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Urban Economics
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FINAL REPORT

SPECIAL STUDY OF GOVERNANCE OPTIONS EDEN TOWNSHIP HEALTHCARE DISTRICT

Prepared for the Alameda Local Agency Formation Commission

Prepared by Berkson Associates

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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 which was purchased with funds from the sale of its hospital, originally funded by District taxpayers. Currently the District receives no tax revenues. The District also has significant cash assets that generate income; the cash assets provide for operating reserves and security for debt obligations.

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 of the enterprise operation. Expenses of operating the real estate are a significant portion of ETHD combined budgets, but are directly attributable to, and required for, operation of the buildings that generate ETHD's primary source of revenues.

In the District's case, net revenues, or "profits", are generated that not only cover overhead and operating costs of the real estate, 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.

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[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.

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.

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 decision[4] 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 proceed[7]. While the LAFCo process is currently underway, Assembly Member Quirk has introduced a spot bill, AB 645, in the current legislative session. This bill may be used to advance legislation regarding ETHD. 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

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[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

services; this bill could limit activities of the District, however, its specific terminology and application to ETHD is not clear.[9, 10]

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,] The City of Hayward subsequently submitted to LAFCo a "Resolution in Support of Efforts to Dissolve Eden Healthcare District" [12] The City of San Leandro also submitted a resolution "supporting efforts to dissolve Eden Health District."[13] Both cities proposed distributing the net proceeds of dissolution to San Leandro Hospital and Saint Rose Hospital.

In response to Hayward's 2016 request, LAFCo is conducting this 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 "Approach and Methodology", the Special Study's findings address determinations derived from State law regarding Municipal Service Reviews.[14]

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?

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[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.

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

[12] 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] City of San Leandro Resolution No. 2016-169.

[14] http://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=GOV&sectionNum=56430.

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 mayors and staff of the cities of Hayward and San Leandro, representatives of 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 regularly scheduled LAFCo hearings.[15] LAFCo staff and legal counsel have reviewed the document.

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,[16] 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.

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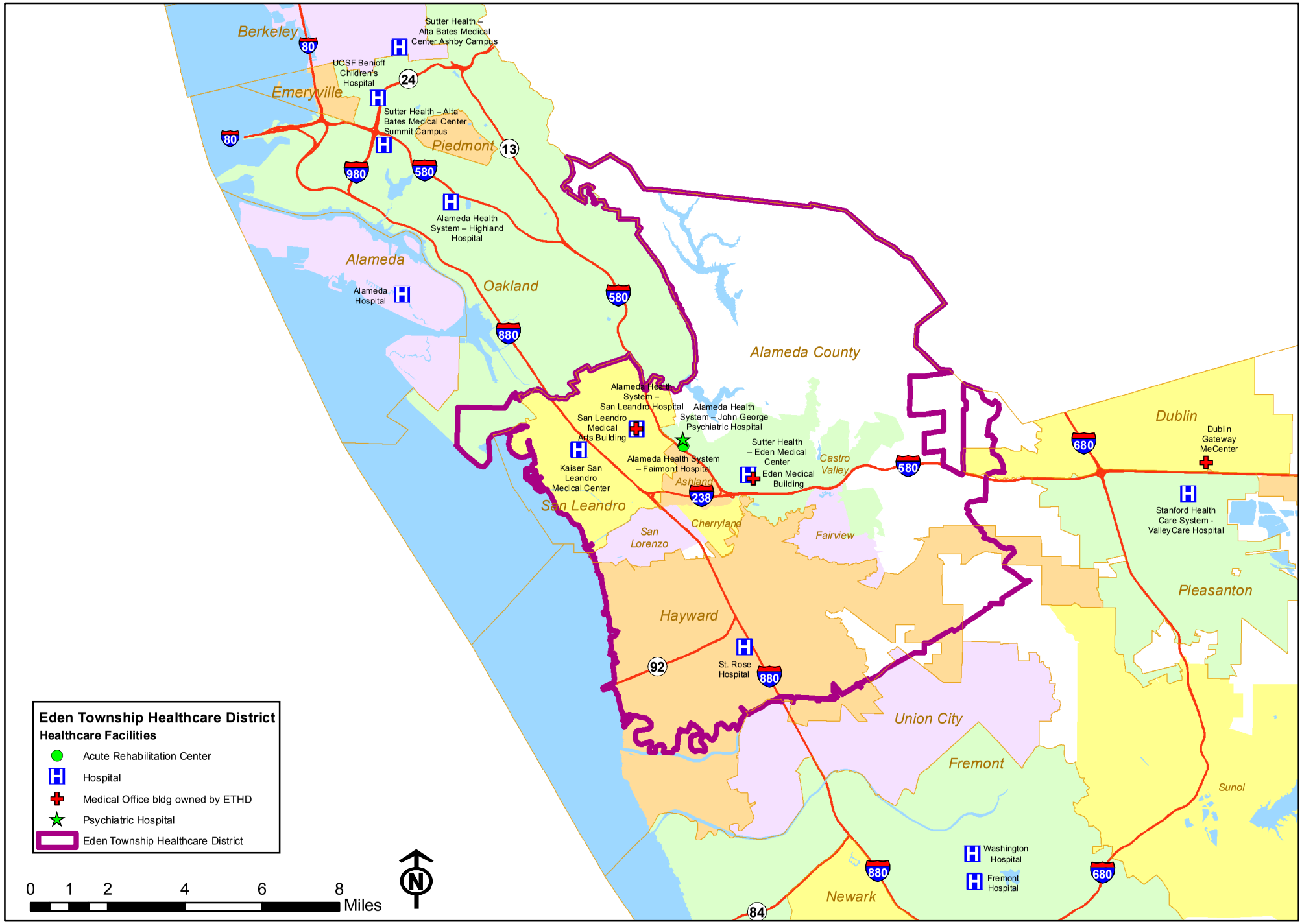
[15] Special meetings were held Oct. 17 in Castro Valley, Oct. 18 in Hayward, and Nov. 7 in San Leandro. Public comments were also received at LAFCo's regular meeting Nov. 10, 2016 and January 31, 2017.

[16] 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" of the District 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. The provision of medical office buildings is a service that benefits health care providers and ultimately patients, and is consistent with the District's Strategic Plan Goal #5 to "Continue to maintain investment properties that serve a medical or health purpose or provide revenue toward that end,"[17] although a majority of the property is located outside the District's boundaries.

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.[18] While a 2012 poll 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 poll indicated that 18% had a favorable opinion and 3% of total poll respondents had an unfavorable opinion.[19]

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.

[17] See Chp. 5 of this report, ETHD Goals, Policies and Plans.

[18] 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.

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

- 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.

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.[20]
- 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

[20] 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.

Services Agency (HCSA),[21] 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 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 coordination and data analysis and its relationship to District planning and grant funding and outcomes, 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.
- As noted in **Finding B**, the District should assess its risk and evaluate options for shifting building ownership and operation to other less risky and more passive investments within the District boundaries.

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

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.[22]
- 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 poll 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 poll indicated that 18% of total respondents had a favorable opinion and 3% of total poll 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 relative impact and differences between options due to building sales; the disposition of other assets and liabilities may result in cash that could be invested, and the current $9.7 mill. of District investments would also be available under all options.

- 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

[22] 2015-2016 Alameda County Grand Jury Final Report, pg. 48. See also the Association of California Healthcare Districts' website: http://www.achd.org/achd-certified-healthcare-districts/

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. In addition, the existing $9.7 million of District investments would continue to generate returns comparable to the Status Quo.
- 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, in addition to existing returns on District investments of $9.7 million
- The County of Alameda General Services Agency (GSA) has indicated that it has "the technical background and experience in managing both real property lease management and compliant maintenance operations of standard office and medical office properties."[23] With some budget augmentation in their operating cost, GSA indicated it could assist in taking on the management of the ETHD facility portfolio, for example, in the event of dissolution, in lieu of selling the buildings. This approach would help to maintain current revenues; it is unclear whether cost savings would be achieved.

A-9. Dissolution of the District without continuing services could provide needed one-time funding for hospitals, however, this would eliminate a future, ongoing source of funding unless the buildings were operated by another agency.

As noted above, sale of ETHD buildings could net $31 million after repayment of building debt; in addition, investments of approximately $9.7 million would result in a total of $40.7 million. After repayment of the outstanding Sutter obligation of approximately $13.8 million, funds totaling $26.9 million, including existing ETHD investments, would provide a significant benefit to hospitals.

- If the District chose to significantly increase its current funding allocations to local hospitals, over the long-term the funding to hospitals could equal or exceed the one-time funding provided by dissolution, sale and distribution of remaining assets to hospitals.
- Recent funding to hospitals by the District has been limited to its $1.3 loan forgiveness (including accrued interest) to St. Rose Hospital in 2016. Recommendations in this report include increased District coordination with the County and other healthcare providers particularly to take advantage of leveraging of State and Federal funds,

[23] Letter from Willie A. Hopkins, Jr., Director, Alameda County General Services Agency, to LAFCO Commissioners, 3/6/17.

improved integration of healthcare needs data in its strategic planning, and explicit goal-setting for allocation priorities in its public documents, including consideration of funding to hospitals.

- As noted above in **Finding A-8**, the option exists to transfer operation of ETHD buildings to the County GSA. This would enable continuation of current cash flows that could be allocated to existing grant recipients, and/or to hospitals.

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 reviewed at least annually as part of the budget process and as conditions change.

- The Plan was also updated in 2013 and 2014, but its specific actions and accomplishments should be reviewed annually to serve as a foundation for budget decisions and planning of future activities. The Plan should be expanded to include specific actions to achieve objectives by year, and measurement of outcomes. Policies regarding allocation of resources, including potential allocations to hospitals, should be assessed annually in coordination with other needs assessments prepared by the County[24] 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

[24] For example, see the Community Assessment, Planning, and Evaluation (CAPE) Unit of the Alameda County Public Health Department, Health Care Services Agency

development should also be carefully evaluated with the assistance of third-party real estate advisors. Options such as limiting real estate investments to land ownership/leases could be considered to reduce risks, although net revenues may also be reduced.

- 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. Alternative investments, e.g., reducing building ownership/operational costs and risks, could also help bring the District into compliance with recent legislation.
- 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. Coordination with the County is particularly important, and should include not only the County's data sources and needs assessments, but also the County's system for evaluating grant outcomes.[25] This coordination could improve the District's ability to carry out its mission, clearly document the relationship of its activities to community benefits, and potentially reduce duplication if grant administration/evaluation functions are shared with the County.

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.

[25] ETHD should consider utilizing the County's Human Impact Budget and Results Based Accountability Practices.

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). 26

- 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.

[26] 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 District[27] 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 contract with the County GSA, as noted below), or liquidate assets resulting in lower revenues, and continue distribution of grants and sponsorships from asset earnings. The services of the HCSA, as noted in the following point, could be utilized for grant-related functions.

- **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, and "could host a planning and disbursement process focused entirely on the District's region of responsibility, without significantly increasing our costs."[28] This option may require the sale of assets, resulting in lower revenues, unless the County General Services Agency (GSA), which has indicated that it "has the technical background and experience in managing both real property lease management and compliant maintenance operations of standard office

[27] 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.

[28] Letter from Kathleen A. Clanon, MD, Agency Medical Director, to Mona Palacios, LAFCo, January 31, 2017.

and medical office properties. With some budget augmentation in our operating cost, GSA could assist in taking on the management of the ETHD facility portfolio."[29]

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. Alameda County GSA indicated that it has "the technical background and experience in managing both real property lease management and compliant maintenance operations of standard office and medical office properties."[30] This could also enable the new agency to focus on management of commercial real estate, if assets are not liquidated.

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.

- 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.
- A new entity will still require some level of administrative and overhead services and costs, so the magnitude of potential cost savings is uncertain. A new entity is likely to take advantage of existing staff of member agencies, which could provide efficiencies.

[29] Letter from Willie A. Hopkins, Jr., Director, Alameda County General Services Agency, to LAFCO Commissioners, 3/6/17.

[30] Ibid, Letter from Willie A. Hopkins, Jr.

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; disposition of assets.

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 79 healthcare districts operating in 37 counties; of these 79 districts, 38 districts operate 40 hospitals, and 5 lease their hospitals to other entities.[31] Many of the other 41 districts 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.[32] 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."[33] 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.[34]

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).[35] 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."[36] 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. PHCD policies generally limit real estate activities to projects benefitting residents within the district.

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[31] Correspondence from Amber King, Senior Legislative Advocate, Association of California Healthcare Districts (ACHD), 2/27/17.

[32] No information is readily available regarding funds spent on hospitals by healthcare districts that no longer own/operate a hospital, however, may be included in forthcoming research by ACHD (Amber King, ACHD, 3/3/17).

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

[34] Gov. Code Sec. 53601.5.

[35] Peninsula Health Care District FY16 Approved Budget.

[36] Peninsula Health Care District Board Policy Statement of Investment Policy, 2.C.

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 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.[37] 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 noted above, 79 healthcare districts in California provide a variety of services authorized by State statutes. Of the 79 districts, 38 districts operate 40 hospitals and 5 districts lease their hospitals to other entities. Other districts have diversified into direct 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.

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

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 reports, recommendations and legislative proposals – promote efficiency, economy and improved service.[38]

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."[39] 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.[40]

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 after a hearing in the Fall of 2017.

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[38] http://www.lhc.ca.gov/about/about.html

[39] http://www.lhc.ca.gov/lhc/155/report155.pdf

[40] 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 2471[41]

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.

Quirk introduced a "spot bill" February 14, 2017 amending a provision of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000. A spot bill is a "bill that amends a code section in a non-substantive way. A spot bill may be introduced to ensure that a germane vehicle will be available at a later date. Assembly Rules provide that a spot bill cannot be referred to a committee by the Rules Committee without substantive amendments."[42]

AB 2737[43]

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.[44]

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.

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[41] AB 2471 (Quirk) (2015-2016): http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201520160AB2471

[42] http://www.legislature.ca.gov/quicklinks/glossary.html

[43] AB 2737 Non-provider Health Care District (2015-2016).

[44] 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.

(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 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. If a legal determination is made that the District does not provide direct health care services, one of the District's options would be to sell a portion of its real estate holdings and thereby reduce real estate expenditures. The sale of real estate assets would also reduce revenues available for healthcare purposes.

In addition to providing health education, the District could take other actions to exclude itself from the definition of a "nonprovider health care district", for example, by acquiring medical facilities. such as St. Rose Hospital.[45]

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

[45] See also the section in Chp. 4 regarding St. Rose Hospital.

care services. Washington Hospital opened on November 24, 1958.[46] 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.[47] 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 (cardiac, physical therapy, occupational therapy, speech, stress); social services; laboratory; medical imaging; level II nursery, and hospice care.[48]

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.[49]

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.[50]

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

[47] Washington Hospital Healthcare System website, http://whhs.com/about/history/default.aspx, downloaded 9/22/16.

[48] Ibid, Washington Hospital Healthcare System website.

[49] City of Alameda Healthcare District Municipal Service Review Final, January 10, 2013

[50] Alameda Health System press release, Nov. 27, 2013.

