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AGENDA 5 **January 31, 2017**

January 24, 2017

Honorable Commissioners
Alameda Local Agency Formation Commission

Subject: Overview of the Eden Township Healthcare District Special Study

Dear Commissioners:

In July 2016, the Alameda Local Agency Formation Commission (LAFCo) considered and approved the City of Hayward's request to initiate a special study of the Eden Township Healthcare District (also known as the Eden Health District). Berkson Associates commenced the study in August 2016 and completed the public review draft of the Special Study of Governance Options for the Eden Township Healthcare District on December 20, 2016 (Attachment 1). On January 31, 2017, Richard Berkson, the project consultant, will provide an overview of the special study.

Recommendation

Receive the Eden Township Healthcare District (ETHD) special study overview presentation and public comment, and provide input and direction to staff and the project consultant as desired.

Legislative Authority

Government Code Section 56375 enumerates LAFCo's powers. Among those, LAFCos are empowered to initiate proposals by resolution for specified changes of organization including consolidation, dissolution, merger, establishment of subsidiary districts, and formation of districts (Attachment 2). LAFCo can only initiate such changes of organization if they are supported by recommendations or conclusions of a sphere of influence (SOI) update, a municipal service review (MSR), or a special study. Pursuant to Government Code Section 56881(b) (Attachment 3), proposals initiated by LAFCo must include the following determinations:

1. Public service costs of a proposal that the commission is authorizing are likely to be less than or substantially similar to the costs of alternative means of providing the service.
2. A change of organization or reorganization that is authorized by the commission promotes public access and accountability for community services needs and financial resources.

Government Code §56378 provides LAFCos with the authority to initiate and make studies of existing governmental agencies (Attachment 4). The law does not provide any specific requirements regarding the process for an affected agency or individual to request initiation of a special study, but it does specify

that “studies shall include, but shall not be limited to, inventorying those agencies and determining their maximum service area and service capacities.”

Background

Events leading to this point are provided in the table below.

Date	Action
November 2013	Alameda LAFCo completed a municipal service review (MSR) of the Eden Township Healthcare District (the District) and adopted a provisional coterminous SOI with a condition that the District report back to LAFCo on progress made to implement its adopted strategic plan (Attachment 5).
November 2014	The District provided an update to LAFCo, and LAFCo then adopted a coterminous SOI for the District with a condition that the District return to LAFCo to provide an update on its strategic plan implementation efforts (Attachment 6).
November 2015	As required, the District provided an update to LAFCo.
February 2016	Assembly Member Quirk introduced Assembly Bill 2471 that would have required Alameda LAFCo to dissolve the District if certain criteria were met.
March 2016	LAFCo adopted an oppose position to AB 2471.
May 2016	LAFCo heard from AB 2471’s author, sponsor and other interested parties about the reasoning behind AB 2471. At the conclusion of the discussion, there appeared to be general agreement that a dissolution proposal would be submitted to LAFCo, but it was not clear by whom.
June 2016	<p>On June 14, 2016, the Hayward City Council considered and adopted a resolution of application to initiate LAFCo proceedings to explore the possible dissolution of Eden Health District. No subsequent application was filed with LAFCo.</p> <p>On June 21, 2016, the Alameda County Grand Jury issued a report containing an investigation of the District including eight findings and six recommendations, as well as an investigation of Alameda LAFCo’s oversight role with respect to the District including one finding and two recommendations.</p> <p>On June 28, 2016, Hayward formally requested that LAFCo conduct an in-depth study of the District, pursuant to Government Code Section 56378, citing controversy about the District, the Grand Jury report, the lack of a thorough and in-depth study of the District’s finances and decision making abilities, the need to understand whether District resources are used appropriately, and the lack of an inclusive, informed, and transparent community conversation about the District.</p>
July 2016	Alameda LAFCo approved Hayward’s request for the special study and authorized a contract with Berkson Associates to complete the study.
August 2016	Berkson Associates commenced the special study, and AB 2471’s author held his bill in the State Senate to allow the LAFCo process to proceed.
October & November 2016	LAFCo held three widely noticed public meetings to accept public comment regarding the District.
December 2016	The Public Review Draft of the Special Study of Governance Options for the Eden Township Healthcare District released with comments due by February 3, 2017.

Study Overview

The purpose of the special study is to determine the adequacy of the District’s services including whether the services provided by the District are in keeping with its current mission, as well as the California Health and Safety Code under which it was organized; the District’s financial ability to

provide services; the District's accountability for community service needs, including governmental structure and operational efficiencies; and the reasonableness of the District's overhead and administration expenses. The study reviews the District's financial position including any future obligations, and analyzes various governance options, including dissolution. The study does not evaluate the financial viability of hospitals in Alameda County nor does it rate the comparable value of hospital-based services compared to non-hospital based services.

As outlined in the scope of work, the project consultant collected and reviewed information including ETHD reports and documents, the 2013 LAFCo MSR and other LAFCo reports and documents, reports prepared by Alameda County, and fiscal and other documents relating to the ETHD. Various affected parties were interviewed, including the Eden Township Healthcare District, Alameda County Health Care Services Agency, Hayward and San Leandro. More details regarding the consultant's approach and methodology are contained on page 3 of the special study.

LAFCo hosted three widely noticed special meetings to solicit input about the District during the months of October and November 2016. In addition, the Commission accepted public input at its regular meeting on November 10, 2016. At the public meetings, 39 speakers provided comments, some at multiple meetings. Of the 39 unduplicated speakers, 14 supported dissolving the District, though some of those people indicated a desire for the services provided by the District to be continued through another mechanism, e.g., a not-for-profit organization.

Additional public comment was submitted to the Commission via email and US Mail. Fifteen (15) written comments were submitted prior to the release of the draft special study including nine in support of the District and three in support of dissolving the District (Attachment 7). The remainder provided other comments about the process. The project consultant incorporated public comments into the draft special study as appropriate.

In addition to widely noticing the public meetings, a webpage devoted to the special study is posted on the Alameda LAFCo website to facilitate outreach for this project. The webpage includes information and relevant documents about the special study, as well as a mechanism for people to provide comments to LAFCo. A link to the webpage was shared with the cities of San Leandro and Hayward, ETHD, Alameda County Supervisors Chan, Miley, and Valle, and Assembly Member Quirk with a request that the link be distributed to appropriate constituent lists and posted on relevant websites. As of January 14, 2017, the webpage had 241 views.

The special study was released on December 21, 2016 for public comment and was posted on the LAFCo website. Notice was sent to affected agencies and interested parties informing them of the availability of the draft study and a press release was distributed to local media to announce availability of the draft study for public comment. Several related articles subsequently appeared in local papers (Attachment 8). The public comment period will end on February 3, 2017. To date, four written comments have been received about the special study (Attachment 9). Any further comments received after this staff report is distributed will be provided at the LAFCo meeting.

The special study may be used by LAFCo as a basis to formulate findings and determinations regarding the future of ETHD. The analysis will evaluate whether the required determinations can be made, and any terms and conditions that should be applied to the recommended action.

Summary of Study's Conclusions and Findings

The table below presents the study's conclusions and findings. More details can be found in the study.

Conclusion	Findings
A. Dissolution of the district without continuing its services is unwarranted.	<p>A.1 The District provides a service of value including significant expenditure of funds for community health care purposes consistent with its mission as a healthcare district and the State of California's Health and Safety Code.</p> <p>A.2 The District continues to budget approximately \$500,000 to \$600,000 for grants and sponsorships in FY16-17 and in future years until the Sutter obligation is repaid.</p> <p>A.3 Funding available for health care purposes could increase by \$1.5 million annually, to a total of over \$2 million including existing allocations, after funds are no longer required to repay ETHD's obligation to Sutter.</p> <p>A.4 The District's grants and sponsorships are generally consistent with health care needs identified by assessments prepared by other agencies, however, coordination with other County agencies could be improved.</p> <p>A.5 District expenditures for District administration and overhead are not excessive relative to total costs.</p> <p>A.6 The District's real estate operations are the primary source of revenues for its community service grants as the District receives no property tax revenues; however, commercial real estate can present a risk to District assets.</p> <p>A.7 The District is accountable for its financial resources and decision process.</p> <p>A.8 The sale of District buildings (e.g., in the event of dissolution) would result in less revenue available for health care purposes over the long-term.</p>
B. The district could improve the efficiency and effectiveness of its operations.	<p>B.1 The District's Strategic Plan, last amended and adopted August 2016, should be revised at least annually and as conditions change.</p> <p>B.2 The District has received training and certification from the Association of California Healthcare Districts, but should also pursue certification through the Special Districts Leadership Foundation's "District Transparency Certificate of Excellence".</p> <p>B.3 The District should track hours and resources allocated to real estate activities vs. community services.</p> <p>B.4 The District should prepare an annual cash-based budget and forecast in addition to its current financial reports.</p> <p>B.5 The District should prepare a multi-year capital improvement program (CIP).</p>
C. Dissolution and naming a successor agency to continue services could reduce certain costs and improve decision-making.	<p>C.1 Dissolution and transfer of assets to a non-profit or other public agency (or agencies) could reduce overhead and administration costs.</p> <p>C.2 Representation and inter-agency coordination could be improved if the board of a new non-profit or other public entity, e.g., a JPA or CSA, includes city and County representatives.</p> <p>C.3 While LAFCo has no ability to form a new non-profit or JPA, LAFCo would be responsible for the ETHD dissolution process, including Terms and Conditions applicable to the transfer, and LAFCo may require a Plan to Provide Services. This option is also likely to require asset dissolution, resulting in lower revenues.</p>
D. No other viable reorganization options have been identified.	<p>D.1 Consolidation of ETHD with another public agency, e.g., another healthcare district, is not viable.</p> <p>D.2 Reorganizing ETHD as a subsidiary district to a city is not viable.</p>
E. LAFCo should consider amending	<p>E.1 The current ETHD boundaries include small areas of several cities with minimal or no resident population.</p>

Conclusion	Findings
ETHD's current sphere of influence, whether or not the district is dissolved (unless a zero SOI is applied, signaling dissolution).	<p>E.2 Eliminating the areas noted above would result in a more rational boundary reflective of ETHD's service area.</p> <p>E.3 A small portion of San Leandro appears to be excluded from ETHD boundaries. This area should be considered for inclusion in ETHD's boundaries to encompass the entire city.</p> <p>E.4 Expanding ETHD boundaries in Hayward would encompass the entirety of the city in ETHD boundaries, however, an expanded boundary would overlap with Washington Township Healthcare District and therefore expansion is not recommended</p>

Governance Options

The study evaluates a number of governance options for the District, including the advantages and disadvantages of each option. Specific options include:

- **Maintain the status quo** – this option would leave the District intact and the Board of Directors would continue to be elected and conduct District business.
- **Dissolution** – this option includes two scenarios: one that would result in the termination of the existing District with no continuation of service and another that would terminate the District but continue service provision. Under both scenarios, a successor agency must be identified to wind up the affairs of the District and, ultimately the District would no longer exist. In the first scenario, the successor agency may dispose of District assets and use the proceeds to pay off any remaining debts and obligations of the District after which all District functions would cease. In the second scenario, the successor would assume responsibility for the District's assets and liabilities and would continue service provision in the form of continued grants using annual revenues from assets and invested funds.
- The consultant identifies several potential successor agencies including the City of Hayward, a non-profit entity, a joint agency consisting of Alameda County and/or the cities of Hayward and San Leandro via a joint powers agreement, or a county service area.
- **Consolidation** – this option considered consolidating the District with the Washington Township Healthcare District, but, for reasons cited in the report, was determined to not be viable.

Next steps

After the January 31st meeting, the project consultant will make updates and edits to the report as necessary. In mid-February 2017, LAFCo will release the final draft report and solicit further public input. The Commission will be asked to consider holding a special meeting to accept the final draft special study and consider taking action regarding the District including, but not limited to amending the District's sphere of influence, and/or initiating a reorganization or dissolution of the District.

Sincerely,



Mona Palacios
Executive Officer

Attachments:

1. Public review draft of the special study
2. Government Code Section 56375
3. Government Code Section 56881
4. Government Code Section 56378
5. LAFCo Resolution 2013-14
6. LAFCo Resolution 2014-07
7. Written comments submitted prior to release of draft special study
8. News articles
9. Public comments on draft study

cc: Honorable Assembly Member Bill Quirk, District 20
Honorable Assembly Member Rob Bonta, District 18
Honorable Alameda County Supervisor Wilma Chan, District 3
Honorable Alameda County Supervisor Richard Valle, District 2
Susan Muranishi, Alameda County Administrator
Honorable Board members, Eden Township Healthcare District
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Honorable Pauline Cutter, San Leandro Mayor
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Kelly McAdoo, Hayward City Manager
Andrew Massey, Alameda LAFCo Legal Counsel
Interested parties



**Berkson
Associates**

Urban Economics
Policy Forensics & Forecasting
Planning & Policy Analysis

PUBLIC REVIEW DRAFT REPORT
SPECIAL STUDY OF GOVERNANCE OPTIONS
EDEN TOWNSHIP HEALTHCARE DISTRICT

Prepared for the Alameda Local Agency Formation Commission

Prepared by Berkson Associates

December 20, 2016



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ABBREVIATIONS AND TERMINOLOGY USED IN THIS REPORT

Administrative Expense	Defined in AB2737 as “expenses relating to the general management of a health care district, such as accounting, budgeting, personnel, procurement, legal fees, legislative advocacy services, public relations, salaries, benefits, rent, office supplies, or other miscellaneous overhead costs. Note: the Special Study assumes this definition excludes real estate operations, other than District costs allocated to real estate operations.
ALIRTS	Automated Licensing Information and Report Tracking System https://www.alirts.oshpd.ca.gov/default.aspx
CAM	Common Area Maintenance
CEO	Chief Executive Officer
Direct Health Service	Defined in AB2737 as “ownership or direct operation of a hospital, medical clinic, ambulance service, transportation program for seniors or persons with disabilities, a wellness center, health education, or other similar service.” Note: this definition is assumed by the Special Study to exclude grants and sponsorships provided to agencies that provide direct health services to consumers.
DSFRC	Davis Street Family Resource Center http://davisstreet.org/
ETHD	Eden Township Healthcare District (also doing business Eden Health District) http://ethd.org/
EMC	Eden Medical Center
Enterprise Activities	According to Gov’t Accounting Standards Board, “enterprise funds” may be used to report any activity for which a fee is charged to external users for goods or services.
FY15-16	Fiscal Year beginning July 1, 2015 and ending June 30, 2016. This fiscal year may also commonly be referred to as FY16. Other fiscal years are similarly designated.
HCSA	Alameda County Health Care Services Agency (HCSA), an agency of the County of Alameda. https://www.acgov.org/health/
JPA	Joint Powers Agreement

(cont’d)

ABBREVIATIONS AND TERMINOLOGY USED IN THIS REPORT

(cont'd)

LAFCo	Local Agency Formation Commission https://www.acgov.org/lafco/
Net Position	A measure of the District's net worth based on financial accounting principles, and is equal to assets minus liabilities. Actual net value generated in the event of a dissolution is likely to differ.
NOI	Net Operating Income is a term commonly used in real estate accounting, and equals all revenue from property leasing minus all reasonably necessary operating expenses and excludes costs of financing such as interest costs.
SLH	San Leandro Hospital http://www.sanleandroahs.org/about-us

1. INTRODUCTION

The Eden Township Healthcare District (ETHD, also doing business as Eden Health District)¹ originally was formed in 1948 to build a community hospital. Over time, the District transferred ownership of its hospital facilities but retained and expanded investments in medical office buildings. ETHD represents a unique form of district in that its revenues derive almost entirely from its ownership and operation of its commercial real estate; it receives no tax revenues. The District also has significant cash assets that generate income.

The District's real estate operations are similar to an "enterprise" operated by a public agency;² revenues from the operation of an enterprise cover operating costs and overhead. In the District's case, net revenues, or "profits", are generated that not only cover overhead and operating costs, but also create a source of revenue in lieu of property taxes to fund health care grants and sponsorships. In a sense, the District is a "hybrid" agency that operates a traditionally private, for-profit commercial real estate enterprise but is organized as a healthcare district with elected board members, and which must comply with rules applicable to public agencies. While many healthcare districts own real estate, the ownership is generally limited to hospitals, clinics, or medical office buildings adjacent to those facilities; revenues from medical office buildings typically generate a minority of district revenues.

This "hybrid" organization offers financial benefits, but also incurs additional financial risks and costs, and creates other management issues. Real estate operations can produce significantly greater returns than investments allowed to public agencies, but also can be much riskier. Real estate operations also demand a much different knowledge base than generally represented by a healthcare district, and incur greater management and oversight costs to operate, particularly to the extent that the District must rely on and engage outside experts and consultants.

Although many government agencies own and maintain property, typically the facilities serve public purposes and government occupancy; commercial real estate operations may be unfamiliar not only to healthcare district board members and staff, but also to other public decision-makers and residents more acquainted with traditional public sector agencies.

¹ <http://ethd.org/>

² According to Gov't Accounting Standards Board (GASB) Paragraph 67 of Statement 34, "enterprise funds" may be used to report any activity for which a fee is charged to external users for goods or services.

In 2013, Alameda LAFCo completed a Municipal Services Review (MSR) of ETHD.³ The MSR evaluated various factors including growth and population projections, adequacy of services, financial ability, accountability and organizational structure options. Alameda LAFCo's 2013 MSR for ETHD concluded that the District should continue in its current form.

Over the past years, ETHD has been involved in a number of controversial actions, including arbitration and litigation that resulted in a \$17.2 million decision⁴ against the District (plus legal costs of \$1.6 million). Members of the community, including the Alameda County Civil Grand Jury,⁵ have expressed concerns that the District's decision process and actions have not been in the best interest of the public it serves. Recent bills in the State's 2016 legislative session proposed expenditure requirements that would affect ETHD and potentially other healthcare districts meeting criteria that would include the ETHD.

In February 2016, Assembly Member Bill Quirk introduced legislation, AB 2471,⁶ sponsored by Alameda County, which would have required Alameda LAFCo to dissolve the District if specific criteria were met. That bill did not advance to the Governor's desk in the 2016 legislative session, as Quirk decided to halt the legislation and allow the LAFCo process to proceed⁷. Recently enacted legislation, AB 2737,⁸ requires that a "nonprovider health care district" spend at least 80% of its budget on grants awarded to organizations that provide direct health services; this bill could limit activities of the District, however, its application to ETHD is not clear.^{9, 10}

³ Eden Township Healthcare District MSR at:

<https://www.acgov.org/lafco/documents/finalmsr2013/eden-final.pdf>

⁴ JAMS Arbitration No. 110004646, Final Award, Conclusion of Hearing June 11, 2013.

⁵ Alameda County Grand Jury Final Report 2015-2016 released on June 21, 2016.

⁶ AB 2471 (Quirk) (2015-2016):

http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201520160AB2471

⁷ [Comments](#) by Assembly Member Quirk, Summary Action Minutes, Alameda LAFCo Special Meeting, Oct. 17, 2016.

⁸ AB 2737 (Bonta) Non-provider Health Care District (2015-2016).

http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201520160AB2737

⁹ For example, AB 2737 does not define whether "annual budget" includes or excludes "revenue generating enterprises" as described in its definition of criteria of a "nonprovider" health care district per Health and Safety Code Sec. 32495(c)(5).

¹⁰ Also refer to analysis prepared for legislative hearings on AB 2737, e.g., analysis prepared for the Assembly Committee on Local Government hearing April 20, 2016 re: logistical challenges trying to comply with the bill.

To address concerns about the District, in June 2016 the City of Hayward submitted a request to LAFCo to prepare a “Special Study” to help determine the future of ETHD.^{11,12} In response to Hayward’s 2016 request, LAFCo is conducting a special study of ETHD to further evaluate concerns raised by the community, and to assess governance options, including dissolution, that could provide a more efficient and effective use of public assets. As described below under “Scope and Methodology”, the Special Study’s findings address determinations derived from State law regarding Municipal Service Reviews.¹³

In addition to focusing on the specific operations of the ETHD, its organization and expenditure of funds, the Study will help clarify fundamental questions about the role of healthcare districts that no longer own and operate a hospital, e.g., are healthcare districts an efficient and effective way of allocating public resources to health care purposes? Do better options exist? Are commercial real estate operations an appropriate function of a public agency, particularly on the scale of ETHD’s operations, even if the resulting revenues do not depend upon, or derive from, taxes on residents?

APPROACH AND METHODOLOGY

The Special Study is based on a review of background documents and information including the 2013 MSR, ETHD financial audits and budgets, review of ETHD projections, Grand Jury reports and other documents relevant to the District. Interviews were conducted with key stakeholders including the cities of Hayward and San Leandro, Alameda County, and ETHD staff and board members. Public input was received at three LAFCo special hearings held in the community, as well as at a regularly scheduled LAFCo hearing.¹⁴ LAFCo staff and legal counsel have reviewed the document.

¹¹ Letter from Fran David, City Manager, City of Hayward, to Commissioner John Marchand, Chair, Alameda LAFCo, June 28, 2016.

¹² The Mayor of Hayward subsequently submitted a letter to LAFCo Nov. 30, 2016, forwarding a “Resolution in Support of Efforts to Dissolve Eden Healthcare District”, Resolution No. 16-190 October 18, 2016.

¹³ http://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=GOV§ionNum=56430.

¹⁴ Special meetings were held Oct. 17 in Castro Valley, Oct. 18 in Hayward, and Nov. 7 in San Leandro. Public comments were also received at LAFCo’s regular meeting Nov. 10.

Findings of the Special Study are summarized in **Chapter 2**. The findings address issues and questions raised by determinations required by the Municipal Service Review (MSR) process,¹⁵ excluding those deemed inapplicable (e.g., infrastructure capacity).

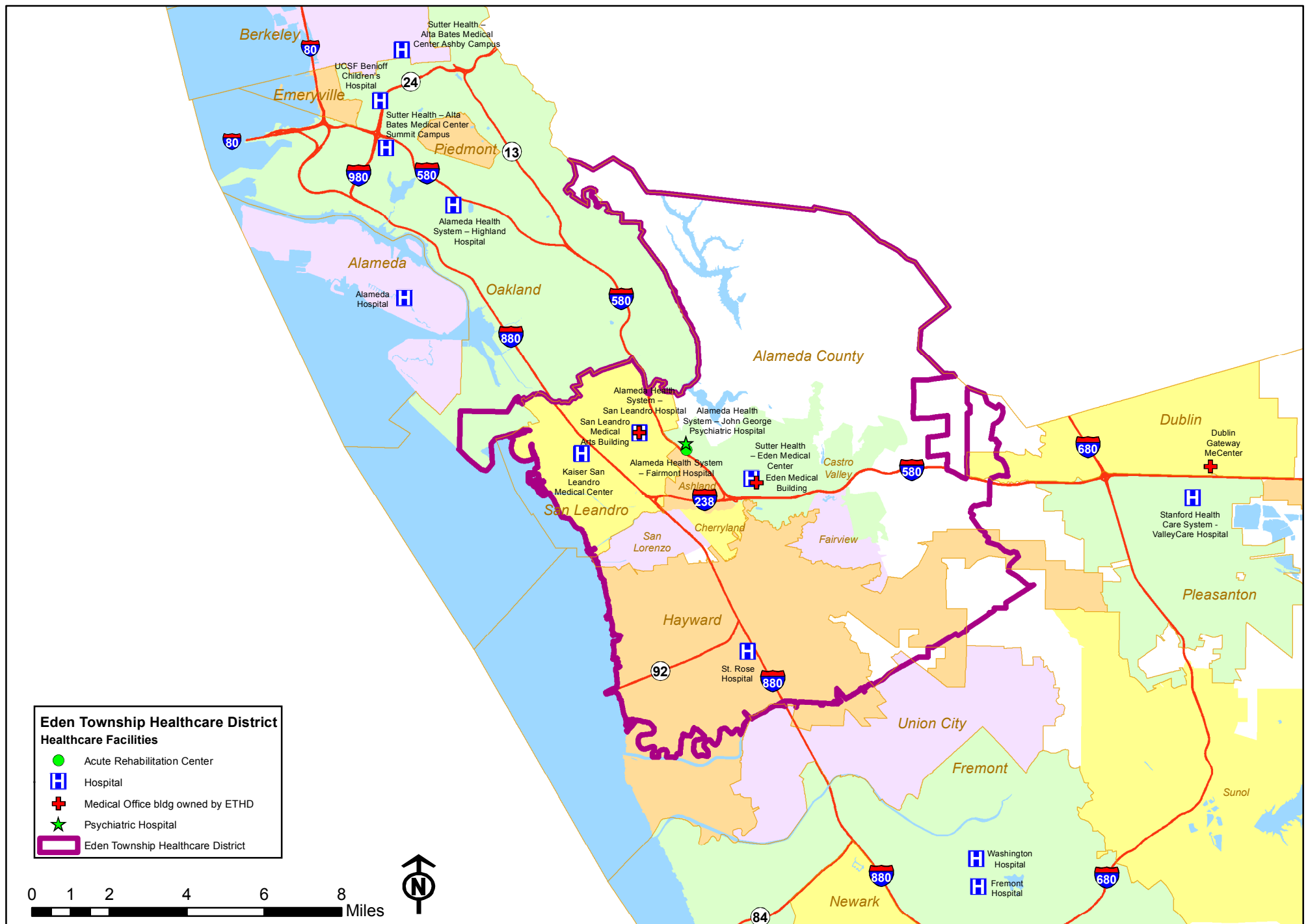
- **Adequacy of public services** – Are services provided consistent with, and do they contribute to, addressing community needs? Are the services consistent with State law as it applies to healthcare districts and public agencies in general?
- **Financial ability of agency to provide services** – Does the agency have adequate financial resources to provide services? Would dissolution or reorganization reduce financial capacity in the short-term and/or in the long-term?
- **Accountability for community service needs, including governmental structure and operational efficiencies** - Are services and outcomes monitored to assure funds are used as intended? Does the agency have policies and practices in place that it follows in determining budget priorities and expenditure of funds? Are financial risks being anticipated and monitored, and addressed strategically?
- **Any other matter related to effective or efficient service delivery** – Are funds expended on overhead and administration reasonable?

A finding as to whether or not the District should be dissolved depends on the analysis of the above questions.

Governance options are considered which present the ability to improve services, but may depend upon the action of other agencies to submit an application to LAFCo including a Plan to Provide Services.

¹⁵ See Gov. Code Sec. 56430.

Figure 1 ETHD Boundaries and Facilities



*Agency sphere equals the service area boundary

Created for Alameda LAFCo by the Alameda County Community Development Agency

2. SUMMARY OF FINDINGS

This chapter summarizes findings and conclusions of this report; subsequent chapters further document these findings and sources of information.

A. DISSOLUTION OF THE DISTRICT WITHOUT CONTINUING ITS SERVICES IS UNWARRANTED

In this finding, “services” refer to the grant, sponsorship and education services provided by ETHD. The Special Study assumes that the District’s commercial real estate activities are an important but separate revenue-generating, “enterprise type” of activity with limited health care related benefits to ETHD residents.

At LAFCo hearings and via written comment, recipients of ETHD grants and sponsorships attested to the value, importance and benefits to the community of ETHD funding, and the need for continued funding.¹⁶ While a 2012 survey found that 55% of potential voters in the District had not heard of the district, and 24% had heard of the District but had no opinion, of the remaining 21%, the survey indicated that 18% had a favorable opinion and 3% of total survey respondents had an unfavorable opinion.¹⁷

No evidence of mismanagement was identified during the course of this Special Study, although issues and specific areas for improvement were identified, as summarized in **Finding B**.

A-1. The District provides a service of value including significant expenditure of funds for community health care purposes consistent with its mission as a healthcare district and the State of California’s Health and Safety Code.

- ETHD grants total \$11.6 million from 1999 through FY15-16, and sponsorships total \$340,000. While amounts varied, the grants averaged about \$640,000 per year, or about 2% of the District’s current net position of \$26.4 million.
- The District spent approximately \$25 million for the acquisition of San Leandro Hospital (SLH) in 2004, which it then leased to Sutter Health through 2009 when Sutter Health exercised its option to purchase SLH.
- The District provided \$1.3 million in grant funds to St. Rose Hospital in FY15 as forgiveness for the remaining balance and interest due on a 2011 \$3.0 million loan from ETHD.

¹⁶ Special meetings were held Oct. 17 in Castro Valley, Oct. 18 in Hayward, and Nov. 7 in San Leandro. Public comments were also submitted to LAFCo in writing and at LAFCo’s regular meeting Nov. 10.

¹⁷ Tramatola Advisors presentation to ETHD Board, Slide 3, Oct. 17, 2012.

A-2. The District continues to budget approximately \$500,000 to \$600,000 for grants and sponsorships in FY16-17 and in future years until the Sutter obligation is repaid.

- FY16-17 grants and sponsorships of \$574,300 equals about 85% of the FY17 \$676,000 community services budget; allocated District Office administrative and overhead costs comprise the remaining 15%.
- The recent Grand Jury report compared ETHD grants and sponsorships to all District activities and expenditures, including real estate operations; for FY16-17, this ratio is about 10%. However, the Special Study treats real estate operations as a separate, revenue-generating enterprise accounted separately from granting activities for the purpose of measuring grants (and administration/overhead) as a percent of budget as described in prior bullet.¹⁸
- To maintain current levels of grants and sponsorships may require the District to draw down its investments in order to meet all obligations in the near term; future draw-downs, if any, depend on numerous factors, for example, market conditions, rent growth, debt and capital improvement costs, and election costs.

A-3. Funding available for health care purposes could increase by \$1.5 million annually, to a total of over \$2 million including existing allocations, after funds are no longer required to repay ETHD's obligation to Sutter.

- Future amounts available for community services, after eight years, depend on market conditions, rent growth, debt and capital improvement costs, election costs and other operating costs.

A-4. The District's grants and sponsorships are generally consistent with health care needs identified by assessments prepared by other agencies, however, coordination with other County agencies could be improved.

- Agencies and programs funded by the District include several of the basic components of the health care delivery system described by the Alameda County Health Care Services Agency (HCSA),¹⁹ notably public health (including health promotion and disease prevention).
- \$250,000 is budgeted annually towards the District's commitment to the Davis Street Family Resource Center (DSFRC) in San Leandro for a five-year period to focus on a Diabetic Management Program and a Community Behavioral Health Program. DSFRC

¹⁸ AB-2737 distinguishes administrative costs and overhead "not directly associated with revenue generating enterprises" in its description of criteria for determining a "non-provider" health care district.

