

Members

Ayn Wieskamp, Vice Chair
Special District Member

Nate Miley
County Member

John Marchand, Chair
City Member

Sblend Sblendorio
Public Member

Ralph Johnson
Special District Member

Scott Haggerty
County Member

Jerry Thorne
City Member

Alternates

Georgean Vonheeder-Leopold
Special District Member

Wilma Chan
County Member

David Haubert
City Member

Tom Pico
Public Member

Executive Officer

Mona Palacios

AGENDA 8 March 10, 2016

February 27, 2016

Honorable Commissioners
Alameda Local Agency Formation Commission

Subject: Proposed Legislation Regarding Healthcare Districts: AB 2471 (Quirk)

Dear Commissioners:

This staff report provides information about proposed legislation (AB 2471) regarding the dissolution of healthcare districts. A copy of the bill and related legislative analysis is provided as Attachment 1. This information is provided so that the Commission can discuss the proposed legislation and provide direction to staff regarding submission of comments to the bill's authors.

Legislative Authority

Government Code Section 56100(a) of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH Act) provides that local agency formation commissions (LAFCOs) have "...the sole and exclusive authority and procedure for the initiation, conduct, and completion of changes of organization and reorganization for cities and districts. All changes of organization and reorganizations shall be initiated, conducted, and completed in accordance with, and as provided in, this division." (Attachment 2 – relevant sections highlighted)

The CKH Act further provides LAFCOs with the authority to review and approve with or without amendment, wholly, partially, or conditionally, or disapprove proposals for changes of organization or reorganization, consistent with written policies, procedures, and guidelines adopted by the commission, and to initiate specific types of changes of organization, including dissolutions, if that change of organization is consistent with a recommendation or conclusion of a special study, sphere of influence update, or municipal service review (Attachment 3 – Government Code Section 56375, relevant sections highlighted). For any commission initiated change of organization, pursuant to Government Code Section 56881 (Attachment 4), the Commission must make specific determinations regarding the proposal's public service costs and promotion of public access and accountability.

Finally, Government Code Sections 57102 and 57103 contain provisions regarding elections associated with the dissolution of special districts. Except under certain enumerated circumstances, whether dissolution of a special district is subject to an election is determined by the outcome of a protest hearing. Section 57103

provides, however, that dissolutions of healthcare districts are always subject to confirmation by the voters of that district (Attachments 5 and 6).

Discussion

AB 2471 was introduced on February 19, 2016. The proposed legislation, via a change to the Health and Safety Code, would compel a LAFCo to order the dissolution of a healthcare district without an election if that health care district meets the following criteria:

1. The healthcare district does not currently receive a property tax allocation.
2. The healthcare district has substantial net assets.
3. The healthcare district does not provide a direct healthcare service which the proposed legislation defines as ownership or operation of a hospital, medical clinic, wellness center, or ambulance service.

The bill also provides that, for this type of dissolution, LAFCo shall follow the existing provisions in the CKH Act for winding up the affairs of the dissolved district. Finally, the bill proposes definitions for direct health care services and local agency formation commissions.

On February 22nd the California Association of Local Agency Formation Commissions (CALAFCO) Executive Director brought AB 2471 to staff's attention by forwarding a copy of the proposed bill via email. The CALAFCO Executive Director related that she had contacted the author's staff to find out more information and learned that the bill was sponsored by Alameda County and was targeted towards the Eden Township Healthcare District. The proposed legislation does not name the district, but rather seeks to be exclusive to Eden Township Healthcare District by applying the specific criteria identified in proposed Health and Safety Code Section 32495(a).

The CALAFCO Executive Director further informed staff that the author's staff was not aware of Alameda LAFCo's municipal service review (MSR) or sphere of influence (SOI) update for the district. Alameda LAFCo considered the MSR for Eden Township Healthcare District and adopted MSR determinations on November 14, 2013 (Attachment 7). At that time, the Commission also adopted a provisional SOI for the district (Attachment 8) and then subsequently adopted a coterminous SOI removing the provisional status on November 13, 2014 (Attachment 9). On February 23rd, LAFCo staff forwarded both the MSR and the most recent SOI update to Quirk's staff.

When the Commission considered Eden Township Healthcare District's MSR and SOI update, there was an opportunity for members of the public and local agencies to provide comments and input. At the initial public hearing on November 14, 2013, as the minutes reflect, there was very limited public comment (Attachment 10). Comments were primarily from staff and Board members of the district with one member of the public supporting dissolution of the district. While the option of dissolution was considered at that time, the Commission adopted a provisional coterminous SOI requiring the district to report back to LAFCo by June 30, 2014 on progress made on implementing the district's strategic plan. The Commission took this action because the district demonstrated that it still plays an indirect role in the provision of healthcare services within its boundaries by providing grant funding to healthcare service organizations that serve Eden Township Healthcare District residents. Furthermore, the district does not receive a share of the 1% property tax nor does it levy any special taxes or benefit assessments on its property owners. Its main source of income is from rental properties.

At subsequent public hearings where Eden Township Healthcare District was discussed, the minutes reflect that, again, there was limited public comment. At the November 13, 2014 meeting, support for the district was expressed during the public hearing primarily from district Board members, staff members from St. Rose

Hospital, and staff from the Association of California Healthcare Districts (Attachment 11). Staff from Supervisor Wilma Chan's office encouraged the district to honor its commitment to support San Leandro Hospital. At that time, the Commission removed the provisional status of the SOI, but again required the district to report back to LAFCo within six to twelve months with status update on its strategic plan implementation and its plans for the City of Dublin.

There were no public comments provided at LAFCo's November 12, 2015 meeting regarding Eden Township Healthcare District when it provided the required updates (Attachment 12). At that time the district reported that it had implemented health education programs, was planning to partner with the Davis Street Family Resource Center, and was working with Assemblymember Bonta on legislation to allow the district to place a parcel tax on the ballot to support operation of the St. Rose Hospital in Hayward. District staff also reported that the plans with Dublin were on hold.

The CALAFCO Legislative Committee met on February 26, 2016 and AB 2471 was among the proposed legislation that was discussed. The Legislative Committee did not take a position on the bill, but members of the committee were concerned that the proposed legislation diminishes LAFCo authority. It is CALAFCO's policy to oppose legislation which diminishes LAFCo authority. The committee also discussed a previous effort in 2011 (AB 912, Gordon) to remove the requirement for an election associated with the dissolution of a healthcare district. AB 912 became law, but it did not fully address the election requirement and there remains ambiguity. The committee discussed proposing amendments to AB 2471's author that would clarify that a healthcare district dissolution process would follow the typical protest provisions with an election required only if certain protest thresholds were met. Other comments to the bill's author may include a request to clarify the definitions for substantial net assets and local agency formation commissions. For these reasons, it is likely that the committee will take a position of oppose unless amended when it next meets on March 18th. The committee also expressed interest in knowing what action, if any, that Alameda LAFCo takes regarding this legislation.

As LAFCo considers this proposed legislation, it is important to remember that one of the reasons that the State established LAFCos was to acknowledge that decisions regarding local agency changes of organization should reflect local circumstances and conditions. Removing LAFCo's discretion to consider dissolution of a local agency sets a precedent that erodes the Commission's authority.

Recommendation

Staff recommends that the Commission discuss the proposed legislation and provide direction to staff regarding whether the Commission wishes to transmit any concerns to the bill's authors.

Sincerely,



Mona Palacios
Executive Officer

V:\LAF\Legislation\2016\AB 2471 leg. 3.10.2016.doc

Attachments:

1. AB 2471
2. Government Code Section 56100(a)
3. Government Code Section 56375
4. Government Code Section 56881

Honorable Commissioners

February 27, 2016

Page 4

5. Government Code Section 57102
6. Government Code Section 57103
7. LAFCo's MSR for Eden Township Health Care District
8. SOI update adopted November 14, 2013
9. SOI update adopted November 13, 2014
10. November 14, 2013 LAFCo meeting minutes
11. November 13, 2014 LAFCo meeting minutes
12. November 12, 2015 LAFCo meeting minutes

c: Andrew Massey, LAFCo Legal Counsel

ASSEMBLY BILL

No. 2471

**Introduced by Assembly Member Quirk
(Coauthor: Assembly Member Bonta)**

February 19, 2016

An act to amend Section 57103 of the Government Code, and to add Chapter 8 (commencing with Section 32495) to Division 23 of the Health and Safety Code, relating to health care districts.

LEGISLATIVE COUNSEL'S DIGEST

AB 2471, as introduced, Quirk. Health care districts: dissolution.

Existing law, the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, provides the authority and procedures for the initiation, conduct, and completion of changes of organization and reorganization of cities and districts by local agency formation commissions. Existing law establishes the procedures for the dissolution of the existence of a district and sets forth provisions for winding up the affairs of a dissolved district, as specified. Existing law generally authorizes the dissolution of a district without voter approval, except as specified. Notwithstanding those provisions, existing law subjects the dissolution of a health care district to voter approval.

This bill would require a local agency formation commission to order the dissolution of a health care district without an election if the health care district meets certain criteria, as specified. The bill would subject a dissolution under these provisions to the provisions of the act for winding up the affairs of a dissolved district.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 57103 of the Government Code is
2 amended to read:

3 57103. Any order in any resolution adopted by the commission
4 on or after January 1, 1986, ordering the dissolution of a local
5 hospital district, organized pursuant to Division 23 (commencing
6 with Section 32000) of the Health and Safety Code, is subject to
7 confirmation by the ~~voters~~: voters, *except as set forth in Chapter*
8 *8 (commencing with Section 32495) of Division 23 of the Health*
9 *and Safety Code.*

10 SEC. 2. Chapter 8 (commencing with Section 32495) is added
11 to Division 23 of the Health and Safety Code, to read:

12
13 CHAPTER 8. DISSOLUTION
14

15 32495. (a) A local agency formation commission shall order
16 the dissolution of a health care district without an election if the
17 health care district meets all of the following criteria:

18 (1) The health care district does not currently receive a property
19 tax allocation.

20 (2) The health care district has substantial net assets.

21 (3) The health care district does not provide a direct health care
22 service.

23 (b) If a local agency formation commission orders the
24 dissolution of a health care district pursuant to subdivision (a), the
25 dissolution shall be subject to the provisions for winding up the
26 affairs of a dissolved district, as set forth in Chapter 6 (commencing
27 with Section 57450) of Part 5 of Division 3 of Title 5 of the
28 Government Code.

29 (c) For purposes of this section:

30 (1) "Direct health care service" means the ownership or
31 operation of a hospital, medical clinic, wellness center, or
32 ambulance service.

33 (2) "Local agency formation commission" means the
34 commission in whose sphere of influence, as defined in Section
35 56076 of the Government Code, the health care district exists.



State of California
GOVERNMENT CODE
TITLE 5. LOCAL AGENCIES
DIVISION 3. CORTESE-KNOX-HERTZBERG LOCAL GOVERNMENT
REORGANIZATION ACT OF 2000
PART 1. GENERAL
CHAPTER 3. INTRODUCTORY AND GENERAL PROVISIONS
§ 56100

56100. (a) Except as otherwise provided in Section 56036.5 and subdivision (b) of Section 56036.6, this division provides the sole and exclusive authority and procedure for the initiation, conduct, and completion of changes of organization and reorganization for cities and districts. All changes of organization and reorganizations shall be initiated, conducted, and completed in accordance with, and as provided in, this division.

(b) Notwithstanding any other law, proceedings for the formation of a district shall be conducted as authorized by the principal act of the district proposed to be formed, except that the commission shall serve as the conducting authority and the procedural requirements of this division shall apply and shall prevail in the event of conflict with the procedural requirements of the principal act of the district. In the event of such a conflict, the commission shall specify the procedural requirements that apply, consistent with the requirements of this section.

(Amended by Stats. 2014, Ch. 112, Sec. 1. (AB 2762) Effective January 1, 2015.)



State of California
GOVERNMENT CODE
TITLE 5. LOCAL AGENCIES
DIVISION 3. CORTESE-KNOX-HERTZBERG LOCAL GOVERNMENT
REORGANIZATION ACT OF 2000
PART 2. LOCAL AGENCY FORMATION COMMISSION
CHAPTER 3. POWERS
§ 56375

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

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

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

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

(B) The dissolution of a district.

(C) A merger.

(D) The establishment of a subsidiary district.

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

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

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

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

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

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

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

(5) As a condition to the annexation of an area that is surrounded, or substantially surrounded, by the city to which the annexation is proposed, the commission may

require, where consistent with the purposes of this division, that the annexation include the entire island of surrounded, or substantially surrounded, territory.

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

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

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

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

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

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

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

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

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

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

occurred in circumstances that necessitate a departure from the rezoning in the application to the commission.

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

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

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

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

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

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

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

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

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

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

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

(q) To enter into an agreement with the commission for an adjoining county for the purpose of determining procedures for the consideration of proposals that may affect the adjoining county or where the jurisdiction of an affected agency crosses the boundary of the adjoining county.

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

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



**State of California
GOVERNMENT CODE
TITLE 5. LOCAL AGENCIES
DIVISION 3. CORTESE-KNOX-HERTZBERG LOCAL GOVERNMENT
REORGANIZATION ACT OF 2000
PART 3. COMMISSION PROCEEDINGS FOR A CHANGE OF
ORGANIZATION OR REORGANIZATION
CHAPTER 6. COMMISSION DECISION
Article 1. Determinations
§ 56881**

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

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

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

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

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

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

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

(Added by Stats. 2000, Ch. 761, Sec. 211. Effective January 1, 2001.)



State of California
GOVERNMENT CODE
TITLE 5. LOCAL AGENCIES
DIVISION 3. CORTESE-KNOX-HERTZBERG LOCAL GOVERNMENT
REORGANIZATION ACT OF 2000
PART 4. CONDUCTING AUTHORITY PROCEEDINGS FOR CHANGES
OF ORGANIZATION OR REORGANIZATION
CHAPTER 5. RESOLUTION FOR ORDER SUBJECT TO ELECTION
§ 57102

57102. (a) In any resolution ordering a dissolution, the commission shall make findings upon one or more of the following matters:

(1) That the corporate powers have not been used, as specified in Section 56871, and that there is a reasonable probability that those powers will not be used in the future.

