospital district's board. Minn. Stat. § 447.38 (2008). In evaluating the petition, the hospital district considers: (1) the benefit or harm to the city or hospital district if the petition is granted, (2) whether the city is unique in comparison to other governmental units in the district, (3) whether there has been a change in circumstances since formation, and (4) the validity of the reasons for detachment. *Twp. of Ottertail v. Perham Hosp. Dist.*, 438 N.W.2d 412, 414-15 (Minn. App. 1989). A detachment decision is quasi-judicial and we review whether the hospital district "was within its jurisdiction, was not mistaken as to the applicable law, . . . act[ed] arbitrarily, oppressively, or unreasonably, and . . . whether the evidence could reasonably support or justify the determination." *Id.* at 413 (quotation omitted). A conclusion is not arbitrary or capricious when there exists "a rational connection between the facts found and the choice made." *In re Excess Surplus Status of*

Blue Cross & Blue Shield of Minn., 624 N.W.2d 264, 277 (Minn. 2001) (quotation omitted).

Benefit and Harm of Detachment

Otsego first challenges the board’s conclusion that the harm to the hospital district caused by detachment would outweigh the benefits to the city. The board determined that the principal benefit of detachment asserted by Otsego—relief from the estimated \$50 annual tax per property owner—was modest. Conversely, the board found that “there could be serious harm to the [d]istrict if the petition w[as] granted.” The board cited the aggregate loss of tax revenue from Otsego residents as problematic, potentially forcing the hospital district to rebalance budgets or impose greater taxes on residents of the communities remaining in the district. The board further noted that “[t]he granting of the petition could also lead other [d]istrict cities or townships to seek to detach, threatening a disorderly dissolution of the [d]istrict and the loss or reduction in local health care services.”

Otsego argues that the board inappropriately minimized the benefits of detachment to the city, claiming that the board overemphasized the amount of taxes paid by Otsego residents when the true issue is that Otsego residents are paying for services that they are not using. Otsego also argues that the hospital district has made no effort to increase services to Otsego residents and, thus, there is no benefit to the city to remain in the hospital district.

But the board correctly noted that the use of services by Otsego residents has increased recently; in fact, between 2006 and 2008, the increase in use of services by

Otsego residents was more than three times greater than for any other city or township. Regarding the amount of taxes paid by Otsego residents, the hospital district correctly argues that the tax rates are legislatively governed and, accordingly, aligning taxes with usage under the current statutory framework is impossible. *See* Minn. Stat. § 447.34, subd. 2 (2008) (providing for taxing based on taxable property). And even if detachment would provide residents with modest tax relief, the board correctly noted that Otsego residents would still remain liable for the hospital district's existing debt. *See* Minn. Stat. § 447.38, subd. 2 (2008) (stating that detaching city or township remains liable for present indebtedness of the district at the time of detachment). There is a rational connection between the facts found and the board's assessment of the detachment benefits to Otsego; thus the board did not act arbitrarily or capriciously.

Otsego next argues that the board erred in assessing the harm of detachment to the hospital district, claiming that the total taxes paid by its residents account for less than one percent of the hospital district's operating revenue and, therefore, that the financial harm to the hospital district as a result of detachment would be minimal. Otsego also argues that there is no basis for the board to believe that granting the detachment petition would encourage other cities and townships to seek detachment because residents of the other cities and townships actually use the services.

In *Ottetail*, the township was one of 13 entities comprising the hospital district and sought detachment primarily because of the high tax levy imposed by the hospital district. 438 N.W.2d at 413, 415. In upholding the denial of the detachment petition, this court concluded that the board did not err by considering the importance of securing a

broader financial base in denying the detachment petition. *Id.* at 415. Here, as the hospital district argues, the \$300,000 that Otsego residents paid in taxes in 2008 was budgeted for, and losing this money would create a financial disruption in the hospital district's operations. So, despite the figure being relatively small compared to the operating revenue of the hospital district as a whole, the board's interest in preserving the hospital district's financial base is appropriate. Additionally, the board's concern for preventing a disorderly dissolution of the hospital district is legitimate. Granting Otsego's petition would establish precedent for other communities to seek detachment whenever the rate of services used is incongruent with the portion of taxes paid, and this would result in an unstable membership coalition. There is a rational connection between the facts found and the board's assessment of the potential harm to the hospital district. Therefore, the board did not act arbitrarily or capriciously.

