

Eden Township Healthcare District, dba Eden Health District (EHD)

(Formally adopted by Board: August 17, 2016)

The Next Five Years

Mission:

It is the mission of Eden Health District to improve the health of the people in the communities we serve by investing District resources in health and wellness programs that meet identified goals.

Strategic Goals

The District will achieve its mission in keeping with the following goals:

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

Strategic Action Plan

for GOAL #1

The District will develop outreach efforts (focus groups) through the Community Health Advisory Committee (CHAC) and EHD staff to identify community health needs and interests; and to determine what health care needs and services are not being met.

The District will identify and reach out to community organizations, government agencies and health-related companies (such as Alameda County Healthcare Services, Novo Nordisk, schools, law enforcement agencies, etc.) to partner with EHD community health initiatives, including community health education and other programs.

The District will develop criteria for EHD sponsorships of local community health-related events.

for GOAL 2

The District will review EHD Community Health Fund grant process including: grant criteria, limiting/expanding number of organizations considered, and assessment process for grantees.

for GOAL 3

The District will identify and prioritize community health/wellness needs and interests, engaging the community in the development of relevant services and/or programs, (i.e., urgent care clinics, mental health services, dental services, children's services, senior programs, etc.)

for GOAL 4

The District will produce and manage a website, newsletter, and explore other social media opportunities to better communicate its activities and results to the communities it serves. The District will develop a coherent message about the EHD's purpose and activities.

for GOAL 5

The District will evaluate/substantiate the benefit of providing offices for small (locally based) physician practices or small medical groups and determine the relevance it has to the community's health and wellness needs.

for GOAL 6

The District will periodically review the financial merit and feasibility of generating District revenues through ownership of medical office buildings vs returns on investments in treasuries and bonds, as permitted by law, based on market conditions.

Eden Health District (EHD or District): A Description

The District is a public entity, a healthcare special district, organized under California law, the health and safety code, and was established in 1948.

The District extends from the southern border of Oakland, California, to the Northern borders of Union City and Fremont; from the Western border of Dublin to the Bay. There are about 340,000 residents in the District. The population is diverse with several pockets of underserved in unincorporated areas and in Ashland, Cherryland and South Hayward.

The Planning Process

The District undertook the planning at this time for two reasons. First, a review of the mission and strategies for implementing that mission is undertaken by the District periodically (the last review was in 2013). Secondly, with the transfer of title to San Leandro Hospital to Sutter Health, the District decided it seemed appropriate to review its resources and goals since so much of both were expended on the effort to keep that hospital open.

As background for the planning work, a history and the current situation of the District are attached as **Attachments A and B**. A financial analysis of the District's finances and some projections for the near future are attached as **Attachment C**.

1. The District explored the likelihood of success of a District resident parcel tax ballot measure as a possible way to help fund healthcare needs, like emergency services, which the Alameda County Health Care Services Agency deems to be threatened with potential closure of San Leandro Hospital and St. Rose Hospital. The District engaged a research firm True North along with Tramutola Advisors, to determine resident support for the parcel tax. The results of this survey were both positive and negative. The positive aspect was the willingness of the residents to pay parcel taxes for medical care and services. The negative was that a substantial portion of the residents of the District did not know about the District or its purpose.

2. The Alameda County Local Agency Formation Commission's (LAFCo) engaged in a review of local agencies including the EHD, which gave further impetus to the District's intent to update its mission, goals and strategy.

3. The Community Health Advisory Committee, appointed by the EHD Board to evaluate programs and make recommendations to the Board, reviewed the current situation of the District and healthcare in Alameda County and established that there is a purpose for the District to continue to exist and work to improve the health of the community.

4. The Board met in a special planning sessions on March 13, 2013 and July 21, 2016. With public input, the Board developed priorities after review.

Overview and History of Eden Health District

The purpose of the District in 1948 was to develop a hospital for the area, during a time when hospital beds were in short supply. The District spent a number of years planning and getting support in the community to pass a tax measure which would help to fund a new hospital.

