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PUBLIC REVIEW DRAFT REPORT

SPECIAL STUDY OF GOVERNANCE OPTIONS EDEN TOWNSHIP HEALTHCARE DISTRICT

Prepared for the Alameda Local Agency Formation Commission

Prepared by Berkson Associates

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ABBREVIATIONS AND TERMINOLOGY USED IN THIS REPORT

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

(cont’d)

ABBREVIATIONS AND TERMINOLOGY USED IN THIS REPORT

(cont'd)

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

1. INTRODUCTION

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

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

This "hybrid" organization offers financial benefits, but also incurs additional financial risks and costs, and creates other management issues. Real estate operations can produce significantly greater returns than investments allowed to public agencies, but also can be much riskier. Real estate operations also demand a much different knowledge base than generally represented by a healthcare district, and incur greater management and oversight costs to operate, particularly to the extent that the District must rely on and engage outside experts and consultants. Although many government agencies own and maintain property, typically the facilities serve public purposes and government occupancy; commercial real estate operations may be unfamiliar not only to healthcare district board members and staff, but also to other public decision-makers and residents more acquainted with traditional public sector agencies.

¹ <http://ethd.org/>

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

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

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

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

³ Eden Township Healthcare District MSR at:

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

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

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

⁶ AB 2471 (Quirk) (2015-2016):

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

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

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

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

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

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

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

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

APPROACH AND METHODOLOGY

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

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

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

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

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

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

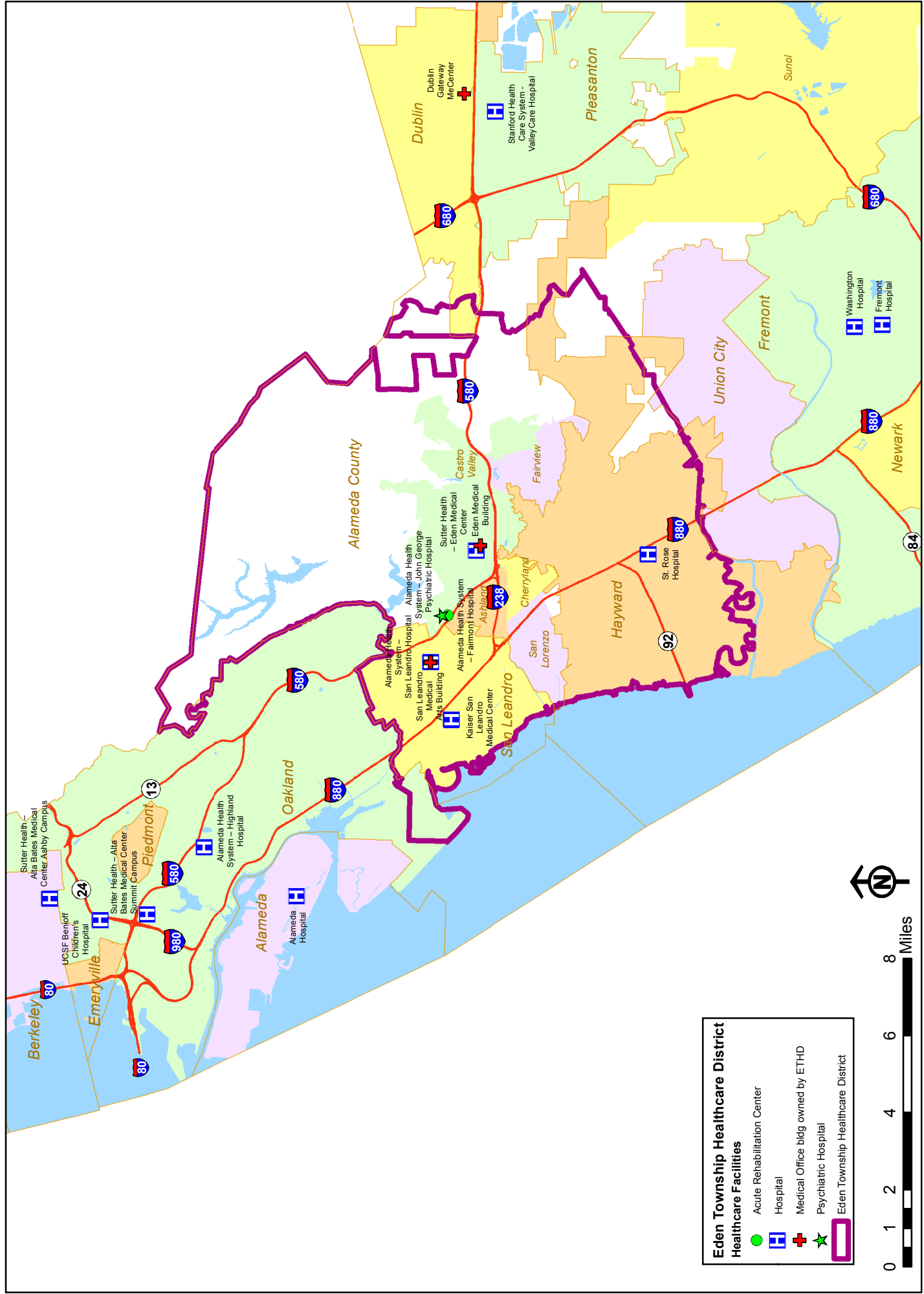
- **Adequacy of public services** – Are services provided consistent with, and do they contribute to, addressing community needs? Are the services consistent with State law as it applies to healthcare districts and public agencies in general?
- **Financial ability of agency to provide services** – Does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