¹⁹ Alameda County Health Care System Overview, Presentation to the Local Agency Formation Commission (LAFCo), September 8, 2016, Slide 8.

provides basic needs, childcare and counseling to underserved individuals throughout San Leandro.

- \$250,000 is directed to other grants and programs. 2016 grants will be announced in December; in 2015, grants went to programs serving District residents that provide direct health care services, health education, health maintenance, health promotion, prevention programs and services, and access to health services (see **Appendix B**).
- The District has indicated that it coordinates with the County and utilizes County data regarding health care needs, however, there is no documentation available demonstrating this data analysis and its relationship to District planning and grant funding, nor ongoing, regular coordination with the County or participation in County Board of Supervisor Health Committee meetings.

A-5. District expenditures for District administration and overhead are not excessive relative to total costs.

- As noted above in **A-2**, administration and overhead allocations are approximately 15% of other expenditures.

A-6. The District's real estate operations are the primary source of revenues for its community service grants as the District receives no property tax revenues; however, commercial real estate can present a risk to District assets.

- The real estate operations are similar to an "enterprise" operation of a public agency, generating revenues to cover (or in this case, exceed) costs, although the real estate operations fund health care services rather than provide a basic utility or public service funded by user charges and fees.
- The provision of medical offices is indirectly related to the District's mission, although some of its holdings are outside the District and serve non-district residents.
- The revenues from commercial real estate are subject to market risks, and could place demands on District assets and investments to fund shortfalls due to market downturns. This in turn could reduce funds available for grants and sponsorships.

A-7. The District is accountable for its financial resources and decision process.

- District financial audits are conducted in a timely manner and financial documents are readily available on the District's website, and other financial materials were readily provided upon request during the preparation of the Special Study.
- The Grand Jury commended the District's public transparency, noting that ETHD officials were certified by the Association of California Healthcare Districts for meeting high healthcare district governance standards set for participating members in the association.²⁰

²⁰ 2015-2016 Alameda County Grand Jury Final Report, pg. 48

- Budgets, financial documents and policies are reviewed and approved by the District's elected Board of Directors at publicly noticed meetings.
- ETHD adopted a process in 1999 for clearly providing application guidelines and criteria to applicants, pre-grant review, indicating sources of information for District and County priorities, reviewing applications by the Board and in public meetings, and performance management and result assessment including reporting requirements.
- While the residents of the District have the opportunity to run for ETHD's Board of Directors in order to influence ETHD decisions, two available positions were uncontested in 2016.
- The Alameda County Grand Jury noted that a 2012 survey showed low awareness of the District. The District responded that it engaged in efforts since 2012 to improve that situation. This low awareness is not surprising considering that ETHD provides minimal "direct services" to consumers; rather, its grants and sponsorships are to direct providers. However, of the remaining 21% of respondents familiar with the District and having an opinion, the survey indicated that 18% of total respondents had a favorable opinion and 3% of total survey respondents had an unfavorable opinion.

A-8. The sale of District buildings (e.g., in the event of dissolution) would result in less revenue available for health care purposes over the long-term.

The sale of District buildings would eliminate lease revenues (net of expenses) generated by the buildings; instead, the sale proceeds could be invested. In the event of District dissolution, other District assets and liabilities would be addressed. The following examples are intended to illustrate the impact of building sales only, although the disposition of other assets and liabilities may result in cash that could be invested (and is currently invested by the District).

- The book value of District buildings is approximately \$31 million (net of outstanding debt), consistent with the market value of the properties estimated in this report. The District's buildings generate about \$2.2 million in net revenues (cash, after overhead allocations) available for community services and other obligations (e.g., Sutter Health payments, capital improvements).
- \$31 million invested by a public agency in "safe" investments consistent with State law currently returning one to two percent would produce about \$310,000 to \$620,000 annually before considering the Sutter obligation. If the outstanding Sutter obligation of \$13.8 million were deducted from the \$31 million building value, the remaining \$17.2 million asset balance would yield \$170,000 to \$340,000 annually.
- Potential investment returns to a non-profit could be higher than described above for a government agency. Long-term returns from a range of investments including equities could average about 5%, or \$1.55 million annually on an investment of \$31 million. After repayment of Sutter, long-term returns on \$17.2 million could be about \$850,000 annually.

B. THE DISTRICT COULD IMPROVE THE EFFICIENCY AND EFFECTIVENESS OF ITS OPERATIONS

While this Special Study has found no evidence of mismanagement that warrants dissolution and discontinuation of services, a number of issues exist that could be addressed by the District or by a successor agency providing continuing services.

B-1. The District's Strategic Plan, last amended and adopted August 2016, should be revised at least annually and as conditions change.

- The Plan was also updated in 2013 and 2014, but should be reviewed annually to serve as a foundation for budget decisions and planning of future activities. The Plan should be expanded to include accomplishment of objectives, and measurement of outcomes. Policies regarding allocation of resources should be assessed annually in coordination with other needs assessments prepared by the County and other service providers and progress documented.
- The Plan should update long-term financial projections, building-related capital improvement plans, and analysis of health-related needs. Incorporating the Strategic Plan and related items into the District's annual budget, along with explanatory text, would improve communications with the public and increase accountability.
- As noted above, the District should develop other planning documents that should be integrated into its Strategic Plan and Budget. For example, a survey of competitive properties and practices could help refine leasing strategies and management fees; a facilities condition assessment could improve capital planning and financial forecasting; an organizational study could be prepared periodically to assist with appropriate staffing decisions, training, and contracting arrangements, and help assure that staffing and consulting expertise addresses organizational needs, including real estate operations.
- The District should conduct a risk analysis based on the planning described above, for example, to identify risks associated with interest rate changes, changes in market conditions, and impacts of refinancing. The expansion of the Dublin Gateway development should also be carefully evaluated with the assistance of third-party real estate advisors.
- In light of the risk analysis noted above, the District should consider the implications of the ownership and operation of commercial real estate outside of its boundaries, particularly if the real estate is not substantially serving District residents.
- The Plan should explicitly provide for specific, measurable actions to increase public outreach and communication, and to coordinate with other health agencies to maximize public benefit, and to leverage available funding.

B-2. The District has received training and certification from the Association of California Healthcare Districts, but should also pursue certification through the Special Districts Leadership Foundation’s “District Transparency Certificate of Excellence”.

- The Transparency Certificate requires many practices already met by the District, as well as additional practices such as a salary survey and benchmarking. The latter should be documented and available on the District’s website.
- The Transparency Certificate only requires that six months of Board meeting minutes be posted on the District’s website; however, it would be useful to post multiple years considering the range of issues and public controversy facing the District.

B-3. The District should track hours and resources allocated to real estate activities vs. community services.

- Currently the District allocates administrative and overhead costs as a percent of its building expenditures, and community services expenditures. Although this is a common allocation methodology, increases in budgets of buildings can distort allocations even if there is no change in hours required. These allocations are important to accurately evaluate overhead as a percent of budgets.

B-4. The District should prepare an annual cash-based budget and forecast in addition to its current financial reports.

- The District’s current budget includes various non-cash expenses such as depreciation and amortization; these items should be shown separately in its budget, as non-cash expenses unnecessarily complicate public agency budgeting. These items are appropriately shown in its annual financial statements.
- A cash-based budget is important for planning purposes, and to show the impact of Sutter payments and capital expenditures on its current and future cash flows and fund balances.
- The District has prepared a multi-year financial forecast for specific financing purposes, but should prepare and update its forecast annually for strategic planning purposes and as a part of its budget process. The forecast should integrate capital improvement program (CIP) costs.

B-5. The District should prepare a multi-year capital improvement program (CIP).²¹

- The CIP is important to ETHD strategic financial planning. The CIP should be based on an assessment of property conditions, and more accurately reflect the estimated improvement costs attributable to property depreciation than the calculated, non-cash “depreciation” measure currently included in its budget. The District indicated that it is preparing a more detailed CIP forecast.

²¹ As of Dec. 15, 2016, the District is preparing a 10-year capital plan based on a facilities condition assessment.

C. DISSOLUTION AND NAMING A SUCCESSOR AGENCY TO CONTINUE SERVICES COULD REDUCE CERTAIN COSTS AND IMPROVE DECISION-MAKING

Issues and specific improvements summarized in **Finding B** and described in this report could be addressed by various governance options. A number of options exist whereby the ETHD would be dissolved and its services would be continued by a named successor agency. These options would depend on the willingness and ability of an agency to serve as a successor. LAFCo would review and approve a Plan to Provide Services prepared by the potential successor before approving dissolution and transfer of assets and services to the successor. Potential options described in the Special Study include:

- **Dissolution and Transfer of Assets to a Non-Profit** – this option has been raised as a possibility by the District²² and by speakers at LAFCo hearings. This option could expand representation, and may limit the scope of activities.
- **Dissolution and Transfer of Assets to the County and/or cities** – The County and/or cities of San Leandro and Hayward through a Joint Powers Agreement (JPA), for example, would manage the real estate, or more likely liquidate assets resulting in lower revenues, and continue distribution of grants and sponsorships from asset earnings.
- **Dissolution of ETHD and Creation of a New County Service Area (CSA)** – LAFCo could form a new CSA, with approval by voters and by all affected cities. An advisory board could include city, County and public representatives. The Alameda County HCSA has expressed its interest and willingness to provide assistance in the event of a reorganization, however, has not made a proposal to provide specific services. This option is also likely to require asset dissolution, resulting in lower revenues.

C-1. Dissolution and transfer of assets to a non-profit or other public agency (or agencies) could reduce overhead and administration costs, for example:

- \$200,000 for elections every other year would not be required, although in the most recent November, 2016 election there were no contested positions or election costs.
- Certain costs related to disputes regarding the District's legal settlements, which require the District to engage legal counsel, would be eliminated. Public relations costs and outreach to counter negative perceptions about the District could be reduced, although a non-profit or other successor agency is likely to have costs for outreach and materials publicizing its activities and services.
- A new non-profit, JPA or CSA could contract with Alameda County HCSA to provide grant accounting and grants disbursement services. This could also enable the new agency to focus on management of commercial real estate, if assets are not liquidated.

²² Letter from Dev Mahadevan, ETHD CEO, to The Board of Directors, Eden Township Healthcare District, October 21, 2016, Attachment D to agenda for ETHD meeting October 19, 2016.

C-2. Representation and inter-agency coordination could be improved if the board of a new non-profit or other public entity, e.g., a JPA or CSA, include city and County representatives.

- Coordination between the District’s successor, County and cities and determination of regional health care priorities and decision-making could be improved if the new entity is formed to include broader representation.
- Board members would no longer be elected (except for elected officials appointed to the non-profit or a JPA board, or CSA advisory board); however, there were no candidates running in the November 2016 election for two ETHD seats, indicating a low level of interest in citizen participation on the Board. This situation may be the result both of a lack of public awareness about the District, as well as the fact that the District currently does not receive property or other taxes.

C-3. While LAFCo has no ability to form a new non-profit or JPA, LAFCo would be responsible for the ETHD dissolution process, including Terms and Conditions applicable to the transfer, and LAFCo may require a Plan to Provide Services.

- LAFCo retains the discretion to require a vote, if not otherwise required by State law.
- Transfer of assets to the new entity could be included as a condition, as well as a plan for disposition of liabilities. Whether or not the current building assets would be liquidated and the proceeds transferred, or the real estate operations transferred as-is, remains to be determined and depends on a Plan to Provide Services that would be prepared by successor agencies.
- Other Terms and Conditions may be appropriate, subject to the legal authority of LAFCo, such as: representation of cities, the County, or other representatives on a new board or as part of the successor entity; conditions on limiting grants to organizations that provide services within the ETHD boundaries; and limitations on expansion or contraction of real estate holdings and operations.

D. NO OTHER VIABLE REORGANIZATION OPTIONS HAVE BEEN IDENTIFIED

D-1. Consolidation of ETHD with another public agency, e.g., another healthcare district, is not viable.

- The Washington Township Healthcare District, which also serves portions of Alameda County, has stated that it is unwilling to consolidate with ETHD.

D-2. Reorganizing ETHD as a subsidiary district to a city is not viable.

- Creating a subsidiary district would significantly reduce the boundaries of the new entity (70% of the subsidiary district must fall within a city’s boundaries) and fail to serve a large portion of current District residents.

E. LAFCo SHOULD CONSIDER AMENDING ETHD’S CURRENT SPHERE OF INFLUENCE, WHETHER OR NOT THE DISTRICT IS DISSOLVED.

E-1. The current ETHD boundaries include small areas of several cities with minimal or no resident population.

- As shown in **Table 2** of this report, there are no residents within the portion of ETHD that includes the City of Union City, and the City of Oakland only contributes 100 ETHD residents. In the City of Dublin there are 1,000 ETHD residents.

E-2. Eliminating the areas noted above would result in a more rational boundary reflective of ETHD’s service area.

E-3. A small portion of San Leandro appears to be excluded from ETHD boundaries. This area should be considered for inclusion in ETHD’s boundaries to encompass the entire city.

E-4. Expanding ETHD boundaries in Hayward would encompass the entirety of the city in ETHD boundaries, however, an expanded boundary would overlap with Washington Township Healthcare District and therefore expansion is not recommended.

3. OVERVIEW OF HEALTHCARE DISTRICTS

In California there are 78 healthcare districts operating in 37 counties; 30 districts do not operate a hospital. Many own healthcare facilities and/or provide direct health services to consumers, as well as distribute grants and funding to other agencies, and may own medical office buildings. ETHD is unique in that it relies almost entirely on lease revenues from ownership and operation of medical office buildings, and receives no property taxes or parcel taxes.

Healthcare districts are allowed 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.”²³ Asset investment is subject to state laws directing that the primary objective shall be: (1) safeguarding the principal, (2) meeting the liquidity needs of the District and (3) achieving a return.²⁴

Although not common, there are examples of other healthcare districts earning rents from commercial real estate building leases (healthcare related) and actively pursuing development opportunities; for example, the Peninsula Health Care District’s (PHCD) budget shows rent income of \$2.3 million out of \$8.1 million total revenues (including property taxes).²⁵ The PHCD’s investment policies direct the CEO and Board Treasurer to “actively pursue real estate opportunities and present them to the full Board for consideration of acquisition.”²⁶ Currently the PHCD is pursuing a development program on its land, formerly occupied by a hospital, for 400 residential units for seniors, 250,000 square feet of health service-related commercial space, and other related facilities on about 8 acres.

HEALTHCARE DISTRICTS IN CALIFORNIA

California at the end of World War II faced a shortage of hospital beds and acute care facilities, especially in rural areas. In 1945, the Legislature enacted the Local Hospital District Law to establish local agencies to provide and operate community hospitals and other health care facilities in underserved areas, and to recruit and support physicians. In 1993, the State

²³ Local Health Care District Law, California Health and Safety Code Section 32121(c).

²⁴ Gov. Code Sec. 53601.5.

²⁵ Peninsula Health Care District FY16 Approved Budget.

²⁶ Peninsula Health Care District Board Policy Statement of Investment Policy, 2.C.

Legislature amended the enabling legislation renaming hospital districts to health care districts. The definition of health care facilities was expanded to reflect the increased use and scope of outpatient services.

Healthcare districts are authorized to provide a broad range of services, in addition to the operation of a hospital.²⁷ Under the Health and Safety Code, healthcare districts may provide the following services:

1. Health facilities, diagnostic and testing centers, and free clinics
2. Outpatient programs, services, and facilities
3. Retirement programs services and facilities
4. Chemical dependency services, and facilities
5. Other health care programs, services, and facilities
6. Health education programs
7. Wellness and prevention programs
8. Ambulance or ambulance services
9. Support other health care service providers, groups, and organizations that are necessary for the maintenance of good physical and mental health in the communities served by the district.

As reported by the California Policy Center, 78 healthcare districts in California provide a variety of services authorized by State statutes.²⁸ Of the 78 districts, 30 do not operate hospitals, and instead have diversified into other medical services and/or grant making to support health care activities.

Healthcare districts are commonly funded through a share of property taxes, patient fees and insurance reimbursements, and by grants from public and private sources. Healthcare districts are special districts with the typical powers of a district such as the authority to enter into contracts, purchase property, issue debt and hire staff.

LITTLE HOOVER COMMISSION

The Little Hoover Commission (LHC) is an independent state oversight agency that was created in 1962. The Commission's mission is to investigate state government operations and – through

²⁷ Local Health Care District Law, California Health and Safety Code Sections 32121(j), (l), (m).

²⁸ California Health Care Districts in Crisis, Marc Joffe, January 22, 2015.

reports, recommendations and legislative proposals – promote efficiency, economy and improved service.²⁹

The Little Hoover Commission is investigating special districts as a follow-up to its May 2000 report titled “Special Districts: Relics of the Past or Resources for the Future.”³⁰ As part of this effort, LHC is focusing on healthcare districts to clarify their role and to prepare related legislative proposals. LHC recently convened a meeting of districts, LAFCOs and other interested parties on November 16, 2016. At the meeting, input was solicited and issues discussed.

The Association of California Healthcare Districts (ACHD) noted that ACHD would support increased oversight and accountability from LAFCOs to ensure that healthcare districts are reviewed correctly and consistently. ACHD is looking at ways to increase transparency of the districts’ boards of directors and to better educate their residents on services the healthcare districts provide.³¹

In response to a question about what makes healthcare districts special compared to counties, an ACHD representative responded that because healthcare districts manage health care alone, they are more flexible than cities or counties that must balance many services beyond health care. He pointed out that counties are strapped for funding across the board and have numerous responsibilities beyond health care alone. If healthcare districts were to go away or be dissolved into county operations there is no guarantee that property taxes currently allocated to healthcare districts would go to county health care. A representative from the California Special Districts Association (CSDA) noted that much of what counties do is mandated by the state.

The Little Hoover Commission anticipates release of its report in the spring of 2017.

²⁹ <http://www.lhc.ca.gov/about/about.html>

³⁰ <http://www.lhc.ca.gov/lhc/155/report155.pdf>

³¹ Draft summary of November 16, 2016 Advisory Committee Meeting on Special Districts, Little Hoover Commission, December 1, 2016 (minutes currently under review/revision).

RECENT RELEVANT HEALTHCARE DISTRICT LEGISLATION

AB 2471³²

In February 2016, Assembly Member Bill Quirk introduced legislation, AB 2471, sponsored by Alameda County that would have required Alameda LAFCo to dissolve the District if specific criteria were met. That bill did not advance to the Governor’s desk in the 2016 legislative session, as Quirk decided to stop the legislation and allow the LAFCo process to proceed.

AB 2737³³

Recently enacted legislation, AB 2737 (Bonta), requires that “...A nonprovider health care district shall not spend more than 20 percent of its annual budget on administrative expenses”; “administrative expenses” means expenses relating to the general management of a health care district, which appear to exclude, or segregate, expenses related to revenue-generating enterprises per language of the bill.³⁴

A “nonprovider health care district” is defined in AB 2737 as a health care district that meets all of the following criteria:

- (1) The district does not provide direct health care services to consumers.
- (2) The district has not received an allocation of real property taxes in the past three years.
- (3) The district has assets of twenty million dollars (\$20,000,000) or more.
- (4) The district is not located in a rural area that is typically underserved for health care services.
- (5) In two or more consecutive years, the amount the district has dedicated to community grants has amounted to less than twice the total administrative costs and overhead not directly associated with revenue-generating enterprises.

It appears that the ETHD meets the criteria and qualifies as a “nonprovider health care district” with the possible exception of (1) above, as the District does contract for health education programs, which is included in the bill’s definition of “direct services to consumers”. The law is

³² AB 2471 (Quirk) (2015-2016):

http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201520160AB2471

³³ AB 2737 Non-provider Health Care District (2015-2016).

³⁴ AB2737 distinguishes administrative costs and overhead “not directly associated with revenue generating enterprises” in its description of criteria for determining a “non-provider” health care district.

not clear whether this type of educational service, if it is provided by contract staff rather than District staff, qualifies as a “direct” service.

The bill also requires that a “nonprovider health care district” spend at least 80% of its budget on grants awarded to organizations that provide direct health services. According to the bill, “Direct health services” means “ownership or direct operation of a hospital, medical clinic, ambulance service, transportation program for seniors or persons with disabilities, a wellness center, health education, or other similar service.” It appears that ETHD meets this requirement, if the relevant budget excludes revenue-generating enterprises.

Further legal analysis is needed to clarify the applicability of terms of this bill to the ETHD, including the definition of “budget”, i.e., whether it includes items such as the ETHD payments to Sutter, or non-cash items such as depreciation.

HEALTHCARE DISTRICTS IN ALAMEDA COUNTY

In addition to the ETHD, two other healthcare districts exist in the County: the City of Alameda Healthcare District, and the Washington Township Healthcare District (WTHD). The WTHD represents one option for consolidation with the ETHD, as described in **Chapter 6**.

WASHINGTON TOWNSHIP HEALTHCARE DISTRICT

As described in LAFCo’s last healthcare MSR, the Washington Township Healthcare District (WTHD) was formed in 1948 to build, own and operate Washington Hospital to provide health care services. Washington Hospital opened on November 24, 1958.³⁵ The District’s boundaries include the cities of Fremont, Newark, Union City, the southern portion of Hayward, and the unincorporated community of Sunol, which together encompass 124 square miles and a population of approximately 320,000.³⁶ It is contiguous to the Eden Township Healthcare District boundary.

The WTHD, also known as the Washington Hospital Healthcare System, provides a range of services at the Washington Hospital, including 24-hour emergency care; childbirth and family services; cardiac surgery, catheterization and rehabilitation; nutritional counseling; outpatient surgery; pulmonary function; crisis intervention; respiratory care; rehabilitation services

³⁵ Final Municipal Service Review, Volume I – Public Safety Services, Chp. A-1, September 16, 2004.

³⁶ Washington Hospital Healthcare System website, <http://whhs.com/about/history/default.aspx>, downloaded 9/22/16.

(cardiac, physical therapy, occupational therapy, speech, stress); social services; laboratory; medical imaging; level II nursery, and hospice care.³⁷

CITY OF ALAMEDA HEALTHCARE DISTRICT

The City of Alameda Healthcare District was formed July 1, 2002 after approval by over two-thirds (69 percent) of voters. The District formed because the Alameda Hospital was facing ongoing operating losses. As a condition of District formation, property owners in the City of Alameda pay a \$298 parcel tax to repay the hospital's debt, defray the operating losses of the hospital and ensure that the hospital remains open.³⁸

Since the preparation of the 2013 MSR for the District, the City no longer operates its hospital. The District contracts with the Alameda Health System to operate the facility, which the District still owns.³⁹

³⁷ Ibid, Washington Hospital Healthcare System website.

³⁸ City of Alameda Healthcare District Municipal Service Review Final, January 10, 2013

³⁹ Alameda Health System press release, Nov. 27, 2013.

4. HEALTH CARE IN ALAMEDA COUNTY

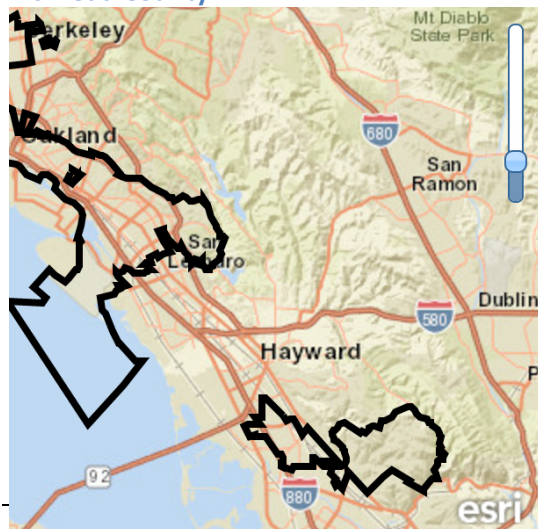
While this Special Study does not independently evaluate health care needs, facilities and programs in Alameda County, this chapter provides an overview of selected data sources relevant to ETHD's mission. Key facilities are described, focusing on facilities that have played a role in ETHD's history.

Health care in Alameda County in many ways mirrors national trends. A recent publication notes that "As hospitals increasingly lose patients to medical care delivered in clinics and home settings, hospital operators are escalating their efforts to shrink capacity."⁴⁰ Factors behind hospital closures include high deductibles, better technology, more case management and shrinking reimbursements. This trend is being partly mitigated as "New public policy and marketplace incentives are encouraging health systems to promote prevention and keep patients with chronic diseases out of the hospital. The shift to outpatient care, underway for decades, is accelerating."⁴¹

HEALTH CARE NEEDS

Two areas within the District's boundary are designated as Medically Underserved Areas (MUAs), as illustrated in **Figure 2**.⁴² The medically underserved are people with life

Figure 2 Medically Underserved Areas in Alameda County



circumstances that make them susceptible to falling through the cracks in the health care system. Many do not have health insurance or cannot afford it; those who do have insurance sometimes face insufficient coverage.

The California Healthcare Workforce Policy Commission approved the MUA designation in May 1994.

⁴⁰ "Hospitals face closures as 'a new day in healthcare' dawns", Modern Healthcare, Feb. 21, 2015, <http://www.modernhealthcare.com/article/20150221/MAGAZINE/302219988>

⁴¹ *ibid*, Modern Healthcare, Feb. 21, 2015

⁴² See <http://gis.oshpd.ca.gov/atlas/topics/shortage/mua/alameda-service-area>

Numerous documents describe health care needs within Alameda County:

An **Alameda County Health Profile**, completed in 2014, provides health statistics on the Alameda County population and identifies subpopulations or geographic areas where the disease burden is highest.⁴³ The document was completed as part of the larger Community Health Assessment (CHA), one of the key deliverables required to achieve Public Health Accreditation. The report describes poverty rates as a major determinant of health and health equity, and notes that there are some high-poverty (greater than 20% of the individuals are living in poverty) neighborhoods in East and West Oakland, as well as parts of central county that are included within ETHD boundaries.⁴⁴

The report identifies the top ten leading causes of death in Alameda County. As noted in the report, “The great majority of these (92%) are chronic diseases: cancer, heart disease, stroke, chronic lower respiratory disease (CLRD) (chronic bronchitis, emphysema, etc.), Alzheimer’s disease, diabetes, hypertension, and liver disease.”⁴⁵

A 2013 **Community Health Needs Assessment**, prepared for the Kaiser Foundation Hospital in Hayward (KFH), included a comprehensive review of secondary data on health outcomes, drivers, conditions and behaviors in addition to the collection and analysis of primary data through focus groups with members of vulnerable populations in the KFH Medical Center service area. The KFH service area generally corresponds with ETHD boundaries. The report identified community health needs, and the relative priority among them, with particular relevance for vulnerable populations in the service area:⁴⁶

- Access to Preventive Health Care Services including Asthma Care (Language, Geographic, Cost)
- Access to Mental Health and Substance Use Treatment Services
- Access to a Safe Environment (Learn, Live, Work and Play)
- Access to Education and Training Programs (includes Parent Education)

⁴³ Alameda County Health Data Profile, 2014, Community Health Status Assessment for Public Health Accreditation, Alameda County Public Health Department

⁴⁴ Alameda County Health Data Profile, 2014, pg. 8.

⁴⁵ Alameda County Health Data Profile, 2014, pg. 27.

⁴⁶ 2013 Community Health Needs Assessment, Kaiser Foundation Hospital – Hayward, also referred to as the Kaiser Permanente Northern California Region Community Benefit CHNA Report for KHF-Hayward.

- Exercise/Active Living
- Access to Affordable Healthy Food
- Access to Information and Referral to Appropriate Programs

The objective of the **Community Health Needs Assessment of the Sutter Medical Center Castro Valley (SMCCV) Service Area**, prepared in 2013, was to provide information for SMCCV's community health improvement plan, identify communities with health disparities (esp. chronic disease), and identify contributing factors and barriers to healthier lives.⁴⁷ In addition to the Sutter Medical Center, the SMCCV service area also includes the San Leandro Hospital. The study identified and prioritized health needs for the population of 250,000 within communities of concern that reside largely within the ETHD boundaries.⁴⁸

- Mental Health
- Access to Health Resources
- Nutrition
- Dental Care
- Health Literacy
- Pollution

The SMCCV Assessment provided the basis for strategic initiatives and implementation strategy described in the Sutter Health Eden Medical Center's 2013-2015 Implementation Strategy.⁴⁹ The strategy includes actions the hospital intends to take, including specific programs and resources it plans to commit; anticipated impacts of these actions and a plan to evaluate impact; and planned collaboration between the hospital and other organizations.

SERVICES, FACILITIES AND PROVIDERS

Appendix A includes a map and list of major health care facilities in Alameda County; selected agencies and facilities are summarized in the following section.

⁴⁷ Community Health Needs Assessment (CHNA) of the Sutter Medical Center Castro Valley (SMCCV) Service Area, conducted on the behalf of Sutter Medical Center Castro Valley, by Valley Vision, Inc., 2013.

⁴⁸ CHNA of the SMCCV, pg. 23-24.

⁴⁹ Sutter Health Eden Medical Center 2013-2015 Implementation Strategy, Responding to the 2013 Community Health Needs Assessment.

COUNTY OF ALAMEDA

Health Care Services Agency (HCSA)

As described on the HCSA website, “Alameda County's Health Services Program is administered by the Health Care Services Agency and includes the following program areas: Behavioral Health Care, Public Health, Environmental Health, and Agency Administration/Indigent Health. The ultimate mission of Health Care Services Agency is to provide fully integrated health care services through a comprehensive network of public and private partnerships that ensure optimal health and well-being and respect the diversity of all residents.”⁵⁰

HCSA is relatively unique in that it does not own or operate a hospital or clinic. In 1996 all of the County's clinical and hospital work was transferred to a public health authority, the Alameda Health System (AHS).⁵¹ HCSA oversees the distribution of County funds to clinics including Measure A funds, manages contracting activities, and participates in studies of local health care disparities and needs. HCSA also assists a network of federally qualified health centers leverage local funds to draw on additional federal dollars. The HCSA indicated that it is shifting its focus from disease care to prevention.⁵² While the HCSA has worked with ETHD on past projects, there may be potential for more coordination with ETHD to help obtain federal funds for qualified projects.⁵³

Measure A

Measure A is a ½ cent sales tax adopted by voters in March 2004 to provide “additional financial support for emergency medical, hospital inpatient, outpatient, public health, mental health and substance abuse services to indigent, low-income and uninsured adults, children and families,

⁵⁰ <https://www.acgov.org/health/>

⁵¹ For enabling legislation of AHS, see:
http://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=HSC&division=101.&title=&part=4.&chapter=5.&article

⁵² R.Berkson and M.Palacios interview with Dr. Kathleen Clanon, HCSA, September 20, 2016.