Six years later, with the help from property tax levies and the Federal Hill-Burton Act funds, Eden Hospital was built and opened to the public in October of 1954. The original hospital opened with 100 beds and expanded as the demand built up to 250 beds. There were expansions of facilities in the sixties and in the early seventies, culminating with a major expansion of the outpatient and diagnostic facilities in 1975 and 1976. The District stopped collecting property taxes in 1977. The District's philosophy was to levy taxes for capital expenditures (building projects) only and to operate the hospital with revenues and surpluses from operations.

In 1986, the District purchased Laurel Grove Hospital from Republic Health system, which owned the hospital and slowly converted the hospital into inpatient rehabilitation and outpatient services. The total licensed capacity increased to nearly 300 beds.

In 1987, Eden Medical Center was designated one of two trauma centers in Alameda County, along with Children's Hospital in Oakland as the pediatric trauma center in the new County Trauma System.

In the mid-80s the District also developed a home-care agency and bought a medical supply company and entered into a lease arrangement, along with a partner, to operate a senior housing community, Landmark Villa, in Hayward.

The District was also offering a number of services to seniors under a Geriatric Services umbrella.

The District owned and operated Eden Hospital until 1998, when it sold the assets to an affiliate of Sutter Health, Eden Medical Center.

Since 1998, the District has invested its capital in real estate and permitted investments under California law governing investment of public funds and dedicated a portion of the income to funding needed healthcare services in the community.

Attachment A

BRIEF HISTORY OF EDEN HEALTH DISTRICT (EHD) 1948-2013

- 1948 California State legislation (Local Hospital District law) allows the establishment of local districts to levy property taxes for building hospitals.
- Eden Township Hospital District (Castro Valley, Hayward, San Leandro, San Lorenzo and Fairview) is established to build what is now known as Eden Medical Center.
- 1954 Eden Hospital opens on November 15.
- 1954 - 1998 Eden Hospital is owned and operated by the EHD and is governed by the five-member elected Board of Directors.
- 1976 The District Board votes to discontinue the collection of property taxes to fund the hospital expansion project.
- 1986 EHD acquires Laurel Grove Hospital, which is remodeled and is converted from an acute care to an acute rehabilitation hospital, operated and accredited as part of Eden Hospital.
- 1990 Baywood Court is opened as a District sponsored organization, with three levels of residents (independent living, assisted living, and skilled nursing). Baywood Skilled Nursing Facility, part of Baywood Court, is operated and accredited as part of Eden Medical Center until 2005.
- To reflect this broadening of services, EHD changes its name from Eden Township Hospital District to Eden Township Healthcare District. EHD changes the name Eden Hospital first to Eden Hospital Medical Center and later to Eden Medical Center.
- 1996-1998 EHD engages in a search for a partner in healthcare, a partner which will share Eden's mission and retain its community focus. The EHD Board of Directors and administrative staff study potential affiliation with Catholic Healthcare West, Columbia Healthcare, and Sutter Health. Sutter Health is the choice, and by passing "Measure A" in 1997, the public affirms this decision.
- 1998 In January Eden Medical Center becomes a private, not-for-profit medical center affiliated with Sutter Health. As part of the agreement, Sutter Health establishes an endowment fund to address health needs specific to the District's communities (see later section on the Fund).
- 1998 - 2010 Eden Medical Center is governed by a unique Board of Directors—the five publicly elected board members, five community members appointed by Sutter Health, and the CEO of Eden Medical Center. By-laws are structured to require majorities of both "halves" on key strategic and financial issues.
- 2004 EHD acquires San Leandro Hospital from Triad Partners and leases the hospital to Sutter Health in exchange for Sutter's agreement to replace Eden Medical Center with a new hospital.
- 2008 EHD enters into an agreement with Sutter Health in which Sutter Health builds a replacement hospital for \$300 million. Major components of this agreement are (1) EHD will give up its governance and board seats on the community board, effective in January 2010 and (2) Sutter Health has the option to purchase San Leandro Hospital.
- 2010 As of January 10, 2010, Eden Medical Center is governed solely by Sutter Health, and EHD and its elected board are no longer involved.