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

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

¹⁵ See Gov. Code Sec. 56430.

Figure 1 ETHD Boundaries and Facilities



*Agency sphere equals the service area boundary

Created for Alameda LAFCo by the Alameda County Community Development Agency

2. SUMMARY OF FINDINGS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

D. NO OTHER VIABLE REORGANIZATION OPTIONS HAVE BEEN IDENTIFIED

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

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

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

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

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

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

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

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

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

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

3. OVERVIEW OF HEALTHCARE DISTRICTS

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

Healthcare districts are allowed to “purchase, receive, have, take, hold, lease, use, and enjoy property of every kind and description within and without the limits of the district, and to control, dispose of, convey, and encumber the same and create a leasehold interest in the same for the benefit of the district.”²³ Asset investment is subject to state laws directing that the primary objective shall be: (1) safeguarding the principal, (2) meeting the liquidity needs of the District and (3) achieving a return.²⁴

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

HEALTHCARE DISTRICTS IN CALIFORNIA

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

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

²⁴ Gov. Code Sec. 53601.5.

²⁵ Peninsula Health Care District FY16 Approved Budget.

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

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

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

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

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

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

LITTLE HOOVER COMMISSION

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

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

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

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

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

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

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

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

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

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

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

RECENT RELEVANT HEALTHCARE DISTRICT LEGISLATION

AB 2471³²

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

AB 2737³³

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

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

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

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

³² AB 2471 (Quirk) (2015-2016):

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

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

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

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

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

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

HEALTHCARE DISTRICTS IN ALAMEDA COUNTY

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

WASHINGTON TOWNSHIP HEALTHCARE DISTRICT

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

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

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

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

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

CITY OF ALAMEDA HEALTHCARE DISTRICT

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

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

³⁷ Ibid, Washington Hospital Healthcare System website.

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

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

4. HEALTH CARE IN ALAMEDA COUNTY

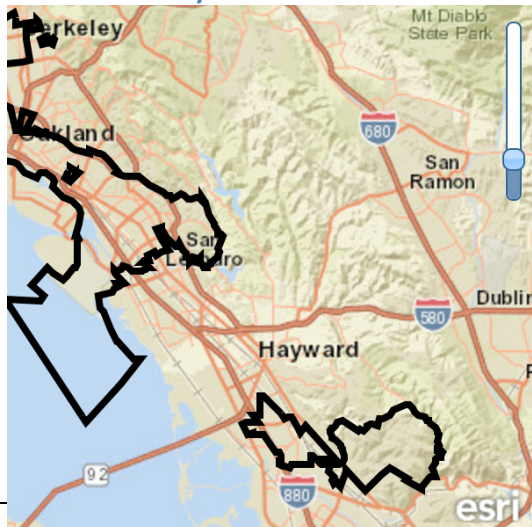
While this Special Study does not independently evaluate health care needs, facilities and programs in Alameda County, this chapter provides an overview of selected data sources relevant to ETHD’s mission. Key facilities are described, focusing on facilities that have played a role in ETHD’s history.

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

HEALTH CARE NEEDS

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

Figure 2 Medically Underserved Areas in Alameda County



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

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

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

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

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

Numerous documents describe health care needs within Alameda County:

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

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

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

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

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

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

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

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

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

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

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

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

SERVICES, FACILITIES AND PROVIDERS

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

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

⁴⁸ CHNA of the SMCCV, pg. 23-24.