4. HEALTH CARE IN ALAMEDA COUNTY

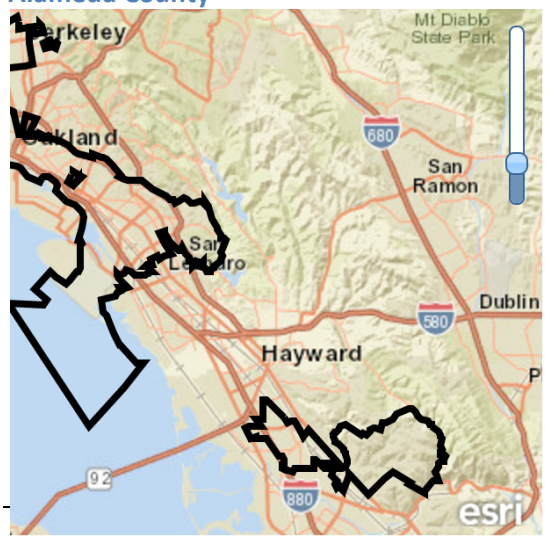
While this Special Study does not independently evaluate health care needs, facilities and programs in Alameda County, this chapter provides an overview of selected data sources relevant to ETHD's mission. Key facilities are described, focusing on facilities that have played a role in ETHD's history.

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."[51] 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."[52]

HEALTH CARE NEEDS

Two areas within the District's boundary are designated as Medically Underserved Areas (MUAs), as illustrated in **Figure 2**.[53] The medically underserved are people with life 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.

Figure 2 Medically Underserved Areas in Alameda County



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

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

[52] ibid, Modern Healthcare, Feb. 21, 2015

[53] 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.[54] 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.[55]

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."[56]

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:[57]

- 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)

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[54] Alameda County Health Data Profile, 2014, Community Health Status Assessment for Public Health Accreditation, Alameda County Public Health Department

[55] Alameda County Health Data Profile, 2014, pg. 8.

[56] Alameda County Health Data Profile, 2014, pg. 27.

[57] 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.[58] 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:[59]

- 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.[60] 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.

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[58] 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.

[59] CHNA of the SMCCV, pg. 23-24.

[60] 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."[61]

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).[62] 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.[63] 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.[64]

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,

[61] https://www.acgov.org/health/

[62] 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

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

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

seniors and other residents of Alameda County."[65] In FY16-17 the measure is expected to produce approximately $126 million in revenues.[66]

According to an overview provided by the Alameda County Health Care Services Agency (HCSA),[67] 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

[65] 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)

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

[67] Overview of Measure A Essential Health Care Services Initiative, HCSA.

building."[68] Designated as a general acute care hospital, in 2015 it reported that its 130 licensed beds provided services to 38,663 in-patient days.[69]

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.[70] In 1986 the adjacent Laurel Grove Hospital was acquired.[71]

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. [72] 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

[68] EMC website: http://www.edenmedicalcenter.org/services/index.html

[69] ALIRTS Report, Annual Utilization Report of Hospitals, Eden Medical Center, 2015.

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

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

[72] 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.[73] The hospital's critical/intensive care unit has nine beds.[74]

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.[75] Of the total price paid, the District indicates that SLH represents $25 million.[76]

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.[77]

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,[78] concerns by the community that Sutter might close SLH's acute care facility prompted ETHD to withhold transfer of SLH to Sutter.[79]

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.[80] 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.[81] ETHD argued that it could not liquidate its investments because then-

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[73] ALIRTS Annual Utilization Report of Hospitals, 2015.

[74] SLH website: http://www.sanleandroahs.org/about-us

[75] Correspondence with Dev Mahadevan, CEO, ETHD, September 6, 2016

[76] Correspondence with Dev Mahadevan, CEO, ETHD, August 3, 2016.

[77] ETHD Timeline, 9/16/16.

[78] The 2004 lease agreement between Sutter Health and ETHD was amended and restated in 2008.

[79] JAMS Arbitration No. 110004646, Final Award, Conclusion of Hearing June 11, 2013.

[80] 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.

[81] Correspondence from ETHD to R.Berkson, 11/30/16.

current loans required minimum reserves, and the Districts need for operating reserves, did not allow for the use of investments to pay down the judgment. The District also argued that the sale of its buildings would have a significant adverse impact on the District's revenues and ability to carry out its mission, potentially resulting in bankruptcy.[82]

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.[83] This funding was not provided.[84]

In 2014, city and County officials sought funding from ETHD for SLH operations after its transfer from Sutter to AHS.[85] Initial year shortfalls were funded by Sutter, which provided $14 million to AHS as part of the facility transfer,[86] 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. [87] ETHD's financial consultant advised the District[88] 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.[89]

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.[90]

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[82] Court of Appeal of the State of California, First Appellate District Division One, A146002, filed 11/29/16.

[83] ETHD minutes, Oct. 17, 2012 Board of Directors Open Session, Item VIII.

[84] R.Berkson conversation with Dev Mahadevan, ETHD, 9/16/16.

[85] ETHD minutes, June 19, 2013 Board of Directors Open Session, Item VI.

[86] 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.

[87] ETHD minutes, June 19, 2013 Board of Directors Open Session, Item VI.

[88] G.L. Hicks Financial, LLC, letter to Dev Mahadevan, July 15, 2013.

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

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

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)[91] in southern Alameda County, serving a high number of low-income patients. Although the current operator, Alecto Healthcare Services[92], 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.[93]

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)[94]. 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.[95]

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."[96]

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

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[91] 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 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.

[92] See Alecto website at http://www.alectohealthcare.com/

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

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

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

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

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.

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.[97] 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
Chair	Roxann Lewis	July 2014	Dec. 2018
Vice Chair	Thomas Lorentzen	Dec. 2014	Dec. 2018
Secretary/Treasurer	Charles Gilcrest	Dec. 2016	Dec. 2020
Board Member	Lester Friedman	Nov. 2010	Dec. 2018
Board Member	Megan Lynch	Dec. 2016	Dec. 2020

Elections, when required to fill contested positions, incur a cost of approximately $200,000 every two years. Two vacant seats were filled by appointment, and no election was held in November 2016.

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.[98] The District is investigating certification through a "District Transparency Certificate of Excellence" from the Special District Leadership Foundation, which documents

[97] Cal. Health and Safety Code 32000 et seq.

[98] 2015-2016 Alameda County Grand Jury Final Report, pg. 48.

various best practices.[99] 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.[100] The report cited a 2012 poll by the District that indicated, "55% of respondents prior to taking the poll had never heard of Eden Township Healthcare District."[101] While the 2012 poll 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 poll indicated that 18% had a favorable opinion and 3% of total poll respondents had an unfavorable opinion.[102]

In the District's response to the Grand Jury, it indicated that since the 2012 poll, 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."[103]

[99] SDLF website http://www.sdlf.org/transparency

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

[101] 2015-2016 Alameda County Grand Jury Final Report, pg. 50.

[102] Tramatola Advisors presentation to ETHD Board, Oct. 17, 2012.

[103] 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 Total City or Community	ETHD Population (2)(3) Residents	% ETHD	Area (sq.miles) Total City or Community	ETHD Area (3) Sq. Miles	% ETHD
INCORPORATED						
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	72,952 (1)	0	0.0%	19.39	0.17	0.1%
Total, Incorporated	799,842	221,572	58.4%	192.38	49.44	41.7%
UNINCORPORATED						
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	42,800 (3)	22,712	6.0%	405.98	49.79	42.0%
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 Assessed Value (1) % ETHD
INCORPORATED			
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	$ 8,413,236,717	$ 4,614,713	0.0%
Total, Incorporated	89,250,873,744	$ 26,063,170,245	64.1%
UNINCORPORATED			
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	$ 2,170,834,374	$ 454,046,194	1.1%
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 Plan[104] 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 reviewed 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.

The Strategic Plan includes the following goals:

1. Provide health education programs promoting health and wellness among adults and children; continue to work collaboratively with community organizations and government agencies as "Partners in Health" in providing the above programs;
2. Provide monetary grants through the Community Health Fund to non-profit health care programs specifically focused on services for vulnerable populations of the District;
3. Provide direct health/wellness services as deemed necessary or lacking within the communities we serve, such as urgent care, dental, mental, and senior services;
4. Continue to increase awareness of the District's purpose and value to the communities we serve through effective communication initiatives;
5. Continue to maintain investment properties that serve a medical or health purpose or provide revenue toward that end;
6. Continue to remain financially sound, managing business operations ethically and conservatively minimizing any risk to the viability of the District.

The Strategic Plan includes actions to implement each goal.

District policies are available on their website, and encompass a range of policies and procedures, including date created and amended.[105]

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

[105] http://ethd.org/governance/policies-procedures/

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.

The District prepares long-term financial forecasts 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, including clinical and/or educational programs, directly to consumers. The District also contracts for educational services, which could be considered "direct services".

Ownership of medical office buildings is consistent with the District's Strategic Plan Goal #5 to "Continue to maintain investment properties that serve a medical or health purpose or provide revenue toward that end" (see Chp. 5 ETHD Goals, Policies and Plans), although some of the property is located outside the District's boundaries and it is unclear to what extent the buildings benefit District residents. According to the property's management company, "medical office buildings play a critical role in providing healthcare services in the communities that they serve. Moreover, in a market like ours where demand (and therefore rents) for general office buildings is exceptionally strong, there is a limited stock of medical buildings remaining to service the community."[106]

The District indicated that it strives to maintain rents at the lower end of prevailing market rents, however, no District policies to that effect are apparent nor policies and analysis directed towards identifying target tenant types to meet identified community needs. This Special Study has not conducted an independent market analysis to determine market rents. This Special Study has not conducted an independent market analysis to determine market rents.

[106] W. Trask Leonard, CEO, Bayside Realty Partners, letter to LAFCo, 1/31/17.

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.[107] DSFRC provides basic needs, childcare and counseling to underserved individuals throughout San Leandro.[108] Their mission "…is to improve health, address poverty and increase the overall quality of life of residents in the Eden Area."[109] DSFRC is a Federally-qualified Health Clinic.[110]

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.[111] 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 couples therapy; psychological assessments; case management; group therapy (anger management; trauma; domestic violence; etc.); and short– and long-term treatment.[112]

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 Hospital in Hayward[113] and by the Community Health Needs Assessment of the Sutter Medical

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

[108] IRS Form 990, 2014, The Davis Street Community Center Incorporated.

[109] Davis Street website, http://davisstreet.org/index.php/about-us/

[110] 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

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

[112] Davis Street website, http://davisstreet.org/index.php/healthclinic/

[113] 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.

Center Castro Valley (SMCCV) Service Area.[114] 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.[115] 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. [116] 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. [117]

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.[118] **Figure 3** illustrates grants awarded annually.[119] Grant awards were suspended in FY10-11 due to pending Sutter Health litigation.

[114] 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.

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

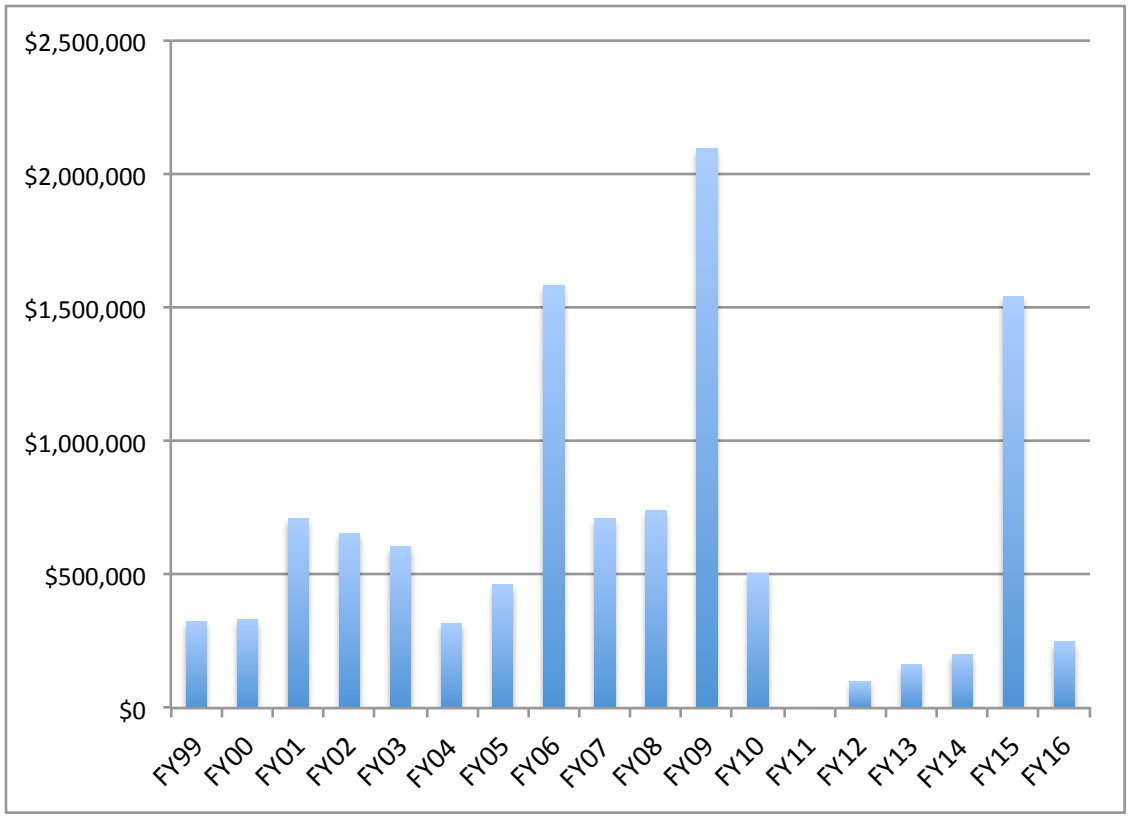
[116] See "Proposed Partnership", September 14, 2015, attached to Eden Township Healthcare District-Street Family Resource Center Services Agreement, Nov. 5, 2015.

[117] ibid

[118] ETHD Grants Summary (see **Appendix B**).

[119] 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."[120] 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.[121] District Policy No. 404 addresses the grant process.[122]

[120] ETHD website http://ethd.org/grants/faq/

[121] ETHD website

[122] 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 under-served, 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.[123]

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". Ownership of the buildings is consistent with the District's Strategic Plan Goal #5 to "Continue to maintain investment properties that serve a medical or health purpose or provide revenue toward that end" (see also Chp. 5 ETHD Goals, Policies and Plans), although some of the property is located outside the District's boundaries and it is unclear to what extent the buildings benefit District residents.

The Strategic Plan also includes actions to "…evaluate/substantiate the benefit of providing offices for small (locally-based) physician practices or small medical groups and determine the relevance it has to the community's health and wellness needs."

OTHER ACTIVITIES

Baywood Court

Baywood Court is a skilled nursing and independent living facility located in Castro Valley[124] 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. [125] Currently the facility has a 6-month waiting list.[126]

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.[127]

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[123] See **Appendix B**, ETHD Grants & Sponsorships through FY16.

[124] Baywood Court is located at 21966 Dolores Street, Castro Valley, CA 94546

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

[126] R.Berkson correspondence with ETHD, 8/3/2016.

[127] Website of the National Center for Charitable Statistics.

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.[128]

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.[129]

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. [130]

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).[131] 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.[132]

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[128] Baywood Court website, http://www.baywoodcourt.org/

[129] The ETHD grant summary reports grants totaling $15,900 through 2016 to Baywood Court.

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

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

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

ETHD reports that it had granted St. Rose a total of $2,942,182 for all years through 2016,[133] including the grant noted above and a $10,000 sponsorship in the fiscal year ending June 30, 2016.