⁵³ R.Berkson and M.Palacios interview with Dr. Kathleen Clanon, HCSA, September 20, 2016.

seniors and other residents of Alameda County.”⁵⁴ In FY16-17 the measure is expected to produce approximately \$126 million in revenues.⁵⁵

According to an overview provided by the Alameda County Health Care Services Agency (HCSA),⁵⁶ each year, 75% of the tax revenue is transferred to the Alameda Health System and the remaining 25% of revenue is allocated by the Board of Supervisors based on the demonstrated need and the County’s commitment to a geographically dispersed network of providers for:

- 1) Critical medical services provided by community-based health care providers;
- 2) To partially offset uncompensated care costs for emergency care and related hospital admissions; and
- 3) For essential public health, mental health and substance abuse services.

The funds are administered by the HCSA, including review of grant outcomes. The Measure A ordinance established a Citizens Oversight Committee that reviews Measure A tax expenditures to assure conformity with the Measure, and produces an annual report.

EDEN MEDICAL CENTER

The Eden Medical Center (EMC), according to its website, “...is the regional trauma center for Southern Alameda County and home to the Sutter East Bay Neuroscience Institute. Eden features many centers of excellence, including orthopedics, rehabilitation, breast imaging, childbirth, women's health, stroke care, and cancer care. Eden has been recognized for outstanding quality, including a "Top Performer" designation by The Joint Commission (a national independent not-for-profit hospital accreditation and certification organization), Superior Intensive Care Unit (ICU) designation and the Certificate of Excellence award from the California Hospital Assessment and Reporting Task Force (CHART), an honor recognizing exceptional performance in health care quality in 50 categories. With a new facility opened in December 2012, Eden Medical Center brings together patient-centered care, state-of-the-art technology, and sophisticated design in a LEED-certified sustainable and seismically-safe

⁵⁴ Even though the 2004 tax was not to expire until 2019, county officials put forward Measure AA. The measure renewed the same 0.5% sales tax increase until 2034 with a 75.01% “yes” vote (see [https://ballotpedia.org/Alameda_County_Healthcare_Services_Sales_Tax,_Measure_AA_\(June_2014\)](https://ballotpedia.org/Alameda_County_Healthcare_Services_Sales_Tax,_Measure_AA_(June_2014)))

⁵⁵ Memo from Alameda County HCSA to the Board of Supervisors, Nov. 23, 2015, re: allocation of 25% share of Measure A (\$31.5 million).

⁵⁶ Overview of Measure A Essential Health Care Services Initiative, HCSA.

building.”⁵⁷ Designated as a general acute care hospital, in 2015 it reported that its 130 licensed beds provided services to 38,663 in-patient days.⁵⁸

The ETHD was formed in 1948 to construct the Eden Medical Center (EMC) that opened in 1954. Residents of the District funded bonds to build the hospital, which focused on general medicine and surgery, pediatrics and obstetrics. Over the years, the hospital expanded to include an intensive care unit and emergency department, as well as additions for physical therapy, lab, radiology and radiation therapy, surgery and recovery areas.⁵⁹ In 1986 the adjacent Laurel Grove Hospital was acquired.⁶⁰

In response to 1994 State mandates for seismic upgrades of all hospitals, ETHD formed a partnership with Sutter Health to replace EMC and construct a new hospital at an estimated cost of \$300 million, which ETHD could not fund. In 1997, ETHD voters approved the sale of EMC and Laurel Grove Hospital, also owned by ETHD, to Sutter Health for \$80 million.⁶¹ These proceeds, and interest earnings, enabled the District to acquire several medical office buildings that generate the majority of ETHD revenues.

SAN LEANDRO HOSPITAL

The San Leandro Hospital (SLH) is a 93-bed facility in central Alameda County acquired by Alameda Health System (AHS) in late 2013 from Sutter, which had acquired the facility from ETHD. The facility was at the center of a legal dispute that resulted in ETHD’s 10-year obligation to pay Sutter approximately \$2 million per year.

The hospital is home to 450 employees, 100 physicians, and 40 auxiliary-volunteer workers. The medical services include 24-hour emergency services, critical care, surgery, rehabilitation services, and ancillary services to a population of 265,000 people. San Leandro Hospital’s Level II

⁵⁷ EMC website: <http://www.edenmedicalcenter.org/services/index.html>

⁵⁸ ALIRTS Report, Annual Utilization Report of Hospitals, Eden Medical Center, 2015.

⁵⁹ Eden Medical Center website, 9/25/16, http://www.edenmedicalcenter.org/about/about_history.html

⁶⁰ Sutter Health Eden Medical Center blog post March 10, 2010 at: <http://newsroom.edenmedicalcenter.org/tag/laurel-grove-hospital/>

⁶¹ 2015-2016 Alameda County Grand Jury Final Report, The Failure of Eden Township Healthcare District’s Mission

Emergency Department has 12 treatment stations and experienced 32,900 visits in 2015.⁶² The hospital's critical/intensive care unit has nine beds.⁶³

On July 1, 2004, the Eden Township Healthcare District purchased San Leandro Hospital from Triad Hospitals Inc., an investor-owned hospital company based in Plano, Texas, for \$35 million including a medical office building, limited partnership in the Surgery Center, and land to be swapped with the City.⁶⁴ Of the total price paid, the District indicates that SLH represents \$25 million.⁶⁵

Upon the purchase, the District leased the hospital to Sutter Health/Eden Medical Center, and SLH and EMC came together under one consolidated license. This hospital purchase was primarily to serve the purpose of replacing needed acute rehabilitation beds that would be displaced by the demolition of Laurel Grove Hospital on the Eden Campus to build a replacement hospital for Eden Medical Center's 1954 facility.⁶⁶

ETHD leased SLH to Sutter with an option to purchase SLH. Sutter planned to expand SLH operations and utilize it during Sutter's rebuilding of the Eden Medical Center to meet State-mandated seismic standards.

When Sutter exercised its purchase option in 2009,⁶⁷ concerns by the community that Sutter might close SLH's acute care facility prompted ETHD to withhold transfer of SLH to Sutter.⁶⁸

This response by the District led to legal action by Sutter, which ultimately was awarded \$17.8 million for SLH operating losses over the period that ETHD withheld transfer.⁶⁹ ETHD petitioned the court to be allowed to pay the obligation over a ten-year period with interest, which was granted. Sutter appealed this payment term and requested payment of a single lump sum; their appeal was denied.⁷⁰

⁶² ALIRTS Annual Utilization Report of Hospitals, 2015.

⁶³ SLH website: <http://www.sanleandroahs.org/about-us>

⁶⁴ Correspondence with Dev Mahadevan, CEO, ETHD, September 6, 2016

⁶⁵ Correspondence with Dev Mahadevan, CEO, ETHD, August 3, 2016.

⁶⁶ ETHD Timeline, 9/16/16.

⁶⁷ The 2004 lease agreement between Sutter Health and ETHD was amended and restated in 2008.

⁶⁸ JAMS Arbitration No. 110004646, Final Award, Conclusion of Hearing June 11, 2013.

⁶⁹ Sutter Health sought damages for the period from April 1, 2010 when the property was to be transferred, through April 30, 2012 when title was actually provided to Sutter.

⁷⁰ Correspondence from ETHD to R.Berkson, 11/30/16.

In 2012, ETHD proposed to help provide funding to SLH while SLH's ultimate disposition was being litigated. The funding would be equal to 50% of ETHD net cash flow available after other expenditures and financial obligations had been met.⁷¹ This funding was not provided.⁷²

In 2014, city and County officials sought funding from ETHD for SLH operations after its transfer from Sutter to AHS.⁷³ Initial year shortfalls were funded by Sutter, which provided \$14 million to AHS as part of the facility transfer,⁷⁴ but continued shortfalls required ongoing subsidies. In 2014, ETHD's board voted to "work collaboratively....." to raise \$20 million needed for SLH's second year of operations.⁷⁵ ETHD's financial consultant advised the District⁷⁶ that it did not have the financial resources, ability to refinance its properties, or record of positive cash flows to raise and commit \$20 million to SLH unless it sold its properties, which ETHD was unwilling to do without voter approval.⁷⁷

For the year ended June 30, 2016, San Leandro Hospital had a net operating shortfall of \$990,000. Financial records also indicate additional allocations were made to the hospital for support services in the amount of \$20.6 million.⁷⁸

ST. ROSE HOSPITAL

The St. Rose Hospital in South Hayward is Alameda County's second largest safety net hospital, and is the only disproportionate share hospital (DSH)⁷⁹ in southern Alameda County, serving a

⁷¹ ETHD minutes, Oct. 17, 2012 Board of Directors Open Session, Item VIII.

⁷² R.Berkson conversation with Dev Mahadevan, ETHD, 9/16/16.

⁷³ ETHD minutes, June 19, 2013 Board of Directors Open Session, Item VI.

⁷⁴ Letter from Michele Lawrence (President, Alameda Health System Board of Trustees), Wilma Chan (Supervisor, Alameda County Board of Supervisors), and Pauline Russo Cutter (Mayor, City of San Leandro) to Florence Di Benedetto (General Counsel, Sutter Health) and ETHD, July 10, 2015.

⁷⁵ ETHD minutes, June 19, 2013 Board of Directors Open Session, Item VI.

⁷⁶ G.L. Hicks Financial, LLC, letter to Dev Mahadevan, July 15, 2013.

⁷⁷ Letter from Dev Mahadevan, ETHD, to Supe. Chan, San Leandro Mayor Russo Cutter, and Michele Lawrence, AHS Board of Trustees, Aug. 11, 2015.

⁷⁸ Memorandum from David Cox, CFO Alameda Health System, to AHS Finance Committee re: Preliminary June 2016 Financial Report, August 5, 2016.

⁷⁹ According to the Health Resources and Services Administration: Disproportionate Share Hospitals serve a significantly disproportionate number of low-income patients and receive payments from the Centers for Medicaid and Medicare Services to cover the costs of providing care to uninsured

high number of low-income patients. Although the current operator, Alecto Healthcare Services⁸⁰, has significantly reduced annual operating shortfalls, St. Rose Hospital experienced an annual deficit in FY14-15 of \$11 million and required supplemental funding from the County of Alameda and other sources.⁸¹

ETHD loaned St. Rose \$3 million in 2011; however, the loan was not fully repaid. At its meeting in June, 2016, the ETHD Board decided to forgive the balance remaining on its outstanding loan to St. Rose Hospital of \$1,150,000 (plus past due interest of \$140,182)⁸². The Board effectively granted St. Rose Hospital \$1,150,000 (plus interest) and directed that the funds be used to offset the costs of serving under-insured and uninsured patients residing within the District.⁸³

At its July 21, 2016 meeting, the Board considered acquisition of St. Rose Hospital, which would enable the District to be a direct service provider; after learning that a report to the District indicated that the hospital ran at a net loss, the Board concluded that “it does not need to own or operate a hospital at this time, but that it would be best to keep the option open in case the District is needed in the future for St. Rose Hospital.”⁸⁴

OTHER HEALTH CARE PROVIDERS WITHIN THE DISTRICT BOUNDARY

In addition to the health care providers noted above, there are various other health care providers within the ETHD boundaries, for example, Kaiser Hospital in San Leandro; the Tiburcio Vasquez Health Center; the Davis Street Family Resource Center Clinic (see also discussion in Chapter 5 about ETHD partnerships with Davis Street); school-based health centers, and other innovative facilities such as a pilot project clinic in a Hayward fire station.

This is not intended to be a comprehensive list of health care providers, but illustrative of the range and diversity of facilities and services. **Appendix A** includes a map and list of facilities in the District and surrounding areas within the County.

patients. Disproportionate share hospitals are defined in Section 1886(d)(1)(B) of the Social Security Act. For more information, see the [disproportionate share hospitals fact sheet](#).

⁸⁰ See Alecto website at <http://www.alectohealthcare.com/>

⁸¹ Letter from St. Rose Hospital to Richard Valle, Alameda County Board of Supervisors, August 5, 2016 pg.3.

⁸² Letter from Roger Krissman, St. Rose Hospital CFO, to Richard Valle, Alameda County Board of Supervisors, August 5, 2016.

⁸³ Eden Township Healthcare District dba Eden Health District, Consolidated Financial Statements, June 30, 2016 and 2015, Armanino LLP

⁸⁴ Special Meeting of the ETHD Board of Directors, July 21, 2016, minutes, see Item VIII.

5. EDEN TOWNSHIP HEALTHCARE DISTRICT

The Eden Township Healthcare District (the "District") is a public agency organized under Local Hospital District Law as set forth in the Health and Safety Code of the State of California.⁸⁵ The District was formed in 1948 for the purpose of building and operating a hospital to benefit the residents of the Eden Township.

GOVERNANCE

A Board of Directors elected from within the District boundaries governs for terms as shown in **Table 1**. The District's website provides descriptions of healthcare-related experience of the board members. No real estate experience is listed in the biographies.

Table 1 ETHD Board Members

Position	Name	Date Elected	Term Expires
Chairperson	Lester Friedman	Nov. 2010	Dec. 2018
Vice Chair	Ronald Hull, DPM	March 2012	Dec. 2020
Secretary/Treasurer	Roxann Lewis	July 2014	Dec. 2018
Director	Thomas Lorentzen	Dec. 2014	Dec. 2018
Director	Vin Sawhney, M.D.	Nov. 2008	Dec. 2020

Elections, when required to fill contested positions, incur a cost of approximately \$200,000 every two years. Two seats expired in December 2016, but the incumbents ran unopposed so there was no election required.

ETHD Board and staff were certified by the Association of California Healthcare Districts for meeting high healthcare district governance standards set for participating members in the association.⁸⁶ The District is investigating certification through a "District Transparency Certificate of Excellence" from the Special District Leadership Foundation, which documents

⁸⁵ Cal. Health and Safety Code 32000 et seq.

⁸⁶ 2015-2016 Alameda County Grand Jury Final Report, pg. 48.

various best practices.⁸⁷ The District appears to meet many of the standards, although there are additional practices that would improve the District's actions and accountability.

The Alameda County Grand Jury criticized the District for failing to implement a plan to increase public awareness of its activities and priorities.⁸⁸ The report cited a 2012 survey by the District that indicated, "55% of respondents prior to taking the survey had never heard of Eden Township Healthcare District."⁸⁹ While the 2012 survey found that 55% of potential voters in the District had not heard of the district, and 24% had heard of the District but had no opinion, of the remaining 21%, the survey indicated that 18% had a favorable opinion and 3% of total survey respondents had an unfavorable opinion.⁹⁰

In the District's response to the Grand Jury, it indicated that since the 2012 survey, the District had "spent resources and time communicating with more than 19,855 individuals in the District directly, and at health fairs" and "reached several hundred more through the District's community health educational programs."⁹¹

⁸⁷ SDLF website <http://www.sdlf.org/transparency>

⁸⁸ Alameda County Grand Jury Final Report 2015-2016 released on June 21, 2016, pg. 50.

⁸⁹ 2015-2016 Alameda County Grand Jury Final Report, pg. 50.

⁹⁰ Tramato Advisors presentation to ETHD Board, Oct. 17, 2012.

⁹¹ Eden Health District response to 2015-2016 Civil Grand Jury, ETHD Response to Finding 16-17, August 25, 2016.

ASSESSED VALUE AND POPULATION

Table 2 describes key characteristics of the District, including population and geographic area.

Table 2 Summary of Population and Area within the ETHD Boundaries

Area	Population	ETHD Population (2)(3)		Area (sq.miles)	ETHD Area (3)	
	Total City or Community	Residents	% ETHD	Total City or Community	Sq. Miles	% ETHD
<u>INCORPORATED</u>						
San Leandro	87,700 (1)	84,940	22.4%	15.46	13.28	11.2%
Hayward	158,985 (1)	135,532	35.7%	64.33	33.55	28.3%
Dublin	57,349 (1)	1,000	0.3%	15.22	0.59	0.5%
Oakland	422,856 (1)	100	0.0%	77.98	1.85	1.6%
Union City	<u>72,952</u> (1)	<u>0</u>	<u>0.0%</u>	<u>19.39</u>	<u>0.17</u>	<u>0.1%</u>
Total, Incorporated	799,842	221,572	58.4%	192.38	49.44	41.7%
<u>UNINCORPORATED</u>						
Castro Valley	62,363 (2)	62,363	16.4%	10.76	10.76	9.1%
San Lorenzo	24,563 (2)	24,563	6.5%	2.82	2.82	2.4%
Ashland	23,360 (2)	23,360	6.2%	1.77	1.77	1.5%
Cherryland	15,244 (2)	15,244	4.0%	1.23	1.23	1.0%
Fairview	9,852 (2)	9,852	2.6%	2.81	2.81	2.4%
Other Unincorporated	<u>42,800</u> (3)	<u>22,712</u>	<u>6.0%</u>	<u>405.98</u>	<u>49.79</u>	<u>42.0%</u>
Total, Unincorporated	178,182 (1)	158,094	41.6%	425.37	69.18	58.3%
TOTAL	978,024 (1)	379,666	100.0%	617.75	118.62	100.0%

(1) Source: Cal. Dept. of Finance, Report E-1: City/County Population Estimates 1/1/16

(2) Census, American Community Survey, 5-year

(3) County of Alameda GIS, 12/5/16

ETHD no longer collects property taxes from assessed value within its boundaries. However, assessed value can be a factor in determining governance options and disposition of assets.

Table 3 below shows the distribution of value within ETHD boundaries.

Table 3 Summary of Assessed Value within the ETHD Boundaries

Area	Total A.V. Total City or Community (1)	ETHD Assessed Value (1)	
		\$	% ETHD
<u>INCORPORATED</u>			
San Leandro	\$ 10,562,846,587	\$ 10,561,557,238	26.0%
Hayward	\$ 16,167,129,055	\$ 15,071,319,856	37.1%
Dublin	\$ 11,159,798,890	\$ 412,634,722	1.0%
Oakland	\$ 42,947,862,495	\$ 13,043,716	0.0%
Union City	<u>\$ 8,413,236,717</u>	<u>\$ 4,614,713</u>	0.0%
Total, Incorporated	89,250,873,744	\$ 26,063,170,245	64.1%
<u>UNINCORPORATED</u>			
Castro Valley	\$ 8,447,517,869	\$ 8,447,517,869	20.8%
San Lorenzo	\$ 2,187,199,320	\$ 2,187,199,320	5.4%
Ashland	\$ 1,339,951,856	\$ 1,339,951,856	3.3%
Cherryland	\$ 792,066,607	\$ 792,066,607	1.9%
Fairview	\$ 1,353,170,519	\$ 1,353,170,519	3.3%
Other Unincorporated	<u>\$ 2,170,834,374</u>	<u>\$ 454,046,194</u>	<u>1.1%</u>
Total, Unincorporated	\$ 16,290,740,545	\$ 14,573,952,365	35.9%
TOTAL	\$ 105,541,614,289	\$ 40,637,122,610	100.0%

(1) County of Alameda GIS

ETHD GOALS, POLICIES AND PLANS

The District's Strategic Plan⁹² states their mission:

It is the mission of Eden Township Healthcare District to improve the health of the people in our community by investing resources in health and wellness programs that meet identified goals.

The Strategic Plan was last amended by the Board in August, 2016. The Plan includes a set of priorities, and actions to implement the priorities. The Plan should be revised at least annually to reflect changing conditions. The amended Strategic Plan includes actions to be taken to implement each goal. It will be important for the District to document accomplishments of those actions. The Plan's actions and accomplishments should also be integrated into its budget.

District policies are available on their website, and encompass a range of policies and procedures, including date created and amended.⁹³

The District prepares annual financial reports and budgets in a timely manner and makes them available on their website. The financial audits adhere to generally accepted accounting principles and standards.

Long-term financial forecasts are prepared by the District as needed (for example, for property financings), but should be a routine part of budget preparation and review/update of its Strategic Plan. A long-term capital plan should be regularly maintained and supported by facility condition assessments, and should be consistent with actions in the Strategic Plan related to asset management and development.

ETHD SERVICES

The District no longer owns and operates a hospital, but it does provide grant funding and sponsorships to health-related organizations and programs, oversees its investment fund, and owns three office buildings where it leases office space to various health providers.

ETHD's health-related programs are primarily grants and sponsorships, and do not represent "direct services" to consumers, or ownership of facilities and equipment that provide direct services. However, the grant recipients all appear to be organizations that do provide services,

⁹² The Next Five Years, Eden Township Healthcare District (Formally adopted by Board: August 17, 2016).

⁹³ <http://ethd.org/governance/policies-procedures/>

including clinical and/or educational programs, directly to consumers. The District also contracts for educational services, which could be considered “direct services”.

DAVIS STREET FAMILY RESOURCE CENTER

ETHD recently entered into an agreement with the Davis Street Family Resource Center (DSFRC), a private non-profit agency in San Leandro, to provide monthly funding for a five-year period.⁹⁴ DSFRC provides basic needs, childcare and counseling to underserved individuals throughout San Leandro.⁹⁵ Their mission “...is to improve health, address poverty and increase the overall quality of life of residents in the Eden Area.”⁹⁶ DSFRC is a Federally-qualified Health Clinic.⁹⁷

DSFRC operates a primary care clinic that reported serving 1,435 patients, over half under the Federal poverty level, and providing 3,870 services and diagnoses in 2015.⁹⁸ DSFRC provides preventative health services including lab screenings and analyses; health education and nutrition counseling; and screening for cancer (breast, colon, prostate, etc.). DSFRC’s ambulatory primary care includes: diagnosis and treatment of disease; primary care for acute, episodic illness; management of chronic illnesses such as diabetes, hypertension, heart disease, asthma, allergies, etc.; women’s health; and wellness exams. The clinic also provides a full range of dental services. Other services include behavioral health services such as individual, family, and couple’s therapy; psychological assessments; case management; group therapy (anger management; trauma; domestic violence; etc.); and short- and long-term treatment.⁹⁹

The DSFRC programs funded through ETHD’s \$250,000 annual grant focus on two service areas: a Diabetic Management Program and the Community Behavioral Health Program. Diabetes is identified in the Alameda County Health Profile as among the top ten leading causes of death in Alameda County. Mental health services are identified as a priority in the areas served by Kaiser

⁹⁴ Eden Township Healthcare District- Street Family Resource Center Services Agreement, Nov. 5, 2015.

⁹⁵ IRS Form 990, 2014, The Davis Street Community Center Incorporated.

⁹⁶ Davis Street website, <http://davisstreet.org/index.php/about-us/>

⁹⁷ A Federally Qualified Health Center (FQHC) is a reimbursement designation from the Bureau of Primary Health Care and the Centers for Medicare and Medicaid Services of the United States Department of Health and Human Services; see https://en.wikipedia.org/wiki/Federally_Qualified_Health_Center

⁹⁸ ALIRTS website, Annual Utilization Report of Primary Care Clinic, 2015, Davis Street Primary Care Clinic, <https://www.alirts.oshpd.ca.gov/default.aspx>

⁹⁹ Davis Street website, <http://davisstreet.org/index.php/healthclinic/>

Hospital in Hayward¹⁰⁰ and by the Community Health Needs Assessment of the Sutter Medical Center Castro Valley (SMCCV) Service Area.¹⁰¹ The outcomes of these expanded services will be documented in conformance with applicable Federal requirements and provided to the District on an ongoing basis, according to the District's agreement with DSFRC.¹⁰² The initial agreement is effective through November 30, 2016 and automatically renews for four additional annual periods, and may be terminated by either party to the agreement.

ETHD has provided various levels of support to the DSFRC over the past twenty years. ETHD provided the initial funds (\$12,500) needed to open the free clinic at the Davis Street facility.¹⁰³ The San Leandro Hospital, owned by ETHD at the time, donated much of the needed equipment, and the hospital later furnished equipment for the x-ray center and the labs.¹⁰⁴

GRANTS TO SERVICE PROVIDERS

ETHD budgeted \$250,000 in FY17 towards grants to service providers, the same amount expended in the prior fiscal year. In addition, the District budgeted \$250,000 to its Davis Street partnership. The District reports that it had granted approximately \$11.6 million to various service providers within its service area from 1999 through FY16, which it recently increased when it converted the unpaid balance on its loan to St. Rose Hospital into a grant.¹⁰⁵ **Figure 3** illustrates grants awarded annually.¹⁰⁶ Grant awards were suspended in FY10-11 due to pending Sutter Health litigation.

¹⁰⁰ 2013 Community Health Needs Assessment, Kaiser Foundation Hospital – Hayward, also referred to as the Kaiser Permanente Northern California Region Community Benefit CHNA Report for KHF-Hayward.

¹⁰¹ Community Health Needs Assessment (CHNA) of the Sutter Medical Center Castro Valley (SMCCV) Service Area, conducted on the behalf of Sutter Medical Center Castro Valley, by Valley Vision, Inc., 2013.

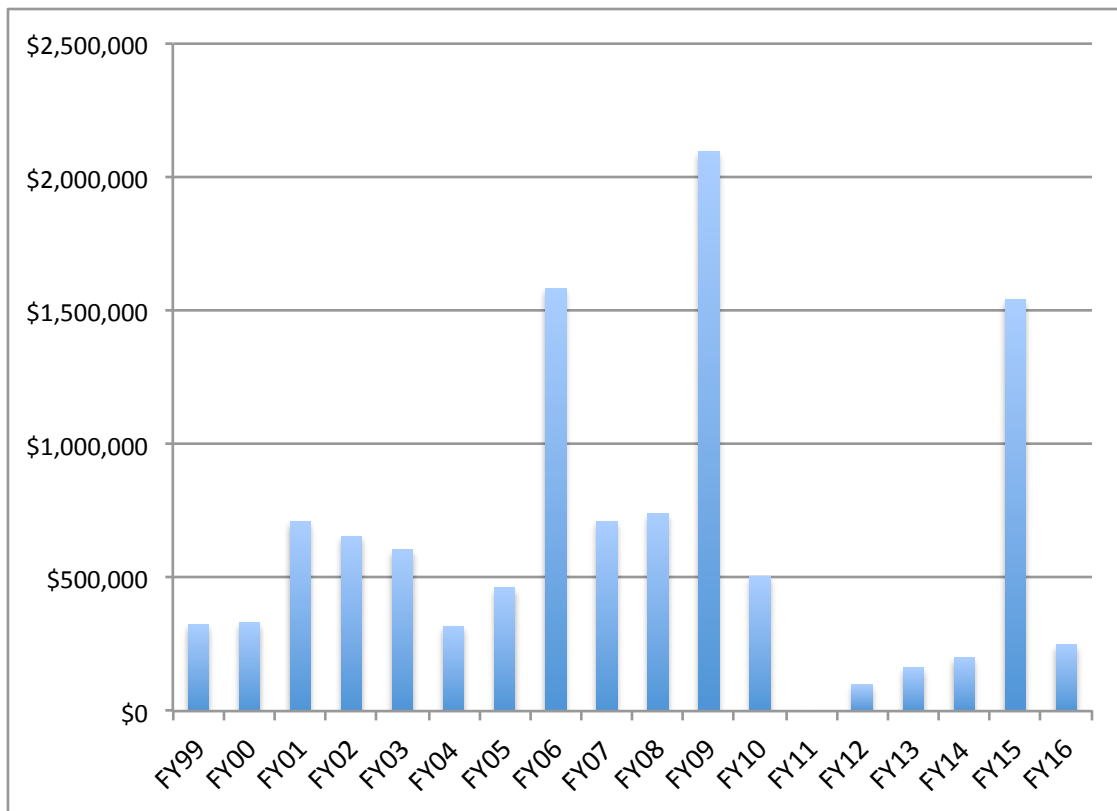
¹⁰² Eden Township Healthcare District- Street Family Resource Center Services Agreement, Nov. 5, 2015.

¹⁰³ See "Proposed Partnership", September 14, 2015, attached to Eden Township Healthcare District- Street Family Resource Center Services Agreement, Nov. 5, 2015.

¹⁰⁴ *ibid*

¹⁰⁵ ETHD Grants Summary (see **Appendix B**).

¹⁰⁶ ETHD Grant Report, as of 12/5/16. Amounts reflect awards during the fiscal year; timing of payments may vary slightly. Includes conversion of St. Rose loan to a grant.