(2) That the district is a registered-voter district and is uninhabited.

(3) That the board of directors of the district has, by unanimous resolution, consented to the dissolution of the district.

(4) That the commission has authorized, pursuant to subdivision (a) of Section 57077.1, the dissolution of the district without an election.

(b) If the commission makes any of the findings specified in subdivision (a), the commission may, except as otherwise provided in Section 57103, order the dissolution of the district without election.

(Amended by Stats. 2012, Ch. 62, Sec. 16. (AB 2698) Effective January 1, 2013.)



**State of California
GOVERNMENT CODE
TITLE 5. LOCAL AGENCIES
DIVISION 3. CORTESE-KNOX-HERTZBERG LOCAL GOVERNMENT
REORGANIZATION ACT OF 2000
PART 4. CONDUCTING AUTHORITY PROCEEDINGS FOR CHANGES
OF ORGANIZATION OR REORGANIZATION
CHAPTER 5. RESOLUTION FOR ORDER SUBJECT TO ELECTION
§ 57103**

57103. Any order in any resolution adopted by the commission on or after January 1, 1986, ordering the dissolution of a local hospital district, organized pursuant to Division 23 (commencing with Section 32000) of the Health and Safety Code, is subject to confirmation by the voters.

(Added by renumbering Section 57083.5 by Stats. 2000, Ch. 761, Sec. 240. Effective January 1, 2001.)



***EDEN TOWNSHIP HEALTHCARE
DISTRICT
MUNICIPAL SERVICE REVIEW FINAL***

December 9, 2013

Prepared for the
Local Agency Formation Commission of Alameda County
by
Policy Consulting Associates LLC
Baracco and Associates

TABLE OF CONTENTS

1. AGENCY OVERVIEW	2
FORMATION	2
BOUNDARY	2
SPHERE OF INFLUENCE	3
ACCOUNTABILITY AND GOVERNANCE	5
MANAGEMENT AND STAFFING	6
GROWTH AND POPULATION PROJECTIONS	7
FINANCING	8
2. MUNICIPAL SERVICES	11
HEALTHCARE SERVICES	11
3. GOVERNANCE STRUCTURE OPTIONS	16
4. MSR DETERMINATIONS	18
5. SPHERE OF INFLUENCE UPDATE	21

1. AGENCY OVERVIEW

The Eden Township Healthcare District (ETHD) provides grant funding to health-related organizations through its Community Health Fund, oversees its endowment fund and owns three office buildings where it leases office space to various healthcare providers.

The last MSR for ETHD was completed in 2004.

FORMATION

ETHD was established in 1948 by a vote of the residents of the Eden Township located in central Alameda County. The District was formed originally to finance construction of Eden Hospital, a facility that opened in 1954.¹

ETHD was formed as an independent special district under the State's Local Healthcare District Act.² The principal act empowers healthcare districts to provide an array of services relating to the protection of residents' health and lives.³ Districts must apply and obtain LAFCo approval to exercise services authorized by the principal act but not already provided (i.e., latent powers) by the district at the end of 2000.

BOUNDARY

The District was formed pre-LAFCo in 1948. There have been several actions taken by LAFCo including the detachment of a few parcels in the early 1970s.

Eden Township HD boundary area encompasses 130.6 square miles and includes the City of San Leandro, most of the City of Hayward, and the unincorporated areas of Castro Valley and San Lorenzo.

Extra-territorial Services

ETHD owns a medical office building, the Dublin Gateway Center, located outside of its boundaries in the City of Dublin. ETHD leases space to doctors and medical clinics. The District also owns two other medical office buildings within its bounds, San Leandro

¹ District website, www.ethd.org/about/history.htm

² Health and Safety Code §32000-32490.9.

³ Health and Safety Code §32121.

Medical Arts Building and Eden Medical Building, which are rented out to healthcare providers who serve district residents and non-residents alike.

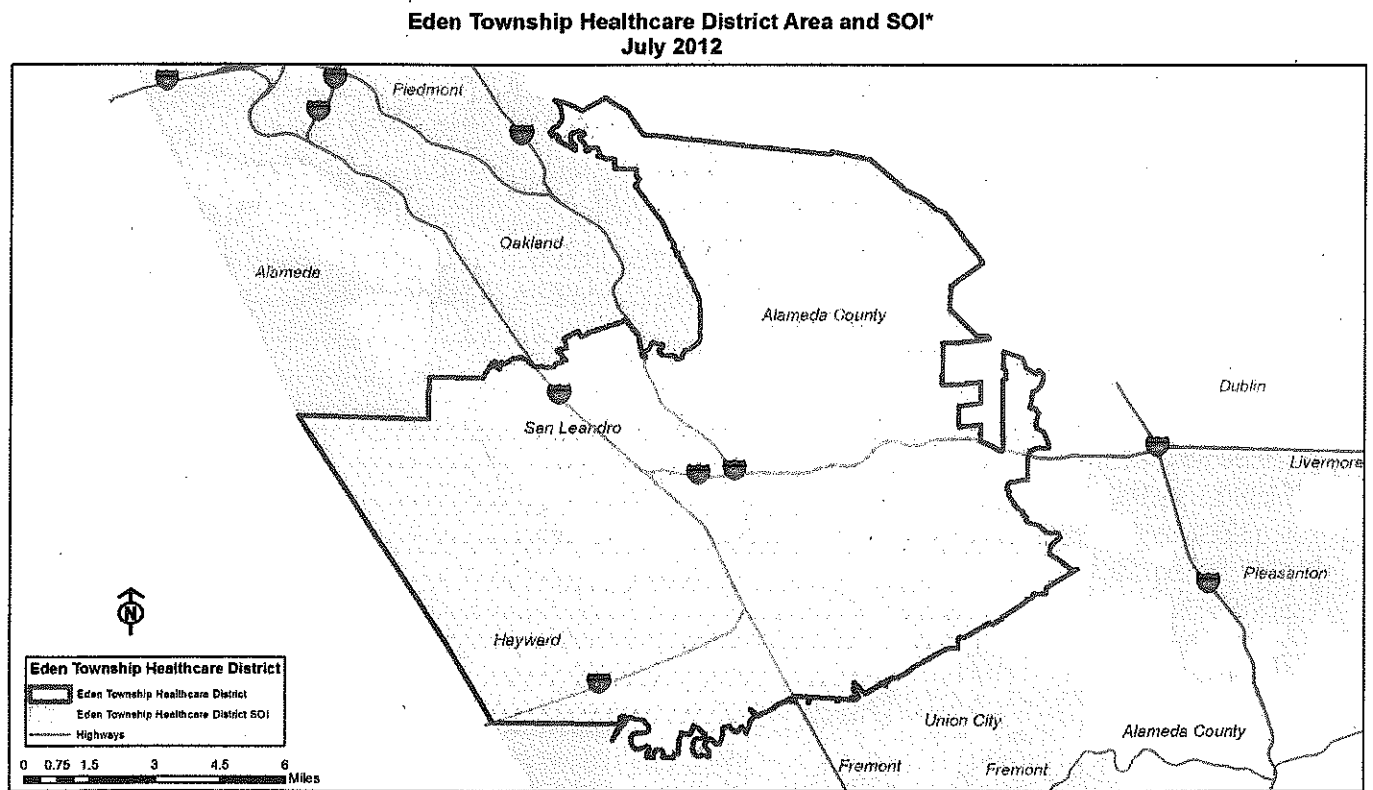
Unserved Areas

There are no areas within ETHD's bounds where grant-funding opportunities provided by ETHD are unavailable. Office space is also available for rent to all healthcare-related organizations in the District.

SPHERE OF INFLUENCE

ETHD's SOI was established in 1984 as coterminous with its boundaries. During the 2004 SOI updates, the Commission reaffirmed the coterminous SOI, since no reorganizations or changes in service area were proposed by the District. ETHD's bounds and SOI are shown in Figure 1-1.

Figure 1-1: Eden Township Healthcare District Boundaries and SOI



*Agency sphere equals the service area boundary

Created for Alameda LAFCo by the Alameda County Community Development Agency

ACCOUNTABILITY AND GOVERNANCE

Accountability of a governing body is signified by a combination of several indicators. The indicators chosen here are limited to 1) agency efforts to engage and educate constituents through outreach activities, in addition to legally required activities such as agenda posting and public meetings, 2) a defined complaint process designed to handle all issues to resolution, and 3) transparency of the agency as indicated by cooperation with the MSR process and information disclosure.

The District is governed by a five-member board of directors elected to four-year terms. The board meets monthly on the third Wednesday of each month at 5:30 in the afternoon in the District conference room located at the Eden Medical Building. Current board member names, positions, and term expiration dates are shown in Figure 1-2.

Figure 1-2: Eden Township Healthcare District Governing Body

Figure 1-2: Eden Township Healthcare District Governing Body

Eden Township Healthcare District				
District Contact Information				
Contact:	Dev Mahadevan, Chief Executive Officer			
Address:	20400 Lake Chabot Road, Suite 1, Castro Valley, CA 94546			
Telephone:	(510)538-2031			
Fax	(510)582-4670			
Email/website:	www.ethd.org			
Board of Directors				
Member Name	Position	Term Expiration	Manner of Selection	Length of Term
Lester Friedman	San Leandro	November 2014	Elected	4 years
Carole Rogers, R.N.	San Leandro	November 2014	Elected	4 years
William F. West, M.D.	San Leandro	November 2014	Elected	4 year
Vinod Sawhney, M.D.	Hayward	November 2016	Elected	4 years
Ronald Hull, DPM	Castro Valley	November 2016	Elected	4 years
Meetings				
Date:	Third Wednesday of every month at 5:30pm			
Location:	Meetings are held in the District conference room.			
Agenda Distribution:	Posted on the website and in newspapers.			
Minutes Distribution:	Available on the ETHD website.			

All meetings are noticed in public places, published in local newspapers and posted on the District website. Minutes are available on the website. To inform constituents about District activities, press releases are used as well as interviews with reporters. In addition, ETHD posts information on its website.

Customer complaints about service can be submitted to ETHD by letter or phone to a District representative. ETHD has property managers at each of the three rental locations

and the person on site usually receives and deals with each complaint or issue as they arise. The District reported that it did not receive any complaints in 2012.

ETHD demonstrated accountability in its disclosure of information and cooperation with the LAFCo questionnaires and other requests.

MANAGEMENT AND STAFFING

While public sector management standards vary depending on the size and scope of the organization, there are minimum standards. Well-managed organizations evaluate employees annually, track employee and agency productivity, periodically review agency performance, prepare a budget before the beginning of the fiscal year, conduct periodic financial audits to safeguard the public trust, maintain relatively current financial records, conduct advanced planning for future service needs, and plan and budget for capital needs.

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

The District's day to day operations are managed by the Chief Executive Officer (CEO). One senior accountant and one administrative assistant report to the CEO. Workload is not formally tracked. The District office is open four days a week. In addition, ETHD employs contractors, such as property managers, construction managers and public relations consultants as-needed.

Employees are evaluated by the CEO annually. The CEO is evaluated by the Board of Directors, also on an annual basis.

The District reports that it engages in performance evaluation and productivity monitoring. Although, ETHD does not monitor productivity in the same manner as a district running a hospital, ETHD monitors its performance by evaluating its weekly workload. The District reported that it compared its performance with other healthcare service providers in northern California that provided grantmaking services.⁴

ETHD's financial planning efforts include an annually adopted budget and audited financial statements. ETHD conducts capital improvement planning. The plan has a planning horizon of one to five years and is updated annually. Additionally, ETHD adopted a strategic plan on May 15, 2013, in which the District outlined its planning priorities.

⁴ Forty one percent of healthcare districts in California do not operate a hospital, and the vast majority of those are exclusively engaged in grantmaking.

All special districts are required to submit annual audits to the County within 12 months of the completion of the fiscal year, unless the Board of Supervisors has approved a biennial or five-year schedule.⁵ In the case of ETHD, the District must submit audits annually. ETHD has submitted its audit to the County for FY 10-11 within the required 12 month period.

GROWTH AND POPULATION PROJECTIONS

This section discusses the factors affecting service demand, such as land uses, and historical and anticipated population growth.

Land Use

ETHD's boundary area is approximately 130.6 square miles. The City of San Leandro and the City of Hayward are land use authorities for their respective cities; Alameda County is the land use authority for the unincorporated areas of Castro Valley and San Lorenzo. ETHD's land uses encompass all land use designations within the cities of San Leandro and Hayward; residential, commercial and light industrial in the San Lorenzo area; and residential and open space in Castro Valley.

Existing Population

As of 2010, the population of the area in ETHD was 360,113. Its population density—2,757 residents per square mile—is significantly higher than the countywide density of 1,840 people per square mile.

Projected Growth and Development

Based on Association of Bay Area Governments (ABAG) growth projections and ETHD's estimated 2010 Census population, the population of the area within the District is anticipated to reach 437,897 by 2035, with an average annual growth rate of 0.5 percent.⁶ Per ABAG population projections, the rate of growth in ETHD is expected to be 22 percent, while the entire County is anticipated to grow by 27 percent.

ETHD reported that growth patterns have not been affecting service demand in the last few years. Limited growth is anticipated within the ETHD boundary area in the next several years; however, no formal projections were made by the District.

⁵ Government Code §26909.

⁶ Association of Bay Area Governments, Projections 2009, August 2009.