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,[134] is located at 4000 Dublin Blvd. at Tassajara Rd. in Dublin, outside of the District's boundaries. 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.).[135]

  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).[136] 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.[137] 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.[138] 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.).

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[133] The ETHD grant summary reports grants totaling $2,942,182 for all years through 2016 to St. Rose Hospital (see Appendix B).

[134] See ETHD Timeline, **Appendix C**.

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

[136] ETHD rent rolls as of 7/31/16.

[137] ETHD Financials June 2016.

[138] See ETHD Timeline, **Appendix C**.

The Eden Medical Building is 60% occupied, with rents ranging from $2.40 to $2.69 per square foot per month plus CAM charges.[139] 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.[140] Tenants include a range of medical services in offices ranging in size from 1,000 sq.ft. to 2,400 sq.ft.

  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.[141]

Table 5 summarizes three years of financial data based on the District's financial reports and FY16-17 budget.[142] Consistent with audited financial reports and accepted accounting

[139] ETHD rent rolls as of 7/31/16.

[140] See ETHD Timeline, **Appendix C**.

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

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

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.[143]

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 was funded by taxpayers of ETHD. Assets total $54.67 million; offsetting liabilities are $28.22 million.[144] 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.

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

[144] Ibid, ETHD Consolidated Financial Statements, June 30, 2016

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 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	1,776		133,200	134,976
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	2,326,212			2,326,212
Subtotal	**$5,866,470**	**$101,734**	*allocated (1)*	**$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		250,000		250,000
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.[145] Current interest rates earned on ETHD investments, which are limited by state statutes to certain types of secure investments, are just under 1%.[146]

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.[147]

FIXED ASSETS

ETHD's fixed assets consist of its real estate holdings, which total $43 million.[148] 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

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

[146] 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.

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

[148] 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.[149]

OTHER ASSETS

The District reports $9.7 million in non-real estate investments.[150] As noted in District financial reports, the District invests in corporate bonds, US government agency securities, and US Treasury notes.[151] The District's loan agreement related to the Dublin Gateway requires the District to retain a minimum of $6 million in "unencumbered liquid assets".[152]

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.

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[149] 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.

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

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

[152] Additional Advance and Seventh Modification Agreement (Long Form), U.S. Bank National Association, January 20, 2016, pg. 7.

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.

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."[153] 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."[154]

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."[155] The Special Study treats real estate activities as a separate revenue-generating fund and does not compare grants to real estate activities.

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

[154] 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."

[155] 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

California[156] and the California State Controller's website.[157] The District surveyed three similar districts in the Bay Area to establish, using a midpoint, the CEO salary.[158]

- **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

[156] http://transparentcalifornia.com/agencies/salaries/special-districts/#hospital

[157] http://publicpay.ca.gov/

[158] R.Berkson correspondence with D.Mahadevan, 11/30/16.

expenditures, "the district struggles to deliver (directly or indirectly) adequate healthcare services for all residents."[159]

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.[160]

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)."[161] 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.

[159] Alameda County Grand Jury Final Report 2015-2016, pg. 53.

[160] 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.

[161] 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 after 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 after 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 before 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;[162] 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).[163]

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.[164] The District has no unfunded liabilities for its benefit plans.

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

[163] R.Berkson correspondence with D.Mahadevan, 12/15/16.

[164] 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.[165] 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.[166]

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.[167] 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.

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

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

[167] 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 including Alameda County, or the Cities of San Leandro or Hayward; or by LAFCo action. The creation of any alternate entities to continue services following District dissolution, as described below, is largely dependent on agencies other than LAFCo to provide a plan for services; LAFCo would review any plan for continuing services as it processes the dissolution.

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 to operate its medical office buildings and maintain 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.
- The District has the ability to request voter approval of a special tax for District purposes.

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 be paid.
- 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, and add the portion of San Leandro currently outside the District's 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. The continued operation of the medical office buildings by another agency (e.g., the County GSA) and use of assets and investments for grants could be continued by another agency, however, those possibilities are discussed under other options for continued service.

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.[168]

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".[169] The law also

[168] GC §57451(d),(e), §56886(m).

[169] GC §57463.

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.[170]

- **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).[171]

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, including potential distributions to hospitals.
- Reduces duplication of administrative services that can be provided by other public and private agencies, including the HCSA, which funds many of the same organizations.

Disadvantages

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

LAFCO PROCESS – DISSOLUTION

The process will follow the basic steps described below.[172] In addition, it will be necessary for LAFCo to identify a successor for the purpose of winding up the affairs of the ETHD.

[170] GC §57457(c)(2).

[171] GC §57463.

[172] Identified in GC §57077.

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 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 (who may contract with another entity). 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 District[173] 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

[173] 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.

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 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."[174] 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.[175] LAFCo may also impose other terms and conditions related to the transfer and continuation of services, for example: representation on a board of directors

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

[175] Government Code Section 56653.

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.

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. Elimination of the ETHD management staff will result in savings, however, these would be offset to the extent that the successor agency (and/or contracting entities) incurs increased costs for additional oversight and management, depending on the services continued.
- 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 (e.g., the County HCSA), take advantage of leveraging of State and Federal funds, and provide expanded input and oversight of the grants process and outcomes. The County's General Services Agency (GSA) has indicated an ability to manage the commercial real estate, thereby maintaining current cash flows.
- 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).

- Costs will be incurred to implement a transition from the District to the options. Costs will be required for any required elections, disposition or transfer of property and assets, repayment or transfer of liabilities, formation of a new entity, etc.

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

LAFCo has the ability to create a CSA to continue service provision. The District's assets could be liquidated and the funds transferred to the CSA for investment; alternatively, the County GSA has indicated its ability to operate the commercial real estate. 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; 3) disposition of assets, which may include an allocation to hospitals.

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.[176] 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,[177] or by a petition signed by no less than 25% of registered voters living within the proposed district boundaries.[178] 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.[179]

[176] Gov. Code, § 25213

[177] Gov. Code Sec. 25211.3.

[178] Gov. Code Sec. 25211.1.

[179] Gov. Code Sec. 25212.4.

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. Elimination of the ETHD management staff will result in savings, however, these would be offset to the extent that the County (and/or contracting entities) incurs increased costs for additional oversight and management, depending on the services continued.
- 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 may be reduced In the event of the liquidation of commercial real estate; however, the County GSA has indicated its ability to operate the District's buildings, which could continue the lease revenues.

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, and it requires approval of voters and all cities within the CSA boundaries.

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.[180]

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

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".[181]

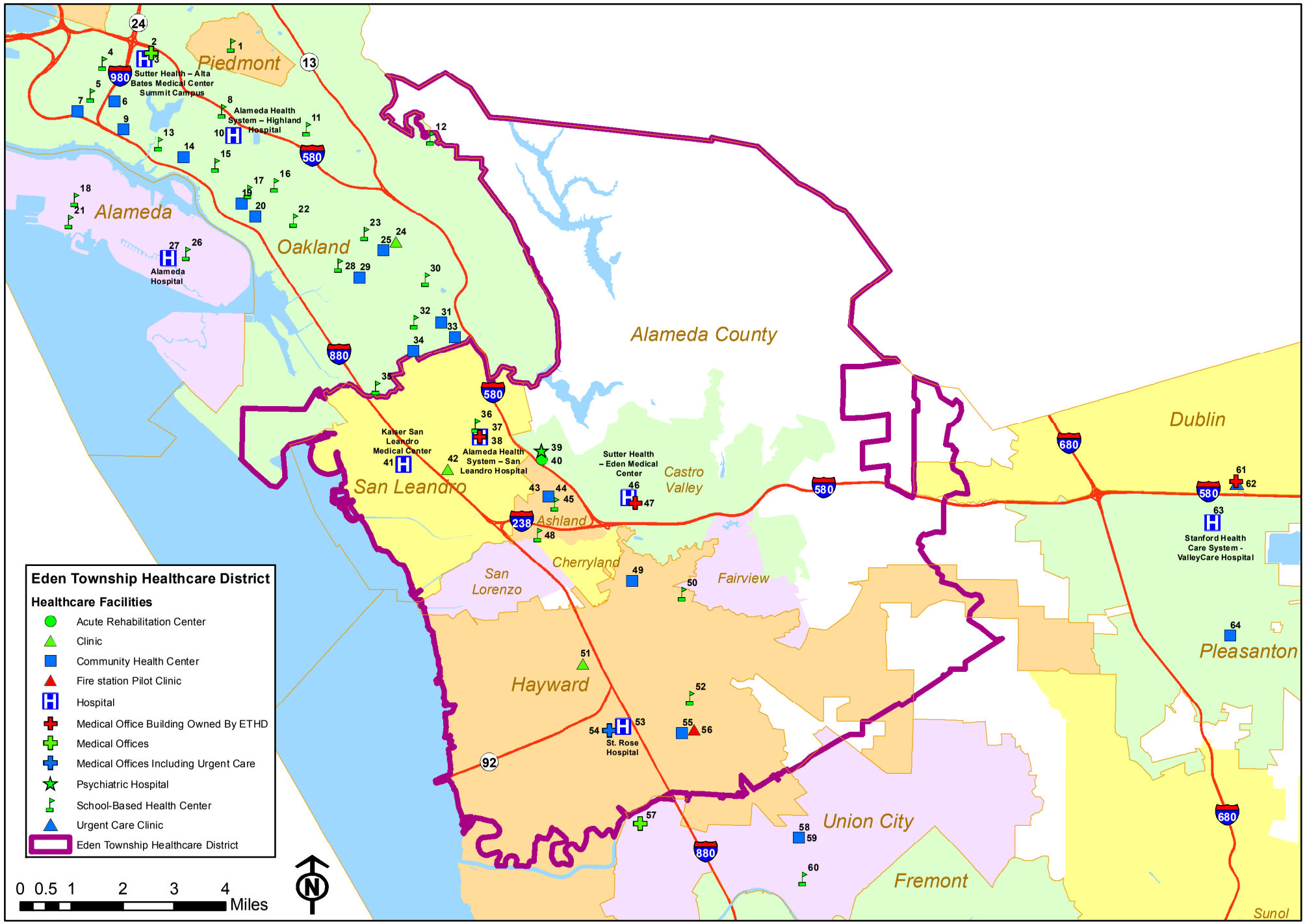
[180] Subsidiary district size reduction assumes subsidiary district to Hayward, the largest city, with ETHD about 45 square miles of the City, or 70% of 64 square miles; 64 square miles is 44% of ETHD current 147 square miles.

[181] 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	$5,000.00
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

Sutter appeal of payment of damages over 10 years is denied.

Alameda LAFCo initiates Special Study of ETHD

2015

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).

2013

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.

2012

In September 2012 San Leandro Hospital's ownership and title are transferred to Sutter Health.

California Supreme Court refuses to hear ETHD's appeal

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.

2011

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.

Eden appeals Superior Court decision in Superior Appeals Court; Sutter position's is upheld.

2010

In December, Sutter's position is upheld by Alameda County Superior Court.

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.

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).

As of January 10, 2010, Eden Medical Center is governed solely by Sutter Health, and ETHD and its elected board are no longer involved.

On the property purchased in 2004, ETHD builds and leases the Eden Medical Building on Lake Chabot Road.

Timeline of Key ETHD Events

2009

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.

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.

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.

2008

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.

2007

ETHD purchases Dublin Gateway property and begins building out and renting the property as a Medical Office complex.

2004

ETHC purchases the DeLucchi property on Lake Chabot Road.

As part of the agreement to purchase San Leandro Hospital, ETHD acquires a medical office building in San Leandro.

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.

2001

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.

2000

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.

1999

The first grant cycle of the Community Health Fund is implemented.

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.
1954	Eden Hospital opens on November 15.
1948	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.

Source: ETHD website; Berkson Associates

APPENDIX D

WRITTEN COMMENTS POST-STUDY DISTRIBUTION

Eden Township Healthcare District Special Study Log of Comments Received

	Date	Name & Organization	Comments	Responses to comments
1.	1/10/17	Tony Santos, former LAFCo member & former San Leandro Mayor	See attached email.	**Response**: Comment acknowledged.
2.	1/19/2017	Dev Mahadevan, CEO, ETHD	See attached email.	**Response**: Comment acknowledged. The Special Study has been revised to correct the inconsistency (on page 45 of the revised Study).
3.	1/21/2017	Robert & Brenda Clark, community member	See attached email.	**Response**: Comment acknowledged.
4.	1/23/2017	Dev Mahadevan, CEO, ETHD	See attached letter.	**Comment**: 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. **Response**: Comment acknowledged. **Comment**: The District sees the status quo as the least cost option providing the greatest public oversight. 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. **Response**: Comment acknowledged. The Special Study, Chapter 5, has been revised to clarify that ownership of the buildings is consistent with the District's Strategic Plan Goal #5 to "Continue to maintain investment properties that serve a medical or health purpose or provide revenue toward that end" (see "Goals, Policies and Plans" and "Lease of Commercial Buildings"). Comments submitted by W. Leonard Trask stated that "..medical office buildings play a critical role in providing healthcare services in the communities that they serve. Moreover, in a market like ours where demand (and therefore rents) for general office buildings is exceptionally strong, there is a limited stock of medical buildings remaining to service the community" (See Comment #12). The Special Study also notes that one of the District's medical office buildings is outside the District boundaries; no information was available to determine services provided by the offices outside the boundaries to District residents. The Special Study has been revised to note that the District's Strategic Plan includes actions to "…evaluate/substantiate the benefit of providing offices for small (locally-based) physician practices or small medical groups and determine the relevance it has to the community's health and wellness needs." **Comment**: The District sees the status quo as the least cost option providing the

	Date	Name & Organization	Comments	Responses to comments
				greatest public oversight. The private non-profit successor option is a good one but requires a substantial initial investment and the board that may be influenced politically because of appointments by the cities and Board of Supervisors. Converting to a nonprofit would eliminate a taxing authority which could help a local provider, like St. Rose Hospital, raise new capital. **Response**: Comment acknowledged.
5.	1/25/2017	Jody Holdsworth, community member	See attached email.	**Response**: Comment acknowledged.
6.	1/25/2017	Bruce Udelf, Executive Director Baywood Court & community member	See attached email.	**Response**: Comment acknowledged.
7.	1/27/2017	Wilma Chan, County Supervisor	See attached letter.	**Comment:** The Special Study should lay out a clear rationale for its decision to assume that the definition of "Administrative Expense" as defined in AB 2737 excludes real estate operations, other than District costs allocated to real estate operations. **Response**: As explained in the Special Study's "Definitions" (pg. i), AB 2737 defines Administrative Expense as expenses related to the general management (emphasis added) of a health care district (Health and Safety Code 32495(a)). As noted in Item A-2 on page 7 of the Special Study and its footnote #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. Health and Safety Code Sec. 32495(c)(5) reads: *(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.* **Comment**: The Special Study should clearly spell out the implications of this decision in the analysis of the various governance options presented. **Response**: The decision to assume that the definition of "Administrative Expenses" excludes real estate operations has no implication for the analysis of the various governance options. As noted where appropriate in the analysis of options, possible efficiencies in operations may be gained by taking advantage of the existing operations of other agencies.