Attachment A

2009-2012: Key events in EHD-Sutter Health conflict

- 2009 Sutter sues the District in Alameda County Superior Court to enforce the right to purchase San Leandro Hospital from EHD, plus \$5 million in damages.
- 2010 In March, EHD files a countersuit against Sutter Health, challenging the validity of the 2008 agreement because three Sutter Health board members had conflicts of interest at that time.
- 2010 In December, Sutter’s position is upheld by Alameda County Superior Court.
- 2011 Eden appeals this decision in Superior Appeals Court; Sutter position’s is upheld.
- 2012 California Supreme Court refuses to hear the case.
- 2013 The dispute over legal costs and damages in the Sutter Health-EHD conflict are resolved in July, 2013. \$17 million in damages awarded to Sutter Health.
- 2012 In September 2012 San Leandro Hospital’s ownership and title are transferred to Sutter Health
- 2015 District is granted judgment to pay damages resulting from the lawsuit (losses at San Leandro Hospital during the pendency of the lawsuit) over 10 years (from June 2015) at reduced interest rates.

NON-HOSPITAL WORK OF EDEN HEALTH DISTRICT

- 1980-1990s EHD forms two subsidiary corporations, to allow expansion for non-hospital services to the community.
 - Eden Hospital Healthcare Services Corporation (EHHSC), a non-profit organization, operates Eden Home Care Services for several years, and builds (1990) and operates Baywood Court Retirement Community. As the only entity of the corporation in the 2000s, EHHSC changes its name to Baywood Court.
 - Eden Hospital Development Corporation, a for-profit organization, operates Eden Medical Supply, a durable medical equipment business, into the 1990s. Eden Hospital Development Corporation also operates the retirement community Landmark Villa in public-private partnership into the 1990s.

COMMUNITY HEALTH FUND

- 1998 In the initial agreement with Sutter Health, approximately \$56 million is paid EHD. This money is divided into two “pots”—the General Fund and the Community Fund—and invested to preserve and increase principal. By EHD policy and by-laws, the Community Fund is established as a permanent endowment fund, the earnings directed toward the benefit the health and wellness needs of District residents.
- 1998-1999 EHD board members, key administrative staff, and representatives from the medical staff, Foundation, and Medical Center board engage in joint planning for the new Community Health Fund of the District and the community benefit work of the Medical Center.
- 1999-2000 The first grant cycle of the Community Health Fund is implemented.
- 2000-2010 Two cycles of funding occur each year until 2010. The award amount available depends on the earnings of the endowed Community Fund. Grants are due March 31 and September 30, and awards are made on July 1 and January 1, respectively.

Attachment A

- 2001 – 2010 The EHD Board annually engages in interactive presentations regarding the community benefit work of EMC and the aligned work of the District.) Special agenda items, meetings or retreats related to community health (and fund) are held in 2002, 2005, 2007, 2009, and 2011.
- 2009 The EHD Board approves combining the “Building” and “Community” fund into one fund for investment purposes. 60% of earnings are allocated for community health work.
- 2010 Because of the work, time and costs of the litigation with Sutter Health related to San Leandro Hospital, the Community Health Fund grant cycles are temporary suspended, effective in 2011.
- 2010-2011 Separate from the grant cycles, EHD makes two focused grant awards to Davis Street Family Resource Center (\$500,000 toward its building purchase) and St. Rose Hospital (\$1.5 million toward operating expenses.) EHD also loans St. Rose Hospital \$3 million dollars toward operations (of which \$1.85 million has been repaid by 2013).
- 2011-2012 The District forms a Community Advisory Subcommittee made up of two EHD Board members and community volunteers. Over several meetings, in addition to learning about the District’s communities, the group addresses some areas of focus for the community health work, e.g. chronic disease prevention education, primary care clinics in areas with poor access to care, and reports their findings and recommendations to the EHD Board.
- 2012 EHD holds one grant cycle, awarding an approximate total of \$100,000 to two community clinics. The Community Advisory subcommittee assists in the review of the applications.

Three attachments to this timeline show (1) the mission and vision of the Community Health Fund at the outset; (2) the grant award amounts from 1999-2012; and (3) the specific agencies funded.