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

COUNTY OF ALAMEDA

Health Care Services Agency (HCSA)

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

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

Measure A

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

⁵⁰ <https://www.acgov.org/health/>

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

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

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

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

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

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

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

EDEN MEDICAL CENTER

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

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

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

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

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

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

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

SAN LEANDRO HOSPITAL

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

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

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

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

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

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

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

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

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

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

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

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

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

⁶² ALIRTS Annual Utilization Report of Hospitals, 2015.

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

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

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

⁶⁶ ETHD Timeline, 9/16/16.

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

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

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

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

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

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

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

ST. ROSE HOSPITAL

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

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

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

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

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

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

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

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

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

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

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

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

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

OTHER HEALTH CARE PROVIDERS WITHIN THE DISTRICT BOUNDARY

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

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

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

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

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

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

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

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

5. EDEN TOWNSHIP HEALTHCARE DISTRICT

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

GOVERNANCE

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

Table 1 ETHD Board Members

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

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

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

⁸⁵ Cal. Health and Safety Code 32000 et seq.

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

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

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

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

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

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

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

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

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

ASSESSED VALUE AND POPULATION

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

Table 2 Summary of Population and Area within the ETHD Boundaries

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

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

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

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

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

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

**Table 3 Summary of Assessed Value within the ETHD Boundaries**

Area	Total A.V. Total City or Community (1)	ETHD Assessed Value (1)	
		\$	% ETHD
<u>INCORPORATED</u>			
San Leandro	\$ 10,562,846,587	\$ 10,561,557,238	26.0%
Hayward	\$ 16,167,129,055	\$ 15,071,319,856	37.1%
Dublin	\$ 11,159,798,890	\$ 412,634,722	1.0%
Oakland	\$ 42,947,862,495	\$ 13,043,716	0.0%
Union City	\$ 8,413,236,717	\$ 4,614,713	0.0%
Total, Incorporated	89,250,873,744	\$ 26,063,170,245	64.1%
<u>UNINCORPORATED</u>			
Castro Valley	\$ 8,447,517,869	\$ 8,447,517,869	20.8%
San Lorenzo	\$ 2,187,199,320	\$ 2,187,199,320	5.4%
Ashland	\$ 1,339,951,856	\$ 1,339,951,856	3.3%
Cherryland	\$ 792,066,607	\$ 792,066,607	1.9%
Fairview	\$ 1,353,170,519	\$ 1,353,170,519	3.3%
Other Unincorporated	\$ 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 Plan⁹² states their mission:

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

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

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

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

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

ETHD SERVICES

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

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

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

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

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

DAVIS STREET FAMILY RESOURCE CENTER

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

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

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

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

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

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

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

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

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

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

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

GRANTS TO SERVICE PROVIDERS

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

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

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

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

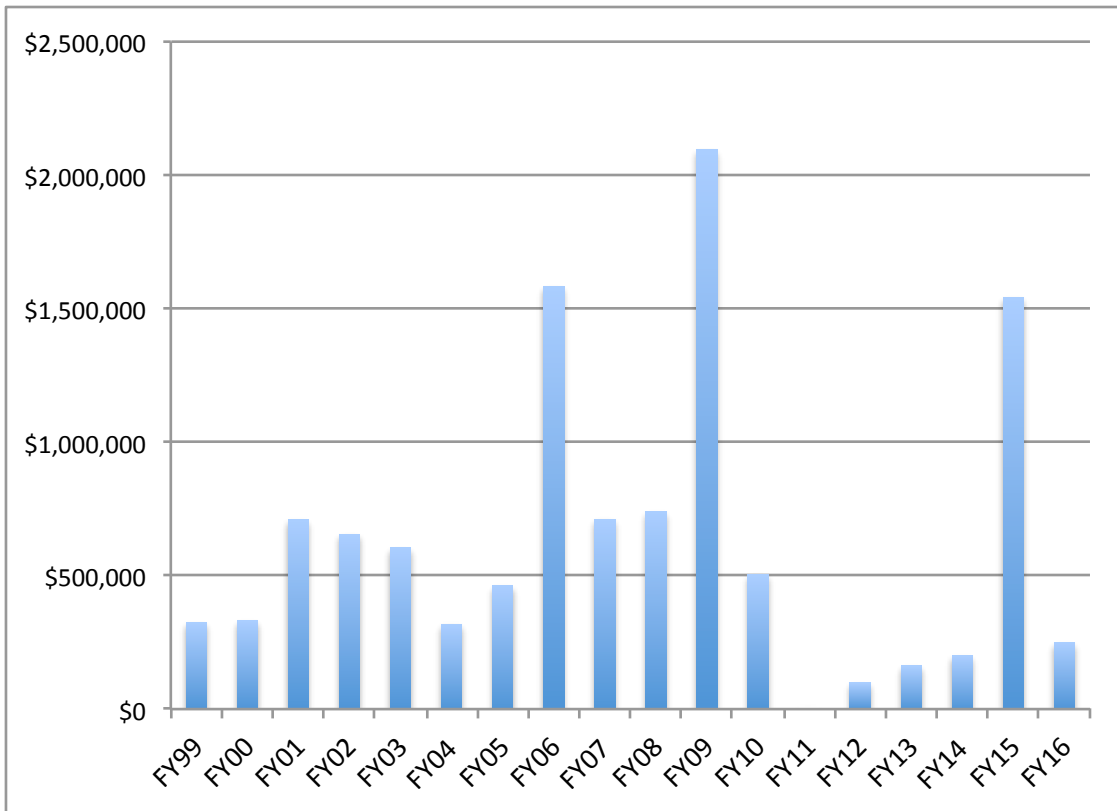
¹⁰³ See "Proposed Partnership", September 14, 2015, attached to Eden Township Healthcare District-Street Family Resource Center Services Agreement, Nov. 5, 2015.