There is a rational connection between the facts found and the board's conclusion that the benefit of tax relief to Otsego residents is outweighed by the harm posed to the hospital district by detachment. The board did not act arbitrarily or capriciously in weighing the first inquiry in favor of denying the detachment petition.

Uniqueness of Otsego's Position

Otsego next challenges the board's determination that Otsego is not unique in comparison to the other cities and townships in the hospital district. The board found that "[w]hile the City of Otsego may feel its residents do not use [d]istrict services, [d]istrict records show that usage by patients who list Otsego as their home city has grown substantially in the past several years." Furthermore, the board determined that Otsego's

concern that it did not have a primary-care clinic within its city limits is also misplaced because only two communities in the hospital district have medical facilities.

Otsego argues that it is unique compared to other cities and townships in the hospital district, claiming that its recent population boom occurred close to the Twin Cities along Highway 101, resulting in the infrequent use of services. Otsego also claims that the difference between the services used and the taxes paid further places it in a unique position. Finally, Otsego argues that it is the only city whose taxes increased over the past three years, further illustrating its uniqueness.

But despite Otsego's population growth towards the Twin Cities, Otsego does not deny that the use of services by its residents is growing. The evidence indicates that, since 2006, Otsego residents have increased their use of services at a greater rate than any other city. So while Otsego residents might use the services less than other areas that pay lower taxes, the board correctly noted that residents of Otsego are increasingly using the hospital district's services. Furthermore, the hospital district correctly argues that the tax rates cannot be aligned with the services used under the current statutory scheme, so there always will be some inconsistency between services used and taxes paid. While Otsego experiences the greatest difference between services used and taxes paid, this fact is mitigated by the reality that Otsego's use of services has increased more dramatically than any other city's since 2006.

Additionally, Otsego's concern that the hospital district does not administer services directly within its city limits is also unconvincing. As the board correctly noted, all hospital-district facilities were located in Monticello until 2008. In addition to

Otsego, four other communities in the hospital district remain without a medical facility located in their city limits. Thus, the lack of a medical facility does not differentiate Otsego from the majority of communities within the district. There is a rational connection between the facts found and the conclusion that Otsego is not unique compared to the other communities within the hospital district. The board did not act arbitrarily or capriciously when assessing this factor.

Change in Circumstances

Otsego also challenges the board's conclusion that no change in circumstances occurred from the time the hospital district was formed to present. The board concluded that while the population of the hospital district has increased over recent decades, so too have the number of patients treated and services offered by the hospital district. As such, any change in circumstances surrounding Otsego and the hospital district has not altered the original relationship between the city and the hospital district.

Otsego argues that the board marginalized the significance of the changes to the city's community since the formation of the hospital district. Otsego asserts that it originally joined the hospital district while it was a rural township; since becoming a city in 1990, the rural landscape has slowly become more developed due to continued improvements to Highway 101. Residents now have access to closer medical facilities that are more convenient for the majority of its population. Otsego also claims that the hospital district has changed as well, focusing services toward smaller, non-member communities neighboring the hospital district such as St. Michael and Albertville.

The board acknowledged Otsego's substantial growth since being annexed into the hospital district, but noted that the other communities in the hospital district have also grown considerably. Moreover, in *Ottertail*, the township argued that its residents preferred other neighboring facilities to the ones available in the hospital district as a reason supporting detachment. 438 N.W.2d at 415. We concluded that the board did not err by concluding that preferences of other facilities over the services available in the hospital district did not amount to a change in circumstances. *Id.* Accordingly, Otsego's contention that its residents now prefer other medical facilities also is unlikely to qualify as a change of circumstance warranting detachment. The board's determination that the third factor did not support detachment was rationally connected to the facts found, and is not arbitrary or capricious.