Figure 3 ETHD Grants Awarded Annually

Appendix B provides a list of past ETHD grants and sponsorships. **Table 4** describes grants awarded in FY15-16. The District’s website includes a list of grant application review criteria and priorities for funding programs that “closely match the District’s priorities established for the year.”¹⁰⁷ Grant recipients file Interim Grant Reports, a process started in 1999; current reports are available on the District’s website and past reports are available on request. The reports follow a standard format and provide information that includes services and persons served, goals and priorities, and issues related to grant utilization.¹⁰⁸ District Policy No. 404 addresses the grant process.¹⁰⁹

¹⁰⁷ ETHD website <http://ethd.org/grants/faq/>

¹⁰⁸ ETHD website

¹⁰⁹ http://ethd.org/wp-content/uploads/2015/04/ETHD404_2013.pdf

Table 4 Summary of ETHD FY15-16 Grants

Grant Recipient	Grant Amount	Summary
Eden I & R	\$18,000	2-1-1 Alameda County is a toll-free, 24/7 phone service that provides callers with information and referrals to health, housing, and human services in more than 150 languages.
CV VFW Post 9601	\$5,000	Intended to foster camaraderie among United States veterans of overseas conflicts, and advocate on behalf of veterans.
George Mark Children's House	\$15,000	Pediatric palliative care facility which provides life-enhancing medical care and family support for children with illnesses that modern healthcare cannot yet cure, and for those with complex medical issues.
San Leandro Unified School District	\$10,000	Peer Educators and Navigators who will identify, develop and facilitate health-related presentations/projects for their peers.
CALICO Center	\$25,000	Building Resiliency Project to improve mental-health for toddlers, children and teens, as well as adult victims with developmental disabilities, who have suffered abuse
Mercy Retirement & Care Center	\$12,500	Brown Bag Program which helps low-income seniors in Alameda County maintain their health through the distribution of nutritious groceries, twice a month, free of charge.
Spectrum Community Services	\$25,000	Fall Risk Reduction Program prevents falls among high-risk Eden Area seniors, thus improving health outcomes and preventing expensive hospitalization.
La Familia Counseling Service	\$25,000	Wellness First program will provide on-site early intervention and mental health services to English as a Second Language and transitional age youth.
SOS Meals on Wheels	\$25,000	Prepares and delivers nutritious meals and daily check in visits for at-risk seniors so that they can continue to live independently at home for as long as safely possible.
East Bay Agency for Children	\$25,000	Child Assault Prevention Training Center provides 32 violence prevention workshops at high-risk San Leandro schools, as well as mental health services and Trauma Awareness Groups.
Foundation for Osteoporosis Research Foundation	\$14,000	Resource for osteoporosis information and education and bone health promotion in Northern California and develops models for treatment, intervention and prevention of osteoporosis throughout the cycle of life and among diverse populations.
Cal. Society to Prevent Blindness	\$20,500	Devoted to the preservation of sight for the people of Northern California. Provides direct vision screening services, vision screening training programs, public education, and advocacy.
Building Futures with Women & Children	\$10,000	Emergency Shelter and Domestic Violence Services to Eden Area Women and Children which provides services for homeless and abused women and children, as well as provides domestic violence outreach and education services.
Cherryland Elementary/Cherryland PTA	\$20,000	Intended to advance the health and wellness of the Cherryland community and make health-related services more accessible and affordable, especially to underserved, high-risk/special needs students and their families.

Source: ETHD website, <http://ethd.org/grants/previous-recipients/>

SPONSORSHIPS

Over the past ten years, ETHD provided approximately \$340,000 in sponsorships for various health-related programs and events.¹¹⁰

LEASE OF COMMERCIAL BUILDINGS

The ETHD owns several medical office buildings that generate significant revenues for health care purposes, as further described below under “ETHD Financial Resources”. The characteristics of each building are described below in the section “ETHD Property”.

OTHER ACTIVITIES

Baywood Court

Baywood Court is a skilled nursing and independent living facility located in Castro Valley¹¹¹ with a 217-unit senior housing complex and a 56-bed skilled nursing facility. The housing complex includes independent living and assisted living units with a senior focus providing geriatric services.¹¹² Currently the facility has a 6-month waiting list.¹¹³

In 1984, the District established the Eden Hospital Health Services Corporation ("EHHSC"), a nonprofit, California public-benefit corporation, with its own Board of Directors, which the IRS classifies as a 501(c)3 public charity.¹¹⁴

Baywood Court was developed by EHHSC, and opened in 1990. EHHSC owns and operates the retirement and skilled nursing facility. In 2010 the bylaws of EHHSC were amended to rename EHHSC to "Baywood Court" after the only remaining operational entity.¹¹⁵

The ETHD Chief Executive Officer (CEO) serves on the board, and ETHD is acting as a conduit for Baywood Court's financing. The District has made grants to Baywood Court.¹¹⁶

¹¹⁰ See **Appendix B**, ETHD Grants & Sponsorships through FY16.

¹¹¹ Baywood Court is located at 21966 Dolores Street, Castro Valley, CA 94546

¹¹² Website of the National Center for Charitable Statistics, <http://nccsweb.urban.org/communityplatform/nccs/organization/profile/id/942940176/popup/1>

¹¹³ R.Berkson correspondence with ETHD, 8/3/2016.

¹¹⁴ Website of the National Center for Charitable Statistics.

¹¹⁵ Baywood Court website, <http://www.baywoodcourt.org/>

¹¹⁶ The ETHD grant summary reports grants totaling \$15,900 through 2016 to Baywood Court.

San Leandro Hospital (SLH)

ETHD purchased SLH in 2004 and leased it to Sutter Health, as described in **Chapter 4**, then transferred the facility to Sutter Health in 2012 following a legal dispute over Sutter Health's exercise of its option to acquire SLH. Due to the dispute, ETHD is now legally obligated to make payments, spread over 10 years, to Sutter Health. Following the transfer of SLH, ETHD considered contributing funds to SLH to help offset SLH operating deficits; the District determined that it did not have the financial ability at that time to make the contributions requested.¹¹⁷

St. Rose Hospital

As noted in **Chapter 4**, ETHD loaned \$3 million to St. Rose Hospital in 2011 to help reduce the hospital's significant annual operating shortfalls.

At its meeting in June, 2016, the ETHD Board decided to forgive the balance remaining on its outstanding loan to St. Rose Hospital of \$1,150,000 (plus past due interest of \$140,182).¹¹⁸ The Board effectively granted St. Rose Hospital \$1.3 million (including interest) and directed that the funds be used to offset the costs of serving under-insured and uninsured patients residing within the District.¹¹⁹

ETHD reports that it had granted St. Rose a total of \$1,650,000 through 2016,¹²⁰ which indicates prior grants of \$500,000 to St. Rose in addition to the \$1,150,000 grant described above.

ETHD PROPERTY

ETHD owns three buildings occupied by a range of health care providers, including doctors and medical clinics.

- **Dublin Gateway Center**– The 70,000 square foot Center, acquired by ETHD in 2007,¹²¹ is located at 4000 Dublin Blvd. at Tassajara Rd. in Dublin, outside of the District's boundaries.

¹¹⁷ Letter from Dev Mahadevan, ETHD, to Supe. Chan, San Leandro Mayor Russo Cutter, and Michele Lawrence, AHS Board of Trustees, Aug. 11, 2015.

¹¹⁸ Letter from Roger Krissman, St. Rose Hospital CFO, to Richard Valle, Alameda County Board of Supervisors, August 5, 2016.

¹¹⁹ Eden Township Healthcare District dba Eden Health District, Consolidated Financial Statements, June 30, 2016 and 2015, Armanino LLP

¹²⁰ The ETHD grant summary reports grants totaling \$1,650,000 through 2016 to St. Rose Hospital.

¹²¹ See ETHD Timeline, **Appendix C**.

Major tenants include the Sutter Health Palo Alto Medical Foundation (22,800 sq.ft.), Webster Orthopedics (12,200 sq.ft.), and the ValleyCare Health System urgent care center (11,500 sq.ft.).¹²²

Currently, the Dublin Gateway Center is 100% occupied, with tenants paying an average of \$2.50 per square foot per month plus \$0.70 for common area maintenance (CAM).¹²³ ETHD net operating income (NOI) from the Dublin Gateway Center is \$2.6 million annually (net cash flow before deducting debt service, amortization, depreciation, capital expenditures, and overhead allocations).

The \$2.6 million NOI helps to cover interest-only payments of \$384,000 on the building's loan, which has an \$11.7 million outstanding balance.¹²⁴ The NOI after debt service is approximately \$2.2 million annually.

- **Eden Medical Building** – The 21,500 square foot building is located in Castro Valley near the Eden Medical Center, an acute care hospital originally built and operated by the ETHD. ETHD built the building in 2010 on property purchased in 2004.¹²⁵ The ETHD 1,710 square foot office is located in this building. Tenants include EBMO/HMA, Inc. (3,800 sq.ft.), Horizon Vision Center (2,400 sq.ft.), Unilab Corp. (1,600 sq.ft.), and Baz Allergy (1,700 sq.ft.).

The Eden Medical Building is 60% occupied, with rents ranging from \$2.40 to \$2.69 per square foot per month plus CAM charges.¹²⁶ FY17 gross revenues are projected at \$576,000. After operating expenses of \$248,000, NOI is \$328,000 annually (before amortization, depreciation, capital expenditures, and overhead allocations). There is no outstanding debt on the building.

- **San Leandro Medical Arts**– The 41,800 square foot building is located at 3847 East 14th Street, San Leandro near the San Leandro Hospital. The building was acquired by ETHD as part of its agreement to purchase the San Leandro Hospital in 2004.¹²⁷ Tenants include a range of medical services in offices ranging in size from 1,000 sq.ft. to 2,400 sq.ft.

¹²² Dublin Gateway Center Rent Roll – Occupancy Summary, ETHD, as of 10/01/2016.

¹²³ ETHD rent rolls as of 7/31/16.

¹²⁴ ETHD Financials June 2016.

¹²⁵ See ETHD Timeline, **Appendix C**.

¹²⁶ ETHD rent rolls as of 7/31/16.

¹²⁷ See ETHD Timeline, **Appendix C**.

The San Leandro Medical Arts building is about 84% leased, with average rents of about \$2.05 per square foot per month. The rents are a “commercial gross” basis, and include common area charges. The FY17 ETHD budget estimates total revenues of \$974,000. After deducting operating expenses of \$545,000, NOI is \$429,000 annually (before amortization, depreciation, capital expenditures, and overhead allocations). There is no outstanding debt on the building.

The District is investigating additional development on its Dublin Gateway property. It currently has a Development Agreement with the City of Dublin that the District is considering renewing. Expansion would require additional investment by ETHD and would increase ongoing revenues (investments and revenues from that expansion are not determined at this point in time).

ETHD FINANCIAL RESOURCES

The District does not receive any property tax revenues or assessments. Its activities are funded entirely by net revenues from its medical office real estate operations, and interest earnings on investments. The District has the ability to request voter approval of parcel taxes.¹²⁸

Table 5 summarizes three years of financial data based on the District’s financial reports and FY16-17 budget.¹²⁹ Consistent with audited financial reports and accepted accounting standards, the operating expenses include depreciation, which is a non-cash expense representing a share of the building value that is “consumed.”

The final row of **Table 5** shows the net cash remaining after expenses and grants, but after excluding “non-cash” depreciation. The FY16-17 budget shows \$1.65 million remaining that must be used for Sutter Health payments, in addition to drawing down existing investments. Capital improvements will also need to be paid out of the District’s cash flow and investments.

According to the District’s most recent audited financial reports, its net position, or assets minus liabilities, is \$26.45 million at the end of FY15-16.¹³⁰

The District has significant financial assets in the form of real estate investments and cash investments. These assets originated from the sale of the Eden Medical Center that originally

¹²⁸ Parcel taxes could only be used to fund District-owned facilities, according to ETHD (R.Berkson correspondence with D.Mahavedan, 11/30/16).

¹²⁹ ETHD FY16-17 revised budget, per correspondence from ETHD to R. Berkson, 11/19/16

¹³⁰ ETHD Consolidated Financial Statements, June 30, 2016; see Consolidated Statement of Net Position, pg. 11.

was funded by taxpayers of ETHD. Assets total \$54.67 million; offsetting liabilities are \$28.22 million.¹³¹ The liabilities include an \$11.7 million loan for the Dublin Gateway building, and \$13.8 million settlement payable to Sutter Health, in addition to other smaller current liabilities.

As shown in **Table 5**, the District's administrative and overhead expenses represented 10.6% of other operating expenses in FY15-16; this ratio increased in the FY16-17 budget to an estimated 15.8% due to declines in other operating expenses.

Table 5 Summary of ETHD FY15 and FY16 Financial Reports and FY17 Budget

	FY15 Audit TOTAL	FY16 Audit TOTAL	Revised FY17 Budget TOTAL
Operating Revenues	\$5,654,904	\$5,105,591	\$5,575,033
Operating Expenses	6,788,800 (1)	7,047,660 (1)	5,317,120 (1)
Allocation of Admin/OH operations	included above	744,882	841,354
Alloc. % of Total Op'ing Expenses (before allocations)		10.6%	15.8%
Total Operating Expenses (inc. allocations)	6,788,800	7,792,542	6,158,474
Net Operating Income or (loss)	(1,133,896)	(2,686,951)	(583,441)
Non-Operating Net Revenues (Expenses)	(20,151,927) (2)	3,849,735 (3)	(249,024) (4)
Net Change	(21,285,823)	1,162,784	(832,465)
Net Change excluding Depreciation, Amort.	(17,308,956) (5)	4,559,916 (5)	1,651,943 (5)

(1) Operating expenses include depreciation and amortization, but exclude interest. 12/15/16

(2) FY15 non-operating expenses includes Sutter Liability (100%)

(3) FY16 includes gain on sale of a portion of the Dublin Gateway property.

(4) FY17 interest cost largely offset by interest income.

(5) Excludes capital expenditures and payments to Sutter (100% Sutter obligation booked as a liability in FY15). Interest payments to Sutter are included in non-operating expenses.

As shown in **Table 6**, the District's budget segregates real estate operations from other general government activities, similar to how enterprise funds are treated by other government entities. Revenues generated by the real estate activities fund real estate operations; the real estate

¹³¹ Ibid, ETHD Consolidated Financial Statements, June 30, 2016

produces a “cash basis gain” of \$2.2 million, which is available to the District; after funding community services, \$1.6 million is available to be applied towards capital improvements and payments to Sutter Health.

As shown below in **Table 6**, grants, partnerships and community education total \$574,270 in the FY16-17 budget, or about 85% of the total Community Services budget of \$676,004.

Table 6 Summary of ETHD FY16-17 Budget

	Real Estate Activities	Community Services	District Office	TOTAL
Revenues				
Rental income	\$3,675,741			\$3,675,741
Tenant Reimbursement	\$1,899,292			1,899,292
Interest income	<u>1,776</u>		<u>133,200</u>	<u>134,976</u>
Total Revenues	\$5,576,809	\$0	\$133,200	\$5,710,009
Expenses				
Consulting	0	15,000		15,000
Legal Fees	13,596			13,596
Audit/Tax Preparation Fees	3,500			3,500
Management Fees	170,493			170,493
Utilities	407,513			407,513
Repairs & Maintenance	806,262			806,262
Parking Services	133,630			133,630
Billback, PAMF Bldg 4050	370,424			370,424
Insurance	39,906			39,906
Purchased Services	42,807			42,807
Other Direct Expense	97,920			97,920
Property Taxes	157,392			157,392
Interest Expense	384,000			384,000
Overhead Allocation	754,619	86,734		841,353
Amortization	158,196			158,196
Depreciation	<u>2,326,212</u>			<u>2,326,212</u>
Subtotal	\$5,866,470	\$101,734	<i>allocated (1)</i>	\$5,968,204
Community Education		51,240		51,240
Sponsorships		23,030		23,030
Davis Street Partnership		250,000		250,000
Grants to service providers		<u>250,000</u>		<u>250,000</u>
Subtotal, Ed., Sponsorships, Grants		\$574,270		\$574,270
Total Expenses	\$5,866,470	\$676,004		\$6,542,474
Net Profit/(Loss)	(\$289,661)	(\$676,004)	\$133,200	(\$832,465)
Cash Basis Gain/(Loss) (2)	\$2,194,747	(\$676,004)	\$133,200	\$1,651,943

(1) District expenses of \$841,353 are allocated to other activities.

12/15/16

(2) "Cash Basis" excludes depreciation and amortization.

Source: ETHD Approved FY16-17 budget, as revised 11/19/16.

REVENUES

As mentioned above, ETHD receives no revenues from property taxes, special taxes or assessments.

Gross operating revenues are estimated in FY17 to total just under \$5.6 million (excluding interest income). ETHD buildings are projected to generate about \$2.2 million in cash in FY17, after deducting operating expenses and overhead allocations but before non-cash expenses such as amortization and depreciation. As further described below, this cash is budgeted for grants, sponsorships, and community education, payments to Sutter, and capital improvements.

The District also earns interest on its investments; the investments total approximately \$9.7 million.¹³² Current interest rates earned on ETHD investments, which are limited by state statutes to certain types of secure investments, are just under 1%.¹³³

CASH AND OTHER CURRENT ASSETS

The District's balance sheet shows approximately \$950,000 in current assets including cash and cash deposits, accounts and interest receivable, and prepaid expenses.¹³⁴

FIXED ASSETS

ETHD's fixed assets consist of its real estate holdings, which total \$43 million.¹³⁵ This value is net of accumulated depreciation offset by capital improvements. One outstanding loan of \$11.7 million obtained for the construction of the Dublin Gateway building reduces net asset value to \$31.3 million. This value generally corresponds to the net proceeds that might be realized from

¹³² Notes to ETHD Consolidated Financial Statements, June 30, 2016; see Note 4, pg. 20.

¹³³ As noted in the ETHD Consolidated Financial Statements, June 30, 2016, pg. 17, State statutes limit the types of investments that can be made to U.S. Treasury obligations, commercial paper, corporate notes, repurchase agreements, reverse repurchase agreements, banker's acceptances and other instruments including the State Treasurer's Investment Pool.

¹³⁴ ETHD Consolidated Financial Statements, June 30, 2016; see Consolidated Statement of Net Position, pg. 11.

¹³⁵ ETHD Consolidated Financial Statements, June 30, 2016; see Consolidated Statement of Net Position, pg. 11.

the sale of the property, assuming the property's Net Operating Income (NOI) would provide a 7% return on a buyer's purchase price.¹³⁶

OTHER ASSETS

The District reports \$9.7 million in non-real estate investments.¹³⁷ As noted in District financial reports, the District invests in corporate bonds, US government agency securities, and US Treasury notes.¹³⁸

ETHD provided St. Rose Hospital a loan of \$3 million in 2011. \$1.15 million plus interest was converted from an asset to a "grant" by the District in FY16, removing it from the asset category shown in prior financial statements.

ETHD EXPENDITURES

ETHD's FY16-17 projected expenses total \$6.5 million (excluding capital and payments to Sutter Health) as shown in **Table 6**, above.

BUILDING OPERATIONS

As shown in **Table 6**, real estate operations represent about \$5.5 million of operating expenses (\$5.9 million operating and non-operating expenses before excluding interest expense of approximately \$400,000), or about 90% of the total \$6.1 million total operating expenditures (\$6.5 million total expenditures excluding interest of \$400,000). These expenditures are tracked separately in the District's budget, and include an allocation of administration and overhead.

COMMUNITY SERVICES

The District budgeted \$574,270 in FY16-17 in its Community Services budget for grants, sponsorships and community education. These amounts do not include the loan forgiveness to St. Rose, which the District re-categorized as a grant in the prior fiscal year.

¹³⁶ Estimate of value is illustrative only; no appraisal has been prepared of the potential sales value. The estimate assumes a 7% cap rate applied to NOI of \$3.16 million (excluding interest, amortization, depreciation, and overhead allocations) less outstanding loan balance.

¹³⁷ ETHD Consolidated Financial Statements, June 30, 2016; see Consolidated Statement of Net Position, pg. 11.

¹³⁸ ETHD Consolidated Financial Statements, June 30, 2016; see Consolidated Statement of Net Position, pg. 20.

Community Service expenditures include the following:

- **\$250,000 for the Davis Street Partnership**
- **\$250,000 for grants to other service providers**
- **\$23,030 in sponsorships**
- **\$51,240 community education**

With the exception of the \$51,240 for community education, the community service expenditures generally do not meet the definition of “direct health services” defined in recent legislation as “...ownership or direct operation of a hospital, medical clinic, ambulance service, transportation program for seniors or persons with disabilities, a wellness center, health education, or other similar service.”¹³⁹ The District describes its 5-year funding to the Davis Street program as a “partnership”, however, it does not appear to be an operation of the District, nor does the District own facilities as a result. However, the District’s grants appear to be awarded to “organizations that provide direct health services.”¹⁴⁰

The \$574,270 equals about 85% of the \$676,004 total Community Services budget (including the District’s allocation of about \$86,700 for overhead and administration).

As summarized in **Table 7**, the Alameda County Civil Grand Jury compared expenditures for grants, sponsorships and community education to the District’s total budget including real estate activities. The Grand Jury report concluded that the small percentage of resources devoted to health care is an indication that the district’s attention has been diverted away from its primary mission, which is to “improve the health of the people in our community.”¹⁴¹ The Special Study treats real estate activities as a separate revenue-generating fund and does not compare grants to real estate activities.

¹³⁹ As added by AB2737 (2015-2016), Cal Health and Safety Code 32495(a).

¹⁴⁰ Cal Health and Safety Code 32496(b) requires that “a nonprovider health care district shall spend at least 80 percent of its annual budget on community grants awarded to organizations that provide direct health services.”

¹⁴¹ Alameda County Grand Jury Final Report 2015-2016, Finding 16-16, pg. 54.

Table 7 Comparison of Grand Jury's Ratio of Healthcare Expenditures vs. Special Study

	Grants as a % of Budget	
	Grand Jury Report	Special Study
Description	Grants and sponsorships compared to total expenditures for all activities.	Grants and sponsorships compared to total Community Services Fund expenditures.
Example Calculation (FY16-17)	\$574,300 divided by total expenditures for all activities of \$6,158,500 equals 9.3%.	\$574,300 divided by total Community Services Fund expenditures of \$676,000 equals 85%.

After the Sutter Health obligation is repaid, an additional \$1.5 million or more could be spent on community services. Added to current, ongoing grants and sponsorships, this represents about \$2 million annually. The estimated additional \$1.5 million is based on the \$1.65 million of "cash basis" gain shown in **Table 6**, before payments to Sutter Health and capital expenditures.

The actual future amount available for community services depends on District budget priorities, overhead allocations, future expenditures and revenues including capital expenditures, market conditions and rent revenues. Real estate returns could be adversely affected by a recession that could reduce revenues available for community services.

ADMINISTRATION AND OVERHEAD

ETHD separately accounts for its administrative costs in its District Office budget. The FY16-17 budget estimates \$841,400 in overhead and administrative expenditures. Major administrative costs and FY16-17 budget amounts include the following.

- **Salaries and Benefits** – \$370,000 in salaries and benefits for three employees: the CEO at 60% of a Full-Time Equivalent (FTE), accountant, and Executive Assistant to CEO/Board of Directors & District Clerk. Additional property management on-site staff costs are allocated to their respective building budgets. The District maintains written job descriptions for the three positions, and salaries and benefits are published on the website Transparent

California¹⁴² and the California State Controller’s website.¹⁴³ The District surveyed three similar districts in the Bay Area to establish, using a midpoint, the CEO salary.¹⁴⁴

- **Consulting** – The District budgeted \$30,000 for consulting fees, \$30,000 for public relations, and \$50,000 for a consulting contingency for FY17. In the prior fiscal year, FY16, no budgeted consulting contingency was spent, and \$19,000 of public relations expenditures were required.
- **Legal Fees** – Legal fees are budgeted in FY16-17 at \$120,000. The District anticipates that these fees will decline to the \$60,000 to \$100,000 range after the current Sutter litigation and appeals are concluded.
- **Audit Fees** – Annual audits cost the District approximately \$30,000.
- **Investment Fees** – Approximately \$28,000 is budgeted for investment fees related to the District’s investment funds, currently totaling about \$9.7 million.
- **Insurance** – The District funds “Directors and Officers Insurance” at an annual cost of \$27,000.
- **Election Costs** – Elections, when required to fill contested positions, incur a cost of approximately \$200,000 every two years. No elections were necessary in FY16-17 due to the lack of contested positions.
- **Other Expenses** – In addition to the items listed above, an additional \$160,000 is budgeted in FY16-17 for ETHD office utilities, repairs and maintenance; purchased services and other direct costs; interest expense and depreciation.

ALLOCATION OF ADMINISTRATION AND OVERHEAD

ETHD allocates \$841,000 of administration and overhead costs, or District Office expenditures, to each building fund and to the Community Services Fund proportionate to expenditures. The allocation to Community Services represents about 15% of other Community Service expenditures. This factor is similar to the allocation of District overhead to real estate activities.

As summarized in **Table 8**, the Alameda County Civil Grand Jury did not calculate an ETHD overhead factor, but did compare total non-grant expenditures to total expenditures including real estate activities. The Grand Jury report concludes that, as a consequence of the real estate

¹⁴² <http://transparentcalifornia.com/agencies/salaries/special-districts/#hospital>

¹⁴³ <http://publicpay.ca.gov/>

¹⁴⁴ R.Berkson correspondence with D.Mahavedan, 11/30/16.

expenditures, “the district struggles to deliver (directly or indirectly) adequate healthcare services for all residents.”¹⁴⁵

The Special Study treats the real estate activities as a separate revenue-generating fund that enables the ongoing funding of grants and sponsorships by the District in lieu of any source of property taxes. The net revenues from real estate activity provide a significant source of funding for health care related services in the absence of District property taxes. Allocating overhead and administrative costs between revenue-generating activities and community grants is consistent with language contained in recent legislation.¹⁴⁶

By comparison, a healthcare district in Contra Costa County was determined by a special study to have spent excessive amounts on administration and overhead. A 2012 special study of the Mt. Diablo Health Care District (MDHCD) noted that “from 2000 through 2011, approximately 17 percent of MDHCD expenditures were allocated to its Community Action programs, including grants and direct services (e.g., its CPR program).”¹⁴⁷ The remainder of its budget did not include revenue-generating activity, as is the case with ETHD, but was expended on board of director benefits, legal fees, staff costs, and other overhead items. The MDHCD was not dissolved, but was reorganized as a subsidiary district to the City of Concord.

¹⁴⁵ Alameda County Grand Jury Final Report 2015-2016, pg. 53.

¹⁴⁶ AB2737 distinguishes administrative costs and overhead “not directly associated with revenue generating enterprises” in its description of criteria for determining a “non-provider” health care district.

¹⁴⁷ Special Study: Mt. Diablo Health Care District Governance Options, accepted by Contra Costa LAFCo 1/11/12, prepared by Economic and Planning Systems, Inc., in association with E Mulberg and Associates.

Table 8 Comparison of Grand Jury's Ratio of Non-Healthcare Expenditures vs. Special Study

	% of Budget Grand Jury Report	Overhead (OH) as a % of Budget Special Study
Description	Total expenses for all activities (excluding grants and sponsorships) are compared to total expenditures for all activities.	District Office expenses allocated to each fund (i.e., "Buildings" vs. Community Services) are compared to fund totals <u>after</u> OH allocations.
Example Calculation (FY16-17)	(\$6,158,500 minus grants of \$574,300) divided by total operating expenses of \$6,158,500 equals 90.6%.	\$86,700 allocated OH divided by Community Service grants, etc. of \$574,300 equals 15%, or about 12.8% of the total Community Service budget <u>after</u> including allocations.
Notes	The Grand Jury report combines real estate operations with District administration and overhead to calculate "Non-Mission expenditures" of 90% (FY17 calculation).	Note: ETHD calculates and applies OH factor to each fund <u>before</u> OH is added to each separate fund total. In FY15-16 ETHD calculated a 10.6% factor.

CAPITAL EXPENDITURES

ETHD's FY16-17 budget separately estimates about \$400,000 in requested capital improvements, largely for the San Leandro Medical Arts Building. In addition, \$120,000 is budgeted for tenant improvements for vacant suites at the Eden Medical Building for anticipated lease-up of currently vacant space. The District is in the process of estimating future capital expenditure requirements.

PAYMENTS FOR LEGAL LIABILITIES

As described below under ETHD liabilities, ETHD is responsible for annual payments of approximately \$2 million (including interest on the unpaid balance) to Sutter Health for another eight years. A recent appeal by Sutter Health resulted in an increased liability by ETHD for interest on a portion of the damages, which will be spread over the remaining payments due to Sutter;¹⁴⁸ the resulting payments will be about \$2.1 million annually, declining over time as interest on the remaining balance declines (interest due will depend on then-current interest rates).¹⁴⁹

After the Sutter obligation is satisfied, District revenues and assets available for other purposes will correspondingly increase. This payment is shown as a long-term liability in the District's financial reports, and as a cash outlay each year. However, the District's annual budget does not show the payment.

ETHD LIABILITIES

CURRENT LIABILITIES

Current liabilities associated with buildings and District office operations in the FY16-17 budget total about \$550,000 including accounts payable and accrued liabilities, taxes, interest and security deposits payable, unearned rent and grants payable.

BENEFIT PLANS

ETHD maintains a "457 defined contribution plan" for all employees, which is administered by CalPERS. Participants receive an employer match contribution of 100% of the employee contribution up to 5% of the employee's annual salary.¹⁵⁰ The District has no unfunded liabilities for its benefit plans.

¹⁴⁸ Sutter Health v. ETHD, Cal. Court of Appeal First Appellate District, filed 11/29/16.

¹⁴⁹ R.Berkson correspondence with D.Mahadevan, 12/15/16.

¹⁵⁰ Eden Township Healthcare District Consolidated Financial Statements June 30, 2016 and 2015.

LONG-TERM DEBT

ETHD is paying \$384,000 in interest annually on its interest-only loan associated with its Dublin Gateway building. The current balance on the loan is \$11.7 million.¹⁵¹ The loan originated as a construction loan that the District anticipates it will refinance within the next year. Refinancing is likely to increase its current interest rate, although the refinance process will shift title to the District and eliminate property taxes paid on the property due to the District's tax-exempt status.¹⁵²

JUDGMENT OBLIGATIONS

In 2012, ETHD lost a legal action brought by Sutter, incurring a judgment against ETHD for \$17.8 million; additional Sutter legal fees and costs added \$1.6 million to the total owed. The judgment against ETHD was for losses incurred due to ETHD's failure to transfer SLH to Sutter when Sutter exercised its purchase option. ETHD filed a legal request to spread payments over 10 years, including interest on balance owed. The current balance owed is \$13.8 million.¹⁵³ As noted above under "Payments for Legal Liabilities", payments of \$2.1 million annually (declining over time, and amounts dependent on interest rates) will be required over the next eight years to eliminate the obligation.

¹⁵¹ Gateway loan payable balance as of June 30, 2016 per ETHD Consolidated Financial Statements, June 30, 2016 and 2015, Armanino, LLP.

¹⁵² Correspondence from Dev Mahadevan, Chief Executive Officer, ETHD, to R.Berkson, 11/8/16.

¹⁵³ Sutter loan balance as of June 30, 2016 per ETHD Consolidated Financial Statements, June 30, 2016 and 2015, Armanino, LLP.

6. GOVERNANCE OPTIONS

There are multiple governance options available to special districts such as ETHD ranging from maintaining the status quo, to various jurisdictional changes such as dissolution or consolidation. This report evaluates governance options for the ETHD. Each option presents a different set of legal and policy choices. The following sections describe each option, and the LAFCo process to implement the option. Advantages and disadvantages are summarized for each option including policy, service and financial implications.