Planned and proposed developments within the cities of Hayward and San Leandro that may impact the growth potential of ETHD are discussed in detail in the City of Hayward MSR and the City of Leandro MSR. ETHD's service area is relatively urbanized and substantially built out, though there are opportunities for infill development and redevelopment. The unincorporated Castro Valley area is mostly built out as well, and limited growth is anticipated. Future moderate growth is expected in the San Lorenzo area due to an increase in retail at San Lorenzo Village Center and a rise in student population.⁷

FINANCING

The financial ability of agencies to provide services is affected by available financing sources and financing constraints. This section discusses the major financing constraints faced by ETHD and identifies the revenue sources currently available to the District.

ETHD reported that current financial levels were adequate to deliver grantmaking and medical office rental services. ETHD reported that in FY 10-11, the District had reduced operating costs due to renegotiating property management at its Dublin Gateway Center.

Revenues

In FY 10-11, ETHD's revenues totaled \$4.4 million, which consisted of operating (83 percent) and non-operating (17 percent) revenue sources. A majority of the operating revenue came from rental income. Non-operating revenue included interest income and change in fair value of investments.⁸ ETHD receives no property taxes, special taxes or benefit assessments.

Revenues for FYs 11-12 and 12-13 were \$4.1 million and \$5 million respectively. The District's revenues in FY 12-13 increased due to increase in rental income.

During the 2004 MSR process, ETHD's only source of revenue was investment income. Since that time, the District has acquired rental properties. At the end of FY 10-11, three rental properties—San Leandro Medical Arts Building (acquired in July 2004), Lake Chabot Road Building (acquired in October 2004, but subsequently replaced by a newly constructed Eden Medical Building in 2012) and Dublin Gateway Center (acquired in June 2007)—generated \$3.2 million. Most of the rental income is derived from the Dublin Gateway Center (73 percent), with 24 percent coming from the San Leandro Medical Arts Building and three percent from the Eden Medical Building. The proportion of rental

⁷ Castro Valley Area and Eden Area General Plans and San Lorenzo Specific Plan.

⁸ ETHD invests money in treasury bonds, corporate bonds and government securities. Depending on the economy, there is a positive or negative change in value of investments every year.

income from the Eden Medical Building is anticipated to rise substantially due to higher rents and increasing occupancy in the newly constructed building.

Expenditures

Total expenditures in FY 10-11 were \$9.6 million, of which over 84 percent were operating expenditures and 16 percent were considered non-operating expenditures. The most significant operating expenses were depreciation of the medical buildings (48 percent of all operating expenses), purchased services (24 percent), and rental property operation and maintenance (15 percent). Other expenses were taxes, grants to service providers and community organizations, and amortization of loan and legal fees associated with the refinancing of the Dublin Gateway loan. Non-operating expenses consisted entirely of interest expense on the loan.

Expenditures for FYs 11-12 and 12-13 amounted to \$19.9 million and \$8.5 respectively. A single \$17 million non-operating expense in FY 11-12 was attributed to the write off of San Leandro Hospital and related recognized loss. The District's FY 11-12 operating expenses were low due to \$6 million cancellation in grants. The grants written off were \$5,000,000 for the development of Eden Medical Center's Neuroscience Center and \$1,000,000 for the Women's Health Services Department, which were not requested. Money was set aside and recorded as grants in anticipation of receiving applications; however, applications had never been received and the grants were canceled due to the expiration of the statute of limitations on government contracts.

For FY 10-11, the Board of Directors voted to temporarily suspend grants to offset legal expenses associated with the dispute with Sutter Health over the closure of San Leandro Hospital.

On August 1, 2011 the District made a \$3 million loan to St. Rose Hospital to fund St. Rose's operating expenses. St. Rose Hospital is an independent hospital located in Hayward that has experienced significant operating losses. The promissory note from St. Rose was due, with unpaid accrued interest, within 90 days and had an interest rate of 3.25 percent plus the prime rate. Currently, the loan is partially repaid but is still outstanding. As of October 2012 the balance was \$1.150 million plus accrued interest from July 1st, 2012.

In FY 10-11, the District's investment in capital assets totaled \$94,774,617.

At the end of FY 10-11 total expenditures exceeded total revenues by over \$5 million. The operating loss was \$4.4 million. The loss was mostly attributed to money spent in litigation with Sutter Health and rental fees for temporary offices. Expenditures are expected to go down since the litigation has concluded and ETHD no longer rents office space since the construction of the Eden Medical Building has been completed.

At the end of FYs 11-12 and 12-13 total expenditures exceeded total revenues by \$15.8 million and \$3.5 million respectively. The operating gain for FY 11-12 was \$2.8 million and operating loss for FY 12-13 was \$2.3 million.

Liabilities and Assets

At the end of FY 10-11, the District had an outstanding balance of \$48,202,398 on a bank loan. The original bank loan was obtained during FY 06-07 as partial financing for the purchase of the Dublin Gateway property. Since then the original loan was modified six times to increase the line of credit and change the terms of repayment. The latest 2013 modification reduced the District's debt to \$44.9 million.

ETHD makes annual mortgage payments for each its three rental properties. Figure 1-3 depicts the buildings owned by the District, their purchase price, current value, total mortgage, and annual mortgage payments.

Figure 1-3: ETHD Properties

Building	San Leandro Medical Arts Building	Eden Medical Building	Dublin Gateway Building
Purchase date	July 1, 2004	September 1, 2013	June 1, 2007
Purchase/construction price	\$3,170,473	\$7,163,231	\$82,000,000
Current value	\$4,500,000	\$6,500,000	\$45,000,000
Total mortgage	\$2,806,000	\$6,896,397	\$35,214,969
Annual mortgage payment	\$109,752.12	\$209,944.68	\$1,072,814.64

In addition, as a result of the legal dispute between ETHD and Sutter Health, the arbitrator awarded damages to Sutter Health in the amount of \$17,179,860. The District's status as a public entity shields it from any attempts from a third party, including a court of law, from seizing assets or otherwise compelling divestiture to satisfy a claim. Based on legal precedent, ETHD will likely have as long as 12 years to pay off the award. The District expects to continue to pursue its strategic goals, while meeting its obligations to Sutter Health.

At the end of FY 12-13, ETHD's total unrestricted net assets amounted to \$10 million, which constituted about 18 months of operating expenditures.

Financing Efficiencies

ETHD does not participate in any joint financing mechanisms with other agencies.

2. MUNICIPAL SERVICES

HEALTHCARE SERVICES

Service Overview

ETHD was originally formed to finance, construct and operate Eden Hospital. The District owned and operated the hospital until 1986, when it acquired Laurel Grove Hospital and the two hospitals were integrated to create Eden Medical Center (EMC). In 1994, in response to the damage caused by the Northridge earthquake, the legislature passed SB 1953, a seismic safety law that required hospitals to meet stricter seismic safety standards. An estimated retrofit cost of \$200-300 million resulted in ETHD's decision to affiliate with a larger partner to finance the replacement facility.

In 1998, ETHD transferred substantially all of the net operating assets and operations of the hospital to Sutter Health, a California nonprofit corporation. The 11 member board overseeing EMC consisted of the District's five elected board members, five community members appointed by Sutter Health and the Hospital's Chief Executive Officer.

In 2004, ETHD purchased San Leandro Hospital and leased it to Sutter Health. The lease agreement required Sutter Health to replace Eden Medical Center or pay ETHD \$260 million to replace it. In 2006, Sutter Health informed ETHD that the cost of the replacement hospital had exceeded \$400 million and it was no longer justifiable. ETHD and Sutter Health entered lengthy negotiations. Part of the negotiated agreement was the District's agreement to relinquish its place on the EMC board six months after the replacement hospital construction commenced. The replacement hospital would be constructed entirely at Sutter Health's expense, not to exceed \$300 million. Another part of the agreement was that Sutter Health obtained an option to buy San Leandro Hospital.

The construction of the replacement hospital began in July 2009 and the District's board members resigned from the EMC's board in January 2010. In the fall of 2009, Sutter Health exercised its option to purchase San Leandro Hospital. ETHD, fearing that Sutter Health intended to close San Leandro Hospital, did not consent to the transfer of ownership. Sutter Health sued in court, which resulted in trial judgment against ETHD. ETHD appealed and lost in the California Court of Appeals. The District's final attempt to stop the sale of San Leandro Hospital to Sutter Health was its appeal to the Supreme Court of California. The Supreme Court refused to hear the case.

Currently, ETHD does not operate any hospital nor is it affiliated with EMC. The District administers a community grant fund. Grant funds are distributed to nonprofits and government agencies providing healthcare, food, legal service, and other support services to low-income people in the District's service area. Members of the Board carefully evaluate every application and make their grant selections twice annually in open session during

their scheduled Board meeting. In addition, ETHD owns three rental properties that are leased out to doctors and clinics.

Demand for Services

The District distributes grant funds to community organizations for activities related to the health and wellbeing of residents within the District's boundaries. ETHD identifies community needs using information and data from Alameda County and local area hospitals including Eden Medical Center.

ETHD has given grants to over 60 organizations over the last 14 years for a total of more than \$8.6 million to promote the health of the community. Figure 1-4 provides details about grants given in the last three grant cycles.

ALAMEDA LAFCO
EDEN TOWNSHIP HEALTHCARE DISTRICT MUNICIPAL SERVICE REVIEW

Figure 1-4: ETHD Grants Given 2010-2013⁹

1st Half 2010		
Grant Amount	Name	Program/Project Name
\$ 5,000.00	Family Emergency Shelter Coalition	Physical and Emotional Awareness for Children Who Are Homeless Program
\$ 41,000.00	SOS Meals on Wheels	Maximizing Meals on Wheels Delivery to Homebound Seniors
\$ 30,000.00	Tri-City Health Center	Mensajeros (Messengers) Program
\$ 10,000.00	Alzheimer's Services of the East Bay	Dementia Specific Adult Day Health Care
\$ 40,000.00	Cal State East Bay Foundation	Community Focused, Strength Based Interventions for Children & Families Conquering Adversities
\$ 5,000.00	Eden Medical Center Foundation	Women's Breast Health Demonstration Project
\$ 75,000.00	Alameda County WIC Program	Eden Township Area - Healthy Babies for Life
\$ 30,000.00	Emergency Shelter Program	Community Health Outreach and Shelter Services for Women & Children
\$ 30,000.00	Cornerstone, dba Bldg. Futures With Women & Children	Healthcare & Housing for Eden Area Women & Children
\$ 500,000.00	Davis Street Family Resource Center	Campaign to Purchase the Davis Street Family Resource Center Building
\$ 766,000.00	SUBTOTAL	
2nd Half 2010		
Grant Amount	Name	Program/Project Name
\$ 1,000.00	CVHS PTSA Sober Grad Cruise 2010	Sober Grad Cruise 2010
\$ 20,000.00	Magnolia Women's Recovery Program, Inc.	Magnolia Therapeutic Child Care & Clinical Services
\$ 2,500.00	Mammography Screening of Alameda, Inc.	Take Charge with Bodyworks
\$ 25,000.00	La Familia Counseling Service	La Familia Family Resource Center; Family Awareness Advocates
\$ 3,000.00	East Bay Innovations	Oral Health Access Project
\$ 25,000.00	San Leandro Unified School District	The Toolbox Intervention Project
\$ 15,000.00	Eden I & R, Inc.	24-Hour Health & Social Service Telephone Line, Alameda County 2-1-1
\$ 13,000.00	Mercy Brown Bag Program, Inc.	Mercy Brown Bag Program/Hayward Senior Center Site
\$ 10,000.00	East Bay Agency For Children	Child Assault Prevention Training Center: Eden Area Prevention & Mental Health Project
\$ 15,000.00	CALICO Center	Family Support Services for Abused Children
\$ 20,000.00	Greater H.A.R.D. Ashland Community Center	Ashland Community Center
\$ 15,000.00	Girls Incorporated of Alameda County	Bodies in Motion Program
\$ 20,000.00	La Clinica de La Raza, Inc.	Promoting Health & Wellness for San Lorenzo Youth
\$ 25,000.00	Spectrum Community Services, Inc.	Preventing Falls Among Seniors in Eden Area
\$ 25,000.00	Alameda County Deputy Sheriff's Activities League, Inc.	Youth Leadership & Urban Farming Project
\$ 234,500.00	SUBTOTAL	
Year 2012		
Grant Amount	Name	Program/Project Name
\$25,000.00	Davis Street Family Resource Center	Davis Street Family Resource Center Eden Wellness Clinic
\$25,000.00	La Clinica de La Raza, Inc.	San Lorenzo High Health Center: Promoting Healthy Choices Program
\$25,000.00	Tiburcio Vazquez Health Center, Inc.	TVHC Promotores Eligibility and Enrollment Specialists
\$5,000.00	Eden I & R, Inc.	2-1-1 Alameda County Health, Housing and Social Service Phone Line
\$5,000.00	Mercy Brown Bag Program	Mercy Brown Bag Program at Hayward Senior Center Site
\$5,000.00	Cornerstone, dba Building Future with Women & Children	Shelter and Health Services for Eden Women and Children
\$5,000.00	Spectrum Community Services	Increasing Capacity to Prevent Falls in At-Risk Eden Seniors
\$5,000.00	Tri City Health Center	Mensajeros (Messengers) Program
\$1,500,000.00	County of Alameda Healthcare Services Agency	St. Rose Hospital in Hayward
\$ 1,600,000.00	SUBTOTAL	
\$ 2,600,500.00	TOTAL GRANTS GIVEN FOR 2010 THROUGH 2013	
\$8,367,688.00	TOTAL AMOUNT OF GRANTS GIVEN SINCE INCEPTION IN 1998 OF COMMUNITY HEALTH FUND GRANTS PROGRAM	

⁹ The grant program was temporarily suspended in 2011, due to unexpected legal expenses that the District incurred in pursuing the lawsuit to keep San Leandro Hospital open.

As of November 2nd, 2013, occupancy rates in the rental properties were: Dublin Gateway Center—72 percent, San Leandro Medical Arts Center—89 percent, and Eden Medical Building—60 percent. Eden Medical Building's occupancy rate has recently increased as two new leases went into effect on the third floor nearly filling that floor.