Supporting Evidence

Finally, Otsego challenges the board's determination that the city presented insufficient evidence supporting detachment. After the board concluded that the approximate \$50 annual tax per household was modest, the board noted that it is continuing to reduce tax liabilities as it has in years past. Additionally, the board found that this tax burden is not unique to Otsego residents, especially given the increasing use of district services. The board ultimately concluded that "[t]here is no probative evidence of financial hardship, unique circumstances, or changed circumstances to warrant granting the petition."

The greatest evidence in favor of detachment is the percentage of total taxes paid being disproportionate to the amount of services used. But this evidence only pertains to

one factor—the uniqueness of Otsego—and does not alone warrant detachment. Moreover, the board presented a legitimate concern that granting Otsego’s petition based primarily on a disparate proportion of taxes paid compared to services used would set a dangerous precedent; the board would risk creating a rush to the exits whenever a member’s percentage of taxes paid exceeded the amount of services used. Conversely, the board reasonably concluded that other evidence supported the denial of the petition. The board determined that losing \$300,000 in tax levies would have a harmful effect on the hospital district’s operations. The board also correctly concluded that evidence demonstrated increased use of services by Otsego residents. And there is no dispute that only Monticello had a health-care facility in the district prior to 2008. Thus, despite Otsego’s evidence of the percentage of taxes paid by residents exceeding the percentage of services used, the hospital district presented sufficiently probative evidence against detachment. The board’s conclusion that the evidence supported a denial of the petition is rationally connected to the facts found; therefore, the board did not act arbitrarily or capriciously.

The record adequately supports the board’s determination on each of the four factors adopted for its detachment analysis. Accordingly, the board did not act arbitrarily or capriciously in denying Otsego’s detachment petition.

Affirmed.

JOHNSON, Judge (concurring specially)

Persons who own property in the City of Otsego pay a grossly disproportionate share of the property taxes levied by the New River hospital district (formerly known as the Monticello-Big Lake Hospital District) in comparison to their use of the district's facilities. In the 48 years since Otsego joined the district, health-care options have increased substantially so that it no longer is necessary for the district to levy property taxes on property owners in Otsego. It appears that the district board denied Otsego's detachment petition simply because the board desires to continue receiving property taxes paid by property owners in Otsego. Nonetheless, our deferential standard of review makes it difficult for us to conclude that the district board committed reversible error. Therefore, with some reluctance, I concur in the opinion of the court.

A.

I take as given the legal framework established by *Township of Ottertail v. Perham Hosp. Dist.*, 438 N.W.2d 412 (Minn. App. 1989), and the multi-factor balancing test adopted by the district's board for purposes of this matter. I regard the district's fourth factor to be not an independent substantive factor but, rather, a means of gauging the strength of the evidence on the first three factors. Because the underlying objective facts are essentially not in dispute, the fourth factor does not play a meaningful role in the analysis.

1. Uniqueness

The most significant factor in this case is the district's second criterion, which asks, "Is the detaching town unique in comparison to the other governmental units comprising the district?" In my view, the disparity between Otsego and other members of the district is obvious from a glance at the following table, which shows (1) the use of the district's hospital facilities in 2008 by persons living in each of several nearby communities in terms of the number of visits to the Monticello Hospital (now known as the New River Medical Center), as measured by the hospital¹; (2) each community's percentage-based share of the use of the district's hospital facilities; (3) the property taxes levied by the district in 2008 on property owners in each member community; (4) each community's percentage-based share of the property taxes paid to the district; and (5) the relationship between each community's share of use of the district's hospital facilities and its share of property taxes paid:

¹The evidence in the record of hospital patients' places of residence is based on their self-identification at the time of their visits. Both parties note that some patients who live within the City of Otsego may self-identify as residents of other communities because Otsego does not have a unique zip code. It appears from the record that an Otsego resident may be assigned a postal address associated with Albertville, Elk River, Monticello, St. Michael, or Rogers. Otsego states that it requested more precise data about patients' places of residence but that the district did not provide it. In its arguments to this court, the district has not cited any additional or alternative data; rather, the district has adopted and analyzed the data on which Otsego relies, noting that the number of hospital visits by residents of Otsego is "likely understated."