	Date	Name & Organization	Comments	Responses to comments
				Comment: It would be worthwhile to expand the Little Hoover Commission section to include some discussion of how various conversations at the state level regarding the role and future of healthcare districts is relevant to our examination of ETHD. **Response**: Comment acknowledged. However, the Little Hoover Commission had not yet released its report as of the preparation of the draft Special Study. **Comment**: It is *critical* that the District, if not dissolved, be required to commit significant, ongoing financial support to the St. Rose and San Leandro hospitals. **Response**: As noted in presentations to LAFCo, the Special Study does not evaluate whether ETHD assets should be invested in preventative care or in specific health care facilities. Further legal analysis would be required to determine whether LAFCo can require ETHD to commit certain amounts of expenditures for specific purposes. **Comment**: The Special Study fails to incorporate the significant public input from numerous community members and hospital workers at the three LAFCo public hearings on ETHD. **Response**: LAFCo maintained a record of the opinions expressed by speakers at LAFCo public hearings. The purpose of the Special Study is to provide an objective, independent review of ETHD governance, services and funding, and governance options to provide direction to LAFCo, other affected jurisdictions and decision-makers, the public, and ETHD. The Special Study does not dispute or contradict the critical importance of hospitals and the services they provide. **Comment**: The Special Study fails to highlight the current funding gaps the two hospitals face or compare the District's spending on these hospitals to the funding support they receive from the County of Alameda and the cities of San Leandro and Hayward. **Response**: As noted in presentations to LAFCo, the Special Study does not evaluate whether ETHD assets should be invested in preventative care or in specific health care facilities. **Comment**: The study states that while appointing a successor agency may reduce duplication, the report notes that "there exist many unmet needs in Alameda County, not being addressed by existing agencies, toward which the District currently is directing resources, therefore eliminating duplication is not a likely advantage" to this governance option (p.58). The Special Study should include evidence and analysis in the report to support this conclusion. **Response**: The statements in the Special Study (pg. 58) will be clarified to indicate

	Date	Name & Organization	Comments	Responses to comments
				that "discontinue services" refers to discontinuation of the ongoing funding provided by ETHD for grant, sponsorship and education services under the "Dissolution/Discontinue Services" option. Current ongoing funding by ETHD provides funding, or augments existing funding, and therefore is not a duplication of other sources of funding. **Comment**: There is no communication or collaboration between ETHD board/staff and the County of Alameda's Health Care Services Agency, Alameda Health System, and St. Rose Hospital. In fact, the Special Study admits that while the "District has indicated that it coordinates with the County and utilizes County data regarding health care needs…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" (p. 8). **Response**: Comment acknowledged. As noted in the comment, the Special Study recognizes the need for improved coordination. **Comment**: There are many practices that the County can (and would happily) share with the District in terms of how to assess whether its funds are adequately addressing its District's healthcare needs and ensuring its funds are being used effectively and efficiently. **Response**: Comment acknowledged. The Special Study will be revised to include the comment's recommendation that the ETHD should consider utilizing the County's Human Impact Budget and Results Based Accountability Practices. For example, the recommendation will be added to Finding B. **Comment**: The Special Study does not lay out any clear mechanisms, guidance, or directives for ensuring that ETHD is fulfilling its core mission and obligation to provide *adequate* healthcare services to residents of the District. **Response**: The Special Study does include recommendations to improve measurement of outcomes, public outreach and accountability. The Special Study will be revised to include the specific mechanism recommended, (see prior comment re: County's Human Impact Budget and Results Based Accountability Practices), to improve measurement of outcomes. **Comment**: The Special Study should consider the advantages and disadvantages of having the District reinstate a parcel tax on its residents as a way of creating public

	Date	Name & Organization	Comments	Responses to comments
				buy in for the District's healthcare work, the significant risk involved in a real estate enterprise, and in light of the ongoing financial needs of the two public safety net hospitals in its boundaries. **Response**: Comment acknowledged. The Special Study will be revised to indicate that the imposition of a parcel tax by the District, under the "Status Quo" option, could serve both to raise funds and engage more District residents in the activities of the District.
8.	1/30/2017	Dale Silva, Community member	See attached email.	Comment acknowledged.
9.	1/30/2017	Pauline Russo Cutter, Mayor San Leandro	See attached letter.	**Comment:** The draft study does not assess the link between ETHD's real estate holdings with its voter-approved mission. **Response**: As stated in the Special Study, ETHD's real estate holdings provide the primary source of funding for the District's grant and other community healthcare programs (e.g., see the Public Review Draft, Chp. 5, Lease of Commercial Buildings, pg. 39). Ownership of the buildings is consistent with the District's Strategic Plan Goal #5 to "Continue to maintain investment properties that serve a medical or health purpose or provide revenue toward that end" (see Chp. 5 as revised, ETHD Goals, Policies and Plans), although some of the property is located outside the District's boundaries. While the District was originally formed by the voters to build a hospital, State law has allowed hospital districts to become "healthcare districts" and provide a range of additional, non-hospital services as described in Chapter 3, Overview of Healthcare Districts. **Comment:** The report doesn't illuminate the identified goals of the District, which are not outlined in its strategic plan. **Response:** The District's strategic plan does include a list of its goals. These goals have been added to the revised Special Study (see Chp. 5 as revised, ETHD Goals, Policies and Plans). **Comment:** The Special Study should acknowledge the District's decision-making process regarding the District's publicly adopted June 13, 2013 commitment of financial assistance for San Leandro Hospital. **Response**: The Special Study does address the issue regarding the District's commitment, for example, see Chapter 4 of the Public Review Draft Report," Services, Facilities and Providers", San Leandro Hospital. As described in the Special Study and

	Date	Name & Organization	Comments	Responses to comments
				documented in the District's resolution and minutes, the District committed to "work collaboratively…." to raise $20 million for San Leandro Hospital; the District did not commit to provide the funds. The District was advised by its financial consultants that it did not have the capacity or ability to provide the funds. **Comment**: The Special Study fails to include any discussion of performance measures by which ETHD may be able to determine whether it has improved the health of the people living in the District. **Response**: The Special Study notes in Finding A-7 that "ETHD adopted a process in 1999…" for grant application guidelines "…and performance management and result assessment including reporting requirements". Chapter 5 further describes reports required of grant recipients documenting services provided and persons served. The Special Study has been revised to include a recommendation that the District coordinate with the County regarding the County's system for evaluating the outcomes and benefits of grants (see revised Finding B-1). **Comment**: The Special Study contains a flawed discussion and analysis of AB 2737. **Response**: Please see the responses to comment letter #81 from Rob Bonta. **Comment:** While it's true that ETHD no longer imposes direct taxes on residents of the District, the existing real estate investments were acquired using funds that historically originated from local taxpayers and should be subject to public scrutiny. **Response**: Comment acknowledged. The Special Study describes that the source of the funds to be purchase real estate came from the sale of the District's hospital, which was funded by taxpayer dollars (see Public Review Draft, Chp. 4, Eden Medical Center, pg.25-26). **Comment**: The determination of a successor agency and plan for the future of the District were it to be preserved will need to be discussed by stakeholders and decision-makers rather than in the consultant's report. **Response**: Comment acknowledged. The purpose of the Special Study is to provide a basis for those discussions.
10.	1/30/2017	Colette A. Lee, Community member	See attached email.	**Response**: Comment acknowledged.
11.	1/31/2017	Katherine Shea, Community member	See attached email.	**Response**: Comment acknowledged.
12.	1/31/2017	W. Trask Leonard, CEO, Bayside Realty Partners	See attached letter.	**Comment**: medical office buildings play a critical role in providing healthcare services in the communities that they serve. Moreover, in a market like ours where demand

	Date	Name & Organization	Comments	Responses to comments
				(and therefore rents) for general office buildings is exceptionally strong, there is a limited stock of medical buildings remaining to service the community. **Response**: Comment acknowledged. **Comment**: Medical office buildings are considered an institutional asset class, owned by a wide variety entities, such as large public real estate investment trusts, pension funds, insurance companies, healthcare systems, along with private investors. Priced comparably to many other types of real estate, they offer less risk and are therefore more attractive to many investors. We have found that medical office rents increase fairly consistently at a rate of 3-5% per year, regardless of the economic climate. Moreover, in our involvement with medical office buildings over the last 15 years, we have not had one medical tenant default on their rent; in general office buildings during the last recession, somewhere near 15% of office tenants had defaulted at least once. **Response**: Comments acknowledged.
13.	1/31/2017	Aaron Ortiz, Executive Director, La Familia	See attached letter.	**Comment**: We support the EHD. Most recently within the last three years we have been partially and fully funded to provide programming for the Hayward Adult School (HAS) ESL (English as a Second Language) and TAY (transitional age youths) student population. We are beginning our third year of funding, and thus far with both previous years we have outreached to 914 students within the HAS campus. **Response**: Comment Acknowledged.
14.	1/31/2017	Mike Brannan, Labor Rep; Puneet Maharaj, Labor Rep CA Nurses Assn	See attached letter.	**Comment**: The findings of the study were thorough and descriptive but lacked insight regarding ETHD's ongoing benefit as a healthcare district without a hospital. **Response**: The Special Study does provide extensive information about the nature and magnitude of grants provided by the District to healthcare entities. The revised Special Study will indicate that dissolution can provide one-time funds to St. Rose Hospital and San Leandro Hospital. **Comment**: ETHD has strayed from its core mission of assisting community hospitals. **Response**: As noted in responses to other comments and in the Special Study, many hospital districts no longer own or operate hospitals; however, State law allows them to pursue a range of other healthcare related activities as their mission, other than or in addition to the operation of hospitals. **Comment**: It is more important than ever that adequate financial support be provided to safety net hospitals. **Response**: Comment acknowledged.

	Date	Name & Organization	Comments	Responses to comments
15.	2/1/2017	Delvecchio Finley, CEO; Michele Lawrence, Board Chair Alameda Health System	See attached letter.	**Comment**: The Eden Township District focuses overwhelmingly most of its resources on its real estate operations not on delivering core healthcare services. **Response**: As described in the Special Study, the District's budget does include significant expenditures for property operations which more than offset the expenditures and generate substantial net revenues available for healthcare purposes. As also noted in the response to Comment #4, the Special Study, Chapter 5, has been revised to clarify that ownership of the buildings is consistent with the District's Strategic Plan Goal #5 to "Continue to maintain investment properties that serve a medical or health purpose or provide revenue toward that end" (see "Goals, Policies and Plans" and "Lease of Commercial Buildings"). Comments submitted by W. Leonard Trask stated that "..medical office buildings play a critical role in providing healthcare services in the communities that they serve. Moreover, in a market like ours where demand (and therefore rents) for general office buildings is exceptionally strong, there is a limited stock of medical buildings remaining to service the community" (See Comment #12). **Comment**: We agree with the report that Eden should partner with other organizations to determine the most effective ways to improve the health and wellness of vulnerable populations. We also encourage LAFCo to direct Eden to: - Dedicate some of its real estate space for providers whose central purpose is to serve the underserved. - Establish a minimum amount of funds for direct services grant support. - Support implementation of integrated electronic health records for safety net providers. **Response**: Comment acknowledged.
16.	2/1/2017	Rob Bonta, Assembly Member District 18	See attached letter.	**Comment:** The Special Study, by separating its revenue-generating activities from its grant, sponsorship, and education services, hides the fact that Eden dedicates an absolutely small proportion of its budget towards health related grants. **Response**: Comment acknowledged, the Special Study does separate real estate from community health functions in the budget, however, these functions are also added together to show the total budget (see Table 6) which clearly enables the reader to compare the amount spent on grants to the total budget. This separation is done for a number of reasons explained in the Special Study; one reason is to enable the determination of compliance with AB 2737 that requires a separation of administrative costs and overhead between community grants and "revenue-generating activities" (see Health and Safety Code 32495(c)(5).

	Date	Name & Organization	Comments	Responses to comments
				Comment: The District is not meeting the requirement of AB 2737 that requires that a "nonprovider health care district shall spend at least 80 percent of its annual budget on community grants". **Response:** The Special Study notes that it appears that the ETHD meets the criteria and qualifies as a "nonprovider health care district" with the possible exception that it provides some "direct health care services", as the District does contract for health education programs, which is included in the bill's definition of "direct services to consumers (Public Review Draft, pg. 18). The Special Study has been edited to state that "if a legal determination is made that the District does not provide direct health care services, or the law is clarified, one of the District's options would be to sell a portion of its real estate holdings and thereby reduce real estate expenditures. This would also reduce revenues available for healthcare purposes" (see Chapter 3, Recent Relevant Healthcare District Legislation, AB 2737). As also noted in the response to Comment #4 and #15, the Special Study, Chapter 5, has been revised to clarify that ownership of the buildings is consistent with the District's Strategic Plan Goal #5 to "Continue to maintain investment properties that serve a medical or health purpose or provide revenue toward that end" (see "Goals, Policies and Plans" and "Lease of Commercial Buildings"). Comments submitted by W. Leonard Trask stated that "..medical office buildings play a critical role in providing healthcare services in the communities that they serve. Moreover, in a market like ours where demand (and therefore rents) for general office buildings is exceptionally strong, there is a limited stock of medical buildings remaining to service the community" (See Comment #12). **Comment:** The precarious financial position of St. Rose Hospital and San Leandro and the significant number of proponents in favor of strengthening funding and services at the two safety net hospitals should be mentioned by a firm that specializes in policy forecasting, planning, and analysis. **Response**: The Special Study is intended to provide an objective review of the District; the volume of public comment at the LAFCo hearings is important information for LAFCo commissioners, however, the consultant does not believe that a count of speakers in favor of, or against, the District or use of funds for hospitals is a statistically valid indicator of community preference. **Comment**: The District should increase its financial coordination and commitment to the safety net system.