Infrastructure and Facilities

The District has three rental properties. The San Leandro Medical Arts Building continues to be occupied by long-term tenants. In FY 09-10 the building was reclassified by Building Owners and Managers Association (BOMA) from a "B" class building to a "C" due to some needed improvements.¹⁰ Rents were reduced accordingly. As of the end of FY 10-11 most of the capital expenditures to improve the building's heating, air conditioning and plumbing systems have been completed. ETHD increased rents as a result.

The temporary building at Lake Chabot Road was recently replaced by the new permanent Eden Medical Building. Eden Medical Building also houses the District's administrative offices.

Much of the Dublin Gateway Center was vacant though ETHD has negotiated a lease for most of the first floor, which will increase the revenue by approximately \$700,000 per year, and another new tenant has signed a lease which will add another \$100,000 in revenues.

The three properties are managed by professional commercial property managers.

Infrastructure Needs or Deficiencies

Most of the major construction in Eden Medical Building and Dublin Gateway Center was recently completed and, as reported by ETHD, there are no current major capital improvement needs. Some of the minor needs include tenant improvements in Eden Medical Building and Dublin Gateway Center, to be paid for by the District.

¹⁰ According to BOMA, Class A office buildings have the "most prestigious buildings competing for premier office users with rents above average for the area." BOMA states that Class A facilities have "high quality standard finishes, state of the art systems, exceptional accessibility and a definite market presence." BOMA describes Class B office buildings as those that compete "for a wide range of users with rents in the average range for the area." BOMA states that Class B buildings have "adequate systems" and finishes that "are fair to good for the area," but that the buildings do not compete with Class A buildings for the same prices. According to BOMA Class C buildings are aimed towards "tenants requiring functional space at rents below the average for the area."

Shared Facilities and Regional Collaboration

ETHD shares its resources through grant funding with many community healthcare organizations and hospitals.

ETHD collaborated with other entities, including Alameda County and Washington Township Healthcare District, to try to keep the St. Rose Hospital from closing.

No opportunities for shared facilities were identified. The District will continue to partner with a number of organizations that address regional needs and issues by providing direct funding to them.

Service Adequacy

This section reviews indicators of service adequacy, including rental properties vacancy rates, percentage of funded projects fully delivered, and effective grant management.¹¹

With occupancy rates of 89, 72 and 60 percent, as previously mentioned in the Demand for Services section, the three rental properties appear to have enough capacity to satisfy demand for medical office leases in the area. Although the regional supply of office space is unknown, because there is still office space available for rent in ETHD's buildings it can be inferred that additional capacity exists to satisfy possible demand for medical space.

ETHD reported that of those projects that the District funded through grants, 100 percent of the projects were completed to the satisfaction of ETHD, based upon the District's assessment of each funded project. This high project completion rate is indicative of adequate grant management practices on the part of ETHD, including:

- 1) internal control systems,
- 2) pre-grant review,
- 3) pre-award process,
- 4) performance management, and
- 5) result assessment and utilization.

¹¹ Refer to Appendix A.

3. GOVERNANCE STRUCTURE OPTIONS

Four government structure options, were identified, and are discussed in this section.

The first option is to maintain status quo, in which case ETHD will continue its independent existence, maintain current boundaries and work on fulfilling its strategic goals outlined in the Strategic Plan.

The option of District dissolution was presented as part of the last MSR. Dissolution would involve LAFCo designating a successor agency to take over and operate or wind up the District's assets—grant endowment fund and rental properties.

The District no longer directly operates a hospital nor does it have any control over EMC through the Board of Directors. However, ETHD still plays indirect roles in healthcare.

- ❖ **Grantmaking:** ETHD distributes grant funds to community organizations for health care related activities that benefit District residents, including school nurses, health clinics, mental health services, meals on wheels, and other programs.
- ❖ **Rental Properties:** ETHD owns three rental properties—Dublin Gateway Center, Eden Medical Building and San Leandro Medical Arts Building, that are leased to doctors and other healthcare providers.

In addition, there is a potential for ETHD to start providing direct services again by buying a hospital or a clinic. ETHD reported that it stood ready to provide needed services directly, if such a need was not already being served well within the District.

A potential advantage to dissolution may also be reduction in direct operating costs and savings related to board stipends and costs of elections.

Because ETHD still supports the provision of healthcare services to its community members dissolution of the agency may not be warranted. Forty one percent of healthcare districts in California do not operate a hospital.¹² Many of them provide grant funding exclusively. Additionally, ETHD states that it would be available to resume providing direct services if an opportunity presents itself. In light of these factors, it seems premature to initiate District dissolution.

¹² Legislative Analyst's Office, *Overview of Healthcare Districts*, 2012, p. 3.

The consolidation of Washington and Eden Township Healthcare Districts was also brought up in the last MSR. These healthcare districts have contiguous boundaries and share some market area in the City of Hayward. Although this option may be possible in the future, neither of the districts is currently interested in or considering consolidation. In addition, the two districts provide different services and integration may not be advantageous to constituents of either district.

Finally, because ETHD owns the Dublin Gateway Center in Dublin, one additional governance option is to include the City of Dublin in the District's boundary. Healthcare providers in Dublin benefit from the availability of rental clinic space, and Dublin residents benefit from having access to healthcare providers in the Dublin Gateway Center. If the Commission believes that the District should annex the City of Dublin, LAFCo may consider adopting a policy encouraging ETHD to annex the City of Dublin.

4. MSR DETERMINATIONS

Growth and Population Projections

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

Location and Characteristics of Any Disadvantaged Unincorporated Communities Within or Contiguous to the Sphere of Influence

- ❖ Based on Census Designated Places, Alameda LAFCo determines that there are no disadvantaged unincorporated communities that meet the basic state-mandated criteria. Alameda LAFCo recognizes, however, that there are communities in the County that experience disparities related to socio-economic, health, and crime issues, but the subject of this review is municipal services such as water, sewer, and fire protection services to which these communities, for the most part, have access.

Present and Planned Capacity of Public Facilities and Adequacy of Public Services, Including Infrastructure Needs and Deficiencies

- ❖ With occupancy rates of 89, 72 and 60 percent in the three ETHD's rental properties, the District appears to have enough capacity to serve the medical office rental demand. Although the regional supply of office space is unknown, because there is still office space available for rent in ETHD's buildings it can be inferred that additional capacity exists to satisfy possible demand for medical space.

- ❖ Due to legal fees, ETHD suspended grant giving in FY 10-11. It did not have enough financial capacity to provide grants to community organizations. Grantmaking resumed in FY 11-12.
- ❖ The ETHD's grant giving services appear to be adequate as it employs effective grant management measures, such as internal control systems, pre-grant review, pre-award process, managing performance, and assessing and using results.
- ❖ Infrastructure needs include minor tenant improvements in Eden Medical Building and Dublin Gateway Center.

Financial Ability of Agency to Provide Services

- ❖ ETHD reported that its financing levels were adequate to deliver services. Although because of the high legal fees the District suffered a large operating loss in FY 10-11, all legal fees are now paid off and ETHD is expecting its expenditures to decrease and revenues to increase due to increase in rents and higher occupancy rates in its rental properties.
- ❖ ETHD does not receive any property tax, special tax, or benefit assessment income. Its main source of revenues is rental income from rental properties.
- ❖ In FY 10-11, ETHD's expenses exceeded revenues by over \$5 million. The operating loss was \$4.4 million. In FY 12-13, the operating loss was \$2.3 million, while overall expenses exceeded revenues by \$3.5 million.
- ❖ At the end of FY 12-13, ETHD's total unrestricted net assets amounted to \$10 million, which constituted about 18 months of operating expenditures. that included salaries and benefits, purchased services, rental property operation and management, grants, and depreciation.
- ❖ Current District's long-term debt amounts to \$35 million. In addition, ETHD owes Sutter Health \$17 million in damages, which are expected to be paid off over the course of 12 years.

Status and Opportunities for Shared Facilities

- ❖ ETHD shares its resources through grant funding with various community and healthcare organizations and hospitals.
- ❖ ETHD collaborated with other healthcare providers to try to keep St. Rose Hospital from closing.
- ❖ No future opportunities for shared facilities were identified.

Accountability for Community Services, Including Governmental Structure and Operational Efficiencies

- ❖ ETHD is governed by a five-member Board of Directors. The Board updates constituents, solicits constituent input, discloses its finances, and posts some of its public documents on its website.
- ❖ Three governance structure options with regards to ETHD were identified: 1) Annexation of City of Dublin by ETHD; 2) Dissolution; and 3) Consolidation with Washington Township HD.
- ❖ ETHD demonstrated accountability in its cooperation with LAFCo's information requests.

5. SPHERE OF INFLUENCE UPDATE

Existing Sphere of Influence Boundary

ETHD's existing SOI is coterminous with its boundary and includes the City of San Leandro, most of the City of Hayward, and some of the unincorporated areas of Castro Valley and San Lorenzo.

SOI Options

Three options were identified with respect to ETHD's SOI.

Option #1 – Include City of Dublin into ETHD SOI

ETHD has rental medical properties in the City of Dublin and already provides services there. Should the Commission want to reflect the District's current service area, inclusion of the City of Dublin into the SOI is appropriate.

Option #2 – Maintain coterminous SOI

Should the Commission wish to continue to reflect the existing District boundary, then a coterminous SOI would be appropriate.

Option #3 – Adopt Zero SOI

If the Commission believes that the agency should be dissolved or consolidated because it does not provide direct healthcare services, adopting a zero SOI is appropriate.

Recommended Sphere of Influence Boundary

While the District no longer owns and operates a hospital, ETHD continues to impact the health status of its residents. It provides grant funding to healthcare organizations that serve District residents. Additionally, the District now leases office space to doctors and clinics that service District residents. The ETHD also indicates that it would be willing to provide direct services again in the future; for example, it would consider purchasing and operating a hospital or clinic. Considering these factors, it is premature to dissolve ETHD.

Retaining a coterminous sphere of influence may not be recommended due to changes in the service area since the last MSR. Since ETHD currently provides services in the City of Dublin and benefits city residents, it is recommended that the Commission consider Option 1 to expand the ETHD SOI to include the City of Dublin.

Proposed Sphere of Influence Determinations

Nature, location, extent, functions, and classes of services provided

- ❖ Eden Township Healthcare District (ETHD) provides grant funding to local healthcare organizations that benefit constituents within the District boundaries. ETHD also owns medical rental properties in San Leandro, Dublin and Castro Valley which it leases to doctors and other healthcare providers.
- ❖ ETHD provides services outside of its boundaries in the City of Dublin through the Dublin Gateway Center.

Present and planned land uses, including agricultural and open-space lands

- ❖ The District has no land use authority. City and County policies support the provision of adequate healthcare for City and County residents. City and County plans include land uses and population growth needing supportive healthcare services.
- ❖ There is substantial agricultural and open space land within the District. Hospital and healthcare services are needed in all areas, and do not, by themselves induce or encourage growth on agricultural or open space lands.
- ❖ Services are already being provided so growth inducement is not a factor. No Williamson Act contracts will be affected.

Present and probable need for public facilities and services

- ❖ As indicated by demand for ETHD's grant funding services and rental properties, there is a present and anticipated continued need for the services offered by ETHD.

Present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide

- ❖ ETHD is not a direct provider of health care services. The District funds healthcare services through grants and provides office space to healthcare providers and clinics through rental agreements.
- ❖ Rental properties appear to have sufficient capacity to satisfy community need. Although the regional supply of office space is unknown, because there is still office space available for rent in ETHD's buildings it can be inferred that additional capacity exists to satisfy possible additional demand for medical space.
- ❖ ETHD engages in effective grant management based on its use of adequate grant management practices, such as internal control systems, pre-grant review, pre-award process, performance management and result assessment. Of those projects

that the District funded through grants, 100 percent of the projects were completed to the satisfaction of ETHD.

Existence of any social or economic communities of interest

- ❖ ETHD primarily serves constituents in central Alameda County. Communities of interest include healthcare agencies that receive grants, healthcare providers who rent medical offices, and patients and clients who are served in these medical offices and through grantmaking.

APPENDIX A

BEST MANAGEMENT PRACTICES FOR GRANT GIVERS

Internal Control Systems

1. Prepare department-wide policies and make available on the internet:
Having regulations and internal operating procedures in place prior to awarding grants enables agencies to set clear expectations. Policies serve as guidelines for ensuring that new grant programs include provisions for holding awarding organizations and grantees accountable for properly using funds and achieving agreed-upon results. Although different programs may need different procedures, general policies should be established that all programs must follow.
Both large and small agencies and foundations have found that establishing department-wide policies and procedures on an internet site is beneficial.
The website also provides applicants with one location for finding detailed information about funding opportunities, applications, forms, submission dates, awarded grants, and grant policies.
2. Providing grant management training to staff and grantees:
Agencies are responsible for ensuring that staff is properly trained to fulfill grant requirements. It is essential that grantees also receive training, particularly small entities not familiar with all of the regulations and policies.
3. Working with grantees to develop performance measures:
It is imperative that grantors and grantees determine how best to measure performance to meet all parties' needs. If there are no common measures, each grantee may establish its own individual program goals and measures. By working with grantees, the agency can encourage the creation and maintenance of a learning environment.

Pre-Grant Review

1. Assess the managerial competence and fiscal accountability of the prospective grantee:
 - ❖ Are the grantee institution and project director(s) capable of carrying out the work described in the proposal?
 - ❖ Are systems in place to ensure that grant funds will be managed within the terms and conditions of the grant agreement?
 - ❖ Is the organization functioning without the threat of liquidation in the foreseeable future with an established governance structure and good management systems, financial systems and staff? Organizations that are not well established may be seen as too risky. Alternatively, agencies may provide grants to these organizations with the explicit goal of assisting them to become established.
 - ❖ Is there evidence of mismanagement or fraud and abuse in the organization's recent history?
 - ❖ Is the organization's legal status current?
2. Review the proposal and budget for internal consistency and for compliance with agency's policies:
 - ❖ Is the proposed budget appropriate and sufficient for carrying out the project?
 - ❖ Does the plan need to be adjusted to reflect effort or materials necessary to carry out tasks?