		(1) Amount of Use	(2) Share of Use	(3) Tax Levy	(4) Share of Tax	(5) Tax-Use Ratio
1.	Monticello ²	4,842	33.3%	\$474,176.	35.1%	1.05
2.	Big Lake ³	3,814	26.2%	\$382,489.	28.2%	1.08
3.	Becker ⁴	1,358	9.3%	\$120,870.	8.9%	0.96
4.	St. Michael	889	6.1%	\$0.	0.0%	--
5.	Albertville	840	5.8%	\$0.	0.0%	--
6.	Elk River	788	5.4%	\$0.	0.0%	--
7.	Buffalo	713	4.9%	\$0.	0.0%	--
8.	Otsego ⁵	654	4.5%	\$307,180.	22.7%	5.04
9.	Maple Lake	288	2.0%	\$0.	0.0%	--
10.	Rogers	186	1.3%	\$0.	0.0%	--
11.	Annandale	179	1.2%	\$0.	0.0%	--
12.	Silver Creek ⁶	--	--	\$69,351.	5.1%	--
	TOTALS	14,551	100.0%	\$1,354,066.	100.0%	--

²The tax data shown for Monticello include the property taxes paid by the residents of the City of Monticello (\$393,667 or 29.1%) and the residents of Monticello Township (\$80,509 or 6.0%).

³The tax data shown for Big Lake include the property taxes paid by the residents of the City of Big Lake (\$196,696 or 14.5%) and the residents of Big Lake Township (\$185,793 or 13.7%).

⁴The tax data shown for Becker reflect the property taxes paid by the residents of Becker Township.

⁵The tax data shown for Otsego reflect the property taxes paid by the residents of the City of Otsego.

⁶The tax data shown for Silver Creek reflect the property taxes paid by the residents of Silver Creek Township. No data is available concerning the number of hospital visits by residents of Silver Creek Township.

Otsego is unique among members of the district because the benefits received by its residents are dramatically less than the benefits received by the residents of all other members of the district for which data is available. Otsego's population is approximately one-quarter of the population of the district,⁷ but its residents' use of the district's hospital facilities is only 4.5% of the total usage. At the same time, Otsego pays 22.7% of the property taxes levied by the district. Otsego's share of taxes paid to the district is approximately *five times* as great as its share of use of the hospital. In sharp contrast, each of the other communities for which data is available -- Monticello, Big Lake, and Becker -- pays a share of property taxes that approximates its share of use of the hospital. Furthermore, Otsego's use of the district's hospital is less than that of four communities that are not even members of the district.

The district board was not impressed by these facts. The board's order states that Otsego is *not* unique because "residents throughout the District have varied health care choices and preferences." That may be true, but it sidesteps the issue. Otsego placed evidence before the district board that its residents prefer to use health-care facilities outside the district. Otsego's evidence included letters submitted by more than 50 of its residents, some of whom provided specific information about the locations of their primary-care physicians and preferred hospitals.

The district board also reasoned that Otsego is not unique because "District records show that usage by patients who list Otsego as their home city has grown

⁷According to the evidence placed before the district board, the City of Otsego had a population in 2007 of 12,449, which is 24.3% of 51,177, the total population of the district in that year.

substantially in the past several years.” The data show that the number of visits to Monticello Hospital by residents of Otsego increased by 203 in a two-year period, an increase of approximately 100 visits per year (from 451 visits in 2006 to 654 visits in 2008). During that same period, the total number of visits to the district’s hospital increased by 778 (from 13,773 to 14,551). The increase in hospital visits by residents of Otsego accounted for approximately 26% of the total increase, which is roughly proportional to Otsego’s share of both the district’s population and property-tax base. If hospital visits by residents of Otsego were to increase by 100 visits each year, it would take decades for Otsego’s share of use of the hospital to catch up to its share of property taxes.⁸ Furthermore, the property taxes levied on Otsego by the district increased by 69% between 2006 and 2008 (from \$181,883 to \$307,180), a growth rate that exceeds the growth rate of hospital visits by Otsego residents. Consequently, even after the increase in visits by residents of Otsego between 2006 and 2008, Otsego still pays a far larger share of the district’s property taxes than its share of the use of the district’s hospital facilities, and that likely will be true for years into the future.