	Date	Name & Organization	Comments	Responses to comments
				Response: Comment acknowledged. The Special Study recommends increased coordination with existing healthcare providers and improved use of existing health needs assessments (e.g., see revised Finding B-1). **Comment**: The District should increase its public visibility. The Special Study should indicate whether the District is transparent and accountable in fulfilling its mission to the community. **Response:** Comment acknowledged. The Special Study recommends that the District's Strategic Plan should explicitly provide for specific, measurable actions to increase public outreach and communication (e.g., see Finding B-1). The Grand Jury's recognition of the District's transparency is noted in Finding B-2 and supporting sections of the Special Study. Finding A-7 in the Special Study specifically addresses District accountability for its financial resources and decision process.
17.	2/2/2017	Barbara Halliday, Mayor Hayward	See attached letter.	**Comment:** The Special Study does not illuminate the goals of the District, and those goals are not outlined in its Strategic Plan. **Response**: The Special Study does quote the District's mission (pg. 34), and references the District's Strategic Plan that <u>does</u> describe goals, and actions for each goal. The Special Study does include recommendations that the District can improve the specificity of its actions, measures of accomplishment, and link the actions to its budget. **Comment**: The author failed to reach out directly to relevant stakeholders including local Mayors. **Response**: The author participated in meetings organized by LAFCo that included representatives of the City of Hayward and the City of San Leandro. Subsequently, LAFCo staff and the Consultant met with the mayors of San Leandro and Hayward and their staff to receive additional input. The author also participated in four LAFCo public hearings to hear comments from stakeholders and members of the public, including special meetings in Castro Valley, San Leandro and Hayward. **Comment**: The Special Study does not delve into the decision-making process regarding the San Leandro Hospital (SLH) and lacks acknowledgement of the District's "broken commitment" June 13, 2013 regarding helping to work collaboratively to raise financial assistance to SLH. **Response**: The Special Study does describe the issues regarding the SLH, and reviewed the public process, including the resolution, vote and technical support for the position and actions of the District. The vote occurred in a public hearing and was

	Date	Name & Organization	Comments	Responses to comments
				documented in the minutes. On pg. 28 of the Special Study the following is included: In 2014, ETHD's board voted to "work collaboratively….." to raise $20 million needed for SLH's second year of operations. ETHD's financial consultant advised the District 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. **Comment**: The Study fails to include any discussion of performance measures to determine whether the District has improved the health of District residents. **Response**: The Special Study does note the District's process for reporting grant outcomes, including posting these reports on its website. The Special Study indicates that this process could be improved through increased access to past reports, and coordination with other granting entities such as the County. In response to other comments received, the Final Report will be revised to indicate that the District should coordinate with the County and the County's mechanisms for evaluating health care outcomes. **Comment**: The Study does not substantiate its assumption that AB 2737 references to "total budget" should exclude real estate activities. **Response**: It is apparent that the legislation was directed to ETHD, however, the lack of specificity and apparent inconsistencies, on their face, raised questions about the bill that are best addressed by a legal analysis, as noted in the Special Study. The Study notes that the District may qualify as a "non-provider" district, with the exception of certain activities of the District, for example educational activities provided by the District fall under the category of "direct services" as defined in 32495(b). As noted in Item A-2 on page 7 of the Special Study and its footnote #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. Health and Safety Code Sec. 32495(c)(5) reads: *(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.* AB-2737 does not define "total budget", and the section noted above suggests a distinction between revenue generating enterprise activities and other activities of

	Date	Name & Organization	Comments	Responses to comments
				the District. **Comment**: The Study implies on page 3 that the District's real estate revenues are not derived from direct taxes on residents. **Response**: The purpose of the Study's statement on pg. 3 is to raise the question about the appropriateness of real estate activities as a source of funding for a healthcare district, and is not intended to imply that the activities should not be subject to public scrutiny. In fact the Study recommends increased scrutiny and clarity of real estate activities. The Study does describe that the sale of the District's hospital provided the funding for the real estate activities. The Final Report will add text to clarify that the District's hospital was originally funded in 1954 by direct taxes on residents. **Comment**: The method of determining a successor agency should be discussed and developed by stakeholders and decision-makers rather than in the consultant's report. **Response**: Comment acknowledged. The Special Study describes options to provide the basis for discussions by stakeholders. The Special Study recognizes that it is not within LAFCo's authority to create the successor governance structures described in the Study (with the exception of a CSA) that determine and depend upon the successor agency.
18.	2/3/2017	Kim Carter Martinez SEIU 1021	See attached letter.	**Comment**: ETHD has strayed from its core mission of assisting community hospitals. **Response**: Many healthcare districts no longer operate hospitals that they were originally formed to construct and operate. However, legislation has since broadened the scope of services that healthcare districts are allowed to provide, and these services include many functions in addition to hospital support. **Comment**: The preventative health programs supported by ETHD can be supported through other means within the Alameda County Health Services System. **Response**: The Special Study acknowledges that the County has an existing grant function that could provide functions currently provided by ETHD; however, dissolution of ETHD is likely to also require the sale of its medical buildings, significantly reducing current and ongoing revenues available for healthcare purposes. The County indicated that it would investigate the possibility of taking over management of the medical buildings, in addition to providing the grant services it currently provides. **Comment**: Considering the impending threat of likely reductions of federal assistance,

	Date	Name & Organization	Comments	Responses to comments
				steps should be taken to provide adequate support to safety net hospitals in the county. **Response**: Comment acknowledged. As noted in the prior response, dissolution and sale of ETHD buildings likely will reduce an ongoing, annual source of funding for healthcare. Increased allocations to hospitals could occur at the direction of ETHD's elected board members.
19.	2/3/2017	Kathleen Clanon, MD, Medical Director, Alameda County Health Care Services Agency (HCSA)	See attached letter.	**Comment**: As noted in the Report, the lack of collaboration between HCSA and the District has led to unnecessary and inefficient administrative spending due to the duplication of funding provided to the same organizations (26 of 84 organizations listed, or 31%). **Response**: Comment acknowledged. The Special Study has been revised to clarify that dissolution can eliminate these inefficiencies and duplications. Governance options, including the Status Quo, also note that collaboration with HCSA's grant administration could also reduce or eliminate duplication and costs. **Comment**: Although the Report notes data sources that the are available to the District in planning its grant making, there is no clear connection between the data and the choices the District has made for funding. **Response**: Comment acknowledged. The Special Study notes this lack of connection, (e.g., see Finding A-4), and recommends improvements in creating specific objectives and funding priorities linked to the data and activities of other agencies (e.g., see Finding B-1). **Comment**: If the District or a successor organization chose to uncouple its grant making from the revenue side of the District's affairs, HCSA could host a planning and disbursement process focused on the District's region of responsibility, without significantly increasing HCSA costs. **Response**: Comment acknowledged. As noted in the response to the first HCSA comment, the Special Study indicates that coordination/utilization of current HCSA grant administration functions could provide a benefit and reduce costs in the case of the governance options that continue services. The Special Study will be revised to clarify HCSA's potential role.
20.	2/3/2017	Lenore McDonald, Dir. Of Fund Dev. & Govt Relations, Center for Elders' Independence	See attached email.	**Response**: Comment acknowledged.
21.	2/3/2017	Bill Quirk, Assembly Member	See attached letter.	**Comment**: The draft study fails to adequately address the option of dissolving the

	Date	Name & Organization	Comments	Responses to comments
		District 20		district and transferring the funds to the local hospitals. **Response**: Sections of the report have been expanded to further describe the dissolution options without continuing services and the distribution of assets to hospitals (for example, see Chapter 2, new Finding A-9). The Special Study has also been revised to include specific recommendations that the District, in its strategic documents, explicitly consider the allocation of funds to hospitals (e.g., see revised Finding B-1). In Chapter 6, the advantages of dissolution without continuing service have been revised to explicitly indicate that assets could be distributed to hospitals.
22.	2/10/2017	Tony Santos, former LAFCO member & former San Leandro Mayor	See attached email.	Comment acknowledged**.**
23.	March 6, 2017	Willie A. Hopkins, Jr., Director Alameda County General Services Agency	See attached letter.	**Comment**: Alameda County GSA has the technical background and experience in managing both real property lease management and compliant maintenance operations of standard office and medical office properties. With some budget augmentation in our operating cost, GSA could assist in taking on the management of the ETHD facility portfolio. **Response**: Comment acknowledged. The Special Study will be revised to indicate that the GSA has stated that it has the ability to manage the ETHD properties in the event of a dissolution; this arrangement would allow real estate revenues to continue to be generated. The potential for cost savings is not known.

Palacios, Mona, 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.

Palacios, Mona, 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

Palacios, Mona, 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 arrises 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

Comment # 4

EDEN HEALTH DISTRICT
INVESTING IN THE HEALTH OF OUR COMMUNITY SINCE 1948

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

Comment # 5

Palacios, Mona, CAO

From: Jody Holdsworth <vjhmiko@comcast.net>
Sent: Wednesday, January 25, 2017 2:49 PM
To: Palacios, Mona, CAO
Subject: Eden Health District

Dear Ms. Palacios-
As a resident of Castro Valley, I perused a copy of the Consulting Report about the Eden Health District. I have some knowledge over the years about the work of the District, and believe that the work has been worthwhile to people and institutions in our area. The Report seems to concur with this. A periodic study of the District's operation is certainly a good idea, and it appears that the operation may need some "adjustments," but otherwise it seems like the District is doing the job it's supposed to do. So I say, let it be.

Sincerely,

Jody Holdsworth

Palacios, Mona, CAO

From: Bruce Udelf <budelf@baywoodcourt.org>
Sent: Wednesday, January 25, 2017 11:29 AM
To: Palacios, Mona, CAO
Subject: Eden Health District

Mona-

It was with great interest that I read the LAFCO report prepared by Berkson Associates. To finally have some facts presented, instead of the various allegations being bandied about, was very helpful. Some Key Points:

*It appears that a substantial number of Districts throughout the State no longer run a hospital. So the Eden Health District is not unique in this respect.
*The Administrative costs of the District are in the teens (percentage-wise), not the 88% that had been mentioned in various settings. The actual figure is quite reasonable.
*The District grants seem to be spread out to a variety of health-related, worthwhile entities.
*The District could use improved recognition by its various publics.
*Since the District Board is elected by the voters, there would appear to be some accountability to the People. A potential successor organization might not possess such accountability.

My conclusion is that the District is operating more or less as it should, and that it could you some "polishing." Dissolution or some similar option does not seem to be a worthwhile or necessary option. However, should LAFCO opt for a recommendation of dissolution, this should absolutely be done via a vote of the citizens of the area.

Note-In addition to my professional job, I am also a resident of Hayward.

Bruce Udelf
Executive Director
Baywood Court
21966 Dolores Street
Castro Valley, California 94546
510-733-2401
510-733-2480 (f)
www.baywoodcourt.org

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Please consider the environment - do you really need to print this email?

Comment # 7

Wilma Chan, SUPERVISOR, THIRD DISTRICT
ALAMEDA COUNTY BOARD OF SUPERVISORS

COMMITTEES:
Health, Chair
Personnel & Legislative
Unincorporated Services

January 27, 2017

Ms. Mona Palacios
Alameda County LAFCo Executive Officer
1221 Oak Street, Suite 555
Oakland, CA 94612

SUBJECT: Comments Regarding LAFCo Special Study of the Eden Township Healthcare District

Dear Ms. Palacios,

I would like to thank Alameda County's LAFCo for the opportunity to share comments on the draft Special Study on Eden Township Healthcare District (ETHD). While the draft provides a thorough overview and description of the District's history, current operations, finances, and grantmaking, it lacks a sufficiently rigorous discussion of the assumptions it makes, how these assumptions affect its analysis and findings, and how these findings should be used in weighing the various governance options under consideration and in deciding the best course of action. In particular, there is not sufficient discussion of whether the District has in the past or whether it currently provide adequate public services; how the District avoids duplication of efforts with other healthcare agencies within its boundaries, including the County of Alameda; and how it ensures proper transparency and accountability in its use of publically raised funds.

Definition of Administrative Expense

The decision to separate out the District's real estate enterprise budget and expenses from the budget and expenses of its Community Health Fund and sponsorships underpins the Study's entire analysis of the District's finances, operations, and the adequacy of its Community Health Fund. As such, the Special Study should lay out a clear rationale for its decision to assume that the definition of "Administrative Expense" as defined in AB 2737 excludes real estate operations, other than District costs allocated to real estate operations.

Moreover, the Special Study should clearly spell out the implications of this decision in the analysis of the various governance options presented and whether this is a common practice used in other LAFCo special studies or Municipal Service Reviews, especially since the District 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" like other healthcare districts do to raise funds.

It would also be worthwhile to expand the Little Hoover Commission section to include some discussion of how various conversations at the state level regarding the role and future of healthcare districts is relevant to our examination of ETHD. For example, the Special Study might explore what criteria LAFCo should use to distinguish between a "hybrid model" healthcare district like ETHD and the small grantmaking or social corporate responsibility arm of a private real estate developer that has chosen to focus on healthcare. These are

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fundamental questions about what separates a public agency from a private foundation in terms of fulfillment of mission, accountability, transparency, and community engagement.

Adequacy of Public Service

As I mentioned in my remarks at the November 7, 2016 LAFCo Special Hearing on ETHD, the largest number of the District's residents' healthcare needs are served by two safety net hospitals, St. Rose in Hayward and San Leandro Hospital (SLH) in San Leandro. These two facilities provide preventative, primary, and acute care services to thousands of underserved patients every month. Most of these patients are elderly, low income or uninsured. In light of historically low state funding and the uncertainty of future federal funding to hospitals operating in underserved communities, it is *critical* that the District, if not dissolved, be required to commit significant, ongoing financial support to these hospitals.

Interestingly, the Special Study goes to great lengths to repeatedly highlight the District's recent $1.15 M (plus interest) loan forgiveness to St. Rose Hospital, but completely fails to incorporate the significant public input from numerous community members and hospital workers at the three LAFCo public hearings on ETHD. These individuals took time out of their day to voice their concern about the District's lack of needed, ongoing financial support for these two hospitals. Moreover, their voices, experiences, and input are not used at all in the Special Study's analysis of the District's fulfillment of its mission and obligations. In addition, the Special Study fails to highlight the current funding gaps the two hospitals face or compare the District's spending on these hospitals to the funding support they receive from the County of Alameda and the cities of San Leandro and Hayward.

All three of these jurisdictions have put forward significant amounts of ongoing funds to keep these two public safety hospitals' doors open for the District's residents. These are public funds that could be used for other preventative and coordinated care efforts led by Alameda County's Health Care Services Agency, which has significant expertise and capacity for this type of work in its various departments, including the Department of Public Health and the Department of Environmental Health. All that the County of Alameda, City of San Leandro, and City of Hayward are asking for is that the District provide ongoing financial support to its two safety net hospitals given how central this kind of support is to the very purpose and existence of healthcare districts and the amount of community feedback and concern we have received regarding the financial sustainability of the hospitals.

Cooperation and Coordination with Alameda County

Based on a cursory review of Appendix B: ETHD Grants & Sponsorships Through FY16, many of the agencies, non-profits, clinics, and CBOs listed receive funding from Alameda County. In the Special Study's analysis of various governance options, the study states that while appointing a successor agency may reduce duplication, the report notes that "there exist many unmet needs in Alameda County, not being addressed by existing agencies, toward which the District currently is directing resources, therefore eliminating duplication is not a likely advantage" to this governance option (p.58). The Special Study, however, fails to provide the evidence and analysis to support this conclusion. For example, it does not show how the gaps identified in the Alameda County Health Profile and various Community Health Needs Assessments mentioned in Chapter 4 are being

Wilma Chan, SUPERVISOR, THIRD DISTRICT
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filled by the District's grants and sponsorships in a way that does *not* duplicate the efforts of the County or other healthcare agencies serving the District's residents. If the Special Study intends to use this conclusion to support its analysis of the various governance options under consideration, it should include this evidence and analysis in the report to support its conclusion. My sense is that there may be a good amount of duplication occurring.

Furthermore, it is my understanding that there is no communication or collaboration between ETHD board/staff and the County of Alameda's Health Care Services Agency, Alameda Health System, and St. Rose Hospital. In fact, the Special Study admits that while the "District has indicated that it coordinates with the County and utilizes County data regarding health care needs…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" (p. 8). Without clear channels of communication and a willingness to collaborate on the District's part, it is difficult to imagine that the District is using its precious public resources effectively and efficiently to fill critical service gaps and support vital health care programs.

Finally, beyond a basic level of coordination and communication, there are many practices that the County can (and would happily) share with the District in terms of how to assess whether its funds are adequately addressing its District's healthcare needs and ensuring its funds are being used effectively and efficiently, including our Human Impact Budget and our Results Based Accountability practices, which helps the County ensure we are measuring success the success of our grants based on outcomes and not just outputs.

Accountability

As the Special Study shares, the November 16, 2016 Little Hoover Commission meeting on special districts indicated that the State and the Association of California Health Districts are interested in increased oversight and accountability of special districts from LAFCos. The Special Study, however, does not lay out any clear mechanisms, guidance, or directives for ensuring that ETHD is fulfilling its core mission and obligation to provide *adequate* healthcare services to residents of the District.