- ❖ Is sufficient justification provided for the budget line items, and does it support the work plan laid out in the proposal?
 - ❖ Are cost assumptions in accordance with the agency's policies?
 - ❖ Does the budget include overhead/indirect cost? If so, could the organization find another source for this cost?
3. Encourage outside reviews of the proposed activity:
- ❖ When appropriate, obtain reviews of the proposed activity by outside experts or other donors in the field. These reviews can evaluate the rationale for the request, the appropriateness of the approach, the soundness of the methodology, the suitability of the budget or of the proposed grant recipient, and project leadership.
 - ❖ Has the grantee organization or project director substantially been in compliance with the requirements and conditions of its previous or currently active grants? Or are there indicators for concern, such as consistently and unreasonably late or inaccurate narrative reports; extremely late, questionable or inaccurate financial reports; or a failure to obtain approvals required by the existing grant agreements?

Pre-award Process

1. Preparing work plans to provide framework for grant accountability:
The work plan serves as a written record of what the grantee will do with funds. Through the work plan, the awarding agency and grantee ensure a clear understanding of the intended purpose and results for the grant funds. Agencies need to take specific actions to obtain information from applicants and evaluate the information when preparing the grant award.
2. Including clear terms and conditions in grant award documents:
The terms, conditions, and provisions in the award agreement, if well designed, can render all parties more accountable for the award. When award documents are not well written, they can impact an agency's ability to ensure funds are used as intended.

Managing performance

1. Monitoring the financial status of grants:
The timely receipt of financial records and reports from grantees is necessary for agencies to effectively monitor the financial status of grants. Ineffective grant monitoring increases the risk of improper payments and untimely grant expenditures. It may also result in the misuse or waste of funds. One way agencies have addressed this issue is by developing systems that make information on the financial status of grants readily available to staff. Also, agencies have addressed the issue through on-site reviews.
2. Ensuring results through performance monitoring:
Monitoring grantee performance helps ensure that grant goals are reached and required deliverables completed. In addition, monitoring performance can address potential problems early in the grant period and keep grantees on course toward goals. A grants management system and site visits allow agencies to effectively monitor grants by providing timely and accessible information on grant performance and deliverables. Given the limited resources and the number of grants awarded, it is important that agencies identify, prioritize, and manage potential at-risk recipients. Some agencies monitor grants through telephone monitoring or regular status reports and end-of-the-project reports.
3. Using audits to provide valuable information about grantees:

Agencies can use internal and external audits of grantees to identify problems with grantee financial management and program operations. Awareness of problems allows grant officials to implement additional controls to effectively monitor a grantee's use of funds and activities.

4. Monitoring sub-recipients:

Grantees may further distribute funds to other organizations, known as sub-recipients. Sub-recipients, many of which are small organizations, often lack experience and training in grants management. It is important that recipients identify, prioritize, and manage potential at-risk sub-recipients to ensure that grant goals are reached and resources properly used.

Assessing and Using results

1. Providing evidence of program success:

Measuring the results of a program can provide evidence of its successful performance against goals and objectives. Program results information is important for making budgetary and programmatic decisions. Program managers can use program results information to defend their programs against budgetary challenges and make decisions on resource allocation. One challenge in obtaining information on results is that results can take time to develop and cannot be measured during a grant's life. A second challenge is that agencies may not have direct access to information on program results, and will need to obtain that information through grantees that may lack data collection skills.

2. Identifying ways to improve program performance:

Evaluation results can reveal approaches that help to achieve program goals and objectives, as well as illustrate ineffective approaches. Also, evaluations can help clarify which effects are attributable to a program, identify reasons for success or failure, and recommend changes that can help a program achieve its goals and objectives.

ALAMEDA LOCAL AGENCY FORMATION COMMISSION
RESOLUTION NO. 2013-14

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

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

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

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

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

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

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

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

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

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

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

1. Adopt the following MSR determinations:

a. Growth and Population Projections

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

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

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

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

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

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

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

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

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

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

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

* * * * *

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

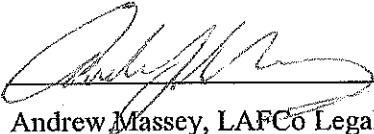
Ayes: 7 (Commissioners Miley, Wieskamp, Haggerty, Johnson, Marchand, Thorne, Sblendorio)
Noes: 0
Excused: 0

/Sblend Sblendorio/

Sblend Sblendorio, Chair, Alameda LAFCo

Approved as to Form:

By:



Andrew Massey, LAFCo Legal Counsel

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

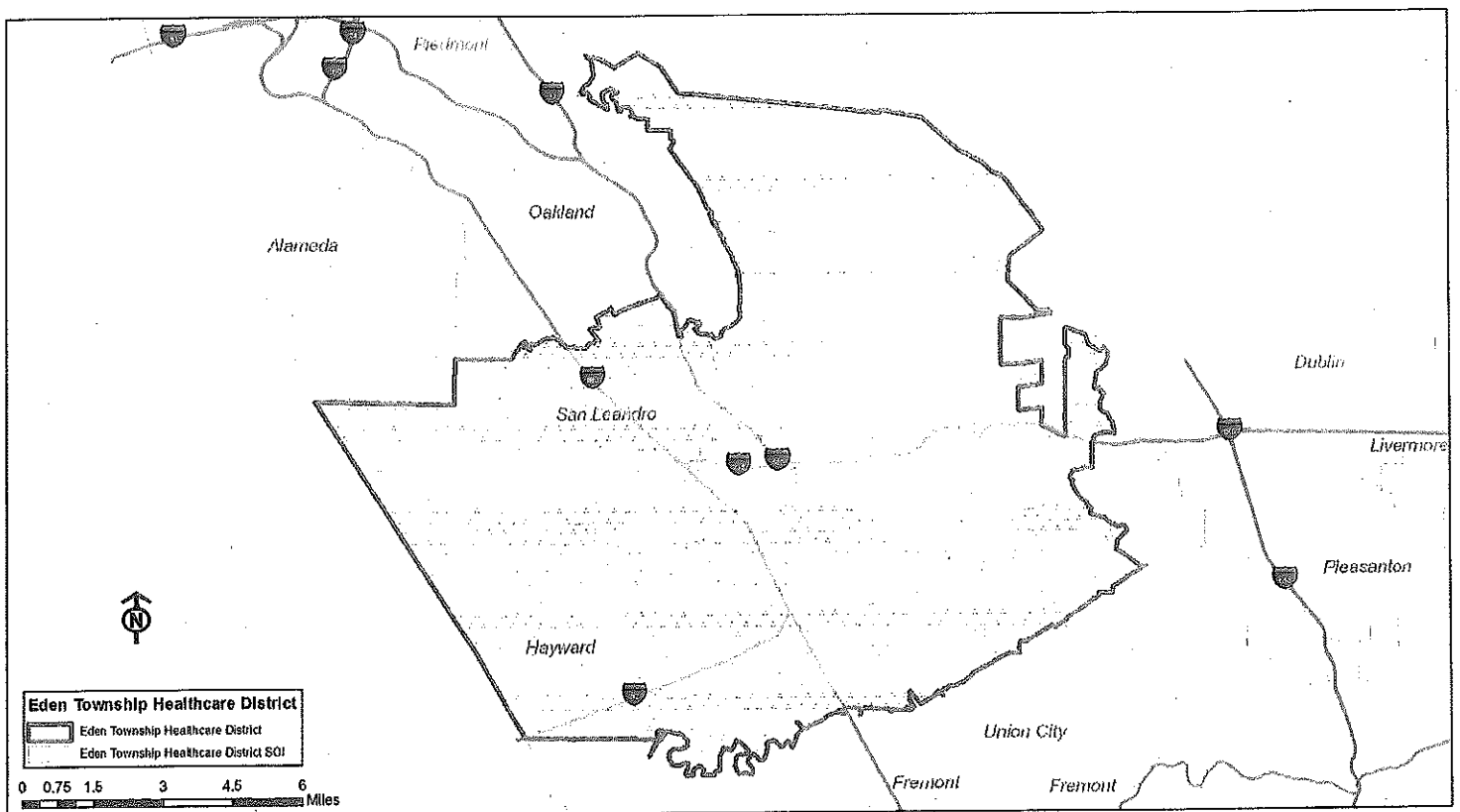
Attest:


Mona Palacios, LAFCo Executive Officer

Date:

12/4/2013

Eden Township Healthcare District and Provisional SOI November 2013



Eden Township Healthcare District
 Eden Township Healthcare District
 Eden Township Healthcare District SOI

0 0.75 1.5 3 4.5 6 Miles

*Agency sphere equals the service area boundary

Created for Alameda LAFCo by the Alameda County Community Development Agency

ALAMEDA LOCAL AGENCY FORMATION COMMISSION
RESOLUTION NO. 2014-07

Updating the Sphere of Influence for the Eden Township Healthcare District

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

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

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

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

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

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

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

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

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

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

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

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

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

* * * * *

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

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

/Sblend Sblendorio/

Sblend Sblendorio, Chair, Alameda LAFCo


Approved as to Form:

By:


Andrew Massey, LAFCo Legal Counsel

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

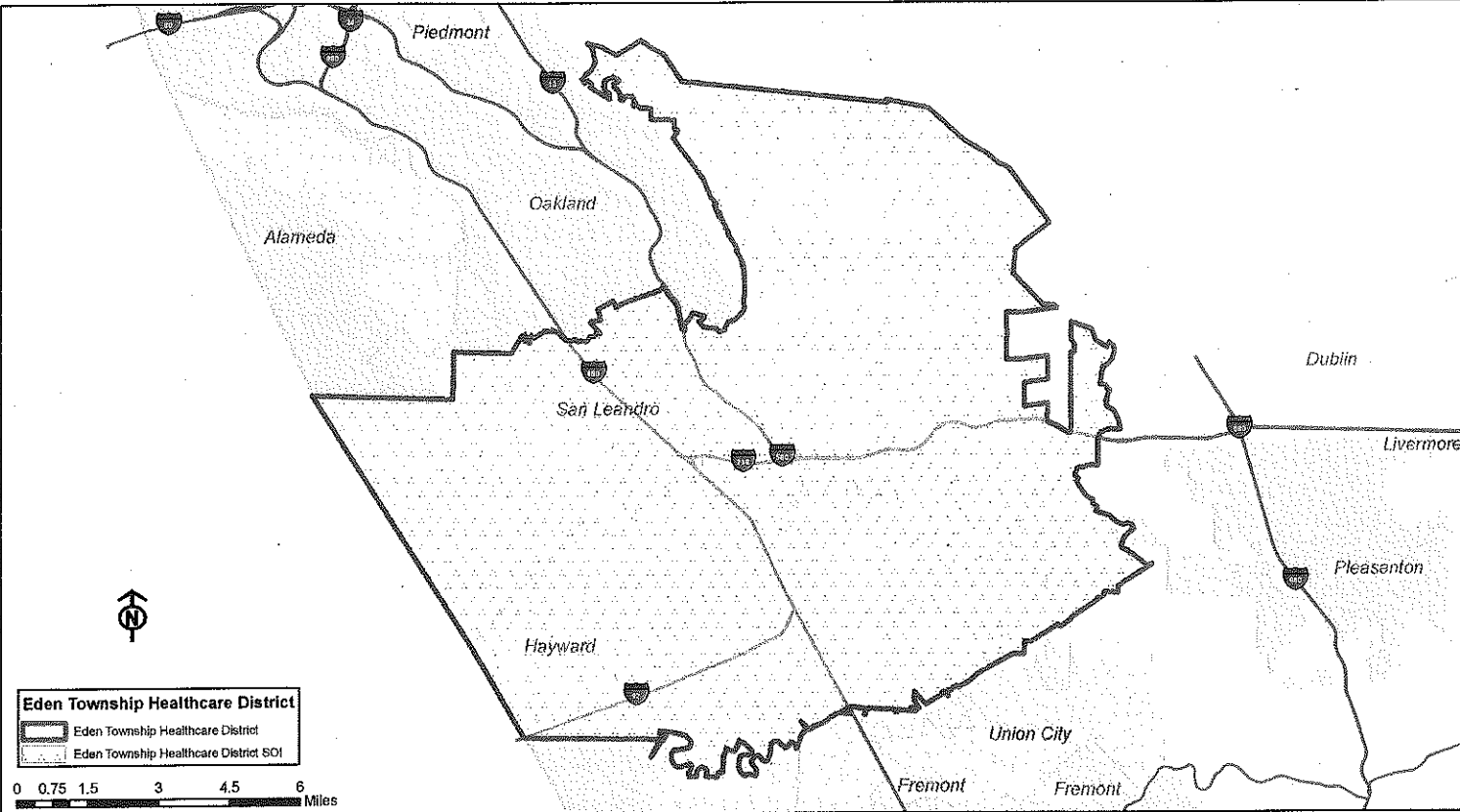
Attest:


Mona Palacios, LAFCo Executive Officer

Date:

11/21/2014

Eden Township Healthcare District and SOI November 2014



*Agency sphere equals the service area boundary

SUMMARY ACTION MINUTES
ALAMEDA LOCAL AGENCY FORMATION COMMISSION
REGULAR MEETING

November 14, 2013

1. Call to Order and Pledge of Allegiance

Chair Sblendorio called the meeting to order at 4:30 p.m. The Pledge of Allegiance was recited.