¹⁰⁴ *ibid*

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

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

Figure 3 ETHD Grants Awarded Annually



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

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

¹⁰⁸ ETHD website

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

Table 4 Summary of ETHD FY15-16 Grants

Grant Recipient	Grant Amount	Summary
Eden I & R	\$18,000	2-1-1 Alameda County is a toll-free, 24/7 phone service that provides callers with information and referrals to health, housing, and human services in more than 150 languages.
CV VFW Post 9601	\$5,000	Intended to foster camaraderie among United States veterans of overseas conflicts, and advocate on behalf of veterans.
George Mark Children’s House	\$15,000	Pediatric palliative care facility which provides life-enhancing medical care and family support for children with illnesses that modern healthcare cannot yet cure, and for those with complex medical issues.
San Leandro Unified School District	\$10,000	Peer Educators and Navigators who will identify, develop and facilitate health-related presentations/projects for their peers.
CALICO Center	\$25,000	Building Resiliency Project to improve mental-health for toddlers, children and teens, as well as adult victims with developmental disabilities, who have suffered abuse
Mercy Retirement & Care Center	\$12,500	Brown Bag Program which helps low-income seniors in Alameda County maintain their health through the distribution of nutritious groceries, twice a month, free of charge.
Spectrum Community Services	\$25,000	Fall Risk Reduction Program prevents falls among high-risk Eden Area seniors, thus improving health outcomes and preventing expensive hospitalization.
La Familia Counseling Service	\$25,000	Wellness First program will provide on-site early intervention and mental health services to English as a Second Language and transitional age youth.
SOS Meals on Wheels	\$25,000	Prepares and delivers nutritious meals and daily check in visits for at-risk seniors so that they can continue to live independently at home for as long as safely possible.
East Bay Agency for Children	\$25,000	Child Assault Prevention Training Center provides 32 violence prevention workshops at high-risk San Leandro schools, as well as mental health services and Trauma Awareness Groups.
Foundation for Osteoporosis Research Foundation	\$14,000	Resource for osteoporosis information and education and bone health promotion in Northern California and develops models for treatment, intervention and prevention of osteoporosis throughout the cycle of life and among diverse populations.
Cal. Society to Prevent Blindness	\$20,500	Devoted to the preservation of sight for the people of Northern California. Provides direct vision screening services, vision screening training programs, public education, and advocacy.
Building Futures with Women & Children	\$10,000	Emergency Shelter and Domestic Violence Services to Eden Area Women and Children which provides services for homeless and abused women and children, as well as provides domestic violence outreach and education services.
Cherryland Elementary/Cherryland PTA	\$20,000	Intended to advance the health and wellness of the Cherryland community and make health-related services more accessible and affordable, especially to 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.¹¹⁰

LEASE OF COMMERCIAL BUILDINGS

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

OTHER ACTIVITIES

Baywood Court

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

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

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

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

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

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

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

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

¹¹⁴ Website of the National Center for Charitable Statistics.

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

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

San Leandro Hospital (SLH)

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

St. Rose Hospital

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

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

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

ETHD PROPERTY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

¹²³ ETHD rent rolls as of 7/31/16.