If the District is not dissolved, it is my belief that LAFCo needs to create some kind of public accountability mechanism to ensure proper use of the District's public funds. As the Special Study points out, ETHD has not collected taxes from the District since 1993. While the Special Study seems to interpret this as a benefit to members of the District, the fact that the public has no financial stake in the District's operations, management, function, or disbursement of funds, allows the District to operate without any public input, engagement, or oversight. The District needs to engage the community in ongoing discussion on what community needs and priorities are, and work collaboratively with them in the development of the Districts Community Health Funds priorities and goals.

The Special Study should consider the advantages and disadvantages of having the District reinstate a parcel tax on its residents as a way of creating public buy in for the District's healthcare work, the significant risk involved in a real estate enterprise, and in light of the ongoing financial needs of the two public safety net hospitals in its boundaries. The Special Study should also expand on suggestions included in Section B of its findings to

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ALAMEDA COUNTY BOARD OF SUPERVISORS

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enhance the District's accountability and transparency mechanisms. For example, the District could be required to produce an annual report of community benefit grants, dedicate real estate holdings to providers serving the underserved, develop a clear application process for sponsorship and grants, and set a minimum dollar amount for its Community Health Fund grants.

If you have any questions about the feedback or comments I have submitted, please do not hesitate to reach out to me or my staff.

Respectfully,

Wilma Chan

OAKLAND OFFICE: 1221 Oak Street, Room 536, Oakland, CA 94612 • (510) 272-6693 • FAX (510) 268-8004
DISTRICT OFFICE: 15903 HESPERIAN BLVD., SAN LORENZO, CA 94580 • (510) 278-0367 • FAX (510) 278-0467

Palacios, Mona, CAO

From: Caabco <caabco@aol.com>
Sent: Monday, January 30, 2017 9:33 AM
To: Palacios, Mona, CAO
Subject: An email in support of the ETHD

Dear Ms. Palacios,

I'm writing to express support for maintaining the Eden Township Healthcare District in its current form and not dissolving it. I have been following this issue for some time, and the more I read the more it is obvious that the ETHD provides a huge service providing grants, sponsorships, and education that greatly enhance the commonweal. These efforts do much to support a number of different health care channels that need that help and use it to great advantage in helping others.

I was gratified to read in the Draft Study that of those who have an opinion about ETHD, favorable opinions hugely out weigh those less enthusiastic. I've noticed this too, that the more people know about the ETHC, the more supportive they are, certainly true in my case.

LAFCo has done a service to the community by focusing light on the ETHD, and I hope that service will continue by assuring it's operation in its current form.

Thank you.

Dale Silva
Fairview

Comment # 9

City of San Leandro
Civic Center, 835 E. 14th Street
San Leandro, California 94577
www.sanleandro.org

January 30, 2016

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

Re: Special Study of Governance Options for Eden Township Healthcare District (ETHD) – Comments from City of San Leandro

Dear Chair Marchand:

On behalf of the City of San Leandro, I want to thank the Local Agency Formation Commission of Alameda County (LAFCo) and Executive Director Palacios for your efforts in moving forward with the above-referenced Municipal Services Review (MSR) study. The City of San Leandro has a number of substantive concerns with regard to the contents of this study, as further outlined below.

First and foremost, the draft study fails to provide a substantive analysis assessing the link between ETHD's real estate holdings (including those outside of the district) with its voter-approved mission. The District's ability to meet this mission is also insufficiently analyzed, and the report doesn't illuminate the identified goals of the District, which are not outlined in its strategic plan. It is also disappointing that the study's author failed to reach out directly to relevant stakeholders who have been actively involved in this process, including local Mayors such as myself, so that our communities' perspectives could be incorporated into the draft report.

While the draft report provides a technical overview of the operations of Eden Health District, it fails to substantively address many of the underlying policy questions surrounding the district, many of which were requested to be included when the study was initiated. For example, while the report summarizes ETHD's history regarding San Leandro Hospital, it does not delve into the decision-making process behind that history, nor does it evaluate the consistency of the District's actions with its responsibility to all of its constituents. Providing a review and analysis of the decision-making process surrounding its actions would provide information to stakeholders and the public regarding the relationship between its process and the District's mission. Along these lines, the report also lacks acknowledgement of the District's failure to fulfill its publicly adopted June 13, 2013 commitment of financial assistance for San Leandro hospital. This broken commitment has generated significant public controversy in the San Leandro community and warrants further evaluation and explanation as part of the study.

Additionally, the draft study fails to include any discussion of performance measures by which ETHD may be able to determine whether it has improved the health of the people living in the district. It is also not clear from the study whether the District's major activities and priorities are well-aligned with achieving its stated mission now and into the future. The District's current funding and grant making activities also are not analyzed in relation to similar work and unmet needs in the County.

Of critical importance, the draft report also contains a flawed discussion and analysis of AB 2737, Assembly Member Bonta's legislation that was signed into law by the Governor in order to to change ETHD's current financial practices. In particular, the report fails to address the fact that ETHD is clearly now out of compliance with the law's requirements that the District dedicate at least 80% of its *total* budget to grant making. For example, the report makes reference to questions about the definition of the term "annual budget" and outlines an unsubstantiated assumption that the agency's real estate activities should be excluded from that definition, which is contrary to the legislative intent that is well documented throughout the administrative record, including the Assembly Committee on Local Government's analysis of the legislation. Indeed, page 5 of that analysis specifically states that: *"the 20% cap on administrative costs must include all other expenditures of the District because 80% of the budget must be expended on community grants."*

It is also important to highlight the author's statement from Assembly Member Bonta that was included in the legislative record prior to adoption of AB 2737, which states: *"In 2013 and 2014, Eden spent almost twice as much on salaries and benefits for its three employees compared to what it gave out in community grants for healthcare services. The basic foundation for a healthcare district's existence is to provide healthcare services to the community it serves. When that basic premise [is not] being followed, rules need to be set in place for the benefit of the community."*

Similar concerns were echoed by the Alameda County Civil Grand Jury, whose recent investigation of ETHD concluded that it *"has failed in its core mission effectiveness...The district does not engage in advanced strategic planning practices, but rather, has chosen to muddle through governance and managerial responsibilities. Its poor management and absence of innovation results in very little impact on the health of Alameda County residents"*. These comments come on the heels of the State's Milton Marks "Little Hoover" Commission report that was issued in 2000, which recommended that when public hospital districts sell their hospitals, that a process should be initiated to determine if they should continue to exist.

Based upon the above factors, it is clear that AB 2737 is directly applicable to ETHD and that the State Legislature's intent in adopting this legislation was to force ETHD to substantively modify its operational and budgetary practices because those practices are not being carried out in a manner that sufficiently advances public interests. By virtue of its incorrect analysis, the draft report fails to address the fact that ETHD is now clearly in violation of state law, and the report fails to offer an appropriate remedy that would bring the agency back into compliance with the law.

Other misleading statements and assumptions can be found throughout other sections of the report, including an introductory passage on page 3, which implies that the District's revenues do not *"derive from, taxes on residents."* While it's true that ETHD no longer imposes direct taxes on residents of the District, it is fundamentally important to recognize that all of its existing real estate investments were acquired using funds that historically originated from local tax payers. Therefore, any ongoing revenues that are currently being derived from those investments, are, by definition, legally considered public taxpayer funds that should be subject to public scrutiny.

Lastly, while the final two elements of the report provide an analysis of several alternative governance options for ETHD, some aspects of these elements – i.e., a method of determination for the successor agency and a financial and programmatic plan for the future of the District were it to be preserved – will need to be discussed and developed by stakeholders and decision-makers rather than in the consultant's report.

In summary, the basic foundation for a healthcare district's existence is to provide healthcare services. Unfortunately, Eden Township Healthcare District's current foundation appears to be primarily dedicated to serving as a real estate holding company that provides a relatively low level of healthcare-related grants

in comparison to its total budget. It is for these very reasons that the State Legislature adopted into law new requirements designed to fundamentally change its budgetary practices, which the District is now violating.

The City of San Leandro welcomes a community conversation around the District's mission and purpose in the modern health care landscape. While the draft study addresses issues related to the Municipal Service Review process, it does not provide adequate new information to form a foundation for substantive conversations about the future of the District and the best use of public resources to provide healthcare to our most vulnerable populations. In light of recent efforts at the federal level that could lead to significant changes in the healthcare sector, it is now more important than ever to ensure that local healthcare organizations are effectively managed.

For these reasons, we respectfully urge LAFCo to thoroughly examine Eden Township Healthcare District in the context of healthcare in the County, its historic mission, and the long-term needs of the district as originally requested. Additional details of the City of San Leandro's position on this matter can be found in the attached resolution that was unanimously adopted by our City Council last year.

Given ETHD's past history of unfulfilled commitments, lack of focus on its core mission, and insufficient public accountability, we believe the appropriate solution is either an entirely new governance structure, or dissolution of the District. To the extent the former option is to be explored further, we believe it is imperative that elected officials from City and County agencies within the district be provided direct representation on ETHD or its successor entity's governing board.

Thank you for your leadership on this important matter and for your consideration of our concerns.

Sincerely,

Pauline Russo Cutter

Pauline Russo Cutter
Mayor, City of San Leandro

Encl..: Resolution from San Leandro City Council

cc: The Honorable Senator Nancy Skinner
The Honorable Senator Bob Wieckowski
The Honorable Assembly Member Rob Bonta
The Honorable Assembly Member Bill Quirk
The Honorable Alameda County Supervisor Wilma Chan
Alameda Health System Board of Trustees
San Leandro City Council and City Manager
The Honorable Barbara Halliday, Mayor of Hayward
East Bay Times, attn.: Darin Moriki
San Leandro Times

IN THE CITY COUNCIL OF THE CITY OF SAN LEANDRO

RESOLUTION NO. 2016-169

RESOLUTION SUPPORTING EFFORTS TO DISSOLVE EDEN HEALTH DISTRICT (PROPOSAL FROM THE MAYOR AND THE CITY COUNCIL URGING SAN LEANDRO'S STATE LEGISLATIVE DELEGATION AND THE ALAMEDA COUNTY LOCAL AGENCY FORMATION COMMISSION TO SUPPORT EFFORTS THAT WILL LEAD TO THE DISSOLUTION OF THE EDEN HEALTH DISTRICT)

WHEREAS, San Leandro Hospital, a 93-bed facility with approximately 467 employees and 300 physicians and allied medical professionals, is the hometown public healthcare provider for San Leandro and central Alameda County; and

WHEREAS, the Hospital provides the San Leandro community with a wide range of important medical services including 24-hour emergency room access, critical care, and highly-skilled surgery and rehabilitation services; and

WHEREAS, in 2012 San Leandro Hospital experienced financial difficulties, so the City of San Leandro and Alameda County partnered together to take the unprecedented step of contributing $3 million from each of their respective general funds in order to support the sustained operations of the Hospital; and

WHEREAS, this financial commitment was made in tandem with a June 13, 2013 public commitment of financial assistance for San Leandro Hospital by the Eden Township Healthcare District (now known as Eden Health District, or EHD), a regional public agency that was formed by the voters in 1948 to provide direct healthcare services for the residents of San Leandro, Hayward, and unincorporated Alameda County; and

WHEREAS, since that time, the District divested itself of its ownership of any public hospitals and later became embroiled in costly litigation with Sutter Health regarding the transfer of San Leandro Hospital, resulting in a $20 million judgement against the District; and

WHEREAS, since that time, the District has failed to honor its June 13, 2013 public commitment to the community to raise funding for San Leandro Hospital; and

WHEREAS, the District now no longer operates any hospital or other direct-service facility and spends significantly more money on its own administration, including but not limited to salaries for its executives, than it does on community grants; and

WHEREAS, by the District's own admission, 80% of the population who lives within its geographic boundaries are not even aware of its existence; and

WHEREAS, the Milton Marks "Little Hoover" Commission on California State Government Organization and Economy, an independent state oversight agency that was created in 1962 to investigate government operations, issued a 2000 report recommending that when

public hospital districts sell their hospitals, that a process should be initiated to determine if the district should continue to exist; and

WHEREAS, in June, 2016, following a thorough independent investigation, the Alameda County Civil Grand Jury issued a report stating that Eden Health District fails in its core mission effectiveness, that it does not engage in advanced strategic planning practices, and that its poor management and absence of innovation results in very little impact on the health of Alameda County residents, leading to the conclusion that it is valid to question whether the District should continue to exist; and

WHEREAS, the San Leandro City Council is proud to sponsor AB 2737 - Assembly Member Rob Bonta's 2016 legislation that would limit the amount of money Eden Health District may spend on administrative costs to ensure it allocates a sufficient portion of its budget towards supporting the healthcare needs of the community; and

WHEREAS the City Council is also proud to support Assembly Member Bill Quirk in his efforts to pursue State legislation that would direct the Alameda County Local Agency Formation Commission (LAFCo) to dissolve Eden Health District if the District fails to meet certain basic service standards; and

WHEREAS, based on the above factors, the San Leandro City Council asserts that Eden Health District is no longer fulfilling its established goals or commitments to the communities it was created to serve, and therefore should be dissolved; 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 San Leandro and its City Council is committed to its ongoing partnership with the City of Hayward and its City Council to achieve the above-outlined goals, including equitably sharing the administrative or electoral costs that might be associated with effectuating the dissolution of the District; 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 be equally shared between 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 San Leandro City Council authorizes the Mayor, the City Manager or his designees, and the City's legislative advocates to work with the City's partners at the City of Hayward, 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.

BE IT FURTHER RESOLVED, that the City Council hereby authorizes the Mayor, City Manager, and the City's legislative advocates, at their discretion, to communicate this message to other elected and/or appointed officials throughout the State as appropriate.

Introduced by Councilmember Cox and passed and adopted this 6th day of September, 2016, by the following vote:

Members of the Council:

AYES:	Councilmembers Cox, Lee, Lopez, Prola, Reed, Thomas; Mayor Cutter	(7)
NOES:	None	(0)
ABSENT:	None	(0)

ATTEST: _____ FOR
Tamika Greenwood, City Clerk

Palacios, Mona, CAO

From: Colette Lee <colettelee401@sbcglobal.net>
Sent: Monday, January 30, 2017 5:57 PM
To: Palacios, Mona, CAO
Subject: Eden Health District

Dear Ms. Palacios:

Thank you sending me the results of the special study that was done in regards to the Eden Township Healthcare District. As a resident and voter, I'm pleased that this independent study validates the validity of the District's mission and its ability to use its assets to serve the residents of the communities it serves.

In particular, I appreciate that the independent study brings to light that:

- The Grand Jury Report misled residents in believing that only 9.3% of total expenditures were allocated towards grants and sponsorships when in fact 85% were for grants and sponsorships.
- The Grant Jury Report misled residents is believing that 90% of the District budget was for non-healthcare expenditures when in fact it was 10.6%.
- The Grand Jury Report methodology in correctly calculating these figures was due to their failure in identifying that the District real estate holdings and activities provide "a significant source of funding of health care related services in the absence of District property taxes." This failure significantly skewed the numbers, something that politicians who were pushing for the dissolution of the District through legislation were quick to point out even though they were false.
- The study validates that the dissolution of the District is unwarranted and that "significant expenditures of funds for community health care purposes are consistent with its mission as a healthcare district and the State of California's Health and Safety Code." I applaud them for their support of San Leandro Hospital and St. Rose Hospital in their times of need and for their support of the many organizations who benefited from their grants and sponsorships throughout the years.

While I understand that the District is not without challenges, the District fulfills a need in the community. Dissolving the District and its assets will only provide a short-term fix to a long-term problem and organizations, many who are small and not able to receive State/County funding, will struggle in trying to meet the needs of their local residents.