2. Roll Call.

Roll was called. A quorum was present of the following commissioners:

City Members: Tim Sbranti, John Marchand and alternate Jerry Thorne

County Members: Nate Miley and Scott Haggerty (arrived 4:35 during item 5)

Special District Members: Ayn Wieskamp, Ralph Johnson and alternate Georgean Vonheeder-Leopold

Public Members: Sblend Sblendorio and alternate Tom Pico

Not Present: Wilma Chan, alternate County Member

Staff present: Mona Palacios, Executive Officer; Andrew Massey, Legal Counsel; Ineda Adesanya, LAFCo Planner; and Sandy Hou, Clerk

3. Public Comment

Chair Sblendorio invited members in the audience to address the Commission on any matter not listed on the agenda and within the jurisdiction of the Commission.

Mimi Steel addressed the Commission regarding three observations/requests that she had made at the September 12th meeting that she felt had not been adequately addressed: (1) more widely noticing property owners; (2) a map more clearly delineating the areas in the County being considered for priority conservation areas and what properties are affected; (3) an answer to her question directed to East Bay Regional Park District of how much open space is enough. She further asked what percentage of the total land mass in the County is reserved for open space and suggested that a conversation should be had regarding the implications of open space preservation on the availability of affordable housing.

4. Approval/Correction of Minutes

Upon motion by Commissioner Wieskamp and second by Commissioner Sbranti, the minutes of the regular meeting on September 12, 2013 were approved.

5. Union Sanitary District St. Joseph's Property Annexation, U-291

Staff provided a summary of the written report. Upon motion by Commissioner Miley and second by Commissioner Wieskamp the Commission unanimously approved the annexation in accord with Option 1 of the staff report.

6. **Sphere of Influence (SOI) Update/Municipal Service Review (MSR) – Fairview Fire Protection District (FFPD) and Eden Township Healthcare District (ETHD)**

The Commission agreed with Chair Sblendorio's recommendation to consider this item in two parts, beginning with Fairview Fire Protection District. Staff provided introductory remarks regarding this item, including a brief explanation of the consultant selection process used by LAFCo for the SOI/MSR project.

FAIRVIEW FIRE PROTECTION DISTRICT

Staff provided a summary of the written report, noting that in addition to the zero SOI & dissolution of the District being recommended by the consultant, staff had identified a conditional coterminous SOI option for the Commission to consider and explained the conditions were being suggested to encourage the District to be more transparent and accountable to its constituents by providing evidence to the Commission that the District is actively reviewing its goals and objectives, evaluating its performance, and communicating this information to its constituents. This should be a public process that includes identifying and addressing any constituent concerns. If the District does not have written goals and objectives, the condition would be that the District would provide a timetable and work plan to identify goals and objectives through a public process by June 30, 2014. If the District does not meet the conditions imposed by LAFCo then the commission could revisit the SOI designation and consider assigning a zero SOI.

Commissioner Miley expressed appreciation to staff for her attendance at various community meetings to answer questions and address residents' concerns regarding the draft report and recommendations regarding the District. In response to his question regarding what it would look like if the District became a subsidiary District to the City of Hayward, staff explained that it would be similar to a department within the City, with the city council serving as the governing board. Staff pointed out that two additional comments had been received on the draft MSR report after the writing of the staff report, and that copies of those comments had been passed out to the Commissioners at this meeting.

Public Comment

Chair Sblendorio invited members of the public to offer comments on this item. The following people addressed the Commission:

- Dale Silva, President of the Hayward Hills Homeowners Association, inquired if the date of June 30, 2014 in item 2.a. of the draft resolution was a typo and should, in fact, be June 30, 2015. Staff clarified why June 30, 2014 was correct. Mr. Silva urged the Commission to adopt Staff's recommendation of a conditional coterminous SOI. He thanked staff for attending the homeowner meetings and listening to their concerns and for responding to emails and phone calls directly. He expressed that the District provides important services and noted that it should do a better job of communicating about the good things it is doing.
- Dennis Gould spoke in support of Staff's recommendation. He thanked Staff for listening to the residents' concerns. He provided historical background from when he served on the District board and the efforts then to develop an effective hillside fire prevention plan and the need for the District to return to the task of increasing fire safety awareness. He also addressed the issue of

the ownership of Fire Station No. 8, insisting that if the District had adhered to the County's requirements for obtaining the deed to the firehouse, it would have gone bankrupt.

- Charles Snipes, President of FFPD, stated the District was strongly opposed to the consultant's recommendation, but supported the recommendation of LAFCo Staff. He expressed agreement with Mr. Gould's statements regarding the deed to the firehouse.
- Chris Higgins, Fairview resident, spoke in support of the good work the District is doing. He expressed disagreement with and even offense at the suggestion in the consultant's report that money could be saved by not having elections. He praised LAFCo Staff for her responsiveness and attendance at community meetings.
- Bob Zapatosky, Fairview resident, spoke in support of Staff's recommendation. He expressed disagreement with many of the Consultant's comments about savings to be gained if the District were dissolved, and noted that there is a presumption that outsourcing services makes the District ineffective or inefficient, which is not the case with FFPD. He added that there are many examples of government outsourcing successfully. He thanked Staff for her thorough work and for coming up with a very good recommendation.
- Hal Bancroft, Fairview resident, reading from a letter that he had written, spoke in support of the District, which he praised as being locally controlled and well managed. In response to his inquiry into why his letter had not been included with the staff report on this agenda item, Staff explained that LAFCo had never received his letter. He provided Staff with a copy of the letter following his remarks. He also thanked Staff for attending the community meetings.
- Jack Wan, newer Fairview resident, stated his support for Staff's recommendation to continue the District. He expressed concern that annexation of the District into the City of Hayward (identified as an option by the Consultant) might possibly lead to annexation of the Fairview area itself into Hayward, which he would definitely not agree with.
- James Jardine, Fairview resident, noted that he had served as a volunteer fireman for the District in the past and spoke in support of the District, which he praised as being well run and a very important asset to the Fairview community.
- Audie Bock, Board member of FFPD, thanked LAFCo Staff for the detailed report and noted that, as the newest board member, the report was helpful to her to focus attention on what the Board presently needs to be doing for its constituents. She indicated her intent to help the District work more closely and effectively with the Hayward Fire Department in order to meet the goals identified by LAFCo.

Chair Sblendorio closed the public hearing.

Commissioner Miley noted that staff from the City of Hayward was present and asked if she might like to offer some comments.

Chair Sblendorio reopened the public hearing.

- Kelly McAdoo, Assistant City Manager of the City of Hayward, stated that the Hayward City Council had not taken an official position on the MSR/SOI for the District, and that per the

current contract with the District, the Hayward Fire Department would continue to provide fire protection services to the District as it has been doing for many years now.

Chair Sblendorio again closed the public hearing.

Commission Discussion

Following is a summary of comments from the Commission:

Commissioner Miley stated that he appreciated acknowledgements of LAFCo Staff's efforts by many of the speakers. He made note that although he represents residents of Fairview as a County Supervisor, as a LAFCo Commissioner he must consider the opinions of all residents throughout the County, and therefore have an unbiased viewpoint. He noted that these reviews of special districts (as well as of cities) were being done in accordance with State law – that the Commission was *required* to do them. He explained that through the process of conducting many meetings with the community and with the County and City of Hayward fire department staff and through his discussion with LAFCo Staff, he came to see that improvements needed to be made in the governance of the District, in its interactions with the community. He also noted that there was not unanimity of support for the District from all residents served by the District and that he had even heard criticism describing the District as being dysfunctional. He commented on the matter of contracting out for services, noting that in this case, the contract goes not to a private company, but to another government agency. Regarding the issue of ownership of Fire Station No. 8, he indicated that what was important to the County was more if the "spirit" of the conditions had been met and that he understood that an official document about the matter would be forthcoming from the District to the County and to LAFCo.

Commissioner Wieskamp commented how refreshing it was to see a group of people being so positive about what is happening in their neighborhood. She thanked the Fairview residents for their attendance at the meeting, for their comments, and wished them well in accomplishing the goals. She also expressed appreciation to LAFCo Staff and to Commissioner Miley for his involvement, as well as to the FFPD Board members in attendance.

Commissioner Pico also expressed appreciation for Staff's comprehensive report and suggested since, in his opinion, the District is well run, that LAFCo not require the District to come back in six months. Commissioner Miley disagreed with that, stating that he believed Staff's recommendation could serve as an incentive for the District to improve in its communication with the residents.

Commissioner Sbranti agreed with Commissioner Miley. Also, he observed that an independent Consultant's job is to provide an unbiased, independent analysis...that is how it is supposed to work. Because of the process, issues have surfaced that need addressing. He said he supported Staff's recommendation.

Commissioner Miley noted that both the Five Canyons Homeowners Association and Castro Valley Municipal Advisory Council, whose residents are served by the FFPD, voted to support the consultant's recommendation of assigning a zero SOI.

Commissioner Haggerty recounted that at his first LAFCo meeting 16 years ago, there was discussion about consolidating the Fairview Fire Protection District, and that it has continued to come up over the years. He hoped it could stop coming up. He said that he personally has never heard complaints about the District. He commented that he believed that Staff's recommendation is heading in the right direction, and that it was great to see the community fully engaged.

Commissioner Marchand also expressed support for Staff's recommendation and commended the community for its engagement. He noted that the conditional SOI would encourage the District to be more attentive and responsive to the Community.

Commissioner Johnson said he also supports Staff's recommendation. He wondered if Commissioner Miley's reference to a "strategic plan" for the District was the same as "goals and objectives" stated in the Staff report. Staff responded that they were the same.

Chair Sblendorio gave concluding remarks, indicating his support also for Staff's recommendation. He observed that the Commission was doing what LAFCo is supposed to do...promote good government. The conditional SOI will require the FFPD to develop a plan that will lead to better government. He also thanked the public for attending and offering comments.

MOTION

Upon motion by Commissioner Miley and second by Commissioner Haggerty, the commission unanimously approved adoption of the Fairview Fire Protection District MSR and SOI determinations and the provisional coterminous SOI option with conditions as recommended by Staff in the report.

EDEN TOWNSHIP HEALTHCARE DISTRICT

Staff provided a summary of points from the written report, noting significant changes for the District since the last MSR in 2004, namely:

- The District no longer has a role in the governance of the Eden Medical Center and no longer owns the San Leandro Hospital. It still engages in grant making activities that fund health care services that benefit District residents, such as funding for school based health centers, school nurses, and mental health services.
- The District now owns and leases medical office buildings in Castro Valley, San Leandro and Dublin, which is the primary source of the District's income (the District does not receive any property tax income).
- The District has been in litigation since 2009 related to the status of San Leandro Hospital. In June 2013 an arbitrator awarded Sutter Health \$17 million in damages from the District over the San Leandro Hospital dispute. The District is developing a payment plan.

Staff noted that the only comments received on this MSR were from the District staff. She pointed out that the project consultant and LAFCo staff had different recommendations for the sphere of influence (SOI) update for the District. The consultant was recommending that the District's SOI be expanded to include the city of Dublin because the District now owns medical office buildings there that it leases to doctors and medical clinics that provide benefit to residents of Dublin. LAFCo staff believes that it is premature to consider expanding the District's SOI because, according to the District's recently adopted strategic plan, they are continuing to monitor whether to retain the Dublin property or not. LAFCo staff, therefore, recommends that the commission consider adopting a provisional coterminous SOI with a condition requiring the District to report back to LAFCo by June 30, 2014 on progress made implementing the District's strategic plan.

Commission Comments/Questions

In response to Commissioner Sbranti's question as to which of the four SOI options identified by the consultant she would recommend, Staff explained that she was recommending approval of a

provisional SOI with conditions rather than any of the consultant's recommended options to allow the Commission to revisit the matter once the conditions have been met.

Commissioner Miley asked about the various governance structure options that were listed in the MSR. He wondered why not just dissolve the District since it was not providing direct medical services and asked why consolidation with Washington Township Healthcare District (WTHD) was identified as an option. Staff responded that although the ETHD does not provide direct health care it still serves district residents by funding direct healthcare service providers within the district boundaries. The option to consolidate with WTHD was suggested because the two districts are geographically located next to each other.

Commissioner Miley further wondered how the commission could be confident that the District would continue to fund grants, given the District's current long term financial obligations due to the lawsuit and he noted that there were no grants awarded in 2011. Staff responded that a current statewide trend among healthcare districts which no longer operate hospitals is to provide services through grant funding or operating health clinics. The District has a process – a competitive grant application process and the grantees are required to give status reports. There was a hiatus in grant giving in 2011 because the District was embroiled in litigation that year and did not feel comfortable giving grants during that time.

Commissioner Haggerty inquired if Staff had spoken to Washington Township Healthcare District (regarding the option of consolidation). Staff responded that she had not.

Commissioner Marchand pointed out a discrepancy in the amount given in the report for the District's long-term debt, listed on page 10 as \$44.9 million (also figure 1-3 page 11) and \$35 million on page 20 (4th bullet point from bottom of the page). Staff explained that \$44.9 million was correct - that the \$35 million number had not been updated, but would be on the final report.

To a question from Commissioner Sbranti, Staff confirmed that if the City of Dublin was annexed into the District, then, yes, residents of Dublin would be allowed to vote for the Board members of the District.

Public Comment

Chair Sblendorio opened the public hearing. The following people addressed the Commission.

- Ronald Hull, Board of Directors, Eden Township Healthcare District, provided some historical background of the District that illustrated that the District, since its founding in 1948, has had a long history of providing services besides acute care hospital services. He pointed out that 40% of healthcare districts in California do not currently operate an acute care hospital. He explained that in 2011 when the District did not fund grants, they were not simply ignoring the health-related needs of the District's residents, but were busy making sure that San Leandro Hospital would remain open. He observed that healthcare delivery is in a state of flux today and that the District is making efforts to educate the public about changes in healthcare law, most recently through conducting a community forum in addition to providing written material and information on their website. He stated that the District supports maintaining the current SOI and that he would be happy to come back in the middle of next year to provide a status update on the District's strategic plan.

In response to an inquiry from Commissioner Miley, Mr. Hull indicated that, although it depends on how the settlement of the lawsuit turns out, the District will help out with, to the best of its ability, stabilizing San Leandro Hospital and St. Rose Hospital, a small independent hospital in Hayward.