It is important to note that proposed changes of organization or reorganization may be initiated by petition of local voters or landowners within the proposal area; a resolution of subject/affected agencies; or by LAFCo action. If LAFCo approves a proposed reorganization, State law allows for written protest to be filed with the Commission by registered voters or landowners within the proposal area. The procedure for dissolution is complicated and depends upon various factors. The requirements for initiating a dissolution, the threshold for an effective protest, and the need for voter approval vary depending upon the identity of the party or parties initiating dissolution, the circumstances surrounding the application and the exercise of discretion by the Commission.

MAINTAIN THE STATUS QUO

The current District would remain intact in the Status Quo option, and the Board of Directors would continue to be elected and conduct District business.

It is assumed that the District would continue its current level of grants and sponsorships at approximately \$500,000 to \$600,000 annually while it funds its obligations to Sutter. After the Sutter judgment is fully paid in about eight years, the District could budget an additional \$1.5 million annually towards grants and sponsorships, or other health related purposes. During the next eight years, the District may need to draw upon its investments in order to fund the Sutter payment and other real estate-related costs; therefore minimal additional funds will be available during this period for other health-related expenditures. Whether a draw-down is required in future years depends on growth in rent income, prevailing interest rates applicable to repayment, capital improvement expenditures, and changes in other District expenses.

Recently enacted legislation may require changes to the District's operations. AB2737 requires that a healthcare district meeting certain criteria shall spend "at least 80 percent of its annual budget on community grants ... to organizations that provide direct health services." The specific application of this law to ETHD requires further legal analysis and interpretation of the bill's provisions. This legislation is discussed further in **Chapter 3**.

ADVANTAGES AND DISADVANTAGES OF MAINTAINING THE STATUS QUO

Advantages

- Net lease revenues received by the District from its buildings can continue to provide an ongoing non-taxpayer source of revenue to help fund health care programs within the District; funding could be increased once debts are repaid.
- Net lease revenues provide an approximate 6 to 8 percent ongoing annual return on the market value of its assets compared to cash investments earning about 1% to 2%.
- No reorganization proceedings or special elections required.

Disadvantages

- Limited resources are available for increased grants until obligations to Sutter Health are repaid. This limitation applies to other options, assuming the Sutter Health obligation continues to apply.
- Real estate operations, the primary source of current revenues, are subject to greater economic risks than typical local public agency operations. Revenues could decline or contribute to grant funding reductions in the event of a recession.
- There is a risk that the District Board and services will not meet its constituency's needs in the future, and/or will not strategically plan and leverage its available funds through coordinated actions with health care providers and agencies.
- AB2737, depending on its implementation, may require disposition of some portion of District assets in order to comply with limits on administrative costs and non-grant expenditures. This could reduce net revenues available for health care grants.

LAFco PROCESS – STATUS QUO

No LAFco action is necessary. However, LAFco could impose conditions on the District via an SOI amendment, such as requesting periodic updates and status reports to alert LAFco as to any significant changes in ETHD's financial condition and/or services and operations. LAFco may also use the SOI to point out that the District should consider cleaning up its boundary to remove the small portions of Dublin, Oakland, and Union City that are within the boundary.

DISSOLUTION WITH APPOINTMENT OF SUCCESSOR AGENCY FOR WINDING-UP AFFAIRS AND NO CONTINUATION OF SERVICES

Dissolution would eliminate the ETHD and its assets would be liquidated and distributed to other public agencies, after obligations of the ETHD have been paid. LAFCo would appoint a successor agency to wind up the affairs of the ETHD and manage the liquidation and distribution of assets.

SUCCESSOR AGENCY

Government Code (GC) §57451 addresses the determination of a successor for the purpose of winding up the affairs of a dissolved district. Subsection (c) indicates that the City of Hayward qualifies as the successor because the ETHD boundaries overlap multiple cities and unincorporated areas, and the City of Hayward contains the greater assessed value relative to other cities and the included unincorporated territory as shown in **Table 3**. In this scenario, the successor agency would not be responsible for continuation of ETHD's services and those services would cease.

There are other possible options regarding designation of the successor agency. The disposition of assets to one or more agencies, according to LAFCo terms and conditions, can determine the successor agency, if that disposition differs from the assessed value formula noted in the preceding paragraph.¹⁵⁴

SUCCESSOR AGENCY RESPONSIBILITIES AND OBLIGATIONS

The successor agency will have a number of obligations, including the following:

- **Disposition of Property** – The successor agency has the ability to dispose of District property in order to satisfy financial obligations. State law indicates that, so far as may be practical, "...the funds, money, or property shall be used for the benefit of the lands, inhabitants, and taxpayers within the territory of the dissolved district".¹⁵⁵ The law also indicates a method for distributing all funds, not otherwise required to pay obligations, proportionate to assessed value of cities and unincorporated area in the district.¹⁵⁶

¹⁵⁴ GC §57451(d),(e), §56886(m).

¹⁵⁵ GC §57463.

¹⁵⁶ GC §57457(c)(2).

- **Debt and Long-Term Financial Obligations** – Short- and long-term obligations would be repaid through the use of available assets, including disposition of real property.
- **Litigation and Claims** – The remaining obligation to Sutter would be paid, as well as any other outstanding claims that may exist.
- **Pension Plan** – The District has no unfunded pension liability.

These obligations and responsibilities will be funded by ETHD revenues; the successor agency can retain funds to help pay for its administrative costs and to pay for any other costs (e.g., election, if required).¹⁵⁷

ADVANTAGES AND DISADVANTAGES OF DISSOLUTION/WIND-UP OF AFFAIRS/DISCONTINUE SERVICES

Advantages

- Elimination of administrative expenses, including staff, legal, and election costs. Some staff costs may be necessary to wind up the affairs of the ETHD.
- One-time distribution of assets to other health care service providers meeting health needs within the district.
- Reduces duplication of services that can be provided by other public and private agencies. However, as noted in this report, there exist many unmet needs in Alameda County, not being addressed by existing agencies, towards which the District currently is directing resources, therefore eliminating duplication is not a likely advantage.

Disadvantages

- Loss of ETHD allocation of net lease revenues from its buildings to help address community health needs on an on-going basis. Depending on how ETHD assets are distributed, and the revenues they continue to generate, this loss could be partially offset.

LAFCO PROCESS – DISSOLUTION

The process will follow the basic steps described below.¹⁵⁸ In addition, it will be necessary for LAFCo to identify a successor for the purpose of winding up the affairs of the ETHD.

At a noticed public hearing, the Commission accepts the special study, considers adopting a zero SOI to signal proposed dissolution and, for consistency with the SOI (GC §56375.5), considers

¹⁵⁷ GC §57463.

¹⁵⁸ Identified in GC §57077.

making findings in accordance with the conclusions and recommendations of the special study, and considers adopting a resolution initiating dissolution. Alternatively, the dissolution could be initiated by an affected agency, the subject agency, or individual petitioners.

- LAFCo notifies State agencies per GC §56131.5 and allows a 60-day comment period.
- At a noticed public hearing, LAFCo considers approving the dissolution.
- Following a 30-day reconsideration period (GC §56895), LAFCo staff holds a protest hearing in the affected territory (GC §57008). The protest hearing is a ministerial action. While the Commission is the conducting authority, it often designates the Executive Officer to conduct the protest hearing.
- Absent the requisite protest, the Commission orders dissolution.
- Following approval by LAFCo, LAFCo staff records dissolution paperwork and files the information with the State Board of Equalization making dissolution effective.
- Alternatively, if LAFCo does not initiate a dissolution, the process may be initiated by application by the District or by an affected agency. This process would require a protest proceeding, and subsequent filing with the State as noted above.

The steps described above may also apply to other options in this chapter that include dissolution of the current district.

DISSOLUTION AND NAMING A SUCCESSOR TO CONTINUE SERVICES

A number of options exist whereby the ETHD would be dissolved and its services would be continued by the successor agency. These options would depend on the willingness and ability of an agency to serve as a successor. LAFCo would review and approve a Plan to Provide Services prepared by the potential successor before approving dissolution and transfer of assets and services to the successor. Potential options include:

- **Dissolution and Transfer of Assets to a Non-Profit** – this option has been raised as a possibility by the District¹⁵⁹ and by speakers at LAFCo hearings. According to the District, the non-profit corporation could be governed by a board initially consisting of 7 to 9 board members including the five current District Board Members, and the remaining members appointed by the Board of Supervisors and/or Hayward or San Leandro City Councils. The non-profit could consider contracting with HCSA to provide grant-related

¹⁵⁹ Letter from Dev Mahadevan, ETHD CEO, to The Board of Directors, Eden Township Healthcare District, October 21, 2016, Attachment D to agenda for ETHD meeting October 19, 2016.

services to improve coordination with existing County grant activities and needs analysis, and enable the non-profit to focus on commercial real estate operations.

- **Dissolution and Transfer of Assets to the County and/or cities** – The County and/or cities of San Leandro and Hayward through a Joint Powers Agreement (JPA), for example, would manage the real estate, or liquidate assets, and continue distribution of grants and sponsorships from asset earnings. This analysis assumes the assets would be liquidated, unless the entities demonstrate the ability, willingness and interest to manage commercial real estate.

The Alameda County HCSA currently manages the distribution of Measure A funds, including distribution of a portion of the funds through grants. The Alameda County HCSA has not proposed a specific option, but indicated that if LAFCo moves to dissolve or reorganize ETHD, the HCSA “stands willing to provide assistance.”¹⁶⁰ The LAFCo process would follow the steps described in the prior option for dissolution, dependent on review and approval of a Plan to Provide Services by LAFCo. A Plan to Provide Services, at a minimum, would include the following items as described in State law:

- (1) An enumeration and description of the services to be extended to the affected territory.
- (2) The level and range of those services.
- (3) An indication of when those services can feasibly be extended to the affected territory.
- (4) An indication of any improvement or upgrading of structures, roads, sewer or water facilities, or other conditions the local agency would impose or require within the affected territory if the change of organization or reorganization is completed.
- (5) Information with respect to how those services will be financed.

The Plan to Provide Services also would include any additional information required by LAFCo or its executive officer.¹⁶¹ LAFCo may also impose other terms and conditions related to the transfer and continuation of services, for example: representation on a board of directors and/or advisory board; geographic limitations on use of funds; liquidation (or limits on expansion) of existing assets.

LAFCo has no authority to create a non-profit or JPA to be a successor entity.

¹⁶⁰ Letter from Rebecca Gebhart, Interim Director, Alameda County Health Care Services Agency (HCSA), Nov. 9, 2016, to Alameda LAFCo commissioners.

¹⁶¹ Government Code Section 56653.

ADVANTAGES AND DISADVANTAGES OF DISSOLUTION AND NAMING A SUCCESSOR AGENCY TO CONTINUE SERVICE PROVISION

Advantages

- Reduction in certain overhead costs including elimination of election costs (\$200,000), reporting requirements and other activities required of a public agency. The savings depend on the ability of the successor agency (or agencies) to manage the assets and continue services with existing staff.
- Under the non-profit organization or JPA option, a LAFCo condition could require expanded board representation, which could include representatives of cities within the ETHD (e.g., Hayward and San Leandro), public members, and the County. Expanded representation could help to assure that budget priorities, for example allocations of funds between community agencies and hospitals, are reflective of community needs.
- Potential benefits are possible from utilizing (or contracting with) an existing health services/granting agency to coordinate funding efforts, take advantage of leveraging of State and Federal funds, and provide expanded input and oversight of the grants process and outcomes.
- These options can provide an ongoing source of revenue for health care purposes, although revenues will depend on whether existing assets are liquidated and invested, and limitations on investment risks and return, particularly for a JPA. A non-profit would not be subject to the same investment limitations imposed by State law on public agencies and could generate greater investment returns, particularly if it continued to operate ETHD's commercial real estate. A LAFCo condition could require continued use of revenues to the benefit of residents living within the former ETHD boundary.

Disadvantages

- Elimination of board election by voters within the ETHD reduces public participation; however, recent elections have not been contested, and the District does not control taxes currently paid by residents of ETHD, and many residents do not have a direct interest in or receive services from the District.
- Potentially results in less public accountability if successor agency is a non-profit agency or JPA because Board members would be appointed rather than elected (notwithstanding any elected officials appointed to the non-profit or JPA).

DISSOLUTION AND CREATION OF A COUNTY SERVICE AREA (CSA) TO CONTINUE SERVICES

LAFCo has the ability to create a CSA to continue service provision. It is assumed that the District's assets would be liquidated and the funds transferred to the CSA for investment. LAFCo could require Terms and Conditions that would include 1) creation of an advisory board comprised of city, county and public representatives; 2) limitation on expenditure of funds to within the boundaries of the ETHD.

County service areas (CSAs) are formed by counties to fund “miscellaneous extended services” that a county is authorized by law to perform and does not perform to the same extent countywide.¹⁶² The County Board of Supervisors serves as the governing body. LAFCo could consider creating a new CSA, dependent upon the County, with the approval of the cities within the ETHD service area.

Following (or concurrent with) dissolution of ETHD, formation of a CSA may be initiated by LAFCo if supported by a Special Study, by resolution of the County Board of Supervisors,¹⁶³ or by a petition signed by no less than 25% of registered voters living within the proposed district boundaries.¹⁶⁴ Voter approval is required for the CSA formation, as is approval by all cities included within the CSA. The Board of Supervisors, as the board of the CSA, may appoint one or more advisory committees to give advice to the Board of Supervisors regarding a CSA's services and facilities.¹⁶⁵

ADVANTAGES AND DISADVANTAGES OF DISSOLUTION AND CREATION OF A CSA TO CONTINUE SERVICE PROVISION

Advantages

- Reduction in overhead costs including elimination of election costs (\$200,000), reporting requirements and other activities required of a public agency (reporting consolidated with existing County functions) assuming that existing staff can take on the new responsibilities.

¹⁶² Gov. Code, § 25213

¹⁶³ Gov. Code Sec. 25211.3.

¹⁶⁴ Gov. Code Sec. 25211.1.

¹⁶⁵ Gov. Code Sec. 25212.4.

- A LAFCo condition requiring an advisory body comprised of city, County and public members could expand existing representation to help assure that budget priorities, for example allocations of funds between community agencies and hospitals, are reflective of community needs.
- A CSA establishes discrete boundaries that would dictate where funds could be expended, without depending on LAFCo terms and conditions.
- This option can provide an ongoing source of revenue for health care purposes, although revenues will likely be reduced assuming the liquidation of commercial real estate.

Disadvantages

- Elimination of board election by voters within the ETHD reduces public participation; however, recent elections have not been contested, and the District does not control taxes currently paid by residents of ETHD, and many residents do not have a direct interest in or receive services from the District.
- Potentially results in less public accountability because the Board of Supervisors, the governing body of the new CSA, covers the entire county so the focus on the ETHD area may be diluted despite the appointment of an advisory body.
- There are costs associated with processing the formation of a new CSA.

REORGANIZE ETHD AS SUBSIDIARY DISTRICT

In the case of a subsidiary district, the district is not extinguished, but rather is reorganized with a city council sitting as the governing body. State law requires that a healthcare district have its own Board of Directors. Therefore, a city subsidiary district would not be feasible.

Notwithstanding the restrictions on healthcare district boards, creating a subsidiary district would also require that the ETHD boundaries be reduced by more than half in order to meet the requirement that 70% of land area and registered voters of the subsidiary district fall within the boundaries of the city.¹⁶⁶

For the reasons noted above, this option was not considered further.

¹⁶⁶ Subsidiary district size reduction assumes subsidiary district to Hayward, the largest city, with ETHD about 45 square miles of the City, or 70% of 64 square miles; 64 square miles is 44% of ETHD current 147 square miles.

CONSOLIDATION WITH WASHINGTON TOWNSHIP HEALTHCARE DISTRICT (WTHD)

This option would consolidate the ETHD with the WTHD, which are “like” districts formed under the same statutes. The boundaries of the consolidated entity would correspond to the combined boundaries of the two existing districts. LAFCo could establish terms and conditions related to the initial and ultimate composition of the consolidated Board.

The WTHD has indicated to LAFCo that it does not have the interest or ability to expand its boundaries and responsibilities to include the Eden Township Healthcare District, indicating that its attention “must remain on existing District residents”.¹⁶⁷

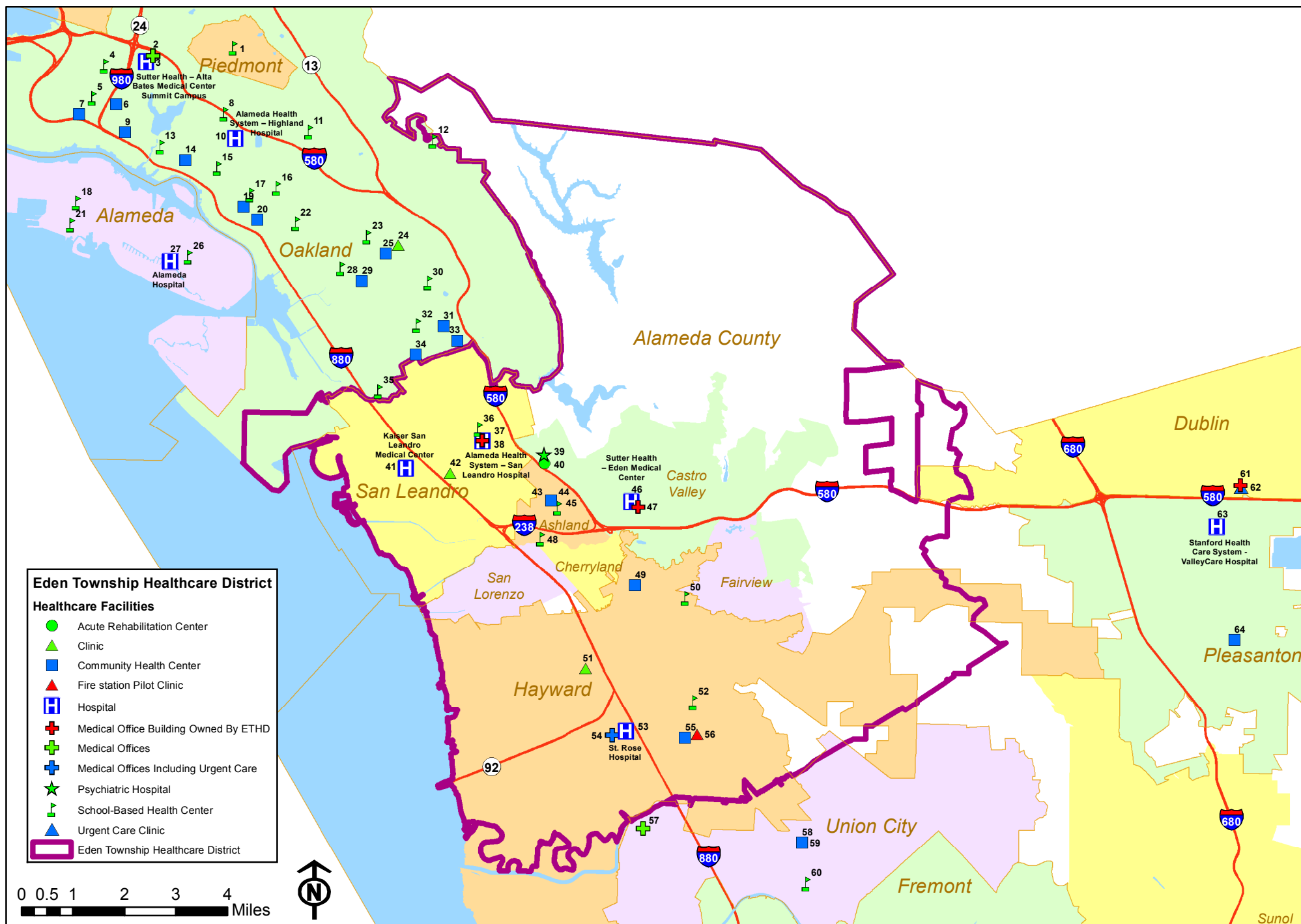
¹⁶⁷ Letter from Nancy Farber, CEO, Washington Hospital Healthcare System, October 26, 2016, to Mona Palacios, Alameda LAFCo.



APPENDIX A

MAP AND LIST OF MAJOR HEALTHCARE FACILITIES IN ALAMEDA COUNTY

Figure A-1 Major Healthcare Facilities in Alameda County



*Agency sphere equals the service area boundary

Created for Alameda LAFCo by the Alameda County Community Development Agency

ID	Facility Name
1	Piedmont Wellness Center
2	Hill Physicians Medical Group
3	Sutter Health-Alta Bates Medical Center Summit Campus
4	Chappell Hayes Health Center (McClymonds High School)
5	West Oakland Middle School Health Center
6	Lifelong Downtown Oakland
7	West Oakland Health Council-West Oakland site
8	Shop 55 Wellness Center (Oakland High School)
9	Asian Health Services
10	Alameda Health System-Highland Hospital
11	Rising Harte Wellness Center
12	Seven Generations School-Based Health Center (Skyline High School)
13	Youth Heart Health Center (La Escuelita Education Complex)
14	San Antonio Neighborhood Health Center
15	Roosevelt Health Center
16	Seven Generations School-Based Health Center (United for Success/Life Academy)
17	Hawthorne Health Center
18	ACLC/NEA School-Based Health Center and Family Support Center
19	Native American Health Center
20	La Clinica
21	Encinal High School-Based Health Center
22	Fremont Tiger Clinic (Fremont High School)
23	Frick Middle School-Based Health Center
24	Alameda Health System-Eastmont Wellness Clinic
25	LifeLong Eastmont Health Center
26	Alameda High School-Based Health Center
27	Alameda Hospital
28	Havenscourt Health Center
29	West Oakland Health Council-East Oakland site
30	Youth Uprising / Castlemont Health Center
31	LifeLong Howard Daniel Clinic
32	Elmhurst/Alliance Wellness Center
33	LifeLong East Oakland Foothill Square
34	West Oakland Health Council-Albert J. Thomas Medical Clinic
35	Madison Health Center
36	Barbara Lee Center for Health and Wellness (San Leandro High School)
37	Alameda Health System-San Leandro Hospital
38	San Leandro Medical Arts Building

ID	Facility Name
39	Alameda Health System-John George Psychiatric Hospital
40	Alameda Health System-Fairmont Hospital
41	Kaiser San Leandro Medical Center
42	Davis Street Family Resource Center Clinic
43	Tiburcio Vasquez Health Center
44	Tiburcio Vasquez-San Leandro
45	Fuente Wellness Center (REACH Ashland Youth Center)
46	Sutter Health-Eden Medical Center
47	Eden Medical Building
48	San Lorenzo High School Health Center
49	Tiburcio Vasquez Health Center
50	Hayward High School Mobile Health Van
51	Alameda Health System-Hayward Wellness Clinic
52	Tennyson Health Center
53	St. Rose Hospital
54	Hayward-Sleepy Hollow Medical Offices
55	Tiburcio Vasquez Silva Clinic
56	Hayward Firehouse Clinic
57	Kaiser Union City Medical Offices
58	Tiburcio Vasquez Union City
59	Tiburcio Vasquez-Union City Health Center
60	James Logan High School Health Center
61	Dublin Gateway MeCenter
62	Stanford Health Care System-ValleyCare Dublin
63	Stanford Health Care System-ValleyCare Hospital
64	Axis Community Health



APPENDIX B

ETHD GRANTS & SPONSORSHIPS THROUGH FY16

EDEN TOWNSHIP HEALTHCARE DISTRICT GRANTS GIVEN THROUGH JUNE 30, 2016**TOTAL GIVEN**

Alameda County Deputy Sheriff's' Activities League, Inc.	\$25,000.00
Alameda County Public Health Department	\$30,000.00
Alameda County WIC Program	\$280,985.00
Alzheimer's Services of the East Bay	\$170,000.00
Ashland Free Medical Clinic	\$52,500.00
Associated Community Action Program	\$30,000.00
Baywood Court Retirement Center	\$15,900.00
Be A Mentor, Inc.	\$5,000.00
Better Health Foundation	\$5,000.00
Boys and Girls Club of San Leandro	\$280,000.00
Building Futures with Women & Children	\$295,000.00
CALICO Center	\$145,000.00
California State University, East Bay Foundation	\$97,500.00
Castro Valley High & Creekside Middle School	\$195,580.00
Castro Valley Veterans of Foreign Wars Post 9601	\$5,000.00
Cherryland Elementary/Hayward Unified School District	\$20,000.00
Christmas in April - Castro Valley Area	\$25,000.00
CommPre/Horizon Services	\$90,000.00
CV Youth Soccer League - TOPSoccer League	\$5,000.00
Davis Street Family Resource Center	\$1,190,000.00
Deaf Women Against Violence	\$133,760.00
East Bay Agency For Children	\$352,500.00
East Bay Cancer Support Group, Inc.	\$73,150.00
East Bay Innovations	\$3,000.00
Eden Area YMCA	\$5,000.00
Eden Counseling Services	\$20,000.00
Eden I&R	\$108,000.00
Eden Medical Center Foundation	\$5,000.00
Eden Medical Center Women's Health Services	\$1,000,000.00
Eden Youth and Family Center	\$246,890.00
Emergency Shelter Program, Inc./Ruby's Place	\$85,000.00
Family Services of San Leandro (dba) Family Services	\$90,000.00
FESCO	\$87,110.00
Foundation for Osteoporosis Research and Education	\$91,276.00
George Mark Children's House	\$22,500.00
Girl Scouts of San Francisco Bay Area	\$500.00
Girls Inc.	\$155,000.00
Grandparents and Relatives as Seconds Parents	\$7,369.00

EDEN TOWNSHIP HEALTHCARE DISTRICT GRANTS GIVEN THROUGH JUNE 30, 2016**TOTAL GIVEN**

Hayward Area Recreation & Park (Ashland Community Center)	\$178,876.00
Joseph Matteucci Foundation	\$5,000.00
Kids Breakfast Club	\$86,500.00
LaClinica de La Raza, Inc.	\$312,400.00
LaFamilia Counseling Service	\$219,100.00
Legal Assistance for Seniors	\$217,500.00
Lincoln Child Center	\$41,813.00
Mercy Retirement Center - Brown Bag Program	\$190,500.00
Northern California Society to Prevent Blindness	\$20,500.00
Ombudsman, Inc.	\$45,000.00
Reach Out and Read	\$4,500.00
Row Chabot, Inc.	\$15,000.00
San Leandro Shelter for Women & Children	\$45,000.00
San Leandro Unified School District	\$20,000.00
San Lorenzo Unified School District	\$175,000.00
Seventh Step Foundation, Inc.	\$15,000.00
Shelter Against Violent Enviornments (SAVE)	\$55,000.00
So. Alameda County Sponsoring Committee	\$50,000.00
SOS/Meals on Wheels	\$240,337.00
Spectrum Community Services, Inc.	\$585,000.00
Sports4Kids - Now Playworks	\$10,000.00
St. Rose Hospital	\$2,942,182.00
Stepping Stones Growth Center	\$25,000.00
Students in Business	\$10,000.00
Teens in Crisis	\$68,040.00
Tiburcio Vazquez Health Center, Inc.	\$236,591.00
Tri-City Health Center	\$256,701.00
United Seniors of Oakland and Alameda County	\$5,000.00
Valley Community Health Center	\$17,817.00
Youth and Family Services	\$5,000.00
YWCA Mid County Counseling Service	<u>\$5,000.00</u>

Grand Total Grants Given:**\$11,551,877.00**

EDEN TOWNSHIP HEALTHCARE DISTRICT GRANTS GIVEN THROUGH JUNE 30, 2016**TOTAL GIVEN****Sponsorships from July, 2006 to April 30, 2016:**

Eden Medical Center - Now Sutter Health	\$213,750.00
St. Rose Hospital Foundation	\$51,400.00
Davis Street Family Resource Center	\$33,000.00
Horizon Services	\$10,500.00
George Mark Children's House	\$10,000.00
American Cancer Society - Relay for Life	\$10,000.00
Center for Elders Independence	\$3,000.00
San Leandro Rotary	\$2,435.00
Hayward Historial Society	\$2,100.00
Building Futures with Women & Children	\$2,000.00
CV VFW Post 9601	\$2,000.00
Foundation for Osteoporosis Research & Education	\$1,780.00
Alameda County Healthy Community/Ashland Cherryland FamFest	\$1,000.00
Castro Valley Chamber of Commerce	\$475.00

Grand Total Sponsorships Given:\$343,440.00

TOTAL Grants and Sponsorships

\$11,895,317.00

Source: ETHD 2016/11/9



APPENDIX C

TIMELINE OF KEY ETHD EVENTS

Timeline of Key ETHD Events

2016	<p>Sutter appeal of payment of damages over 10 years is denied.</p> <p>Alameda LAFCo initiates Special Study of ETHD</p>
2015	<p>District is granted judgment to pay damages resulting from the lawsuit (losses at San Leandro Hospital during the pendency of the lawsuit) over 10 years (from June 2015).</p>
2013	<p>The dispute over legal costs and damages in the Sutter Health-ETHD conflict are resolved in July, 2013. \$17 million in damages awarded to Sutter Health.</p>
2012	<p>In September 2012 San Leandro Hospital's ownership and title are transferred to Sutter Health.</p> <p>California Supreme Court refuses to hear ETHD's appeal</p> <p>ETHD holds one grant cycle, awarding an approximate total of \$100,000 to two community clinics. The Community Advisory subcommittee assists in the review of the applications.</p>
2011	<p>The District forms a Community Advisory Subcommittee made up of two ETHD Board members and community volunteers. Over several meetings, in addition to learning about the District's communities, the group addresses some areas of focus for the community health work, e.g. chronic disease prevention education, primary care clinics in areas with poor access to care, and reports their findings and recommendations to the ETHD Board.</p> <p>Eden appeals Superior Court decision in Superior Appeals Court; Sutter position's is upheld.</p>
2010	<p>In December, Sutter's position is upheld by Alameda County Superior Court.</p> <p>In March, ETHD files a countersuit against Sutter Health, challenging the validity of the 2008 agreement because three Sutter Health board members had conflicts of interest at that time.</p> <p>Separate from the grant cycles, ETHD makes two focused grant awards to Davis Street Family Resource Center (\$500,000 toward its building purchase) and St. Rose Hospital (\$1.5 million toward operating expenses.) ETHD also loans St. Rose Hospital \$3 million dollars toward operations (of which \$1.85 million has been repaid by 2013).</p> <p>As of January 10, 2010, Eden Medical Center is governed solely by Sutter Health, and ETHD and its elected board are no longer involved.</p> <p>On the property purchased in 2004, ETHD builds and leases the Eden Medical Building on Lake Chabot Road.</p>

Timeline of Key ETHD Events

2009	<p>The ETHD Board approves combining the “Building” and “Community” fund into one fund for investment purposes. 60% of earnings are allocated for community health work.</p> <p>Sutter sues the District in Alameda County Superior Court to enforce the right to purchase San Leandro Hospital from ETHD, plus \$5 million in damages.</p> <p>The ETHD Board approves combining the “Building” and “Community” fund into one fund for investment purposes. 60% of earnings are allocated for community health work.</p>
2008	<p>ETHD enters into an agreement with Sutter Health in which Sutter Health builds a replacement hospital for \$300 million. Major components of this agreement are (1) ETHD will give up its governance and board seats on the community board, effective in January 2010 and (2) Sutter Health has the option to purchase San Leandro Hospital.</p>
2007	<p>ETHD purchases Dublin Gateway property and begins building out and renting the property as a Medical Office complex.</p>
2004	<p>ETHC purchases the DeLucchi property on Lake Chabot Road.</p> <p>As part of the agreement to purchase San Leandro Hospital, ETHD acquires a medical office building in San Leandro.</p> <p>ETHD acquires San Leandro Hospital from Triad Partners and leases the hospital to Sutter Health in exchange for Sutter's agreement to replace Eden Medical Center with a new hospital.</p>
2001	<p>The ETHD Board annually engages in interactive presentations regarding the community benefit work of EMC and the aligned work of the District.) Special agenda items, meetings or retreats related to community health (and fund) are held in 2002, 2005, 2007, 2009, and 2011.</p>
2000	<p>Two cycles of funding occur each year until 2010. The award amount available depends on the earnings of the endowed Community Fund. Grants are due March 31 and September 30, and awards are made on July 1 and January 1, respectively.</p>
1999	<p>The first grant cycle of the Community Health Fund is implemented.</p>

Timeline of Key ETHD Events

Eden Medical Center is governed by a unique Board of Directors—the five publicly elected board members, five community members appointed by Sutter Health, and the CEO of Eden Medical Center. By-laws are structured to require majorities of both “halves” on key strategic and financial issues.