REAL ESTATE

- 2004 As part of the agreement to purchase San Leandro Hospital, EHD acquires a medical office building in San Leandro (in March 2013, owned and 90% leased)
- 2004 ETHC purchases the DeLucchi property on Lake Chabot Road.
- 2007 EHD purchases Dublin Gateway property and begins building out and renting the property as a Medical Office complex. (Currently, 2013, owned and partially leased)
- 2010-2012 On the property purchased in 2004, EHD builds and leases the Eden Medical Building on Lake Chabot Road. (Currently owned and partially leased).

Attachment B

Eden Health District
Board of Directors
Planning Session
July 21, 2016

Current Situation

- The District is under scrutiny by both the members of the public and elected officials and regulators.
 - We need to have a convincing story to tell
 - We think our District Members know us better (more than 19,000 contacts in 3 years, at community events), but there is no hard data.
 - If more than 50% don't know we exist or who we are, they will not be likely to support us or our existence, if there is a choice
(What is our case for being more efficient and effective than another alternative? What do we tell our neighbors that will convince them?)

- Alameda County Local Agency Formation Commission is doing its periodic review of special districts
 - Eden Health District is the subject of a special study approved by LAFCo, in response to a request from the City of Hayward.
(LAFCo reviews and recommends a scope, the same, increase or decrease, then a process may begin)

- Alameda County officials and elected officials do not view the District favorably, given the lawsuit with Sutter
 - Several think we wasted money on a lawsuit
 - They do not know or acknowledge that their members participated in pursuing this lawsuit, along with officials of the City of San Leandro and elected State officials.

- The State is currently considering two bills that target the District for dissolution or severe restriction of its operations

- The District's financial resources are fully committed to about \$600,000 per year in Grants and an annual payment of \$2 million plus to Sutter Health for 8 years from July 1, 2016. After that, the District will have more than \$2.6 million to provide services to the community.
 - The good news is that the future looks good, if we can survive and hold on to our assets

- The appeal by Sutter Health of the District's ten-year payment plan for the damages award is still pending

Attachment B

- The District may still have an opportunity to work with St. Rose Hospital
- San Leandro Hospital is now part of the Alameda Health System, a \$1 billion-per-year organization with significant tax support. It should not seek a cash infusion by putting a local health district out of business, UNLESS the voters who control that District agree.
- Grantees see us as a good alternative but may be divided in their loyalties to Alameda County, which may also give them support financially.
- Alameda County appears to be in opposition to the District and not willing to support its efforts, if they are not to support San Leandro Hospital and St. Rose Hospital.

Attachment C

Eden Health District
Financial Projections for Planning Meeting of the Board of Directors
Thursday, July 21, 2016

The attached projections were used by the EHD Board to make strategic planning decisions about the future of the District. The attached financial statement as projected helped answer such questions as:

- Can the District run a hospital standing on its own like St. Rose Hospital (which will require a subsidy of \$10 to \$15 million per year)?
- Can the District operate services which will give it legitimacy to exist and continue to operate such as a clinic or other health care services which promote health like education and rehabilitation?

The question of whether the District SHOULD do any of the above examples was separately considered at the July 21, 2016 planning meeting. The attached financials are intended to provide supporting information for that decision.

For example, if the District's cash flow could only provide \$1 million per year in subsidy, wanting to provide support of \$5 million per year may be desirable but not practical.

The Balance Sheet and Fixed Asset schedule are intended to show what funds could be provided if the District decided to sell assets and use the funds to provide cash.

There were also two external issues considered in this discussion:

- First, the note holder, US Bank, unless it is paid off, would have a significant say in any decision to sell assets which secure their loan (\$45 million).
- Second, the legal dispute with Sutter Health has not been resolved and some uncertainty persists.