In *Township of Ottertail*, we stated,

The special character of the Township, such as whether it derives less benefit from the Hospital district than do other townships and cities, would be important in evaluating the Township’s petition. For instance, if the Township benefited significantly less than other governmental units within the

⁸For example, after 30 years of such increases, use of the hospital by residents of Otsego still would be only 20.8% of the total (3,654 ÷ 17,551), even if use of the hospital by residents of other communities remained constant. It also must be noted that Otsego’s share of the district’s property taxes has not remained constant; that figure grew from 19.0% to 22.7% between 2006 and 2008.

Hospital District, the Township's desire to withdraw would have merit.

438 N.W.2d at 414. In my view, the facts of this case easily satisfy that standard.

2. Substantial Change in Circumstances

Also of significance in this case is the district's third criterion, which asks, "Has there been a substantial change in circumstances from the time of the formation to the present that justifies granting the petition?" The statute authorizing the creation of hospital districts, section 447.31, was enacted in 1959. 1959 Minn. Laws ch. 570, § 1, at 901-03. The legislature did not make any findings concerning the purposes of the act, but it appears that its purpose was to allow cities and townships to ensure the availability of health-care services in rural areas, where health-care services were not so accessible. It further appears that, at present, most hospital districts are geographically removed from the Twin Cities metropolitan area.⁹

⁹Based on a casual search of the internet, it appears that there are at least five hospital districts in Minnesota in addition to the New River Medical Center: (1) District One, based in Faribault, which consists of eight townships and three cities in Rice County; (2) the United Hospital District, based in Blue Earth, which consists of 14 cities and townships in Faribault County; (3) the Northern Itasca Hospital District, based in Bigfork, which consists of 3 cities and 12 townships in Itasca County and Koochiching County; (4) the Paynesville Area Health Care System, based in Paynesville, which consists of seven cities in Stearns County; and (5) the Cuyuna Regional Medical Center, based in Crosby, which consists of 17 cities and townships in Crow Wing County. *See* District One, <http://www.districtonehospital.com/community/index.htm> (last visited Aug. 12, 2010); United Hospital District, <http://www.uhd.org/history.php> (last visited Aug. 12, 2010); Northern Itasca Hospital District, <http://bigforkvalley.org/board.html> (last visited Aug. 12, 2010); Paynesville Area Health Care System, <http://www.pahcs.com/category.php?disid=1> (last visited Aug. 12, 2010); Cuyuna Regional Medical Center, <http://cuyuna.wsol.net/about/history.aspx> (last visited Aug. 12, 2010).

At the time Otsego joined the district in 1962, it was a township with a population of approximately 1,000. The segment of Interstate Highway 94 that passes through the district had not yet been built and would not be built until 1973.¹⁰ Since 1962, Otsego has become a city with a population of approximately 12,000. According to evidence that Otsego submitted to the district board, the character of Otsego has changed from agricultural to “a bedroom community with approximately 60 percent of its population commuting at least 20 minutes to work, . . . most likely to locations within the Twin Cities Metropolitan Area.” Otsego is geographically closer to Minneapolis and St. Paul than any other member of the district. Otsego’s location on the outer edges of a growing metropolitan area means that its character has changed dramatically in the past 48 years. Furthermore, since 1962, new hospitals have been built outside the district but nearby in Coon Rapids, Fridley, and Maple Grove. Consequently, residents of Otsego have significantly less need for health-care services within the district than they had in 1962. In my view, the facts of this case easily satisfy the district’s third criterion.

3. Benefits and Harms

The district’s first criterion asks, “What benefit or harm will there be to the detaching town or the District if the petition is granted?” The board concluded that detachment would benefit Otsego only slightly because the annual property tax burden is approximately \$50 on a property valued at \$200,000. Property owners in Otsego paid a

¹⁰Transportation & Transit Planning & Programming Div., State of Minn. Dep’t of Highways, Road Life Studies, Constr. Project Log Record, Control Section 8680, Trunk Highway 94, *available at* <http://www.dot.state.mn.us/roadway/data/reports/data/counties/county86/8680.pdf>.

total of \$307,180 in property taxes to the district in 2008. This amount is only 0.6% of the district's annual revenues, which were \$50,542,010 in 2008. In that same year, the district's annual expenses were \$48,086,813, which means that the district experienced an annual surplus of \$2,455,197 in 2008. That surplus is significantly greater than the total amount of property taxes levied by the district in that year (\$1,354,066).