ETHD board members, key administrative staff, and representatives from the medical staff, Foundation, and Medical Center board engage in joint planning for the new Community Health Fund of the District and the community benefit work of the Medical Center.

In the initial agreement with Sutter Health, approximately \$56 million is paid for ETHD. This money is divided into two “pots”—the General Fund and the Community Fund--and invested to preserve and increase principal. By ETHD policy and by-laws, the Community Fund is established as a permanent endowment fund, the earnings directed toward the benefit the health and wellness needs of District residents.

In January Eden Medical Center becomes a private, not-for-profit medical center affiliated with part of the agreement, Sutter Health establishes an endowment fund to address health needs specific to the District's communities.

1998

ETHD engages in a search for a partner in healthcare, a partner which will share Eden's mission and retain its community focus. The ETHD Board of Directors and administrative staff study potential affiliation with Catholic Healthcare West, Columbia Healthcare, and Sutter Health. Sutter Health is the choice, and by passing “Measure A” in 1997, the public affirms this decision.

1996

Baywood Court is opened as a District sponsored organization, with three levels of residents (independent living, assisted living, and skilled nursing). Baywood Skilled Nursing Facility, part of Baywood Court, is operated and accredited as part of Eden Medical Center until 2005. To reflect this broadening of services, ETHD changes its name from Eden Township Hospital District to Eden Township Healthcare District. ETHC changes the name Eden Hospital first to Eden Hospital Medical Center and later to Eden Medical Center.

1990

ETHD acquires Laurel Grove Hospital, which is remodeled and is converted from an acute care to an acute rehabilitation hospital, operated and accredited as part of Eden Hospital.

1986

ETHD forms two subsidiary corporations, to allow expansion for non-hospital services to the community: 1) Eden Hospital Healthcare Services Corporation (EHHSC), a non-profit organization, operates Eden Home Care Services for several years, and builds (1990) and operates Baywood Court Retirement Community. As the only entity of the corporation in the 2000s, EHHSC changes its name to Baywood Court; 2) Eden Hospital Development Corporation, a for-profit organization, operates Eden Medical Supply, a durable medical equipment business, into the 1990s. Eden Hospital Development Corporation also operates the retirement community Landmark Villa in public-private partnership into the 1990s.

1980's

The District Board votes to discontinue the collection of property taxes to fund the hospital expansion project.

1976

Timeline of Key ETHD Events

Eden Hospital is owned and operated by the ETHD through 1998 and is governed by the five-member elected Board of Directors.

Eden Hospital opens on November 15.

1954

California State legislation (Local Hospital District law) allows the establishment of local districts Eden Township Hospital District (Castro Valley, Hayward, San Leandro, San Lorenzo and Fairview) is established to build what is now known as Eden Medical Center.

1948

Source: ETHD website; Berkson Associates



State of California

GOVERNMENT CODE

Section 56375

56375. The commission shall have all of the following powers and duties subject to any limitations upon its jurisdiction set forth in this part:

(a) (1) To review and approve with or without amendment, wholly, partially, or conditionally, or disapprove proposals for changes of organization or reorganization, consistent with written policies, procedures, and guidelines adopted by the commission.

(2) The commission may initiate proposals by resolution of application for any of the following:

(A) The consolidation of a district, as defined in Section 56036.

(B) The dissolution of a district.

(C) A merger.

(D) The establishment of a subsidiary district.

(E) The formation of a new district or districts.

(F) A reorganization that includes any of the changes specified in subparagraph (A), (B), (C), (D), or (E).

(3) A commission may initiate a proposal described in paragraph (2) only if that change of organization or reorganization is consistent with a recommendation or conclusion of a study prepared pursuant to Section 56378, 56425, or 56430, and the commission makes the determinations specified in subdivision (b) of Section 56881.

(4) A commission shall not disapprove an annexation to a city, initiated by resolution, of contiguous territory that the commission finds is any of the following:

(A) Surrounded or substantially surrounded by the city to which the annexation is proposed or by that city and a county boundary or the Pacific Ocean if the territory to be annexed is substantially developed or developing, is not prime agricultural land as defined in Section 56064, is designated for urban growth by the general plan of the annexing city, and is not within the sphere of influence of another city.

(B) Located within an urban service area that has been delineated and adopted by a commission, which is not prime agricultural land, as defined by Section 56064, and is designated for urban growth by the general plan of the annexing city.

(C) An annexation or reorganization of unincorporated islands meeting the requirements of Section 56375.3.

(5) As a condition to the annexation of an area that is surrounded, or substantially surrounded, by the city to which the annexation is proposed, the commission may require, where consistent with the purposes of this division, that the annexation include the entire island of surrounded, or substantially surrounded, territory.

(6) A commission shall not impose any conditions that would directly regulate land use density or intensity, property development, or subdivision requirements.

(7) The decision of the commission with regard to a proposal to annex territory to a city shall be based upon the general plan and rezoning of the city. When the development purposes are not made known to the annexing city, the annexation shall be reviewed on the basis of the adopted plans and policies of the annexing city or county. A commission shall require, as a condition to annexation, that a city rezone the territory to be annexed or present evidence satisfactory to the commission that the existing development entitlements on the territory are vested or are already at build-out, and are consistent with the city's general plan. However, the commission shall not specify how, or in what manner, the territory shall be rezoned.

(8) (A) Except for those changes of organization or reorganization authorized under Section 56375.3, and except as provided by subparagraph (B), a commission shall not approve an annexation to a city of any territory greater than 10 acres, or as determined by commission policy, where there exists a disadvantaged unincorporated community that is contiguous to the area of proposed annexation, unless an application to annex the disadvantaged unincorporated community to the subject city has been filed with the executive officer.

(B) An application to annex a contiguous disadvantaged community shall not be required if either of the following apply:

(i) A prior application for annexation of the same disadvantaged community has been made in the preceding five years.

(ii) The commission finds, based upon written evidence, that a majority of the registered voters within the affected territory are opposed to annexation.

(b) With regard to a proposal for annexation or detachment of territory to, or from, a city or district or with regard to a proposal for reorganization that includes annexation or detachment, to determine whether territory proposed for annexation or detachment, as described in its resolution approving the annexation, detachment, or reorganization, is inhabited or uninhabited.

(c) With regard to a proposal for consolidation of two or more cities or districts, to determine which city or district shall be the consolidated successor city or district.

(d) To approve the annexation of unincorporated, noncontiguous territory, subject to the limitations of Section 56742, located in the same county as that in which the city is located, and that is owned by a city and used for municipal purposes and to authorize the annexation of the territory without notice and hearing.

(e) To approve the annexation of unincorporated territory consistent with the planned and probable use of the property based upon the review of general plan and rezoning designations. No subsequent change may be made to the general plan for the annexed territory or zoning that is not in conformance to the rezoning designations for a period of two years after the completion of the annexation, unless the legislative body for the city makes a finding at a public hearing that a substantial change has occurred in circumstances that necessitate a departure from the rezoning in the application to the commission.

(f) With respect to the incorporation of a new city or the formation of a new special district, to determine the number of registered voters residing within the proposed city or special district or, for a landowner-voter special district, the number of owners

of land and the assessed value of their land within the territory proposed to be included in the new special district. The number of registered voters shall be calculated as of the time of the last report of voter registration by the county elections official to the Secretary of State prior to the date the first signature was affixed to the petition. The executive officer shall notify the petitioners of the number of registered voters resulting from this calculation. The assessed value of the land within the territory proposed to be included in a new landowner-voter special district shall be calculated as shown on the last equalized assessment roll.

(g) To adopt written procedures for the evaluation of proposals, including written definitions consistent with existing state law. The commission may adopt standards for any of the factors enumerated in Section 56668. Any standards adopted by the commission shall be written.

(h) To adopt standards and procedures for the evaluation of service plans submitted pursuant to Section 56653 and the initiation of a change of organization or reorganization pursuant to subdivision (a).

(i) To make and enforce regulations for the orderly and fair conduct of hearings by the commission.

(j) To incur usual and necessary expenses for the accomplishment of its functions.

(k) To appoint and assign staff personnel and to employ or contract for professional or consulting services to carry out and effect the functions of the commission.

(l) To review the boundaries of the territory involved in any proposal with respect to the definiteness and certainty of those boundaries, the nonconformance of proposed boundaries with lines of assessment or ownership, and other similar matters affecting the proposed boundaries.

(m) To waive the restrictions of Section 56744 if it finds that the application of the restrictions would be detrimental to the orderly development of the community and that the area that would be enclosed by the annexation or incorporation is so located that it cannot reasonably be annexed to another city or incorporated as a new city.

(n) To waive the application of Section 22613 of the Streets and Highways Code if it finds the application would deprive an area of a service needed to ensure the health, safety, or welfare of the residents of the area and if it finds that the waiver would not affect the ability of a city to provide any service. However, within 60 days of the inclusion of the territory within the city, the legislative body may adopt a resolution nullifying the waiver.

(o) If the proposal includes the incorporation of a city, as defined in Section 56043, or the formation of a district, as defined in Section 2215 of the Revenue and Taxation Code, the commission shall determine the property tax revenue to be exchanged by the affected local agencies pursuant to Section 56810.

(p) To authorize a city or district to provide new or extended services outside its jurisdictional boundaries pursuant to Section 56133.

(q) To enter into an agreement with the commission for an adjoining county for the purpose of determining procedures for the consideration of proposals that may

affect the adjoining county or where the jurisdiction of an affected agency crosses the boundary of the adjoining county.

(r) To approve with or without amendment, wholly, partially, or conditionally, or disapprove pursuant to this section the annexation of territory served by a mutual water company formed pursuant to Part 7 (commencing with Section 14300) of Division 3 of Title 1 of the Corporations Code that operates a public water system to a city or special district. Any annexation approved in accordance with this subdivision shall be subject to the state and federal constitutional prohibitions against the taking of private property without the payment of just compensation. This subdivision shall not impair the authority of a public agency or public utility to exercise eminent domain authority.

(Amended by Stats. 2012, Ch. 62, Sec. 1. (AB 2698) Effective January 1, 2013.)



State of California

GOVERNMENT CODE

Section 56881

56881. The resolution making determinations shall also do all of the following:

(a) Make any of the findings or determinations authorized or required pursuant to Section 56375.

(b) For any proposal initiated by the commission pursuant to subdivision (a) of Section 56375, make both of the following determinations:

(1) Public service costs of a proposal that the commission is authorizing are likely to be less than or substantially similar to the costs of alternative means of providing the service.

(2) A change of organization or reorganization that is authorized by the commission promotes public access and accountability for community services needs and financial resources.

(c) If applicable, assign a distinctive short-term designation to the affected territory and a description of the territory.

(d) Initiate protest proceedings pursuant to Part 4 (commencing with Section 57000) in compliance with the resolution.

(Amended by Stats. 2016, Ch. 165, Sec. 6. (AB 2910) Effective January 1, 2017.)



State of California

GOVERNMENT CODE

Section 56378

56378. (a) In addition to its other powers, the commission shall initiate and make studies of existing governmental agencies. Those studies shall include, but shall not be limited to, inventorying those agencies and determining their maximum service area and service capacities. In conducting those studies, the commission may request land use information, studies, joint powers agreements, and plans of cities, counties, districts, including school districts, community college districts, joint powers agencies and joint powers authorities, regional agencies, and state agencies and departments. Cities, counties, districts, including school districts, community college districts, joint powers agencies and joint powers authorities, regional agencies, and state agencies and departments, shall comply with the request of the commission for that information and the commission shall make its studies available to public agencies and any interested person. In making these studies, the commission may cooperate with the county planning commissions.

(b) The commission, or the board of supervisors on behalf of the commission, may apply for or accept, or both, any financial assistance and grants-in-aid from public or private agencies or from the state or federal government or from a local government.

(Amended by Stats. 2015, Ch. 303, Sec. 229. (AB 731) Effective January 1, 2016.)

**ALAMEDA LOCAL AGENCY FORMATION COMMISSION
RESOLUTION NO. 2013-14**

**Adopting Municipal Service Review Determinations, Sphere of Influence Determinations, and
Updating the Sphere of Influence for the Eden Township Healthcare District**

WHEREAS, Government Code Section 56425 et seq. requires the Local Agency Formation Commission (LAFCo) to develop and determine the sphere of influence (SOI) of each local governmental agency under LAFCo jurisdiction within the County; and

WHEREAS, Government Code Section 56425(g) requires that LAFCo review and update adopted SOI boundaries, as necessary, not less than once every five years; and

WHEREAS, Government Code Section 56430 requires that a municipal services review (MSR) be conducted prior to or in conjunction with a SOI update; and

WHEREAS, LAFCo conducted a municipal services review of the services provided by the Eden Township Healthcare District; and

WHEREAS, the Eden Township Healthcare District has a SOI that is coterminous to the District's jurisdictional boundary; and

WHEREAS, no change in regulation, land use or development will occur as a result of updating the District's SOI; and

WHEREAS, in the form and manner prescribed by law, the Executive Officer has given notice of a public hearing by this Commission regarding the SOI update action; and

WHEREAS, the MSR determinations, the SOI determinations and the SOI update was duly considered at a public hearing held on November 14, 2013; and

WHEREAS, the Alameda LAFCo heard and received all oral and written protests, objections and evidence that were made, presented or filed, and all persons present were given an opportunity to appear and be heard with respect to any matter pertaining to said action.

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED that the Alameda LAFCo hereby:

1. Adopt the following MSR determinations:

a. Growth and Population Projections

- i. As of 2010, the population within Eden Township Healthcare District (ETHD) was 360,113. Based on ABAG growth projections the population of ETHD is anticipated to be 437,897 by 2035.
- ii. ETHD reported that growth patterns had not been affecting service demand in the last few years. Limited growth is anticipated by the District within the ETHD boundary area in the next several years; however, no formal projections were made.
- iii. Castro Valley and Eden areas are mostly built out, and limited growth is anticipated from potential infill development. Future moderate growth is expected in the San Lorenzo area due to an increase in retail at San Lorenzo Village Center and a rise in student population. Increase in retail at a shopping plaza may cause additional population move into the area for work and/or pleasure.

- b. Location and Characteristics of Any Disadvantaged Unincorporated Communities Within or Contiguous to the Sphere of Influence
- i. Using Census Designated Places, Alameda LAFCo determines that there are no disadvantaged unincorporated communities that meet the basic state-mandated criteria within the County. Alameda LAFCo recognizes, however, that there are communities in the County that experience disparities related to socio-economic, health, and crime issues, but the subject of this review is municipal services such as water, sewer, and fire protection services to which these communities, for the most part, have access.
- c. Present and Planned Capacity of Public Facilities and Adequacy of Public Services, Including Infrastructure Needs and Deficiencies
- i. With occupancy rates of 89, 67 and 60 percent in the three ETHD rental properties, the District appears to have enough capacity to serve the medical office rental demand. Although the regional supply of office space is unknown, because there is still office space available for rent in ETHD's buildings it can be inferred that additional capacity exists to satisfy possible demand for medical space.
 - ii. Due to legal fees, ETHD suspended grant giving in FY 10-11. It did not have enough financial capacity to provide grants to community organizations. Grantmaking resumed in FY 11-12.
 - iii. The ETHD's grant giving services appear to be adequate as it employs effective grant management measures, such as internal control systems, pre-grant review, pre-award process, managing performance, and assessing and using results.
 - iv. Infrastructure needs include minor tenant improvements in Eden Medical Building and Dublin Gateway Center.
- d. Financial Ability of Agency to Provide Services
- i. ETHD reported that its financing levels were adequate to deliver services. Although because of the high legal fees the District suffered a large operating loss in FY 10-11, all legal fees are now paid off and ETHD is expecting its expenditures to decrease and revenues to increase due to increase in rents and higher occupancy rates in its rental properties.
 - ii. ETHD does not receive any property tax, special tax, or benefit assessment income. Its main source of revenues is rental income from rental properties.
 - iii. In FY 10-11, ETHD's expenses exceeded revenues by over \$5 million. The operating loss was \$4.4 million. In FY 12-13, the operating loss was \$2.3 million, while overall expenses exceeded revenues by \$3.5 million.
 - iv. At the end of FY 10-11, ETHD had an unrestricted cash balance of \$16 million, which constitutes about 24 months of operating expenditures that included salaries and benefits, purchased services, rental property operation and management, grants, and depreciation.
 - v. Current District's long-term debt amounts to \$44.9 million. In addition, ETHD owes Sutter Health \$17 million in damages, which are expected to be paid off over the course of 12 years.
- e. Status and Opportunities for Shared Facilities
- i. ETHD shares its resources through grant funding with various community and healthcare organizations and hospitals.
 - ii. ETHD collaborated with other healthcare providers to try to keep St. Rose Hospital from closing.
 - iii. No further opportunities for shared facilities were identified.
- f. Accountability for Community Services, Including Governmental Structure and Operational Efficiencies
- i. ETHD is governed by a five-member Board of Directors. The Board updates constituents, solicits constituent input, discloses its finances, and posts some of its public documents on its website.

- ii. In addition to maintaining status quo, three governance structure options with regards to ETHD were identified: 1) Annexation of City of Dublin by ETHD; 2) Dissolution; and 3) Consolidation with Washington Township HD.
 - iii. ETHD demonstrated accountability in its cooperation with LAFCo's information requests.
2. Adopt a provisional coterminous SOI, as generally depicted in Exhibit A attached hereto, with the following condition:
- a. The District report back to LAFCo by June 30, 2014 on progress made on implementing the District's strategic plan priorities and related action plan as adopted by the District Board of Directors on May 15, 2013.
3. Consider the criteria set forth in Government Code Section 56425(e) and determine as follows:
- a. *The present and planned land uses in the area, including agricultural and open-space lands* – The District has no land use authority. City and County policies support the provision of adequate healthcare for City and County residents. City and County plans include land uses and population growth needing supportive healthcare services.

There is substantial agricultural and open space land within the District. Hospital and healthcare services are needed in all areas, and do not, by themselves induce or encourage growth on agricultural or open space lands.

Services are already being provided so growth inducement is not a factor. No Williamson Act contracts will be affected.

- b. *The present and probable need for public facilities and services in the area* –As indicated by demand for ETHD's grant funding services and rental properties, there is a present and anticipated continued need for the services offered by ETHD.
- c. *The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide* – ETHD is not a direct provider of health care services. The District funds healthcare services through grants and provides office space to healthcare providers and clinics through rental agreements.

Rental properties appear to have sufficient capacity to satisfy community need. Although the regional supply of office space is unknown, because there is still office space available for rent in ETHD's buildings it can be inferred that additional capacity exists to satisfy possible additional demand for medical space.

ETHD engages in effective grant management based on its use of adequate grant management practices, such as internal control systems, pre-grant review, pre-award process, performance management and result assessment. Of those projects that the District funded through grants, 100 percent of the projects were completed to the satisfaction of ETHD.

- d. *The existence of any social or economic communities of interest in the area* – ETHD primarily serves constituents in central Alameda County. Communities of interest include healthcare agencies that receive grants, healthcare providers who rent medical offices, and patients and clients who are served in these medical offices and through grantmaking.
- e. *Nature, location, extent, functions & classes of services to be provided* – ETHD provides grant funding to local healthcare organizations that benefit constituents within the District boundaries. ETHD also owns medical rental properties in San Leandro, Dublin and Castro Valley which it leases to doctors and other healthcare providers.

ETHD provides services outside of its boundaries in the City of Dublin through the Dublin Gateway Center.

4. Determine, as lead agency for the purposes of the California Environmental Quality Act (CEQA), that update of the agency's SOI and the related MSR are categorically exempt under Sections 15061(b)(3) and 15306, Class 6 of the CEQA Guidelines.
5. Direct staff to file a Notice of Exemption as lead agency under Section 15062 of the CEQA Guidelines.

* * * * *

This Resolution was approved and adopted by the Alameda Local Agency Formation Commission at the public hearing held on November 14, 2013, at 7051 Dublin Blvd., Dublin, California on the motion made by Commissioner Miley, seconded by Commissioner Wieskamp, and duly carried.

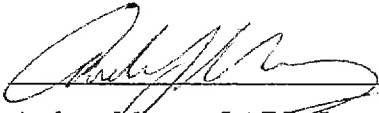
Ayes: 7 (Commissioners Miley, Wieskamp, Haggerty, Johnson, Marchand, Thorne, Sblendorio)
Noes: 0
Excused: 0

/Sblend Sblendorio/

Sblend Sblendorio, Chair, Alameda LAFCo

Approved as to Form:

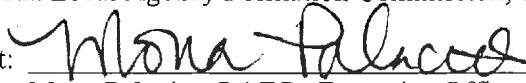
By:



Andrew Massey, LAFCo Legal Counsel

CERTIFICATION: I hereby certify that the foregoing is a correct copy of a resolution adopted by the Alameda Local Agency Formation Commission, Oakland, California.

Attest:

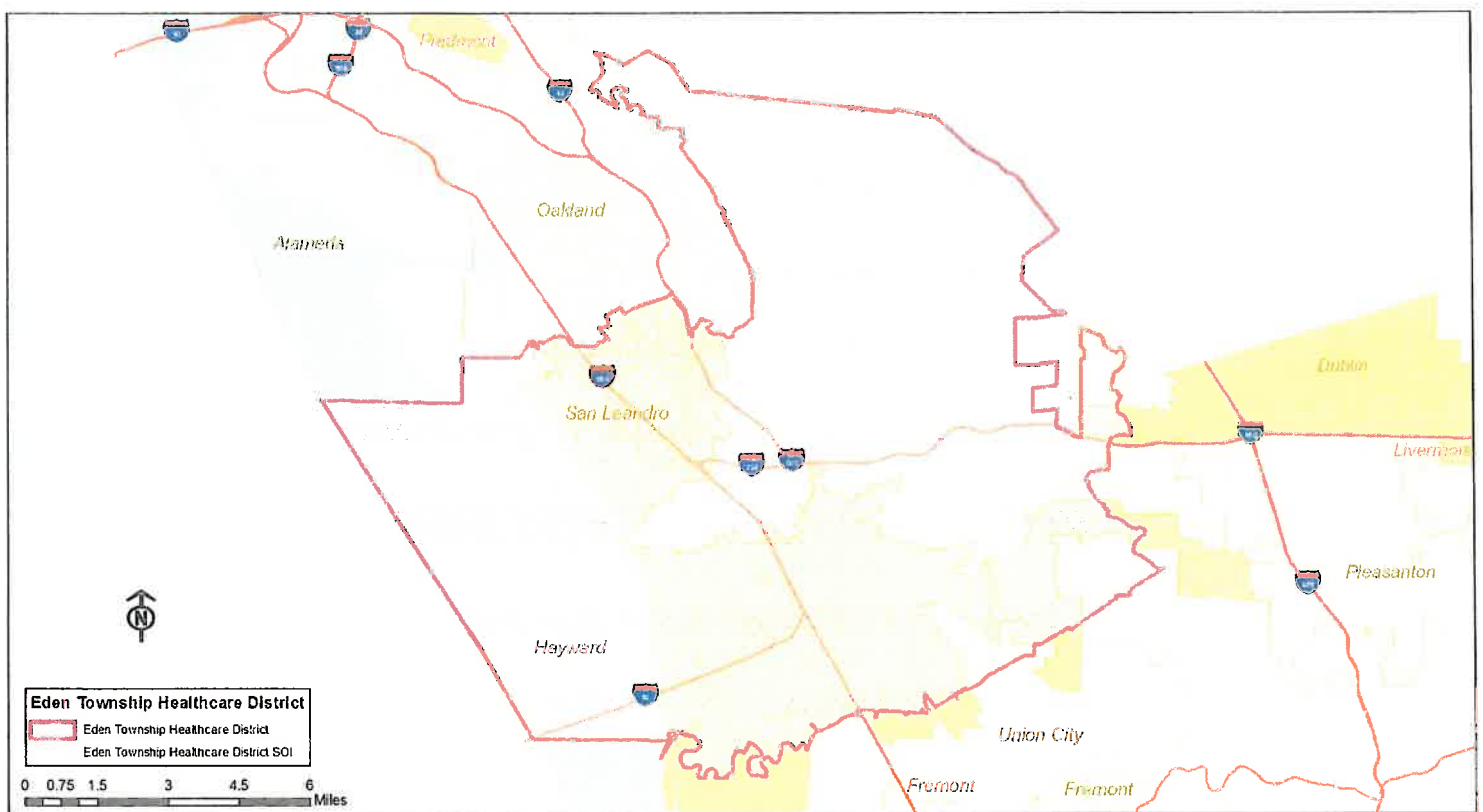


Mona Palacios, LAFCo Executive Officer

Date:

12/4/2013

Eden Township Healthcare District and Provisional SOI November 2013



*Agency sphere equals the service area boundary

Created for Alameda LAFCo by the Alameda County Community Development Agency

**ALAMEDA LOCAL AGENCY FORMATION COMMISSION
RESOLUTION NO. 2014-07**

Updating the Sphere of Influence for the Eden Township Healthcare District

WHEREAS, Government Code Section 56425 et seq. requires the Local Agency Formation Commission (LAFCo) to develop and determine the sphere of influence (SOI) of each local governmental agency under LAFCo jurisdiction within the County; and

WHEREAS, Alameda LAFCo conducted a municipal service review (MSR) of the services provided by the Eden Township Healthcare District (ETHD) and adopted Resolution No. 2013-14 making MSR and SOI determinations and approving a provisional coterminous SOI with a condition that the District report back to LAFCo on the progress made on implementing the District's adopted strategic plan priorities and related action plan; and

WHEREAS, at LAFCo's November 13, 2014 meeting, ETHD reported back to the Commission on the status of implementation the District's strategic plan and, based on that report, the Commission determined that removing the provisional status of the District's sphere of influence was warranted.

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED that the Alameda LAFCo hereby:

1. Adopt a coterminous SOI, as generally depicted in Exhibit A attached hereto, with the following condition:
 - a. The District report back to LAFCo within six to twelve months regarding the status of its plans with the City of Dublin and provide an update on the District's strategic plan.
2. Consider the criteria set forth in Government Code Section 56425(e) and determine as follows:
 - a. *The present and planned land uses in the area, including agricultural and open-space lands* – The District has no land use authority. City and County policies support the provision of adequate healthcare for City and County residents. City and County plans include land uses and population growth needing supportive healthcare services.

There is substantial agricultural and open space land within the District. Hospital and healthcare services are needed in all areas, and do not, by themselves induce or encourage growth on agricultural or open space lands.

Services are already being provided so growth inducement is not a factor. No Williamson Act contracts will be affected.
 - b. *The present and probable need for public facilities and services in the area* –As indicated by demand for ETHD's grant funding services and rental properties, there is a present and anticipated continued need for the services offered by ETHD.
 - c. *The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide* – ETHD is not a direct provider of health care services. The District funds healthcare services through grants and provides office space to healthcare providers and clinics through rental agreements.

Rental properties appear to have sufficient capacity to satisfy community need. Although the regional supply of office space is unknown, because there is still office space available for rent

in ETHD's buildings it can be inferred that additional capacity exists to satisfy possible additional demand for medical space.

ETHD engages in effective grant management based on its use of adequate grant management practices, such as internal control systems, pre-grant review, pre-award process, performance management and result assessment. Of those projects that the District funded through grants, 100 percent of the projects were completed to the satisfaction of ETHD.

- d. *The existence of any social or economic communities of interest in the area* – ETHD primarily serves constituents in central Alameda County. Communities of interest include healthcare agencies that receive grants, healthcare providers who rent medical offices, and patients and clients who are served in these medical offices and through grantmaking.
- e. *Nature, location, extent, functions & classes of services to be provided* – ETHD provides grant funding to local healthcare organizations that benefit constituents within the District boundaries. ETHD also owns medical rental properties in San Leandro, Dublin and Castro Valley which it leases to doctors and other healthcare providers.