Let's not forget that it was the voters of this community that formed the District many years ago for the purpose of establishing and building Eden Medical Center, a top-rated acute care hospital and trauma center. While the District no longer owns or operates a hospital, it continues to fulfill its mission, "to improve the health of the people in our community by investing resources in health and wellness programs."

Sincerely,

Colette A. Lee
Castro Valley, CA

Palacios, Mona, CAO

From: kmckshea54@comcast.net
Sent: Tuesday, January 31, 2017 12:06 PM
To: Hou, Sandy, CAO
Subject: Eden District January 31 agenda

E-mail submitted from following website: commissioners_page

Name: katherine Shea
EmailAddress: kmckshea54@comcast.net
Comments: This District must be dissolved. Waste of public money on Salaries and non hospital buildings. Support reintroducing bill by Assembly member Quirk I am 53 year resident of Distriict.

Comment # 12

BAYSIDE
REALTY PARTNERS

January 30, 2017

Ms. 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

Dear Ms. Palacios:

As you consider the special study regarding Eden, I ask that you consider two significant points regarding the unique benefits of medical office buildings: their importance to the delivery of healthcare in the local community, and their inherent stability and attractiveness as an investment vehicle.

By way of background, Bayside Realty Partners is the largest private firm in Northern California specializing in the management, leasing and sales of medical office buildings. We handle over 2 million sf of medical office buildings for clients such as Stanford University, Dignity Health, Sutter Health, Palo Alto Medical Foundation, Prudential, American Healthcare Investors, Equity One, Washington Capital Management, Harrison Street, and many other investors. We also provide property management and leasing services for the District's medical office building portfolio. We typically complete over 100 medical office lease transactions annually, and have the most robust data on the Bay Area medical office marketplace of any firm.

Importance of Healthcare Delivery in the Local Community

As healthcare systems actively seek to remove as many ambulatory procedures/visits from hospitals due to increasing costs, they are aggressively "pushing" these services into outpatient, community-based medical office buildings where physicians and their staff meet these needs.

Additionally, with the advent of the Affordable Care Act, many more underserved patients are now going treatment that previously did not; most of this treatment is being done in physicians' office in medical buildings. Seeing these patients in a clinic setting close to where they live ultimately saves lives and saves substantial drain on the healthcare delivery system with the more regular preventative care that occurs here.

For these, and various other reasons, medical office buildings play a critical role in providing healthcare services in the communities that they serve. Moreover, in a market like ours where demand (and therefore rents) for general office buildings is exceptionally strong, there is a limited stock of medical buildings remaining to service the community.

BAYSIDE
REALTY PARTNERS

Medical Office Buildings as an Asset Class

Medical office buildings are considered an institutional asset class, owned by a wide variety entities, such as large public real estate investment trusts, pension funds, insurance companies, healthcare systems, along with private investors.

Priced comparably to many other types of real estate, they offer less risk and are therefore more attractive to many investors. Their low risk is a result of:

- Long term leases signed by tenants
- Financially strong and stable tenants
- Large amounts of capital invested by landlord and tenant to complete build-out that tenants do not want to walk away from at the end of their leases
- "Recession-resistant", as patients see their physicians through all economic cycles

We have found that medical office rents increase fairly consistently at a rate of 3-5% per year, regardless of the economic climate. Moreover, in our involvement with medical office buildings over the last 15 years, we have not had one medical tenant default on their rent; in general office buildings during the last recession, somewhere near 15% of office tenants had defaulted at least once.

Sincerely,
BAYSIDE REALTY PARTNERS

W. Trask Leonard, Jr.
PRESIDENT/CEO

Comment #13

January 30, 2017

To Whom This May Concern,

My name is Aaron Ortiz, and I am the Executive Director for La Familia. La Familia has honored the self determination of individuals to live healthy and productive lives. Established by a group of grassroots organizers, advocates, and professionals our philosophy remains the same – to mobilize resources around the individual, engage a support system around them with the ultimate goal of strengthening and preserving families. We place high value on the formation of positive relationships and delivering professional quality of care, but most importantly meeting individuals where they are. After 40 years, one of La Familia's core values remains strong – providing culturally, linguistically, appropriate, and responsive services within the safety net population. La Familia is committed to serving the regions underserved and honoring its ethnic diversity.

It is with my sincerest pleasure in writing this letter of support to Eden Health District (EHD). We have had a long-standing relationship with EHD throughout our existence and most recently within the last three years we have been partially and fully funded to provide programming for the Hayward Adult School (HAS) ESL (English as a Second Language) and TAY (transitional age youths) student population.

We are providing culturally competent prevention and early intervention services to the ESL and TAY student population at HAS. We integrate culturally relevant wellness strategies into our services. We have been able to increase access to mental health services for historically underserved Latinos, which account for a majority of their student enrollment, alongside other cultures, and transitional age youths, when treatment has been warranted and desired. Our efforts through our program, "Wellness First" have increased accessibility for these services and linkages to other appropriate services, which may not be easily accessible.

We are beginning our third year of funding, and thus far with both previous years we have outreached to 914 students within the HAS campus. The services we have been offering with the financial support/funding EHD has given us, gave us the opportunity to service a segment of our population (multi-cultural) we wouldn't have been able to. It's because of their continual support and faith in what La Familia has done, that we are able to make a difference in the 914 lives we have come across. We are hoping that 2017 will continue to bring forth new students

at the HAS campus through our program and recognize that we would not be able to provide these particular services to a multitude of people who may not fall under a "funded" category.

We are pleased, humbled, and honored to support Eden Health District (EHD)-an agency who allows us to support our mission by "being an inclusive, Latino, community-based, multicultural organization committed to strengthening the emotional wellness of individuals and the preservation of families".

Respectfully,

Aaron Ortiz, Executive Director
La Familia

California Nurses Association
National Nurses United
A Voice for Nurses. A Vision for Healthcare.

OAKLAND
155 Grand Avenue
Oakland CA 94612
phone: 800-504-7859
fax: 510-663-1625

January 31, 2017

Ms. Mona Palacios
Alameda County LAFCO Executive Officer
1221 Oak Street, Suite 555
Oakland, CA 94612

Dear Ms. Palacios:

Thank you for providing the opportunity to comment on LAFCO's study regarding the Eden Township Healthcare District (ETHD). The findings of the study were thorough and descriptive but lacked insight regarding ETHD's ongoing benefit as a heath-care district without a hospital and how dissolution or a better structure would serve the two safety net hospitals represented by the California Nurses Association/National Nurses United whose locations are consistent with the Health Care District's geography, St. Rose Hospital in Hayward, CA and San Leandro Hospital in San Leandro, CA.

At the November 7th LAFCO Special Hearing on ETHD Registered Nurses from San Leandro Hospital, Eden Medical, and St. Rose Hospital spoke about their concerns and the need for supporting safety net hospitals. RNs from Eden hospital recounted the establishment of the ETHD and the great benefit the community received due to financial support provided when the ETHD actually had a hospital to support. RNs from St. Rose addressed the struggles they have on a daily basis to retain staff and meet the needs of the mostly uninsured patient base they serve. Nurses from San Leandro Hospital spoke about the difficulty they had serving their patients in the years where Sutter Health was actively trying to close their facility. We are requesting that the report include the comments made by RNs at the November 7th meeting.

One thing is clear in your report; ETHD has strayed from its core mission of assisting community hospitals. The preventative health programs supported by the ETHD are of value and can be supported through other means within Alameda County Health Services system. However, the safety net hospitals in the immediate area of the Health Care District such as St. Rose and San Leandro struggle every year to continue to serve the vulnerable patient population that comes through their doors. Our safety net hospitals are now under more danger due to the impending threat of reduction or

elimination of the Affordable Care Act and cuts in other federal assistance. In these critical times, it is more important than ever that adequate financial support be provided to safety net hospitals. It is neither reasonable nor beneficial to sustain a Health Care District whose mission does not include an actual hospital and who provides very limited service to our community.

CNA believes the dissolution of the ETHD with no continuation of services is in the best interests of the patients served, and will benefit the health of the community, with all recovered funds used to directly support safety net hospitals St. Rose and San Leandro.

Sincerely,

Mike Brannan /ag

Mike Brannan, Labor Representative, CNA

Puneet Maharaj /ag

Puneet Maharaj, Labor Representative, CNA

cc: Khadijah Kabba, Lead Labor Representative, CNA

Comment # 15

ALAMEDA
HEALTH SYSTEM

1411 East 31 st Street
Oakland, CA 94602

Local Agency Formation Commission of Alameda County
1221 Oak Street, Room 555
Oakland, CA 94612

To Whom It May Concern:

The Board of Trustees of the Alameda Health System, which represents more than 4,500 employees and providing more than 320,000 health care visits per year to residents of Alameda County, appreciates the opportunity to comment on the Local Agency Formation Commission's draft Special Study of Governance Options for Eden Township Healthcare District.

Providing quality direct health care services, particularly for vulnerable and underserved populations has always been a key concern for our health system. In light of the current climate of health care reform, there is substantial uncertainty for Medi-Cal patients. Hence, we are ever more mindful that we must protect the public safety net of care and the key source of funds to support it.

We believe that the report does not explore other options which would improve the availability of health care services within the district boundaries. The finding that "dissolution of the district without continuing its services is unwarranted" is of no value, as the recommendations for dissolution were all predicated on the premise that services to the community should continue and could be better addressed with a more focused commitment of the District's assets.

The Eden Township District focuses overwhelmingly most of its resources on its real estate operations not on delivering core healthcare services and as such we believe it does not maximize its ability to meet the healthcare needs of underserved communities. The LAFCo should consider the totality of Eden's operations in determining if it is adequately meeting the core mandate of a healthcare district and the needs of our diverse community.

We agree with the report that Eden should partner and coordinate with other organizations to determine the most effective ways to improve the health and wellness of vulnerable populations. We would encourage the commissioners to direct Eden to also:

- Dedicate some of its real estate space for providers whose central focus is to serve the underserved to more closely align their core business model with the organizing purpose of being a special health district. These spaces could be used for non-acute purposes for competent providers (i.e. Ambulatory clinics, ancillary services, social support office space, etc.)
- Establish a minimum amount of funds for direct services grant support
- Support implementation of integrated electronic health records for safety net providers serving the district's residents

Delvecchio Finley, CEO

Michele Lawrence, Chair- AHS Board of Trustees

Comment # 16

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SACRAMENTO, CA 94249-0018
(916) 319-2018
FAX (916) 319-2118

DISTRICT OFFICE
ELIHU M. HARRIS STATE BUILDING
1515 CLAY STREET, SUITE 2204
OAKLAND, CA 94612
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Assembly
California Legislature

ROB BONTA
ASSEMBLYMEMBER, EIGHTEENTH DISTRICT

COMMITTEES
APPROPRIATIONS
COMMUNICATIONS AND
CONVEYANCE
GOVERNMENTAL ORGANIZATION
HEALTH

February 1, 2017

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

Re: Public Review Draft Report: Special Study of Governance Options Eden Township Healthcare District

Dear Ms. Palacios:

I write to thank LAFCo for the opportunity to provide feedback on the draft Special Study on Eden Township Healthcare District (Eden). As a member, and former chair, of the Assembly Health Committee and elected state representative of Oakland, Alameda, and San Leandro, I believe that the accounting assumptions that provide for the foundation of the report are inaccurate, and that the analysis of how to proceed given Eden's institutional history is incomplete.

Definition of Administrative Expense and Bifurcated Budgets
The Special Study defines "services" as grant, sponsorship, and education services, and Eden's commercial real estate activities as separate revenue-generating activities that are important toward its mission. This accounting method hides the fact that Eden dedicates an absolutely small proportion of its budget towards health related grants under the Community Health Fund.

According to Eden's own 2017 budget, the approximately $500,000 dedicated towards general health-related grants and its Davis Street Partnership are wholly inadequate, given its $5.4 million budget. Even with the acknowledgement that Eden is still paying down an obligation to Sutter Health, it falls short of new statutory requirements that went into effect this month. Section 32496 of California's Health and Safety Code requires:

(a) A nonprovider health care district shall not spend more than 20 percent of its annual budget on administrative expenses.
(b) A nonprovider health care district shall spend at least 80 percent of its annual budget on community grants awarded to organization that provide direct health services.

In Section 32495, the Health and Safety Code defines administrative expenses as "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."

Thus, Eden's revenue generating activities should not be removed from its global budgeting, especially since the Special Study admits that its real estate activities are necessary to the endowment for the Community Health Fund. It is also clear that the Special Study defines its community grant making in a way that is incongruent with state statute, which requires that grants be awarded for the provision of "direct health services," a narrower definition than what is used in the draft Special Study.

I strongly recommend that a parallel budgetary analysis of Eden, that does not separate its health related grant making from its revenue generating activities, is reflected in the final report.

Absence of the Area's Safety Net Hospitals

I agree with the Special Study that a "dissolution of [Eden] without continuing its services is unwarranted," especially when considering grant commitments to healthcare providers like Davis Street in San Leandro. At the same time, when I gave public comment at LAFCo's special hearing on Eden on November 7, 2016, I heard and saw a significant number of proponents in favor of strengthening funding and services at two safety net hospitals, St. Rose in Hayward and San Leandro Hospital in San Leandro.

These two safety net hospitals, who are the primary providers of residents' healthcare in Eden's catchment area, are on even more precarious grounds now given the uncertainty all healthcare providers face under the current presidential administration. That, combined with the robust community participation throughout this process, warrants mention by a firm that specializes in policy forecasting, planning, and analysis.

Eden can also easily find mission driven returns on investment through increased financial coordination and commitment with the safety net system, and be in compliance with state law, without having to reinvent wheels outlined in its current strategic plan (adopted August 17, 2016). For instance, instead of having to dedicate funds towards outreach efforts to identify community health needs under "Goal #1", Eden should coordinate with Kaiser Permanente, which has already undergone robust health assessment efforts in partnership with residents, community organizations, and other institutional stakeholders through its Community Health Needs Assessment, as required by the Affordable Care Act.

Lack of Coordination with Alameda County, and Inadequate Plans for the Future

As noted in the Special Study, the Little Hoover Commission (LHC) has been investigating special districts for almost two decades now at the state level, including a focus on healthcare districts. Given that Eden 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" and provides no direct healthcare services, there should be a more robust analysis of and presentation of facts regarding Eden's strategic plans to comply with state law, and its own mission.

LHC recommended, in its 2000 report that "special districts need to be more visible to the public they serve and to community and business leaders who can influence decisions." Given the original reason why Eden was formed in 1948, the Special Study should acknowledge this context in terms of how the special district has evolved from its original charge, and whether Eden is transparent and accountable in fulfilling its mission to the community.

Eden has not demonstrated any public, good faith effort to improve coordination with LAFCo or the Alameda County Board of Supervisors to better meet the healthcare needs of its constituents, therefore sections of the Special Study regarding dissolution and naming a successor agency, or reorganization options, must be strengthened so all parties can consider future implications from these major actions in a transparent manner.

Please connect with Justin Rausa, my Principal Field Representative, at 510 286-1670 or justin.rausa@asm.ca.gov should you have any follow up questions regarding my letter.

Thank you for your consideration.