¹²⁴ ETHD Financials June 2016.

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

¹²⁶ ETHD rent rolls as of 7/31/16.

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

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

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

ETHD FINANCIAL RESOURCES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

**Table 6 Summary of ETHD FY16-17 Budget**

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

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

12/15/16

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

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

REVENUES

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

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

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

CASH AND OTHER CURRENT ASSETS

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

FIXED ASSETS

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

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

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

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

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

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

OTHER ASSETS

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

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

ETHD EXPENDITURES

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

BUILDING OPERATIONS

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

COMMUNITY SERVICES

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

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

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

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

Community Service expenditures include the following:

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

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

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

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

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

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

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

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

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

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

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

ADMINISTRATION AND OVERHEAD

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

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

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

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

ALLOCATION OF ADMINISTRATION AND OVERHEAD

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

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

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

¹⁴³ <http://publicpay.ca.gov/>

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

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

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

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

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

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

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

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

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

CAPITAL EXPENDITURES

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

PAYMENTS FOR LEGAL LIABILITIES

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

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

ETHD LIABILITIES

CURRENT LIABILITIES

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

BENEFIT PLANS

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

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

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

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

LONG-TERM DEBT

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

JUDGMENT OBLIGATIONS

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

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

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

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

6. GOVERNANCE OPTIONS

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

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

MAINTAIN THE STATUS QUO

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

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

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

ADVANTAGES AND DISADVANTAGES OF MAINTAINING THE STATUS QUO

Advantages

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

Disadvantages

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

LAFCO PROCESS – STATUS QUO

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

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

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

SUCCESSOR AGENCY

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

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

SUCCESSOR AGENCY RESPONSIBILITIES AND OBLIGATIONS

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

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

¹⁵⁴ GC §57451(d),(e), §56886(m).

¹⁵⁵ GC §57463.

¹⁵⁶ GC §57457(c)(2).

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

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

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

Advantages

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

Disadvantages

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

LAFCO PROCESS – DISSOLUTION

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

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

¹⁵⁷ GC §57463.

¹⁵⁸ Identified in GC §57077.

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

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

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

DISSOLUTION AND NAMING A SUCCESSOR TO CONTINUE SERVICES

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

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

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

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

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

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

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

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

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

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

¹⁶¹ Government Code Section 56653.

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

Advantages

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

Disadvantages

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

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

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

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

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

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

Advantages

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

¹⁶² Gov. Code, § 25213

¹⁶³ Gov. Code Sec. 25211.3.

¹⁶⁴ Gov. Code Sec. 25211.1.

¹⁶⁵ Gov. Code Sec. 25212.4.

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

Disadvantages

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

REORGANIZE ETHD AS SUBSIDIARY DISTRICT

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

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

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

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

CONSOLIDATION WITH WASHINGTON TOWNSHIP HEALTHCARE DISTRICT (WTHD)