Attachment C

Budget FY2017

EDEN HEALTH DISTRICT

Consolidated Income Statement

	FY 2017 Budget	FY 2018 Projection	FY 2019 Projection	FY 2020 Projection	FY 2021 Projection	FY 2022 Projection
Revenues						
Rental income	\$ 3,675,731	\$ 4,020,003	\$ 4,140,603	\$ 4,264,821	\$ 4,392,766	\$ 4,524,549
CAM Reimbursement	1,452,368	1,488,678	1,525,895	1,564,042	1,603,143	1,643,222
Other Income	-					
Interest income	289,776	300,000	300,000	300,000	300,000	300,000
Total Revenues	5,417,875	5,808,680	5,966,497	6,128,863	6,295,909	6,467,770
Expenses						
Salaries & Benefits	-					
Consulting	15,000	15,375	15,759	16,153	16,557	16,971
Legal Fees	13,596	13,936	14,284	14,641	15,007	15,383
Audit/Tax Preparation Fees	3,500	3,588	3,677	3,769	3,863	3,960
Management Fees	170,493	174,756	179,125	183,603	188,193	192,898
Community Education	51,240	52,521	53,834	55,180	56,559	57,973
Utilities (Gas, Electric & Water)	331,013	339,288	347,771	356,465	365,376	374,511
Repairs & Maintenance	806,262	826,418	847,079	868,256	889,962	912,211
Parking Services	306,132	313,785	321,630	329,671	337,912	346,360
Investment Fees	-	-	-	-	-	-
Insurance	39,906	40,904	41,926	42,974	44,049	45,150
Purchased Services	42,807	43,878	44,974	46,099	47,251	48,433
Other Direct Expense	97,920	100,368	102,877	105,449	108,085	110,787
Property Taxes	157,392	-	-	-	-	-
Interest Expense	384,000	393,600	403,440	413,526	423,864	434,461
Overhead Allocation	1,033,222	1,059,053	1,085,529	1,112,667	1,140,484	1,168,996
Sponsorships	23,030	23,606	24,196	24,801	25,421	26,056
Davis Street Partnership	250,000	250,000	250,000	250,000	250,000	250,000
Grants to service providers	250,000	256,250	262,656	269,223	275,953	282,852
Goodwill	-	-	-	-	-	-
Amortization	158,196	158,196	158,196	158,196	158,196	158,196
Depreciation	2,326,212	2,326,212	2,326,212	2,326,212	2,326,212	2,326,212
Total Expenses	6,459,922	6,391,733	6,483,166	6,576,885	6,672,947	6,771,410
Net Profit/(Loss)	(\$1,042,046)	(\$583,052)	(\$516,668)	(\$448,022)	(\$377,038)	(\$303,640)
Cash Basis Gain/(Loss)	\$1,460,730	\$1,917,528	\$1,969,936	\$2,036,386	\$2,107,370	\$2,180,768
Sutter Payment	(\$2,000,000)	(\$2,000,000)	(\$2,000,000)	(\$2,000,000)	(\$2,000,000)	(\$2,000,000)
Net Cash Flow	(\$539,270)	(\$82,472)	(\$30,064)	\$36,386	\$107,370	\$180,768
Beginning Cash Balance	\$11,000,000	\$10,460,730	\$10,378,258	\$10,348,193	\$10,384,579	\$10,491,949
Ending Cash Balance	\$10,460,730	\$10,378,258	\$10,348,193	\$10,384,579	\$10,491,949	\$10,672,717

Attachment C

Eden Township Healthcare District
 Financial Statements
 FY 2016 and 2017

Balance Sheet

	June 30, 2016	Projected June 30, 2017
Cash	\$ 12,000,000	\$ 8,500,000
San Leandro Med Arts Building	4,000,000	4,000,000
Eden Medical Building	7,000,000	7,000,000
Dublin Gateway Cntr.	35,000,000	35,000,000
Total Assets	\$ 58,000,000	\$ 54,500,000
Liabilities		
US Bank	\$ 12,000,000	\$ 13,000,000
Sutter Health Damages	17,700,000	13,700,000
Total Liabilities	\$ 29,700,000	\$ 26,700,000
Equity or Remaining Value	\$ 28,300,000	\$ 27,800,000

Income Statement

	Unaudited FY 2016	Budget FY 2017
Cash Flow		
Revenue	\$ 5,318,197	\$ 5,417,875
Expenses	\$ 7,772,075	\$ 6,459,922
Net Income	\$ (2,453,878)	\$ (1,042,047)
Deprecation & Amort.	3,395,824	2,484,408
Net Cash Inflow	\$ 941,946	\$ 1,442,361