ETHD provides services outside of its boundaries in the City of Dublin through the Dublin Gateway Center.

- 3. Determine, as lead agency for the purposes of the California Environmental Quality Act (CEQA), that update of the agency's SOI is categorically exempt under Section 15061(b)(3) of the CEQA Guidelines.

* * * * *

This Resolution was approved and adopted by the Alameda Local Agency Formation Commission at the public hearing held on November 13, 2014, at 7051 Dublin Blvd., Dublin, California on the motion made by Commissioner Sbranti, seconded by Commissioner Wieskamp, and duly carried.

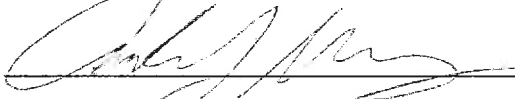
AYES: 7 (Miley, Wieskamp, Haggerty, Johnson, Marchand, Sbranti, Sblendorio)
NOES: 0
ABSENT: 0
ABSTAIN: 0

/Sblend Sblendorio/

Sblend Sblendorio, Chair, Alameda LAFCo

Approved as to Form:

By:


Andrew Massey, LAFCo Legal Counsel

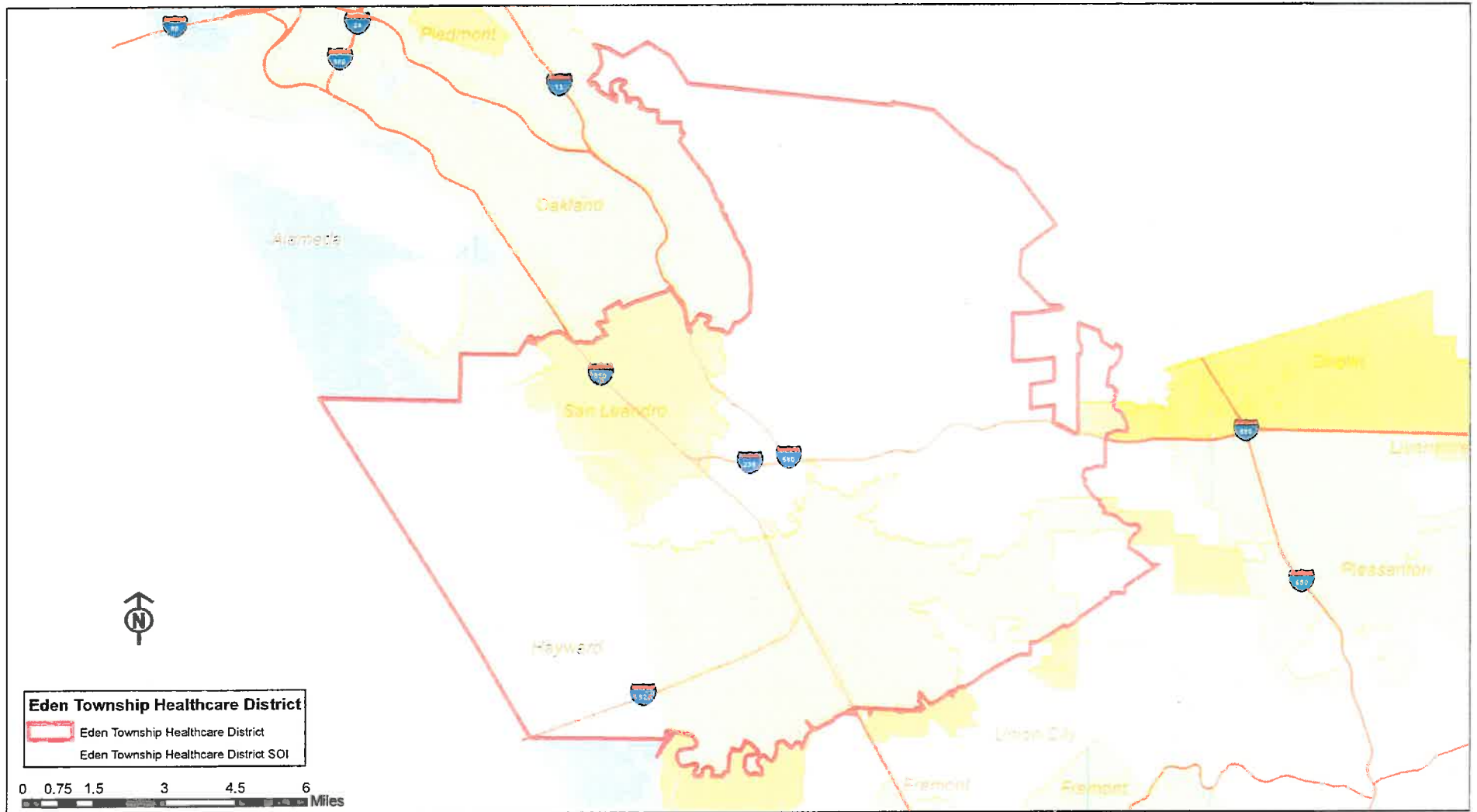
CERTIFICATION: I hereby certify that the foregoing is a correct copy of a resolution adopted by the Alameda Local Agency Formation Commission, Oakland, California.

Attest:


Mona Palacios, LAFCo Executive Officer

Date: 11/21/2014

Eden Township Healthcare District and SOI November 2014



*Agency sphere equals the service area boundary

Created for Alameda LAFCo by the Alameda County Community Development Agency

**Eden Township Healthcare District Special
List of Written Comments Submitted Prior to Release of Draft Special Study**

	Date Submitted	Name	Organization
1.	8/13/16	Diana Hanna	
2.	8/13/16	Winifred & Gerald Thompson	
3.	8/22/16	Bruce King	
4.	9/30/16	Mariellen Faria, RN	
5.	10/12/16	Krista Lucchesi, Director	Mercy Brown Bag Program
6.	10/18/16	George Bischaney	
7.	10/19/16	Dev Mahadevan, CEO	ETHD
8.	10/19/16	Linda Ashcraft-Hudek, CEO	George Mark Children's House
9.	11/6/16	Michael Gregory	
10.	11/8/16	Morgan Mack-Rose	
11.	11/9/16	Joanne Sexton	
12.	11/10/16	Rebecca Gebhart, Interim Director	Alameda County Health Care Services Agency
13.	11/10/16	Michelle Robles	ETHD
14.	11/30/16	Mayor Barbara Halliday	Hayward
15.	12/1/16	Lester Friedman, Board President	ETHD

Palacios, Mona, CAO

From: Diana Hanna <dalpha9@gmail.com>
Sent: Saturday, August 13, 2016 3:29 PM
To: Palacios, Mona, CAO
Subject: RE: Eden Health District

Dear Ms. Mona Palacios

As a very long time and active member of the Castro Valley community I would not like to see the Eden Health District desolved.

They play a very important roll in our community by providing many services. Such as health services and elderly services in the underserved areas. Meals on wheels to the elderly and house bound adults, The George Mark Children Fund, Spectrum Community Services, the LaFamily Counseling, and Building Futures with woman & children.

Please continue to support our Eden Health District.

Thank you for your time. Sincerely Diana Hanna
Sent from my iPad

Palacios, Mona, CAO

From: Winigerry@aol.com
Sent: Saturday, August 13, 2016 10:46 AM
To: Palacios, Mona, CAO
Cc: winigerry@aol.com; gerrywini@earthlink.net
Subject: Save Eden Health District

August 13, 2016

Ms. Mona Palacios
Executive Officer
Alameda County Local Agency Formation Commission

Dear Ms. Palacios,

We feel very strongly that the Eden Health District must be saved. The District sponsors many health clinics and services for the elderly. Davis Street, Meals on Wheels, Tiburcio Vasquez, George Mark Children's Fund, La Familia Counseling Services, La Clinica de La Raza and Building Futures with Women and Children are of invaluable importance to residents in under served areas of our district. How could these services possibly be replaced if the District were to be dissolved?

Recently, the District has begun educating our community on health issues which help to keep people from needing to go to the hospital--an invaluable service!

The Eden Health District continues to spend its money wisely, effectively, and efficiently to help our people maintain their health. Countless people depend on the services provided by the Eden Health District. It must be saved.

Sincerely,

Winifred and Gerald Thompson

Palacios, Mona, CAO

From: Bruce King <bruceking8@gmail.com>
Sent: Monday, August 22, 2016 12:09 PM
To: Palacios, Mona, CAO
Cc: Dev Mahadevan; Roxann Lewis
Subject: My Support for Eden Health District

Dear Mona Palacios, Executive Officer of LAFCo:

I am writing to you to express my support for the Eden Health District. The District has a long history of providing a wealth of health resources and should continue its mission to support the Eden area.

The District is doing a great job supporting organizations in the Eden area that provide direct health care and organizations that maintain the health of the community. The District has served us faithfully by mitigating financial crises in our local hospitals and providing support to programs that serve our poorest and most-in-need citizens.

The citizens of the Eden area funded the District and need a health agency that will continue to support future generations. The District was established in 1948 by the residents of Castro Valley, Hayward, San Leandro and San Lorenzo, to build and operate Eden Hospital. These residents paid property taxes to support the hospital until 1976, and then voted in the late 1990's to sell the hospital. Eden Health District then established a permanent endowment fund to benefit the health and wellness needs of the District.

Eden-area residents now pay no taxes to support the District and get permanent benefits for our local community. I do not support others who propose to disband the District and give the money to Alameda County. The Alameda County Health Services Agency and other local hospitals provide much needed services, but they have a history of negative cash flows, asking for additional local taxes, and requesting money from the District and others to stay afloat. I fear that Alameda County will end up spending our health resource that should last for generations.

It is also unfair for local politicians to claim that the District does not give enough funds to the community. Many of these politicians are our representatives who asked the District to legally represent the community's health interests by suing Sutter Health. The District now must pay Sutter Health \$20M, and temporarily reduce some support to the community.

A few years ago I worked directly with Eden Health District on an contest that involved all of the schools in the Castro Valley Unified School District and their project to construct the medical office building on Lake Chabot Road. I know first-hand the grass-roots involvement and impact the District has in our community. Let's keep the District here to serve us and future generations.

Bruce King
3127 Terry Court
Castro Valley, CA 94546
510-209-1410

September 30, 2016

Commissioner John Marchand, Chair
Alameda County Local Agency Formation Commission
Attn: Mona Palacios, Executive Director
1221 Oak Street, Room 555
Oakland, CA 94612

Dear Commissioner Marchand,

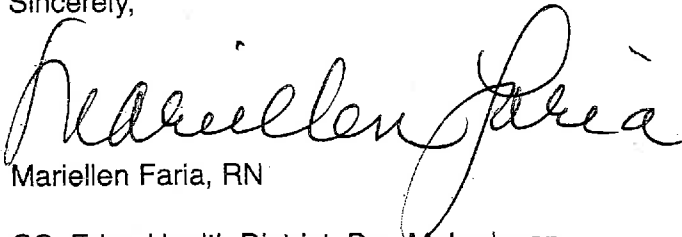
I understand the Local Agency Formation Commission is considering a proposal to dissolve the Eden Health District.

I am concerned and want to share my opposition to this occurring. In 2011 when I was the Chief Nurse Executive at St. Rose Hospital, I was responsible for hospital operations while the Chief Executive Officer was on vacation. During that time the hospital had a significant financial challenge. The hospital was in the process of implementing a new computer system and was unable to produce billing claims or collect revenue for a longer period of time than was projected. Collections and revenue stalled and at the end of July the hospital was unable to meet its financial obligations. We requested assistance from county and local entities including the Eden Township Healthcare District to help the hospital through this challenge. The county and other entities were unable to assist however, the Eden Township Healthcare District acknowledged the extreme impact the closure of the hospital would have on the community and provided St. Rose with an emergency loan of \$3 million. This loan allowed us to meet payroll obligations the next week, bridge the period of time to establish collections of claims and stabilize the hospital. I know this immediate response from the Eden Township Healthcare District kept St. Rose doors open to provide much needed care to the community and allowed 1000+ staff to receive their paycheck on time. I do not believe the hospital would be open today if St. Rose had not received this loan from the Eden Township Healthcare District.

In addition to this funding, St. Rose Hospital and the St. Rose Foundation have received other grants to assist with programs and services over the years. It is my hope that the commission and local leaders are able to resolve this situation.

This experience solidified the ability of the Eden Township Healthcare District to quickly respond to the ongoing healthcare needs of our community. I am in opposition to dissolving the Eden Health District. I am aware of other safety net services they support in the district which would also be negatively impacted by this action. Your consideration in this matter is appreciated.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mariellen Faria', written in a cursive style.

Mariellen Faria, RN

CC: Eden Health District, Dev Mahadevan

Hou, Sandy, CAO

From: klucchesi@eldercarealliance.org
Sent: Wednesday, October 12, 2016 1:35 PM
To: Palacios, Mona, CAO
Subject: Eden Health District Need

E-mail submitted from following website: lafco_contact_us_page

Name: Krista Lucchesi, Director Mercy Brown Bag Program

EmailAddress: klucchesi@eldercarealliance.org

Comments: I am writing from Mercy Brown Bag Program. We coordinate the distribution of thousands of pounds of free groceries to older adults throughout the Eden Area. We have been supported by the Eden Health District for many years, especially our grocery distributions at the Hayward Area Senior Center. We are truly grateful for their concern for the elders in this community. Using Census data the Area Agency on Aging reports in the "2016-2017 Area Plan for Older Adults": 50,000 seniors are living at or near poverty in Alameda County and between 1980 and 2015, the older adult (65+) population grew by 48% and the number of adults between ages 45-64 (the fast-growing Baby Boomer segment that will reach 65 over the next two decades) increased by 87%. Over 1 in 4 (27%) of our County's elders are living below 200% of the federal poverty level – and thus struggling to make ends meet. Eden Area has the county's greatest percentages of these seniors –Cherryland (44.4%), Ashland (40%), San Lorenzo (29.1%) and San Leandro (29%). Hayward has more than doubled the amount of 60+ elders since 1980. The Eden Health District's support is crucial to our past and future ability to keep up with the growing need. Thank you for your consideration of the continuation of this valuable addition to our county.

Palacios, Mona, CAO

From: sgb8592@gmail.com
Sent: Tuesday, October 18, 2016 12:24 PM
To: Palacios, Mona, CAO
Subject: ETHD Study

E-mail submitted from following website: lafco_contact_us_page

Name: George Bischaney

EmailAddress: sgb8592@gmail.com

Comments: I want to comment in favor of maintaining the Eden District. I believe it does and can continue to provide a service to the community that is consistent with the role of health care districts and can support a healthy community. ETHD, as owners of medical office buildings, provides space for community physicians to affordably see patients. Many of these patients may not be welcomed as openly in group practices associated with larger health care organizations. It's critical for issues of access and affordability that community physician not associated with large groups be able to maintain a presence. Once gone, these practices will not easily be replaced and further limit access by certain patients. Other for profit real estate owners or managers will seek to maximize their return on investment and drive physicians out of the community if alternatives like ETHD are not available. Other health care districts within the State have found a way to serve communities without operating hospitals, as they all once did. There is a place for ETHD, and as long as it's operating efficiently and keeping to its mission of improving community health, it should be given the benefit of the doubt and allowed to continue. I hope this is not an outcome will not be politically driven, but on one that is in the overall best interests of the communities ETHD continues to serve.



October 19, 2016

John Marchand, Chair
Alameda Local Agency Formation Commission
1221 Oak Street, Suite 506
Oakland, CA 94612

Dear Commissioner Marchand,

I am writing to express my concern about the unbiased evaluation of the Eden Township Healthcare District's (dba "Eden Health District", the District) future, in light of what occurred at Monday's meeting of the Alameda LAFCo in Castro Valley, which was seeking public input into the future of the District.

Assembly Member Bill Quirk was in attendance and yielded his turn to speak until the end at which time, he more or less threatened to re-introduce legislation if the consultant did not recommend dissolution. While he later retracted the statement somewhat (I asked him specifically in the presence of Ms. Palacios, Executive Officer of LAFCo), I am concerned that the Consultant, Mr. Richard Berkson, might be influenced by this intimidation into producing what Mr. Quirk is specifically asking for (as intended in his bill), the dissolution of the District, without a vote of the District's residents.

While I am confident that the LAFCo Commissioners are independent and will not be intimidated themselves, I am concerned that Mr. Berkson should not be threatened by our elected Assembly Member. Perhaps this legally taints the process enough that this entire study may be a waste of money, if it stands to be subsequently challenged.

We at the Eden Healthcare District are very concerned that an Assembly Member has thus chosen to display what can only be described as an abuse of power in this process that he has been given by the people of his Assembly District. He has, as he has admitted himself, been ignorant of the LAFCo process, which he did not understand and which his staff apparently did not brief him on, before he proposed his legislation.

In a meeting in April, 2016 with a District board member, Thomas E. Lorentzen and me, in his Sacramento Office, Assembly Member Quirk admitted that he simply wanted the District to go away and turn over its assets to someone else, like Alameda County.

At yesterday's meeting the speakers overwhelmingly stated that turning over local funds (the local tax payers' ancestors and relatives paid the taxes that created these assets) to the County, where the use of the funds may be less clear, is less desirable than it is in the District's hands where all our financial records are as open as our meetings, and more easily accessible than a meeting of the County Supervisors in Oakland.

Sincerely,

Dev Mahadevan
Chief Executive Office

Copy to: Board of Directors, Eden Township Healthcare District
Alameda LAFCo Commissioners
Mona Palacios, Executive Officer, Alameda LAFCo
Assembly Member Bill Quirk



October 19, 2016

Executive Officer
Alameda Local Agency Formation Commission
1221 Oak Street, Suite 555
Oakland, CA 94612

To Executive Officer, Alameda Local Agency Formation Commission:

I am writing in my capacity as Chief Executive Officer of George Mark Children's House to express my support for the Eden Township Healthcare District. George Mark Children's House (GMCH), which is a sub-acute medical facility located in San Leandro, offers pediatric palliative care to children with life limiting illness and their families. We have received two annual grants from ETHD totaling \$7,500 in 2014/15 and \$15,000 in 2015/16. As a nonprofit that relies on philanthropy for 83% of our budget, funds from ETHD have been strategic in helping us meet the medical and psychosocial needs of critically ill children and their parents in the ETHD catchment area.

ETHD funds were granted to GMCH to serve pediatric patients and their families in need who reside in the Eden Township Healthcare District catchment area. Established in 2004, GMCH is the first and only freestanding pediatric palliative care facility in North America to bridge the gap between hospital and home, offering safe, excellent medical care in the comfort and warmth of a home-like setting for patients who do not need the resources of a full children's hospital but have compelling medical and psychosocial needs. Our family-centered care emphasizes quality of life in a compassionate, supportive environment.

We offer five types of services to families that ETHD funding supports:

1. **Transitional Care** – To equip families and caregivers with the skills they need to effectively manage their child's long-term medical care needs after discharge from an acute care hospital stay; children and their families are admitted to George Mark for several days or weeks. During their stay for transitional care, George Mark provides the child with needed medical care and psychosocial support, while educating the family and caregivers to recognize and respond to health needs as they arise. George Mark staff also works with families to help them understand how to operate special equipment and provide needed treatments at home. By training the family to proactively manage their child's health, the child's health is stabilized and the need for repeat or prolonged hospitalizations is minimized.
2. **End of Life Care**, when needed, is provided in our home-like setting where a patient's family can stay in its own family suite and surround their child with the love and support they need.
3. **Respite Care** – For parents and primary caregivers of children with serious illness, George Mark provides a safe, nurturing place for them to bring their child for short-term care. By providing caregivers with temporary respite, George Mark supports the health of the primary caregiver as well as the well-being of the entire family. Respite care at George Mark also

provides positive experiences for child patients by supporting them to engage independently of their families with George Mark staff and volunteers and other patients.

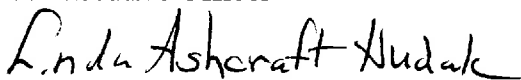
4. **Bereavement Care** - Recognizing that families grieving the death of a child benefit by receiving long-term support, George Mark offers an ongoing Bereavement Program for all families that have ever received services at George Mark. By offering families long-term and multi-faceted emotional and practical support prior to and following the death of their child, the George Mark Bereavement Program supports and encourages family members to recognize the normalcy of their feelings, to grieve in ways that are personally healing and to move ahead with their lives by integrating the loss of a child in a way that supports the family and honors the memory of the child.

5. **Perinatal Counseling** – We provide medical expertise, resources, support and information for at-risk preterm births about the prognosis and prospective complications, with the goal of establishing continuity of care for infants and parents.

Since the field of pediatric palliative care is still relatively new in the United State, it has taken time to educate insurance companies and other payers that this innovative care exists and is cost-effective in meeting patient's needs. Grant funds from ETHD allow us to serve children and families from the ETHD catchment area at the time of their greatest need. Should the Eden Township Healthcare District be dissolved my understanding is that those funds would be diverted to San Leandro Hospital and St. Rose Hospital effectively eliminating an important grant source for George Mark Children's House. It should be noted that the services offered at George Mark Children's House are not duplicated at either San Leandro Hospital or St. Rose Hospital. Accordingly, on behalf of George Mark Children's House we would encourage the decision-making body to retain the Eden Township Healthcare District.

Sincerely,

Linda Ashcraft-Hudak
Chief Executive Officer



CC: Dev Mahadevan
Chief Executive Officer
Eden Township Healthcare District

FROM THE DESK OF

MORGAN MACK-ROSE

November 8, 2016

Ms. Mona Palacios
Executive Director
Alameda LAFCO
1221 Oak Street, #555
Oakland, CA 94612

VIA EMAIL

Dear Ms. Palacios,

I was in attendance last night at the forum held in San Leandro, however I had to leave prior to my speaker card being called so please forward my comments to the full commission.

Having served as an elected official, responsible for keeping a government agency accountable to the tax payer, and as the Executive Director of a small non-profit dependent upon the charitable contributions of individuals, corporations, and foundations, I believe I have a valuable perspective on the issue concerning the dissolution of Eden Township Healthcare District.

The public is generally distrustful of government's use of tax dollars. Rather than providing critical services, they see it more as an industry that is great at keeping bureaucrats in business and politicians in office. In the worst cases, they are not far off. And I have to say, given ETHD's financial statements, this is a worst case. At what point in time did the "efficient distribution of [healthcare] government services" become real estate management? When was ETHD's charter amended? This kind of agency gives other hard working, effective agencies a bad reputation making it even more difficult for them to garner public support when they need it most, not to mention siphoning off much needed funds for healthcare delivery.

As a non-profit service provider, it worries me to see other non-profits throw their support behind the ETHD for such a blatant pay-off—as small as that pay off is. If a non-profit only spent 12% of it's budget on delivering programs and services it would receive an "F" from Charity Watchdog, be the shame of the non-profit community, and

would probably have it's tax-exempt status revoked (or it should!) But I understand the position ETHD put their grant recipients in by requesting a letter of support. With non-profits operating on lean budgets, even a \$5,000 reduction can be a significant hit to service delivery. If only ETHD operated as efficiently as the organizations they fund, LAFCO wouldn't be having to evaluate ETHD at all.

I urge the Commission to follow the lead of other's throughout the state and dissolve ETHD which has long since abandoned its charter and now serves only to serve its own administrators and board.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Morgan Mack-Rose". The signature is fluid and cursive, with the first name "Morgan" being more prominent and the last name "Mack-Rose" following in a similar style.

Morgan Mack-Rose

mmackrose@gmail.com

510-589-8056

From: Rivera, Karina, BOS Dist 3
Sent: Wednesday, November 09, 2016 10:55 AM
To: Palacios, Mona, CAO <mona.palacios@acgov.org>
Subject: FW: Supervisor Wilma Chan needs your help!

Hi Mona,

See comment below re: Eden I forgot to send your way.

Thanks,

Karina

From: Gregory, Michael [<mailto:Michael.Gregory@redcross.org>]
Sent: Sunday, November 6, 2016 5:48 PM
To: Rivera, Karina, BOS Dist 3 <Karina.Rivera@acgov.org>
Subject: RE: Supervisor Wilma Chan needs your help!

Hi Karina – I have a schedule conflict, am flying back from So. California tomorrow evening, will miss the LAFCO Special Meeting @ San Leandro City Hall.

Please consider this my 'voice' of support for dissolving the district. Plain pure simple: the district no longer operates as intended with Eden Medical Center. It's a hospital district without a hospital. The legal mess needs to be settled with Sutter Health and we need to move on. An appropriate use of remaining assets could be the creation of a not-for-profit foundation with unelected board members, responsible for the long term financial management of the assets.

Best regards, Michael

Palacios, Mona, CAO

From: sextonj@sutterhealth.org
Sent: Wednesday, November 09, 2016 10:11 AM
To: Palacios, Mona, CAO
Subject: Against Dissolution of District

E-mail submitted from following website: lafco_contact_us_page

Name: Joanne Sexton

EmailAddress: sextonj@sutterhealth.org

Comments: My name is Joanne Sexton and I live on Stanton Ave in Castro Valley. I grew up here, went to school here (as did my three daughters), and work here. I manage the cancer program at Eden Medical Center. I want to express my concerns over the thought that Eden Township Healthcare District would be dissolved. This is so illogical to me. Maybe you have been fortunate enough NOT to need any of the services they help support or maybe you don't know anyone who has had to rely on the programs but I DO know people who have benefited and are so grateful they were available. Many working families are struggling. They need medical, dental and mental health care and rely on Tiburcio Vasquez Health Center and Davis Street Family Resource Center. Kids need a safe place to go after school to do homework. The Boys and Girls Club has teenagers there for kids to relate to and are encouraged to do homework. Eden has a small cancer program (560 cases/yr), so we rely heavily on the free resources in our community including Meals on Wheels and American Cancer Society. The District has sponsored our Relay for Life team for four years now and is an integral part of the success of Castro Valley Relay. Not only do they sponsor our team Heroes Helping Heroes, they promote our community cancer symposiums, workshops, & cancer support groups, keeping residents informed of these free events. Where will the money come from to keep supporting these important community resources if the District is dissolved? The District gives \$500,000/yr right now and when the loan is paid off to Sutter in 2024, these communities will be receiving \$2.5 million dollars! I urge you to consider the impact the dissolution of the Eden Township Healthcare District would have on these smaller non-profits and how devastating the impact would be on the families, seniors, and children who rely on them. Sincerely, Joanne Sexton, CTR Manager, Tumor Registry/Cancer Data Services Eden Medical Center 510-727-2718 sextonj@sutterhealth.org Relay for Life Team Captain Heroes Helping Heroes

ALAMEDA COUNTY
HEALTH CARE SERVICES
AGENCY

REBECCA GEBHART, Interim Director



ADMINISTRATION & INDIGENT HEALTH
1000 San Leandro Boulevard, Suite 300
San Leandro, CA 94577
TEL (510) 618-3452
FAX (510) 351-1367

November 9, 2016

Alameda County LAFCO
1221 Oak Street, Suite 555
Oakland, CA 94612

Dear LAFCO Commissioners:

We understand that LAFCO is currently studying the status of the Eden Township Healthcare District and will be making recommendations about its future.

The information raised by the Grand Jury related to the Eden Healthcare District is concerning. In the event that you move to dissolve the District and/or recommend a change of management, the Alameda County Health Care Services Agency stands willing to provide assistance.

As you are aware, under the leadership of the Board of Supervisors, the Health Care Services Agency has undertaken extensive work over many years to serve the health care needs of residents within the jurisdiction of the Eden District. We have provided both administrative and financial support to keep St. Rose and San Leandro Hospital open. We have long standing relationships with many of the District's current grantees, including Davis Street, East Bay Agency for Children, Center for Elders Independence, Lincoln, Building Futures, LaClinica, LaFamilia Counseling Service, George Marks Children's House, and San Leandro's school-based health center.

As a County agency, we are also able to match certain dollars through the federal Intergovernmental Transfer Program. This can be done on a yearly or one-time basis. To-date, we have secured over \$29 million in federal matching funds since FY2004-05 for the District's safety-net hospitals through intergovernmental transfers.

Additionally, we have comprehensive health care data by zip code on emergency room visits, disease prevalence by age and ethnic background, mortality rates, and the social determinants of health. If this information is useful to you, please don't hesitate to contact us.

Sincerely,

Rebecca Gebhart
Interim Director
Alameda County Health Care Services Agency

Statement 1

Financial waste is rampant in the District operations with \$5.8M being spent in property management. Included in the 2017 projections is \$306K for valet parking services at the Dublin facility so this is the kind of outrageous management that goes on.

This statement shows a lack of understanding or a deliberate misrepresentation of the District's financial statements. Our medical offices are a community service and our overhead is 10.57% which can be seen in our 2016 audit report. With regards to the \$306K budget for valet parking, this is a reimbursable expense paid by the tenants who lease medical office space. This statement aimed at misleading the public.

Statement 2

In the case of SLH the District administration has mismanaged its obligations to patients since 1998. When failing to run the facility successfully it transferred management to Sutter Health.

In 2004 the District purchased and leased simultaneously, SLH to Sutter Health. The District affiliated itself with Sutter, a larger partner, to finance the replacement of EMC to meet seismic safety law. The lease agreement required Sutter Health to replace EMC or pay ETHD \$260M so the District could replace it. SLH was purchased for the purpose of replacing rehab beds which would be lost once Laurel Grove Hospital, which was part of EMC was demolished. Supervisor Chan should know this as she is an alternate to the LAFCO commission and should have read the MSR report written in 2013. This too is a statement meant to mislead the public.

Statement 3

In 2008 the District signed an agreement with Sutter giving them the option to buy SLH. When Sutter exercised their option in 2009 Eden sued Sutter and after an unsuccessful lawsuit the District was forced to turn over title and pay over \$19M in damages.

This agreement was part of the 2004 lease with Sutter which was amended in 2008. The District sued Sutter as a result of tremendous political pressure and community anger over the risk of losing emergency room services at SLH. The damages incurred were primarily the cost of keeping SLH open during the duration of the lawsuit and not due to irresponsible administration.

Statement 4

In June 2013 there was a formal public vote to work on raising \$20M to sustain SLH operations and to this date none of that money has materialized.

The District did work on its ability to raise an additional \$20M to help sustain SLH. Unfortunately the District's financial consultant concluded that we were unable to raise this sum of money.