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

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

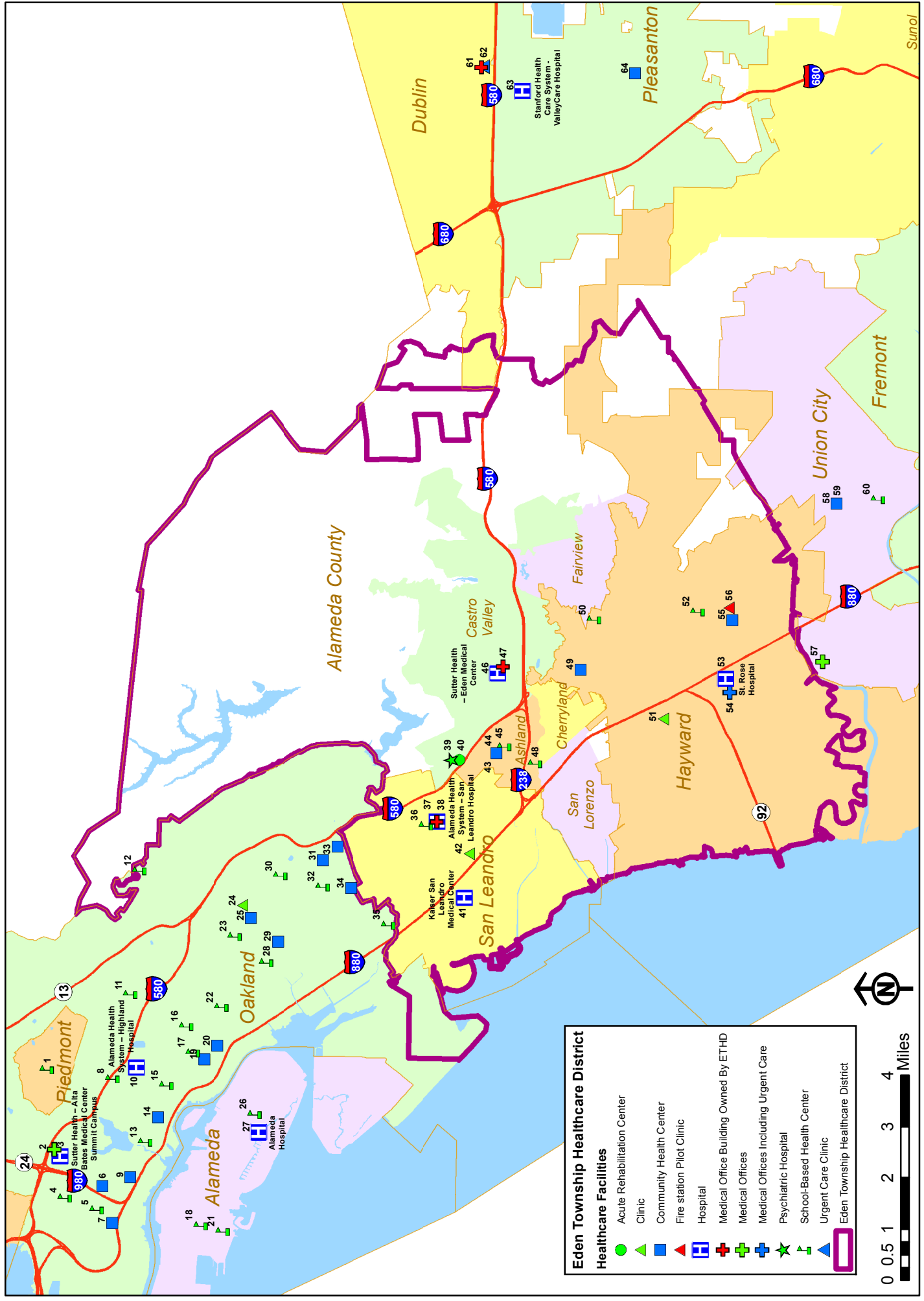
¹⁶⁷ Letter from Nancy Farber, CEO, Washington Hospital Healthcare System, October 26, 2016, to Mona Palacios, Alameda LAFCo.



APPENDIX A

MAP AND LIST OF MAJOR HEALTHCARE FACILITIES IN ALAMEDA COUNTY

Figure A-1 Major Healthcare Facilities in Alameda County



*Agency sphere equals the service area boundary

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	ACLCL/NEA School-Based Health Center and Family Support Center
19	Native American Health Center
20	La Clinica
21	Encinal High School-Based Health Center
22	Fremont Tiger Clinic (Fremont High School)
23	Frick Middle School-Based Health Center
24	Alameda Health System-Eastmont Wellness Clinic
25	LifeLong Eastmont Health Center
26	Alameda High School-Based Health Center
27	Alameda Hospital
28	Havenscourt Health Center
29	West Oakland Health Council-East Oakland site
30	Youth Uprising / Castlemont Health Center
31	LifeLong Howard Daniel Clinic
32	Elmhurst/Alliance Wellness Center
33	LifeLong East Oakland Foothill Square
34	West Oakland Health Council-Albert J. Thomas Medical Clinic
35	Madison Health Center
36	Barbara Lee Center for Health and Wellness (San Leandro High School)
37	Alameda Health System-San Leandro Hospital
38	San Leandro Medical Arts Building

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



APPENDIX B

ETHD GRANTS & SPONSORSHIPS THROUGH FY16

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

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

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

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

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

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

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

Grand Total Sponsorships Given:\$343,440.00

TOTAL Grants and Sponsorships

\$11,895,317.00

Source: ETHD 2016/11/9



APPENDIX C

TIMELINE OF KEY ETHD EVENTS

Timeline of Key ETHD Events

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

Timeline of Key ETHD Events

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

Timeline of Key ETHD Events

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

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

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

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

1998

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

1996

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

1990

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

1986

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

1980's

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

1976

Timeline of Key ETHD Events

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

Eden Hospital opens on November 15.

1954

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

1948

Source: ETHD website; Berkson Associates