Commissioner Johnson asked about the seismic safety condition of each hospital. Mr. Hull responded that San Leandro hospital, constructed in the early 1980s should be ok until 2030 and that St. Rose, constructed in 1960, meets requirements for the foreseeable future.

- Chris Higgins, Fairview resident, referred to the District as ineffective, ineptly managed and bankrupt. He recommended dissolution of the District, suggesting that the County's health care system could take over the District's assets and provide better services.
- Dev Mahadevan, General Manager of ETHD, spoke on the current financial status of the District. He noted that the District's budget is posted on its website and asserted that the District is not bankrupt – it is not insolvent, it pays its bills. He expressed doubts that another agency could take over the District and run it more efficiently. He clarified for Commissioner Miley that the District has \$44 million in debts and \$100 million in assets. Referring to protection given under Chapter 9 bankruptcy law, he noted that the District cannot be forced to immediately sell its assets to pay the \$17 million awarded to Sutter Health. The District has developed a plan to pay off the award over 12 years. He emphasized that the recipients of the District's grants must provide status reports to the District and that he does site visits. The District is considering getting involved in mental health services. The District has \$10 million in reserve. They currently have offers for purchase on the Dublin Gateway building. He concluded his remarks by indicating that the District supports LAFCo Staff's recommendation that the Commission adopt a provisional coterminous SOI for the District with the condition that the District report back to LAFCo by June 30, 2014 on progress made on the District's strategic plan priorities and related action plan as adopted by the District Board of Directors on May 15, 2013.

Mr. Mahadevan responded to Commissioner Miley's questions that the District has three employees and \$100 million in assets. He responded to Commissioner Miley's concern regarding the District's ability to continue to fund health-related services due to the litigation. He noted that one identified option was to sell the Dublin Gateway Center, which currently they have an offer of \$60 million for. In response to Commissioner Miley's concern that San Leandro and St Rose Hospitals are teetering, Mr. Mahadevan noted the financial support the District has provided and will continue to provide to those hospitals

Chair Sblendorio closed the public hearing.

Commission Discussion

In response to an inquiry from Commissioner Sbranti, Staff clarified that, although Staff's recommendation was six months, the Commission could request that the District report back sooner or later than that.

Commissioner Sblendorio noted that there was a great need for health services in the community and that the District was a great resource for those services; however it was unclear to him whether the District should function as a government entity or as a charitable or for-profit organization. He recommended the District report back in six months. Commissioner Wieskamp noted that tremendous changes were currently occurring in health care and agreed that the District should report back in six

months. Commissioner Sbranti voiced his concerns that a public (or quasi-public) agency was distributing grants that residents of Dublin do not get to benefit from. He likewise recommended the District report back to the Commission in six months.

MOTION

Upon motion by Commissioner Miley and second by Commissioner Haggerty, the Commission unanimously approved the adoption of the Eden Township Healthcare District MSR and SOI determinations and the provisional coterminous SOI option with the condition as recommended by Staff in the report of requiring the District to report back to LAFCo by June 30, 2014 on progress made on implementing the District's strategic plan priorities and related action plan as adopted by the District Board of Directors on May 15, 2013.

7. Overview of Plan Bay Area

Commissioners Haggerty, Thorne and Wieskamp excused themselves from the meeting prior to Staff's remarks.

Staff highlighted points from the written report, noting that Plan Bay area was adopted by the Metropolitan Transportation Commission (MTC) and the Association of Bay Area Governments (ABAG) in July of this year as a result of SB 375, legislation that was passed in 2008 requiring metropolitan planning organizations to create Sustainable Communities Strategies geared towards reducing greenhouse gas emissions in California from cars and light trucks.

Staff noted that at its last meeting, the Commission had requested Staff to provide a brief overview of the Plan Bay Area and identify potential intersections with LAFCo's purposes and activities. Following a summary explanation of the main points of the Plan, Staff suggested that Municipal Service Reviews (MSRs) could be coordinated with Plan Bay Area to provide information regarding the region's availability and adequacy of municipal services needed to support the Plan Bay Area's proposed development pattern. There may be opportunities to more closely align the Plan Bay Area with LAFCo's MSRs, Sphere of Influence updates, and efforts to discourage urban sprawl and preserve agriculture and open space.

Staff noted that she and the other Bay Area LAFCo staff had been in conversation over the past few years about how LAFCo might participate more fully in the process.

Commission Discussion

Chair Sblendorio noted that someone from the public wished to speak on this item and invited her to address the Commission.

Mimi Steel, resident of Castro Valley, member of Citizen's Alliance for Property Rights, spoke in disfavor of the Plan, asserting that lots of people objected to the Plan. She indicated that she wanted to see a map showing the location of Priority Conservation Areas (PCAs) and what private properties are located around those areas, and for landowners to be notified of what's happening in their areas. She urged LAFCo to not just rely on MTC and ABAG for information regarding the Plan.

Commissioner Johnson made mention of the Plan's intent to have 5-year updates. Ms. Steel responded that the thought has been expressed that that will not happen in reality. She referred to an event (named the Great Debate) that occurred in Marin County that featured two speakers in support of the Plan and two in opposition. One of the transportation experts who spoke against the plan

explained why in reality the 5-year revisits would not actually happen – too many stakeholders who stand to gain from implementation of the plan, such as builders, financiers, and non-governmental agencies.

Commissioner Pico expressed his belief that LAFCo definitely does have a role to serve regarding Plan Bay Area. He noted that LAFCo is responsible for ensuring efficient provision of services, encouraging orderly formation and development of cities. He said that he believes quite strongly that if LAFCo does a series of studies looking at an overall aspect (rather than district by district) of infrastructure services such as water and wastewater, the Commission will find that Plan Bay Area will not work in Alameda County, at least not in the eastern part of the County, and possibly not in the County as a whole. He emphasized that the Commission has a responsibility to voice its concerns with the Plan. He suggested that LAFCo send a strongly worded letter to MTC and ABAG about the Commission's serious concerns that they were left out of the planning and that the Commission believes the Plan contains serious flaws. He noted that the cities of Pleasanton, Dublin and Livermore and the County also, all have concerns about the Plan. He stated that if the Plan does carry through with the 5-year updates, and if the Commission has done its studies, then it will be in a position to have an influence on the next updates of the Plan.

Chair Sblendorio voiced his agreement with Commissioner Pico's recommendation to send a letter, but said he first wants to know how other Bay Area LAFCOs feel about the Plan and if they would be agreeable to sending a regional letter, as that might have more impact than a letter from Alameda LAFCo alone. Regarding the suggestion to conduct studies, he wasn't sure how to proceed with that, as conducting studies costs money.

Commissioner Pico offered that he believed the most serious infrastructure concern expressed by the cities towards the future seems to be regarding wastewater.

Commissioner Marchand shared that he had concerns several years ago at a meeting in Fremont regarding sustainable communities' strategies that did not include discussion about funding for wastewater, police, fire protection, schools. He also expressed concern that two cities in the County designated as Priority Development Areas (PDA) - namely Berkeley and Oakland - would receive over 90% of transportation dollar funds.

Commissioner Sbranti, noting that most of the cities had sent individual letters of concern, voiced agreement with sending a letter. He stated that Dublin will not be able to comply with the housing requirements of Plan Bay Area.

Staff indicated that her colleagues in the other Bay Area LAFCOs would be very interested in hearing about the outcome of the Commission's discussion today, that she would inform them of the Alameda LAFCo's intent to send a letter and request that they consider having their commissions discuss the Plan and see if they agree to a regional response.

Commissioner Sblendorio expressed concerns about funding for new schools that would be required by implementation of the Plan.

Staff responded to Commissioner Miley's inquiry about LAFCo involvement in regional planning efforts in other counties by noting that San Luis Obispo LAFCo and Butte LAFCo both work closely with their regional planning organizations.

Next Steps:

Chair Sblendorio requested Staff to prepare a draft letter to ABAG and MTC containing the Commission's concerns with the Plan Bay Area (capturing the points mentioned by Commissioner Pico) to share with other Bay Area LAFCos to see if they would be interested in participating in a regional LAFCo response.

Commissioner Sblendorio also requested LAFCo Counsel to review the four lawsuits against the Plan to see if they involve infrastructure issues and report back to the Commission.

8. **Matters Initiated by Members of the Commission** – There were none
9. **Informational Items** – Discussion, if any, or further info is noted after the item.
 - a. **Application update**
 - b. **Legislative update**
 - c. **Newspaper articles**
 - d. **Agriculture and Open Space Land Preservation Policy Review Status – oral update**
Staff will provide update at a future meeting.
11. **Adjournment of Regular Meeting**
The meeting was adjourned at 6:50 p.m.
12. **Next Meeting of the Commission**
Thursday, January 9, 2014 at 4:30 p.m.

Respectfully submitted,

Sandy Hou, LAFCo Clerk

These minutes were approved by the Commission on January 9, 2014.

Attest:

Mona Palacios, LAFCo Executive Officer

SUMMARY ACTION MINUTES
ALAMEDA LOCAL AGENCY FORMATION COMMISSION
REGULAR MEETING

November 13, 2014

Meeting location: Dublin San Ramon Services District Board Room, 7051 Dublin Blvd, Dublin, CA

1. Call to Order and Pledge of Allegiance

Chair Sblendorio called the meeting to order at 4:31 p.m. The Pledge of Allegiance was recited.

2. Roll Call.

Roll was called. A quorum was present of the following commissioners:

County Members: Nate Miley (arrived 4:55 item 6) and Scott Haggerty (arrived 5:13 item 6)

City Members: John Marchand and Tim Sbranti

Special District Members: Ayn Wieskamp, Ralph Johnson and alternate Georgean Vonheeder-Leopold

Public Members: Sblend Sblendorio, alternate Tom Pico

Not Present: Wilma Chan, alternate County Member and Jerry Thorne, Alternate City Member

Staff present: Mona Palacios, Executive Officer; Brian Washington, Legal Counsel; Nat Taylor, LAFCo Planner; and Sandy Hou, Clerk

3. Public Comment

Commission Chair Sblendorio invited members in the audience to address the Commission on any matter not listed on the agenda and within the jurisdiction of the Commission. There were no comments.

4. Approval/Correction of Minutes – September 11, 2014

Commissioner Pico, noting that he had not attended the September meeting, inquired about the reason for the Commission attaching a condition to the approval of the City of Pleasanton's out-of-area service agreement with property owner Hall (item 6). Staff and Chair Sblendorio responded, explaining that because the provision of water and sewer services in the unincorporated Happy Valley area has been a recurring problem, it was hoped that the condition of asking the City to report back to LAFCo within six months on the results of a study it will have completed, in consultation with the County, to identify how water and sewer services will be provided to residents in that area would help to address the problem in a substantive manner. Staff also pointed out that another concern is that it appears that the City of Pleasanton has extended services to unincorporated Happy Valley properties since 1992 without having brought them to LAFCo for consideration. That matter is still being looked into.

Upon motion by Commissioner Marchand and second by Commissioner Wieskamp the minutes of the September 11, 2014 regular meeting were approved.

AYES: 5 (Johnson, Marchand, Sblendorio, Sbranti, Wieskamp)
NOES: 0
ABSENT: 2 (Miley, Haggerty)
ABSTAIN: 0

5. CALAFCO Award Presentation

Chair Sblendorio presented a 1st place medal to Dane Stark, owner/winemaker of Page Mill Winery in Livermore for the wine submitted by Alameda LAFCo for the 2014 beer & wine competition held at the recent Annual CALAFCO Conference in Ontario, Ca. Mr. Stark thanked the Commission and graciously accepted the medal.

6. Eden Township Healthcare District (ETHD)

Following introductory remarks by Staff, ETHD Chief Executive Officer Dev Mahadevan reported to the Commission on progress made on implementing the District's strategic plan priorities. He concluded his report with a request that the Commission replace the provisional sphere of influence (SOI) designation adopted in November 2013 with a coterminous SOI for the District.

PUBLIC HEARING: Commissioner Sblendorio invited members from the public to speak.

The following people spoke in support of the District:

- Roxann Lewis, Board Member, ETHD
- Tom Lorentzen, Board Elect Member, ETHD
- Michael Cobb, Executive Director, St. Rose Hospital
- Kenneth Cohen, Association of California Health Care Districts
- Michael Marchiano, M.D., St. Rose Hospital
- Ron Hull, Board Member, ETHD

Joel Ginsberg from the office of Supervisor Wilma Chan offered comments encouraging the District to honor its commitment to support San Leandro Hospital.

COMMISSION DISCUSSION:

Mr. Mahadevan responded to questions and concerns from the Commission that centered on: 1) the district's long range vision toward the City of Dublin - whether it had intention of annexing the city into its boundaries or not - and 2) refinement of the District's Strategic Plan to more clearly identify its goals, priorities, and reason to exist. Staff explained the various SOI options that the Commission could consider. The discussion concluded with the Commission agreeing to remove the provisional status from the District's coterminous SOI.

MOTION & VOTE:

Commissioner Sbranti moved to adopt a coterminous SOI with the following condition:

The District will report back to the Commission within 6-12 months regarding the status of its plans with the City of Dublin and provide an update on the District's strategic plan. Commissioner Wieskamp seconded the motion. Motion passed.

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

Commissioner Sbranti left the meeting at the conclusion of the vote on this item.

7. Fairview Fire Protection District (FFPD)

After introductory remarks by Staff, an update on the District's strategic planning efforts was provided by Consultant Mike Preston, who concluded his presentation with a request from the District for the Commission

to adopt a coterminous Sphere of Influence (SOI) and remove the provisional status that was adopted by the Commission in November 2013.

COMMISSIONER COMMENTS/QUESTIONS

Commissioners Miley and Johnson commended the District for its noteworthy progress, but expressed concerns about the implementation of the plan and asked if the District was committed to hiring staff to implement the plan. The Consultant responded that the District would hire either a part of full time staff person or consultant.