Statement 5

The county will continue to work with the current District grantees and this has been a kind of cynical attempt to pit the community organizations against safety net hospitals.

This is not a cynical attempt to pit community organizations against safety net hospitals. Supervisor Chan has made it very clear that she wants the District's funds to support SLH and possible St. Rose Hospital. She does not guarantee the District's grantees will receive any of the District's funds.



November 30, 2016

Commissioner John Marchand, Chair
Attn: Mona Palacios, Executive Officer
Local Agency Formation Commission of Alameda County
1221 Oak Street, Room 555
Oakland, CA 94612

RE: Eden Township Healthcare District Special Study

Chair Marchand:

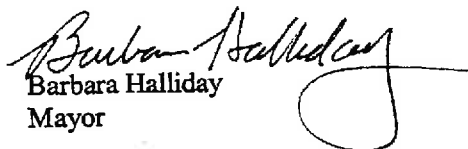
The City of Hayward supports the dissolution of Eden Township Healthcare District. It is our belief that the funds the District provides to non-profits and other healthcare providers can be more efficiently distributed by an entity other than the District.

The Eden Healthcare District, formerly known as the Eden Township Healthcare District, was formed in 1948 to build and operate a hospital to serve the residents of the City of Hayward, the City of San Leandro, and the communities of San Lorenzo, Ashland, Cherryland, Fairview, and Castro Valley. The District no longer owns or operates a hospital, nor provides any direct healthcare services to the residents of its jurisdiction. Just 12% of the District's operating budget is allocated to grants for health-related community programs and organizations.

In May 2010, the District surveyed residents to learn public perceptions of EHD. They found that 55% of respondents had never heard of the District, and only 18% had a positive opinion of the organization. The District's website states that in 2015, 500-700 residents were served by the District, a figure that represents less than one fifth of one percent of the District's population. These figures suggest that the District's work has a minimal impact on the community it serves.

We urge the LAFCo to carry out any and all proceedings that would be necessary to dissolve the District, and request that the Cities of Hayward and San Leandro are provided with representation on any committees or boards charged with the disposition of any assets derived from the dissolution of the District.

Sincerely,


Barbara Halliday
Mayor

Attached: Hayward City Council Resolution No. 16-190 – Resolution in Support of Efforts to Dissolve Eden Healthcare District

OFFICE OF MAYOR BARBARA HALLIDAY

777 B STREET, HAYWARD, CA 94541-5007
TEL: 510/583-4340 • FAX: 510/583-3601 • TDD: 510/247-3340
EMAIL: barbara.halliday@hayward-ca.gov

HAYWARD CITY COUNCIL

RESOLUTION NO. 16-190

Introduced by Council Member Zermeño

RESOLUTION IN SUPPORT OF EFFORTS TO
DISSOLVE EDEN HEALTHCARE DISTRICT

WHEREAS, the Eden Healthcare District, formerly known as the Eden Township Healthcare District, was formed in 1948 for the purpose of building and operating a hospital to serve the residents of the City of Hayward, the City of San Leandro, and the communities of San Lorenzo, Ashland, Cherryland, Fairview, and Castro Valley; and,

WHEREAS, the District no longer owns or operates a hospital or provides any direct healthcare services to the residents of its jurisdiction; and,

WHEREAS, the large majority of Eden Healthcare District's operating budget is allocated to real estate, administration, legal, and consulting fees; and,

WHEREAS, the City of Hayward believes the funds provided to non-profits and other health care providers can be more efficiently distributed; and,

WHEREAS, the impact of the District's activities on the health of its residents are minimal, if they exist at all; and,

WHEREAS, the City Council urges LAFCo to carry out any and all proceedings that would be necessary to dissolve Eden Health District; and,

WHEREAS, the City of Hayward and its City Council is committed to its ongoing partnership with the City of San Leandro and its City Council to achieve the above-outlined goals; and,

WHEREAS, the City Council supports efforts to ensure that the Cities of San Leandro and Hayward are provided with representation on any committees or boards charged with the distribution of any financial proceeds or assets that could be derived from dissolution of the District after payment of outstanding debts, and that such proceeds could benefit both San Leandro Hospital and Saint Rose Hospital, both of which are located within the geographic boundaries of Eden Health District.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Hayward hereby supports the dissolution of the Eden Healthcare District.

BE IT FURTHER RESOLVED, that the Hayward City Council authorizes the Mayor, the City Manager, and the City's legislative advocates to work with the City's partners at

the City of San Leandro, throughout Alameda County and at the State level to pursue all legislative, administrative, or procedural avenues that may be necessary to achieve the goals outlined above.

IN COUNCIL, HAYWARD, CALIFORNIA October 18, 2016

ADOPTED BY THE FOLLOWING VOTE:

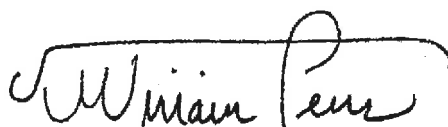
AYES: COUNCIL MEMBERS: Zermeño, Márquez, Mendall, Peixoto, Salinas
MAYOR: Halliday

NOES: COUNCIL MEMBERS: Lamnin


ABSTAIN: COUNCIL MEMBERS: None

ABSENT: COUNCIL MEMBERS: None

ATTEST:


City Clerk of the City of Hayward

APPROVED AS TO FORM:


City Attorney of the City of Hayward



December 1, 2016

John Marchand, Chair
Alameda County Local Agency Formation Commission
1221 Oak Street, Suite 555
Oakland, CA 94612

Dear Chair Marchand:

As Chair of the Eden Health District Board I want to thank you, as well as other members of the Commission, for your sound leadership of LAFCO, as well as other members of the Commission.


At the recent LAFCO hearing held at the San Leandro City Hall, Supervisor Wilma Chan sat as an alternate Commissioner. She spoke at the beginning, took a biased stance against the District, taking the prerogative of a commissioner. Her biased position is one she has maintained since well before this issue was brought before the Commission.

At the November 10, 2016 LAFCO Commission in Dublin a fellow board member, Thomas E. Lorentzen, stated his concerns over this abuse of authority. He made a request that Supervisor Chan recuse herself from all responsibilities on behalf of LAFCO regarding the subject of Eden Health District. Another Eden Board Member, Roxann Lewis, spoke at the same meeting, referring to Supervisor Chan's behavior in San Leandro as "unethical."

We believe that Supervisor Chan, since early 2013, has repeatedly taken a biased and destructive stance towards this District, and should recuse herself from the proceedings when the Commissioners consider the future of the District.

As Chair of the Eden Health District I am therefore making a formal request that Supervisor Chan recuse herself as commissioner or that LAFCO take action to recuse her from sitting as a Commissioner on this issue of the District's future.

Sincerely,



Lester Friedman
Chair

Copy to: Mona Palacios, Alameda County LAFCO
 Eden Health District Board of Directors

Mixed opinions on Eden Health District's future

Input follows Alameda County-backed study on options to dissolve it

By [DARIN MORIKI](#) | dmoriki@bayareanewsgroup.com East Bay Times

PUBLISHED: January 6, 2017 at 4:00 am

CASTRO VALLEY — An Alameda County-backed study analyzing the often criticized Eden Health District's operations and management and possible options to dissolve it is getting mixed feedback from the special district's leaders and East Bay lawmakers.

Eden Health District administrators say the 82-page study by Berkson Associates of Berkeley was unnecessary, since the results vary little from 2013 and 2015 reviews by the county's Local Agency Formation Commission.

The seven-member county commission is charged with reviewing special districts, including Eden Health District, and overseeing any potential plans to dissolve it and transfer its assets to another agency or nonprofit.

Eden Health District covers Eden Township, which includes Hayward, San Leandro, San Lorenzo, Ashland, Cherryland, Fairview and Castro Valley.

"Dissolving the district eliminates the option of funding local hospitals and other non-profits from a readily available taxing authority, which is costly and perhaps impossible to re-create," Eden Health District Chief Executive Officer Dev Mahadevan wrote in a Dec. 14 letter to the commission.

"Liquidating the assets (regardless of whether the district continues or is dissolved) eliminates a perpetual return of more than 10 percent, which could serve the district's residents in order to improve health," he said.

Some East Bay leaders disagree and contend the health district has not done enough to financially support struggling St. Rose and San Leandro hospitals; they also are wary of further cuts in federal government funding.

"They talk about an obligation to the community, and I think that the district needs to have some obligation to help continue the viability of those two hospitals," Alameda County Supervisor Wilma Chan said in an interview Monday.

"I think if the district doesn't take into account these two hospitals that see more than 65,000 people in their emergency rooms every year, you're really missing one really, really important asset to what the community needs," she said.

The report generally found "no evidence of mismanagement that warrants dissolution and discontinuation of services," but advised the district to track hours and resources allocated to real estate activities and community services.

Local Agency Formation Commission authorized the report amid growing calls by Hayward, San Leandro and county leaders to dissolve or re-examine the health district's operations after a grand jury report was released in June 2016.

The grand jury criticized the time and money spent on the district's commercial real estate holdings rather than grants awarded to nonprofit health care service providers.

The health district owns three medical office buildings. It uses some of the rent from them on grants to health service providers; the rest covers the district's expenses.

San Leandro Mayor Pauline Cutter said she would like to see the district dissolved and its assets distributed to support St. Rose and San Leandro hospitals rather than have the money fund health district employee salaries or its commercial real estate activities.

The report, however, identified possible benefits to dissolving the health district and transferring assets to a nonprofit, the county or a joint agreement with southern Alameda County cities, or a new county service area that provides expanded services, such as police and fire protection, to unincorporated county areas where residents are willing to pay for the extra service.

Dissolving the district and distributing its assets may reduce some expenses, including staff, legal and election costs, according to the report.

Leaders from the Washington Township Healthcare District, which serves Fremont, Newark, Union City, a part of South Hayward and Sunol, said they are “unwilling to consolidate” with the Eden Health District, the report said.

The Local Agency Formation Commission would be responsible for dissolving the health district. This includes creating the terms and conditions for the transfer of assets or requiring that any new successor entity produces a plan to provide services.

The commission will meet 6 p.m. Jan. 31 at the Castro Valley Library, 3600 Norbridge Ave., to present the study and collect public comments.

The study’s public review period will end Feb. 3.

Written comments can be submitted online at www.acgov.org/lafco, sent to the board Executive Director Mona Palacios at mona.palacios@acgov.org or mailed to 1221 Oak S., Room 555, Oakland, CA 94612.

Darin Moriki

Darin Moriki is a reporter for the Bay Area News Group's Silicon Valley Community Newspapers. He covers Hayward, Castro Valley, San Leandro and nearby unincorporated Alameda County areas for the Hayward Daily Review. He has worked for the organization since 2016. He has worked for four newspapers in three states since graduating in 2012 from the University of Oregon with his master's degree in journalism. His coverage includes the 2011 Tohoku earthquake and tsunami in Japan and the 2012 Aurora theater shooting in Colorado. Originally from Hawaii, he dreams of the warm ocean water lapping at his feet and the sand between his toes.

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EAST BAY TIMES

St. Rose could get \$8 million from county Funds to support operations while long-term plans are crafted



St. Rose Hospital in Hayward is seen here in this Dec. 23, 2016 file photo. (Darin Moriki/Bay Area News Group)
By Darin Moriki | dmoriki@bayareanewsgroup.com
PUBLISHED: December 30, 2016 at 2:01 pm | UPDATED: December 30, 2016 at 3:06 pm

HAYWARD — After at least a decade of struggling to make ends meet, a funding proposal may help land St. Rose Hospital on stable ground while East Bay leaders create a long-term plan to sustain operations.

The safety net hospital would get about \$8 million under a joint proposal from Alameda County Health Care Services Agency and Alameda Health System.

The money would be reallocated from funds set aside for indigent health care services at Alameda Health System facilities to St. Rose.

“St. Rose is a significant safety-net (health care) provider, and it has been very important to the low-income population in Alameda County,” Acting Alameda County Health Care Services Agency Director Rebecca Gebhart told Supervisors Wilma Chan and Keith Carson at their Dec. 12 health committee meeting.

The independent, nonprofit hospital receives a disproportionate share of Medicaid low-income clients and is a contracted health care provider for Medi-Cal, the state’s public health insurance program, Gebhart said.

Of the 6,682 people treated at St. Rose in 2015, about 54 percent, or 3,608 patients, had their health care costs paid by Medi-Cal, according to figures from the Office of Statewide Health Planning and Development.

Another 34.6 percent, or 2,312 patients, were covered by Medicare, the federal government’s health insurance program for eligible seniors who are at least 65 years old.

Only about 10.5 percent of the hospital’s patients treated in 2015, or 702 people, had private health insurance coverage.

The proposed contribution to St. Rose is possible next year because the county is receiving about \$26 million in additional state funds collected through vehicle license fees and sales tax revenues to cover public health and indigent health care service costs, Gebhart said.

Reallocating about \$8 million to St. Rose would still leave \$18 million in additional funds for Alameda Health System, which includes Highland, Fairmont, San Leandro, Alameda and John George Psychiatric hospitals and some clinics.

Doing so, however, will require Board of Supervisors' approval.

About \$6.5 million of the proposed \$8 million contribution to St. Rose can be used to draw additional matching funds through Medicaid, the joint federal and state health coverage program for low-income people, including children, pregnant women, seniors and individuals with disabilities, Gebhart said.

That would allow St. Rose to receive up to \$14.5 million to stay afloat, while Hayward, Alameda County Health Services Agency and Alameda Health System leaders work with hospital administrators on a long-term, sustainable budget plan.

"Supervisor (Richard) Valle has convened a sustainability task force because there is kind of an ongoing deficit in the St. Rose budget," Gebhart said.

"We're looking at ways to stabilize that, and we're seeking ongoing sustainability. There are a number of critical system partners at the table who are really deeply invested in solving the sustainability problem at St. Rose," she said.

"We are looking at long-term sustainability issues, and we haven't got all of those issues sorted out, so this allocation is for one time," Gebhart said.

The 217-bed hospital on Tennyson Road near Interstate 880 owes about \$38 million to \$40 million to Cal-Mortgage, said Aman Dhuper, St. Rose's president and chief executive officer.

Cal-Mortgage administers state-backed loans for capital improvements at health care facilities.

The hospital also needs about \$17 million to \$20 million more to fund its pension plans.

This isn't the first time Alameda County has given money to St. Rose.

Through the 2015 fiscal year, the hospital has received about \$29.5 million from a half-cent sales tax measure approved by county voters in 2004.

That measure generates about \$100 million annually and is earmarked for emergency medical, hospital inpatient, outpatient, public health, mental health and substance abuse services to indigent, low-income and uninsured county residents.

St. Rose has also received about \$7 million from the county's general fund, \$7 million from the county's share of a 1998 settlement with tobacco companies and \$4.4 million in federal low-income health program funds, Gebhart said.

The hospital also was paid about \$30 million in matching funds through the federal government from 2004 to the last fiscal year.

Contact Darin Moriki at 510-293-2480 or follow him at [Twitter.com/darinmoriki](https://twitter.com/darinmoriki).

Eden Health District operations on track, study finds

Dissolving district and distributing assets could have mixed benefits, drawbacks

By [DARIN MORIKI](#) | dmoriki@bayareanewsgroup.com East Bay Times

PUBLISHED: December 29, 2016 at 4:16 pm | UPDATED: December 29, 2016 at 6:08 pm

HAYWARD — A report that evaluated the Eden Health District's management, operations and financial health has given the oft-criticized special district a clean bill of health but did not discount possible options to dissolve it.

That 82-page study by Berkson Associates, of Berkeley, found that the district "provides a service of value, including significant expenditure of funds for community health care purposes consistent with its mission as a healthcare district."

It also found that the district's expenditures for administrative and overhead costs "are not excessive relative to total costs."

Still, the study noted that dissolving the health district and transferring its assets to a nonprofit, new county service area or public agency "could reduce certain costs and improve decision-making."

The report was released publicly last week and commissioned by the Alameda County Local Agency Formation Commission in July.

Hayward leaders had asked the board to conduct an analysis focused on two questions: what specific needs and priorities should the health district address, and how could its services be provided in other ways, such as dissolving the district and transferring its assets to another organization or public agency.

Hayward's appeal came amid growing calls to the commission to dissolve Eden Health District, which awards community grants to nonprofit groups that provide health care and derives that money from its commercial real estate holdings.

The district owns the San Leandro Medical Arts Building, part of the Dublin Gateway Building and the Eden Medical Building, across the street from Eden Medical Center in Castro Valley.

"In a sense, the district is a 'hybrid' agency that operates a traditionally private, for-profit commercial real estate enterprise but is organized as a healthcare district with elected board members," the report read. "This 'hybrid' organization offers financial benefits, but also incurs additional financial risks and costs, and creates other management issues," it said.

The health district previously owned Eden Hospital, now called Eden Medical Center, but sold it to Sutter Health. The title to San Leandro Hospital was later transferred from the health district to Sutter, following a multi-year legal battle over the hospital's ownership.

Eden Health District has not collected property taxes since 1976, nearly 22 years after Eden Hospital first opened its doors and 28 years after the special district was created to build the hospital.

From 1999 to the 2015 fiscal year, the health district gave out about \$11.6 million in grants to nonprofit health care service providers, averaging about \$640,000 each year, and provided \$340,000 in sponsorships, according to the report. "The district's grants and sponsorships are generally consistent with health care needs identified by assessments prepared by other agencies, however, coordination with other county agencies could be improved," the report found.

Other suggested improvements include amending the district's strategic plan at least once year; tracking hours and resources allocated to real estate activities and community services; and crafting a multi-year capital improvement program for its real estate holdings.

The district's \$26.4 million budget for the last fiscal year included \$7.7 million in operating expenses, including \$358,606 for salary and \$1.84 million in health care grants, according to an audit.

"I believe they have lost sight of the core mission they were formed for, and this report doesn't address any of that," Cutter said in an interview Monday.

"This report had a focus on the regulatory details of the district, but my job as mayor is to see if the needs of my citizens are being met," she said.

Mahadevan, however, said he is not convinced. The current value of the district's commercial properties total about \$31.3 million, even with an \$11.7 million outstanding construction loan on the Dublin Gateway Building.

"By no stretch of the imagination is \$20 million going to support both of those hospitals for more than two years at the rate that they're going. It may not even last two years; it might be 16 months," he told the district board at its Dec. 21 meeting.

He said he hopes the commission will affirm that the health district is working, but if not, he said the best alternative is for Eden to create a nonprofit and transfer the district's assets and liabilities to it.

That proposal, crafted by Eden administrators, would allow a 10-member board, including the five current Eden board members, to govern the new nonprofit. The other five would be appointed by the county supervisors or Hayward or San Leandro city councils.

Doing so, however, "isn't as clean-cut as it appears just in concept," Eden attorney Colin Coffey told the district board.

A special election would cost about \$200,000, and the fees to attorneys and others to create such a nonprofit could be considerable, he said. There also is the issue of the \$17.2 million the district owes Sutter Health after losing its San Leandro Hospital ownership legal battle.

Chan, however, said Eden administrators should work more closely with county leaders.

"I also think they have to be a little bit more open, that perhaps some of the ways they're doing things aren't correct; any time anyone raises anything instead of putting up a wall. I don't think that's the right way to react," Chan said.

Darin Moriki

Darin Moriki is a reporter for the Bay Area News Group's Silicon Valley Community Newspapers. He covers Hayward, Castro Valley, San Leandro and nearby unincorporated Alameda County areas for the Hayward Daily Review. He has worked for the organization since 2016. He has worked for four newspapers in three states since graduating in 2012 from the University of Oregon with his master's degree in journalism. His coverage includes the 2011 Tohoku earthquake and tsunami in Japan and the 2012 Aurora theater shooting in Colorado. Originally from Hawaii, he dreams of the warm ocean water lapping at his feet and the sand between his toes.

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Public Asked to Review Eden Health District Draft Study

There will be a special meeting at the Castro Valley Library to accept public comments.

By [Mona Lkazour \(Patch Staff\)](#) - December 28, 2016 6:27 pm ET

[From the Alameda Local Agency Formation Commission:](#) A draft special study of the Eden Township Healthcare District (ETHD), also known as the Eden Health District, is now available for public review and comment on the website of the Alameda Local Agency Formation Commission (LAFCo), www.acgov.org/lafco. The special study reviews the services ETHD currently provides, its financial position including any future obligations, and a fiscal analysis of various governance options, including dissolution.

LAFCo will hold a special meeting on January 31, 2017 at 6 pm at the Castro Valley Library located at 3600 Norbridge Avenue, Castro Valley to accept public comments. Written comments may also be submitted online on the LAFCo website, or directly to Mona Palacios, LAFCo Executive Officer, at mona.palacios@acgov.org or via US Mail at: 1221 Oak Street, Room 555, Oakland, CA 94612. Comments submitted by February 3, 2017 will be considered in the development of the final draft of the study.

The process of developing the draft study included three public meetings held by LAFCo in October and November to allow constituents to express their views about the value of the Eden Township Healthcare District to the public; what, if any, specific needs and priorities the District should address; and whether the District's functions should continue to be provided by another entity.

ETHD was formed in 1948 to finance, construct and operate Eden Hospital in Castro Valley, but the District no longer owns and operates the hospital. Currently ETHD provides grant funding to health-related organizations, oversees its investment fund, and owns three office buildings where it leases office space to various healthcare providers. The District covers Eden Township, which includes the unincorporated areas of Ashland, Castro Valley, Cherryland, Fairview, and San Lorenzo, and the cities of Hayward and San Leandro. It collects no tax revenues, and derives its revenue from net income from its office buildings. More information about the district can be found at <http://ethd.org/>.

In recognition of the need for a more coordinated and efficient public service structure to support California's anticipated growth, the State Legislature established local agency formation commissions (LAFCos) in the mid-1960s. Among other duties, LAFCos are responsible for periodically reviewing the municipal services provided by local agencies under LAFCo jurisdiction. These service reviews, known as "Municipal Service Reviews" (MSRs), are intended to be an informational tool to help LAFCo, other agencies and the public better understand the municipal service structure. In 2013, Alameda LAFCo completed an MSR of ETHD which concluded that the District should continue in its current form.

Critics, including the Alameda County Grand Jury, have recently asserted that ETHD should be dissolved. Earlier this year, legislation was introduced in the State Assembly affecting the District including one bill signed into law (AB 2737) that imposes spending requirements on healthcare districts such as ETHD. At its July 2016 meeting, LAFCo approved a request from the City of Hayward to prepare a "Special Study" to help determine the future of ETHD.

**Eden Township Healthcare District Special
List of Written Comments Submitted After Release of Draft Special Study**

	Date Submitted	Name	Organization
1.	1/10/17	Tony Santos	
2.	1/19/2017	Dev Mahadevan, CEO	ETHD
3.	1/21/2017	Robert & Brenda Clark	
4.	1/24/2017	Dev Mahadevan, CEO	ETHD

Hou, Sandy, CAO

From: Anthony Santos <tonysantos33@att.net>
Sent: Tuesday, January 10, 2017 1:30 PM
To: Palacios, Mona, CAO
Cc: Dev Mahadevan; Steven Tavares; cwgilcrest@gmail.com; Gordon Galvan; Rajendra Ratnesar; Matier and Ross Column
Subject: subject: "eden township health care district"

Mona, please accept his email as "written" comment on the report of Berkson Associates which was recently released. While I have not formally read the report, I did read the summary in the recent Daily Review, dated December 30, 2016. It is noted the report apparently states that: "provides a value of service of value, including significant expenditure of funds for community health purposes consistent with its mission as a health care district." It would appear to me there isn't any reason to dissolve the district. I believe the district is doing exactly what it can do after losing San Leandro Hospital as a result of litigation that it lost.

Just a note, in 2009, I participated in discussions with the District's Counsel Chris Cannizzo, regarding ways to continue operations at San Leandro hospital. Mr. Cannizzo however was fired and the district filed its ill conceived law suit against Sutter Health. Counsel was to issue a "term sheet" by 12/24/2009, but was unable to do so as he was dismissed. I had conversations with Carole Rogers, the then Chair of the district's Board of Directors. I suggested to her that the law suit was ill advised and that the district could very well lose, which it did; along with the loss, the district lost of control over San Leandro hospital; eventually, Sutter Health turned the hospital over to the County of Alameda. The County did not pay one cent for the facility. I am sorry our negotiations went no where.

Further, there was a report in the San Leandro Times on January 9, 2017 which noted the District's \$250,000 grants to a variety of Community organizations. I believe the district should operate independently of the County.

Tony Santos, former LAFCO member and Mayor of the City of San Leandro, Calif.

Hou, Sandy, CAO

From: Dev Mahadevan <dmahadevan@ethd.org>
Sent: Thursday, January 19, 2017 1:54 PM
To: Richard Berkson
Cc: Palacios, Mona, CAO; Barbara Adranly; Michelle Robles
Subject: Public Review Draft Report on Eden Township Healthcare District

Hi Richard, I hope you had a good Holiday Season. I want to speak to your report and start by saying that it is a comprehensive study and a balanced report based on the facts you studied. I want to thank you for giving us the opportunity to provide you with documentation to help tell our story more completely than it has been done to date. That said, there is one contradiction in figures that should be reconciled. ON Page40- under "St. Rose Hospital", you say, "ETHD reports that it ahd granted St. Rose Hospital a total of \$1,650,000 through 2016, which includes prior grants of \$500,000 to St. Rose in addition to the \$1,150,000 grant described above". This seems to contradict the figure on the second page of Appendix B "ETHD Grants and Sponsorships through 2016", which is \$2,942,182. The number in the Appendix is the correct number and the statements on page 40 seemed to be in conflict. Rewording it might be sufficient if it is clear that the District gave St. Rose a grant for \$1,150,000 plus interest of \$ 143,356 and sponsorship of \$10,000 in the fiscal year ending June 30, 2016.

Please let me know if you have any questions.

Dev

Hou, Sandy, CAO

From: Brenda Clark <bdclark12@gmail.com>
Sent: Saturday, January 21, 2017 11:34 AM
To: Palacios, Mona, CAO
Subject: To: LAFCo, in support of keeping the ETHD as it is

TO WHOM IT MAY CONCERN:

I am writing in support of keeping our Eden Township Health District in tact, as it is! Doing so will *continue* to provide much-needed support for programs that serve our poorest and in-need citizens for the foreseeable future, without taxation on area residents. To dissolve the District and MISAPPROPRIATE our funds to support two local hospitals will deplete the funds in less than two years, and Alameda County would spend the resources quickly. There is no need for an additional CSA or any of the other various governance options, including dissolution. I consider any option other than "as is" as *misappropriation of the ETHD funds* that would serve the Eden area for generations to come.

Keeping ETHD in tact will enable continuance of its long-standing efficacy in ensuring that the endowment (created with the sale of Eden Hospital to Sutter Health) serves the area for years to come. If a special need is identified or a critical issue arises within the area, ETHD can act quickly. The the slow-moving, molasses structure of government agency involvement will most certainly be detrimental to the very purpose and charter of our health district.

Please respect the need of our District. Leave the Eden Township Health District in tact!

Sincerely,

Robert and Brenda Clark
3713 Star Ridge Road
Hayward, CA 94542



January 23, 2017

Mona Palacios
Executive Officer
Alameda County Local Agency Formation Commission (LAFCo)
1221 Oak Street, Suite 555
Oakland, CA 94612

Dear Mona,

I am writing to comment on the report and to provide LAFCo Commissioners with the Eden Health District's perspective on the draft report of Berkson Associates on the District.

Overall, the Report is a well-researched study of the District and the potential options for its future for LAFCo to consider in determining its future. It is a balanced perspective which provides detail and shows the pros and cons of each option.

We would like to state, again, for the record, that this is a repeat of a study done in some detail less than two years ago. An action which was caused by the political pressure put on by some of our elected officials.

The District sees the status quo as the least cost option providing the greatest public oversight. The District's overhead is reasonable and it provides meaningful community services, as the report shows. We would point out that while the report treats the medical offices as an investment, the District has made the case that providing medical offices IS a community service, a point made to justify keeping the District and paying Sutter Health over time. Four Superior and Appeals Court judges agreed in the published opinion. This is part of the District's mandate. George Bischalaney, former CEO of Eden Medical Center provided information to this effect during the previous comment period, that the Hospital needed physician offices that they could not afford to build, while also building a new replacement hospital for the old one. The District supported the Hospital by building this medical office building in Castro Valley.

The private non-profit successor option is a good one which requires a substantial initial investment to obtain future savings but creates a self-perpetuating board, at least partially and one that still is influenced politically because of appointments by the cities and Board of Supervisors. While subject to the Brown Act, it still is less transparent than the current structure. The initial cost of an election is anywhere from \$300,000 to \$1,500,000 if we use the Registrar of Voters website guidelines for the cost of an election based on the registered voters (182,000 in the District in October 2016). Consolidated general elections are less expensive than special elections. If you add the cost of creating a non-profit and getting the Internal Revenue Service for approval of non-profit - 501(c)(3) - status, the legal fees and costs could run from \$150,000 to \$300,000. Since the District costs, on average about \$70,000 per year, including average cost per year of biennial elections and board compensation and expenses at the District, it could take 5 to 10 years for the conversion to pay off.

The point has been made by several people that the District's dissolution and liquidation of its assets to support two local hospitals for a very short time frame makes no economic sense without a long-term plan for each hospital.

We would like to also point out that San Leandro Hospital is now a part of Alameda Health System, a \$1-billion-a-year revenue stream, which includes more than \$100 million in sales taxes. Eliminating the District and liquidating its assets would only provide cash of about 2% of one year's expense of this system. In June 2015, the Alameda County Grand Jury raised issues about San Leandro Hospital's acquisition and AHS' collection deficiencies. We don't believe this organization needs to eliminate a special district to support one year's operation.

Lastly, dissolving the District or converting it to a non-profit charitable organization would eliminate a taxing authority (although voter approval is required for actual taxation) which would involve creating such an authority when a local provider, like St. Rose Hospital, considers a way to raise new capital. When this was previously considered, the District was seen as the most logical entity to do this. This is an option which will no longer be available and would have to be created again, at considerable expense.

For all these reasons, we believe keeping the District in its current existence is the logical decision for the Commissioners to reach in looking out for the best interests of the tax payers of the District.

Sincerely,


Dev Mahadevan
Chief Executive Officer

Copy to: Board of Directors, Eden Health District