In *Township of Ottertail*, we stated, "If granting the Township's petition to withdraw would be *detrimental to the continuing existence of the Hospital District*, that harm would be a vital consideration for the Board in making its decision." 438 N.W.2d at 414 (emphasis added). In this case, the district has not identified any specific harm that would arise from a reduction in property taxes of approximately \$300,000, let alone any harm that would rise to the level of threatening the continuing existence of the district. The board's stated rationale that granting Otsego's detachment petition could cause a "disorderly dissolution" appears to be entirely speculative.

B.

The facts of this case can be distinguished from *Township of Ottertail*. In that case, the district board "found that there was no evidence that the Township was in a unique situation compared to other governmental units making up the Hospital District." *Id.* at 415. In this case, however, the disparities between Otsego and other members of the district are obvious. In *Township of Ottertail*, the petitioning township sought detachment only 12 years after joining the district, *id.* at 413, and the district was located in an area that had been consistently rural in character over time. The district board did not find that there was a "change in the need for a medical facility in Perham." *Id.* at 415.

In this case, however, Otsego, the district, and the health-care sector of the economy have undergone dynamic changes in the half century since the district was formed.

The insurmountable obstacle for Otsego, however, is the deferential standard of review that we are obligated to apply, which asks only whether the district board “was within its jurisdiction, was not mistaken as to the applicable law, and did not act arbitrarily, oppressively, or unreasonably . . . and . . . whether the evidence could reasonably support or justify the determination.” *Id.* at 413 (quotation omitted). Otsego sought review by way of a writ of certiorari, which by nature is “nonintrusive” and thereby “compatible with the maintenance of fundamental separation of power principles.” *Dietz v. Dodge Cnty.*, 487 N.W.2d 237, 239 (Minn. 1992). Because Otsego’s challenge goes to “the manner in which the [district board] has discharged its administrative function,” we must avoid the “grave risk of usurping the [district’s] administrative prerogative.” *Id.* at 240. When reviewing a matter on a writ of certiorari, “A court cannot put itself in the place of the board, try the matter *de novo*, and substitute its findings for those of the board.” *State ex rel. Ging v. Board of Educ. of Duluth*, 213 Minn. 550, 571, 7 N.W.2d 544, 556 (1942), *overruled on other grounds*, *Foesch v. Independent Sch. Dist. No. 646*, 300 Minn. 478, 223 N.W.2d 371 (1974). These principles make it especially difficult to question the district board’s consideration of the first criterion, the relative benefits and harms to the district and to Otsego.

Our review of the district board’s decision is constrained by the design of the applicable statute. In *Township of Ottertail*, this court noted that “the legislature failed to set forth express procedures to guide the Board’s determination of a petition for

detachment.” 438 N.W.2d at 414. More importantly, the legislature did not provide that a petition for detachment from a hospital district would be presented to a neutral, disinterested decisionmaker. In other situations, the legislature has ensured that a request for detachment is not decided by the entity from which detachment is sought. For example, issues concerning detachment from a municipality historically have been decided by the Minnesota Municipal Board, Minn. Stat. § 414.01, subd. 1 (1998); the director of the Minnesota Office of Strategic and Long-Range Planning, Minn. Stat. § 414.01, subd. 1 (2006); or the chief administrative law judge, Minn. Stat. § 414.01, subd. 1 (2008). In contrast, the legislature has provided that a petition for detachment from a hospital district must be submitted to and decided by the board of the district itself. Minn. Stat. § 447.38, subds. 1, 2 (2008).

In sum, it is difficult to imagine how a petition for detachment from a hospital district could be stronger than the petition in this case. Nonetheless, given the applicable statute, the applicable caselaw, and the criteria adopted by the district board, Otsego is, in essence, at the mercy of the other members of the district. The circumstances of this case give new meaning to the oft-repeated phrase, “You can check out any time you like, but you can never leave.”¹¹

¹¹The Eagles, *Hotel California*, on Hotel California (Asylum Records 1976).