PUBLIC HEARING:

Commissioner Sblendorio invited members from the public to speak. The following people spoke in support of the FFPD:

- Dale Silva, President of the Hayward Hills Property Owners Association
- Dennis Gould, former FFPD Board President and current member of the District's ad hoc committee
- Audie Bock, FFPD Board member

COMMISSION DISCUSSION:

The Commission expressed various concerns with the strategic plan, primarily its lack of specific details on how the plan is to be implemented. Commissioner Pico asked the district if annexation into the City of Hayward or contracting with the County to contract with the City of Hayward had been considered. The Commission agreed that having an ad hoc committee meet with the District to provide guidance would be helpful. Staff explained the various SOI options that the Commission could consider. The discussion concluded with the Commission agreeing to maintain the provisional SOI with a condition.

MOTION & VOTE:

Commissioner Miley motioned to keep the provisional coterminous SOI with the following conditions:

1. The District will report back to the Commission in a year on progress made on implementing the District's strategic plan.
2. Prior to reporting back to the Commission, the District will meet with an ad hoc subcommittee of LAFCo Commissioners for guidance regarding the implementation of the strategic plan. Commissioner Wieskamp seconded the motion. Motion passed:

AYES: 6 (Haggerty, Johnson, Marchand, Miley, Sblendorio, Wieskamp)
NOES: 0
ABSENT: 1 (Sbranti)
ABSTAIN: 0

The Chair reported that Commissioners Haggerty, Miley and Vonheeder-Leopold will serve on the ad hoc subcommittee that will meet with the District.

8. Draft Alameda LAFCo Strategic Plan

Staff provided a summary of the written report and inquired if the plan captured what the Commission discussed at their Strategic Planning Session on August 27, 2014, and if it was formatted in a way to share with the public. Commissioner Wieskamp responded that Staff had done a good job of making the plan succinct. Commissioner Sblendorio offered comments about Priority Goal C and requested that the goal be reworded to reflect a more proactive role than facilitation implies. Staff indicated she would work on rewording.

Commissioners Marchand, Johnson, and Pico agreed to be on an ad hoc policy committee.

Staff noted that she would develop a final strategic plan for Commission adoption at a future meeting.

9. Matters Initiated by Members of the Commission – There were none.

10. **Informational Items** – Discussion, if any, or further information is noted after the item.

- a. Application Update
- b. Legislative Update
- c. Newspaper Articles
- d. Report on 2014 CALAFCO Annual Conference, Ontario, CA, October 15-17, 2014 in Ontario
Oral reports were provided by those who attended the conference - Staff and Commissioners
Vonheeder-Leopold and Sblendorio

18. **Adjournment of Regular Meeting**

The meeting was adjourned at 6:50 p.m.

18. **Next Meeting of the Commission**

Thursday, January 15, 2015 at 4:30 p.m.

Respectfully submitted,

Sandy Hou, Commission Clerk

These minutes were approved by the Commission on January 15, 2015.

Attest:

Mona Palacios, LAFCo Executive Officer

SUMMARY ACTION MINUTES
ALAMEDA LOCAL AGENCY FORMATION COMMISSION
REGULAR MEETING

Dublin San Ramon Services District Board Room, 7051 Dublin Blvd, Dublin, CA

November 12, 2015

1. Call to Order and Pledge of Allegiance

Chair Marchand called the meeting to order at 4:32 p.m. The Pledge of Allegiance was recited.

2. Roll Call.

Roll was called. A quorum was present of the following commissioners:

County Members: Scott Haggerty (arrived 4:35 during item 5) and Nate Miley (arrived 4:41 during item 6)

City Members: John Marchand, Jerry Thorne and alternate David Haubert

Special District Members: Ayn Wieskamp, Ralph Johnson and alternate Georgean Vonheeder-Leopold

Public Members: Sblend Sblendorio and alternate Tom Pico

Not Present: Wilma Chan, alternate County Member

Staff present: Mona Palacios, Executive Officer; Brian Washington, Legal Counsel, Nat Taylor, Planner, and Sandy Hou, Clerk

3. Public Comment

Commission Chair Marchand invited members in the audience to address the Commission on any matter not listed on the agenda and within the jurisdiction of the Commission. There were no comments.

4. Approval/Correction of Minutes – September 10, 2015

Upon motion by Commissioner Wieskamp and second by Commissioner Johnson, the minutes of the September 10, 2015 meeting were approved.

AYES: 6 (Haggerty, Johnson, Marchand, Sblendorio, Thorne, Wieskamp)

NOES: 0

ABSENT: 1 (Miley)

ABSTAIN: 0

5. CALAFCO Award Presentation

Chair Marchand announced that a local wine – a 2011 McGrail Vineyards Cabernet Sauvignon Reserve – had won first place in the beer and wine competition held at the recent annual CALAFCO Conference in Sacramento September 2nd-4th. Vintner of the winning wine, Shannon McGrail, was present to receive the medal. She thanked the Commission for their support of her family's wine. A commemorative photo was taken.

Staff added that a local beer, Puddy Porter brewed by Faction Brewing in Alameda, had won 3rd place in the beer category, and reported that she had presented the 3rd place medal to brewery staff and provided them information regarding LAFCo and the competition. The brewery was very appreciative.

6. Fee Waiver Request

This item was a request from a property owner to waive the application fee for an anticipated Pleasanton out-of-area service agreement to extend sewer services to property located on Sycamore Road in the unincorporated Happy Valley area.

Staff provided a summary of the written report. Property owner Robin Boggs addressed the Commission regarding the reasons for her request.

Commission Discussion:

There was discussion among the Commissioners regarding the merit of the request to waive the fee. In response to a question regarding an example of a fee being detrimental to the public interest, legal counsel offered that if financial hardship from paying the fee caused the property owner not to make an improvement that would benefit the public, then perhaps a finding of detriment to the public interest could be made, but little evidence to support this conclusion had been offered in this instance.

After considerable discussion, agreement was reached that there could be a public benefit from encouraging property owners in the unincorporated Happy Valley area to connect to a municipal sewer system by waiving the LAFCo application fee. Although the property owner did not demonstrate financial hardship, the area has been under a septic system moratorium for quite a while and the state has imposed new on-site wastewater treatment system (OWTS) regulations that the County Environmental Health Department must enforce due to nitrate contamination found in the groundwater in this area. Further, the Commission agreed with Commissioner Haggerty's opinion that because of the current regulations restricting repairs and installation of new septic systems, government agencies should help any affected property owner in that area get connected to the city's sewer lines. The Commission discussed asking Pleasanton to waive its fees as well. The Commission further directed staff to identify other properties within 200 ft. of the sewer line in Sycamore Road, and to work on a process that would facilitate those property owners connecting to the city's sewer line including identifying potential funding sources to assist property owners.

MOTION:

A motion was made by Commissioner Haggerty and seconded by Commissioner Thorne to approve the fee waiver request because the Commission finds that, in order to avoid detriment to the public interest, the Commission should seek to reduce barriers for unincorporated Happy Valley property owners connecting to a public sewer system in light of new state regulations regarding on-site wastewater treatment systems, the ongoing moratorium on septic systems in this area, and the ongoing concerns regarding nitrate contamination of groundwater in the area. Commissioner Sblendorio requested an amendment to the motion to send a letter to the City of Pleasanton informing them of LAFCo's action and asking Pleasanton to do the same. Commissioners Haggerty and Thorne agreed to the amendment and the motion passed unanimously.

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

7. Fairview Fire Protection District Sphere of Influence Update

Upon introduction of the agenda item by Commission Chair Marchand, Commissioner Haggerty inquired about email correspondence he had received regarding the resignation of Fairview Fire Protection District (FFPD) Board member Catherine Ortiz-Carden. FFPD Board President Leslie West indicated that she had learned of the resignation on her way to the LAFCo meeting. Board President West then proceeded with her presentation to the Commission in which she addressed concerns that the Commission had expressed at its September 10, 2015 meeting. She also provided an update on the progress made by the District since its September 10, 2015 update to the Commission including website improvements, Board member recruitment, budget review and presentation, and community engagement. She noted that four people had applied for the Board vacancy created by Svend Andersen's resignation and that interviews were scheduled for the forthcoming Monday. Consultant Mike Preston provided a review of the District's current contract with the City of Hayward and compared that to other options for providing services in the Fairview area if the District were dissolved. He noted that a recommendation of District dissolution by LAFCo in 1995 resulted in a 55%

vote against dissolution in 1996, and expressed his belief that a vote for dissolution today would have the same results.

Following her update, Director West responded to concerns from the Commission about whether the FFPD Board would have the needed quorum at its Monday meeting to take action by explaining that an effort would be made to get Board member Charles Snipes to the meeting but if there is not a quorum on Monday, then the process may involve participation by the Board of Supervisors. She noted that she was not exactly clear on the details, but would be looking into the appropriate way to proceed in consultation with legal counsel should a quorum not be reached.

Public Comment

Chair Marchand opened the public hearing. The following Fairview residents spoke in support of the District:

- Dennis Gould, a former board member, spoke about the past significant increase in the Educational Revenue Augmentation Fund (ERAF) percentages that were imposed on the District that resulted in a loss of \$119,000 for the District. He noted that the attempt to dissolve the District in 1996 failed to pass and believed the same would occur today too.
- Dale Silva stated that new Director West has brought fresh energy to the District and has gained support through her efforts at outreach and community involvement.
- Chris Higgins expressed agreement with the comments of the previous two speakers and noted that the District and the cemetery in the Fairview area are the only two things that the Fairview community has that give it a sense of identity.

As there were no more speakers, Chair Marchand closed the public hearing.

Commission Discussion

Chair Marchand noted recent progress by the District, but expressed strong concerns about the lack of good governance by the Fairview Board over the past eight years, which he characterized as having been on autopilot. He explained that LAFCo's charge was to look carefully at agencies' provision of services to see if there might be opportunities to improve efficiency to ensure that the public is receiving services in the most cost effective manner. He pointed out that the Commission is not talking about eliminating services but rather about what governance structure would be most efficient and cost effective. He talked about the significant financial savings to property owners if the County contracted with Hayward to provide the services for the Fairview area.

Other comments from the Commission included praise for the significant progress made by the District and an acknowledgement that the residents' strong feelings of support for the District are about community identity, and local control, things that are very important to them. Commissioner Miley advocated for removing the provisional status in recognition of the significant efforts that the District has made, as well as the fact that the District would be the subject of future sphere reviews in the next couple of years. Reservations about taking action to modify the SOI at today's meeting were also expressed primarily because the District's Board of Directors may not be able to establish a quorum. Commissioner Haggerty wanted to have the opportunity to talk with the County and City of Hayward Fire Chiefs. After further discussion, the Commission agreed it needed additional information before any action could be taken to modify the SOI.

MOTION:

Motion was made by Commissioner Haggerty, seconded by Commissioner Sblendorio to continue the item for six months (May 2016) at which time the District would be asked to provide an update on the District governance and progress on implementation of the District's strategic plan.

AYES: 6 (Haggerty, Johnson, Marchand, Miley, Sblendorio, Wieskamp)

NOES: 0
ABSENT: 1 (Thorne)
ABSTAIN: 0

Note: Commissioners Thorne and Haubert exited the meeting during the discussion, prior to the vote.

8. Eden Township Healthcare District Update

Following introductory remarks from staff, Eden Township Healthcare District Chief Executive Officer Dev Mahadevan provided a status update on the District's activities since his last report to the Commission a year ago. He reported that the District:

- developed a series of educational programs to improve health literacy and health status within its community, completing the first session on Diabetes in September;
- will be partnering with the Davis Street Family Resource Center to operate a Federally Qualified Health Center in San Leandro (Bill McCammon Health Center), and has established a long-term relationship with Novo Nordisk to provide diabetes education and support to the community;
- will be allowed, due to a Superior Court decision in June 2015, to make damage award payments related to the San Leandro Hospital settlement with Sutter Health over a period of 10 years, which will enable the District to continue to carry out its mission and priorities.
- worked with Assembly Member Rob Bonta to allow the District to place a parcel tax on the ballot (AB 72), with the goal of stabilizing long term financing of St. Rose Hospital

He also reported that District staff had met with the City of Dublin to explore potential services that the District might provide there, including dental services, but that, because of other priorities, the District has not moved forward on those services yet.

Following his remarks, Mr. Mahadevan responded to questions from Commissioner Sblendorio regarding the property owned by the District in Dublin. The District currently owns two buildings and two undeveloped parcels. The District is considering selling one of the buildings, but right now, because real estate values have not returned to the levels they were at when the District bought it (2007), they are getting a better return on their investment by renting out space in the building rather than selling it. Also, they are looking to possibly construct a building on one of the empty parcels, which would require the construction of a parking lot on the other parcel. There seems to be interest in the area from a large medical provider.

Commissioner Miley expressed that he wants the District to focus on using profits from its Dublin investments on delivering services within its existing boundary – specifically San Leandro and St. Rose Hospitals. Mr. Mahadevan concurred and stated that that is what is presently happening.

The Commission thanked Mr. Mahadevan for his update.

9. Matters Initiated by Members of the Commission – There were none.

10. Informational Items – Discussion, if any, or further information is noted after the item.

- a. CALAFCO Update
 - Board of Directors
 - Legislative Update
- b. Application Update
- c. Newspaper Articles
- d. 2016 CALAFCO Staff Workshop March 30 – April 1, 2016 in Universal City
- e. 2016 Annual Conference October 26 – 28, 2016 in Santa Barbara

12. Adjournment of Regular Meeting

The meeting was adjourned at 6:35 p.m.

13. Next Meeting of the Commission

Thursday, January 14, 2016 at 4:30 p.m.

Respectfully submitted,

Sandy Hou, Commission Clerk

These minutes were approved by the Commission on January 14, 2016.

Attest:

Mona Palacios, LAFCo Executive Officer