Sincerely,

Rob Bonta

Rob Bonta
Assemblymember, 18th District

Comment # 17

CITY OF
HAYWARD
HEART OF THE BAY

February 2, 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:

I am writing regarding the Special Study of Governance Options for the Eden Township Healthcare District. In the City of Hayward's request for the LAFCo to conduct a study or audit of the Eden Township Healthcare District, former City Manager Fran David expressed our concern with the lack of a thorough and in-depth study of the District's finances and decision-making abilities, whether or not District resources are being and have been used appropriately to facilitate delivery of health care services within the voter-approved mission of the District, and the lack of an inclusive, informed, and transparent community conversation. Additionally, the letter outlined several elements to be included in the study:

1. A review and analysis of the District's past decision-making related to the contract with Sutter Health and whether or not decisions made during that event were consistent with the District's responsibilities to all of its constituents;
2. A review and analysis of the District's real estate holdings and their relationship to the voter-approved mission of the District;
3. A review and analysis of the District's ability and intent to meet their overall core mission now and into the future;
4. An analysis of the flow and advisability of the District's current funding and/or grant program in relation to various entities around the County;
5. An in-depth audit of the District's overall short- and long-term financial health in relationship its original mission;
6. If dissolution is recommended, a clear description of the dissolution process and how the successor agency is determined; and
7. If continuation of the District is recommended, a financial and programmatic plan that shows clearly how the District will go forward to meet its original voter-approved mission.

These elements were also listed in the LAFCo staff report regarding the City of Hayward's request. The draft special study addresses issues related to the Municipal Service Review (MSR) process, including: adequacy of public services, financial ability of the agency to provide services, accountability for community services needs including governmental structure and operational efficiencies, and any other matter related to effective or

OFFICE OF MAYOR BARBARA HALLIDAY

777 B STREET, HAYWARD, CA 94541-5007
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EMAIL: barbara.halliday@hayward-ca.gov

efficient service delivery. Unfortunately, the scope of the study defined by the MSR process does not address all the elements the City of Hayward requested to be included in the study.

- While the report summarizes the ETHD's history regarding Sutter Health, it does not evaluate the consistency of the District's actions with its responsibility to all of its constituents. The report mentions that concerns from the community drove ETHD's decision to withhold transfer of San Leandro Hospital to Sutter, but does not further analyze the District's decision or decision-making process. Providing a review and analysis of the decision-making process in the District surrounding this action would provide information to stakeholders and the public regarding the relationship between this process and the District's mission.

- The report does include a review of the District's real estate holdings. Additionally, the study details the revenue generated by the District's real estate and its return on investment compared with cash investment options, as well as the relatively high risk of real estate investment. However, the report lacks an analysis of the relationship between these holdings and the District's voter-approved mission.

- The District's mission is stated in the report as follows:

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 report does not evaluate the District's ability to meet this mission, nor does it illuminate the identified goals of the District, which are not outlined in its strategic plan. Additionally, there is no discussion of performance measures by which the District may be able to determine whether it has improved the health of the people in its community. It is not clear from the report whether the District's major activities, including commercial real estate management, and priorities are well-aligned with achieving its stated mission now and into the future.

- A review of several other entities providing health care within the District's service area is included in the report. The District's current funding and grantmaking activities are not analyzed in relation to similar work and unmet needs in the County. In the report, there is no analysis of the District's decision-making process in the allocation of grant funding, of whether it is advisable that the District pursue grantmaking and sponsorship as its primary service to the community, or whether the District's grantmaking fills a niche or strategic need in the County. Given the statements that the real estate holdings support the ability of the District to provide grants to healthcare programs, overhead related to administration of those assets cannot be counted separately from the grantmaking budget.

- The report does provide an adequate analysis of the District's financial viability in the short- and long-term, and acknowledges both the advantages and risks of its revenue sources as well as its liabilities' impact on the current ability to provide services, but does not address the District's operational deficit.

- Regarding the final two elements, the report does provide a thorough analysis of the governance options for the ETHD, and details where possible the process to initiate each of these transitions. Some aspects of these elements – i.e., a method of determination for the successor agency and a financial and programmatic plan for the future of the District were it to be preserved – will need to be discussed and developed by stakeholders and decision-makers rather than in a consultant's report. The City of

Hayward urges the LAFCo to hold an inclusive, collaborative conversation around these topics as they move to take action on the special study.

The City of Hayward continues to have concerns about this study, and the Eden Township Healthcare District. The District's function and mission has changed since its creation by voters in 1948, as have the health care needs of our community and the landscape of health care provision in general. These changes warrant a community conversation around the District's mission and purpose in the modern health care landscape. While the draft special study addresses issues related to the Municipal Service Review process, it does not provide adequate new information to form a foundation for substantive conversation about the future of the District and the best use of public resources to provide healthcare to our most vulnerable community members. We urge the LAFCo to thoroughly examine the Eden Township Healthcare District in the context of health care in the County, its historic mission, and the long-term needs of our community members.

Sincerely,

Barbara Halliday
Mayor

Comment # 18

LOCAL 1021
SEIU
Stronger Together

February 2, 2017

Ms. Mona Palacios
Alameda County LAFCO Executive Officer
1221 Oak Street, Suite 555
Oakland, CA 94612

Dear Ms. Palacios,

I am contacting you on behalf of SEIU 1021 to comment on LAFCO's study regarding the Eden Township Healthcare District (ETHD). SEIU 1021 represents healthcare workers in the Alameda County Health Services System.

We wish to communicate that ETHD has strayed from its core mission of assisting community hospitals. The preventative health programs supported by ETHD can be supported through other means within the Alameda County Health Services System.

However the safety net hospitals in the surrounding area struggle to serve the vulnerable patient population. Given the impending threat of the likely reduction of federal assistance through the Affordable Care Act that we take steps to provide adequate support to those safety net hospitals.

SEIU 1021 believes that the dissolution of the ETHD with the transfer of its assets to a successor agency like Alameda County is in the best interests of the patients served, and will benefit the health of the community

Sincerely,

Kim Carter Martinez
SEIU 1021

KCM:krb

100 Oak Street ▪ Oakland, CA 94607 ▪ 510-350-9811 ▪ Fax 510-451-3928
Service Employees International Union CTW, CLC ▪ www.seiu1021.org

Comment # 19

ALAMEDA COUNTY
HEALTH CARE SERVICES
AGENCY
REBECCA GEBHART, Interim Director

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

January 31, 2017

Ms. Mona Palacios
Executive Director
Local Agency Formation Commission of Alameda County
1221 Oak Street, Room 555
Oakland, CA 94612

SUBJECT: Comments Regarding LAFCo's Special Study of the Eden Township Healthcare District (ETHD)

Dear Ms. Palacios:

Thank you for the opportunity to comment on the draft of the Special Study. Alameda County's Health Care Services Agency (HCSA) has a mission overlapping with that of the District, and our leadership has watched with interest the process of the special study and the weighing of options. We agree with other commenters that the draft report makes a puzzling and under-justified choice in removing the real estate related expenses from the cost analysis. In addition, we would like to expand on the report's sections on coordination and adequacy of public service. These sections are incomplete in their exploration of the missed opportunities for collaboration, the need to link grant making to more robust outcome evaluation, and possibilities for increased efficiency.

Cooperation and Coordination with Alameda County: The draft report concludes (pg.58) "there exist many unmet needs in Alameda County, not being addressed by existing agencies, toward which the District currently is directing resources, therefore eliminating duplication is not a likely advantage" to a change in the District governance. Although it is certainly true that there are unmet needs in the county, it is not true that this makes coordination with funding partners unnecessary. As noted in the report, there has been no collaboration between HCSA and the District in determining funding priorities or even high level goals and strategy. This has led to **duplication** -- the list of 84 organizations funded by the District includes 26 (31%) also funded by HCSA, either through General Fund or Measure AA dollars. In addition, having HCSA and the District independently funding the same organizations results in unnecessary and **inefficient administrative spending** on contract mechanics for HCSA, for the District, and for the agencies funded.

Adequacy of Public Service: The draft report does not include much detail on the predicted or realized outcomes of the District's funding. Although the report notes data sources that the District refers to in planning its grant making, there is no clear connection between the data and the choices the District has made for funding. In particular, it is difficult to draw a through line from data-supported identification of a need, to intervention, to measured outcome. Acknowledging that it can be difficult to measure the impact of education or prevention-focused projects such as those undertaken by the District's funded partners, the report pays inadequate attention to the question of whether the District's work is moving the dial toward its overall mission. The increased uncertainty of healthcare funding as a result of the change in Administrations in Washington has only emphasized the need for careful stewardship of every dollar, and the District includes two safety net hospitals that are especially vulnerable.

Health Care Services Agency's mission is to ensure that Alameda County residents, particularly those who are vulnerable and underserved, have access to health care services. HCSA receives general fund dollars to provide care for un- and under-insured and also supports the sales tax-funded Measure AA process, including planning, funding disbursement, and outcome evaluation via an appointed Commission. We agree with the report that the District or a successor agency should partner and coordinate with other organizations to determine the most effective ways to improve the health and wellness of vulnerable populations. **If the District or a successor organization chose to uncouple its grant making from the revenue side of the**

District's affairs, HCSA could host a planning and disbursement process focused entirely on the District's region of responsibility, without significantly increasing our costs.

Thanks again for the opportunity to comment on the report and for the work that the Commission does to increase the impact and quality of our local agencies. I can be reached if there are any questions at Kathleen.Clanon@acgov.org.

Yours,

Kathleen A. Clanon, MD
Agency Medical Director

Palacios, Mona, CAO

From: lmcdonald@cei.elders.org
Sent: Friday, February 03, 2017 2:57 PM
To: Palacios, Mona, CAO
Subject: Eden Township Healthcare District

E-mail submitted from following website: lafco_contact_us_page

Name: Lenore McDonald, Director of Fund Development and Government Relations

EmailAddress: lmcdonald@cei.elders.org

Comments: Center for Elders' Independence has benefitted as a grantee of the ETHS, most recently as the District has made a generous investment in the completion of CEI's new PACE Center in San Leandro opening in early 2017 - which will offer Program of All-Inclusive Care for the Elderly healthcare and long-term support services to frail seniors living in San Leandro, Hayward, Castro Valley, Cherryland, Fairview, San Lorenzo, Ashland and Hayward - the communities served by Eden Healthcare District. On behalf of CEI, we wish to express our support for all the options that maintain the District and against those that recommend dissolution or consolidation. Services delivered and supported by the district are not likely to be readily provided by the local hospitals nor will seniors be likely to go to the hospital to seek services like the district offers independently. In addition, the money spent to maintain and operate the district would not go very far to cover hospital expenses in their place.

Comment # 21

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Assembly
California Legislature

BILL QUIRK
ASSEMBLYMEMBER, TWENTIETH DISTRICT

STANDING COMMITEES:
CHAIR: Environmental Safety & Toxic Materials
Agriculture
Public Safety
Revenue and Taxation
Utilities and Energy

January 27, 2017

Ms. Mona Palacios
LAFCo Executive Officer
1221 Oak Street, Room 555
Oakland, CA 94612

SENT VIA EMAIL

Re: Comments on Alameda LAFCo Draft Study of the Eden Township Healthcare District (ETHD)

Dear Ms. Palacios,

I want to thank LAFCo for releasing the draft special study of the ETHD and for including dissolution in the study.

The current draft study provides an analysis of various governance options, including dissolution, but fails to adequately address the option of dissolving the district and transferring the funds to the local hospitals. This issue was brought up at public meetings and warrants a review. I urge LAFCo to address this issue in its final draft.

Last year I authored Assembly Bill 2471 in response to concerns that ETHD was not providing direct healthcare services to residents in Alameda County. I worked closely with various stakeholders to address this issue. Ultimately, I decided to hold my bill because I felt LAFCO would conduct a study to take a thorough look at all the options. This draft seems to assume that the current mission of the ETHD must continue without careful consideration of the hospital support alternative.

Thank you for your consideration. Should you have any questions, please do not hesitate to contact me through my District Office at 510-583-8818.

Sincerely,

Bill Quirk

Bill Quirk
Assemblymember, 20th District

cc: Barbara Halliday, Hayward Mayor
Kelly McAdoo, Hayward City Manager
Wilma Chan, Alameda County Board of Supervisors
Pauline Cutter, San Leandro Mayor
Chris Zapata, San Leandro City Manager

BQ: csh, td

Palacios, Mona, CAO

From: Anthony Santos <tonysantos33@att.net>
Sent: Thursday, February 09, 2017 4:00 PM
To: Palacios, Mona, CAO
Cc: Dev Mahadevan; cwgilcrest@gmail.com; Steven Tavares; Rajendra Ratnesar; Gordon Galvan; Pauline Cutter; Jim Prola
Subject: subject: ETHD

Mona, I would like to make these additional comments on the proposal of dissolving the district. I have now re-read the Grand Juries
report and I do not find it onerous. The Grand Jury and LAFCO's expert did not suggest dissolving the district, but both made suggestions about changing the method in which the District operates. It would be up to the District's board to make any recommended changes to its operations.

The Grand jury suggested the district develop a "strategic" plan and spend more of its resources on improving the health of people in its district. the Grand jury also notes that people in the district are unaware of its existence. This should be improved . Finding 16-21 notes that "there is little or no evidence of collaboration between ETHD and the Alameda County Health Care Services Agency. this causes wasteful and is detrimental to the community."

If ETHD has not implemented these suggestions, it should. How much of the recommendations of the Grand Jury and your expert have been implanted, I would not know until looking deeper into the district's operations, but bottom line is neither the Grand Jury nor your expert recommends the district be dissolved. I too do not believe the district should be dissolved unless done so by a vote of the residents within the districts boundaries; after all , it was a vote of the people in 1948 that created the district and the voters should make the decision on dissolving the district .

From 2007 to 2010, the issue was "keeping" the facility open . It was falsely stated that Sutter wanted to close SL hospital; while I am not here to make comment about Sutter's decision about the hospital, at no time was closure was considered; Sutter did want to take the facility into another direction but closure was not an option. All ended up in court to the detriment of the district; it lost a hospital and faced a verdict in excess of $20 million dollars. Sutter did the County a big favor when it gave the San Leandro hospital to the County. The County got a hospital valued in excess of $50 million at no cost. A very valuable gift.

For criticts to now come out and criticize the district is unfair. It was three members of the district's board that should be criticized not the present board. Finally, I do not believe LAFCO should move further on this matter and I do not believe dissolving the district is the way to go; have the board implement the suggestions of both the Grand Jury and your expert and have the grand jury monitor the improvements is the way to go.

Tony Santos, former LAFCO member and Mayor of San Leandro

Comment # 23

WILLIE A. HOPKINS, JR., Director

1401 LAKESIDE DRIVE, OAKLAND, CALIFORNIA 94612 510 208 9700 FAX 510 208 9711 WWW.ACGOV.ORG/GSA/

March 6, 2017

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

Dear LAFCO Commissioners:

As the result of recent conversations with my office and General Services Agency's (GSA) internal study regarding the operations of the Eden Township Healthcare District (ETHD) and the assets managed by the ETHD, GSA is willing to provide assistance as required if necessary.

Alameda County GSA has the technical background and experience in managing both real property lease management and compliant maintenance operations of standard office and medical office properties. With some budget augmentation in our operating cost, GSA could assist in taking on the management of the ETHD facility portfolio.

Should further questions arise regarding this issue, please do not hesitate to contact me.

Sincerely

Willie A. Hopkins, Jr.
Director, Alameda County General Services Agency

WAH:JK:dls/I:/Agency Administration/Eden Township Healthcare District_03-06-17.doc

cc: Wilma Chan, President, Alameda County Board of Supervisors