

APPROVED
Eden Township Healthcare District
Annual Budget
Fiscal Year 2015

Financial Highlights

The proposed budget for fiscal year ending June 30, 2015 is attached. The budget is being submitted to the Board for your approval. The Board must approve this budget before July 1, 2014 (at its June 18, 2014 meeting or earlier). The budget is prepared to meet the goal of continuing our progress towards fiscal health after several years of litigation and unusual costs and with the completion of major building projects. The projected balance sheet also shows progress towards the goal of fiscal stability where the District can pursue its mission of serving the health care needs of the residents of the District.

In FY15 we will improve our revenues and our cash flow, even though our two newest projects still have higher than average vacancy rates. With the improving rental market for medical and health care space we will only improve our fiscal health. Since the District uses these surplus funds to support community health grants that promote the District's mission, more resources may be available in the coming year, as these revenues and net cash flows increase.

The significant unknown is the settlement of the Sutter Health damages and costs award, which can slow progress by requiring a re-structuring and potential sale of part of our income producing assets. That will reduce cash flow and hamper our ability to substantially increase our health promotion activities in the short to medium term. However, it does not appear likely that the District will have to restrict or eliminate its community service programs during the next fiscal year.

The budget predicts an increase of \$286,564 in cash flow for the next year, with a net cash flow of \$1.788 million. Dublin Gateway Center will have increased cash flow of \$476,392 compared to the current year due to new lease revenue from PAMF. The Eden Medical Building is projected to produce a net cash flow of \$62,350, an increase of nearly twice the cash flow as the current year. This is primarily due to a full year of occupancy from new tenants in FY14. The San Leandro Medical Arts Building cash flow is projected to remain the same at \$318,881 compared to FY14. Rental revenue will increase slightly due to stable rents without abatement but will be offset with slightly higher repair & maintenance expense. The District's operations expenses are expected to increase from \$1,093,911 in the current year to \$1,306,233 in the next fiscal year primarily due to election expense for three new officers in November 2014.

The balance sheet shows reductions in net assets and is largely attributable to depreciation and amortization as cash balances improve.

APPROVED
Eden Township Healthcare District
Budget Assumptions
Fiscal Year 2015

Assumptions:

- 1) Legal fees do not include fees associated with the Sutter legal dispute. We expect settlement to occur by June 2014.
- 2) No new financing will occur during FY15; however, if part of Dublin Gateway is sold, the cost will be financed.
- 3) There will be election expense in FY15.
- 4) Income from the San Leandro Surgery Center is not included.
- 5) Salaries and benefits will decrease some as the CEO is expected to reduce hours in FY15.

APPROVED
Dublin Gateway
Capital Expenditures
Fiscal Year 2015 Budget

Requested Capital:

1) Tenant Improvements	\$248,850	PAMF lease for an additional 4,977 sq. ft. of undeveloped space on the 3rd floor. TI allowance is \$50 per sq. ft. Expense was approved for FY14 but is expected to be spent in FY15.
2) Tenant Improvements	\$14,187	PAMF lease of East Bay Fertilites existing suite #330. The suite is 4,729 sq. ft. and already developed. TI allowance is \$3 per sq. ft. Expense was approved for FY14 but is expected to be spent in FY15.
3) Replace exterior lights on building and palm trees	40,000	Many of the exterior lights that shine up at the building and palm trees are broken and filled with water.
4) Re-seal and Re-stripe parking lot	33,000	Needed for normal wear and tear of parking lot.
5) Miscellaneous Site Work	80,000	ADA compliance work that would be triggered by the lease of the 2nd floor by PAMF.
6) HVAC Commissioning	10,000	Cost associated with the start up of the AC unit that serves the 2nd floor.
7) Tree Grate removal	10,000	The palm trees have outgrown the protective metal grates that surround them. It has been recommended the grates be removed to allow the trees to grow unrestricted.
8) Interior Directory	10,000	Update to interior directory for PAMF. Original quote was for \$20K and PAMF has agreed to pay for half the cost.
Total	\$446,037	

APPROVED
Eden Medical Building
Capital Expenditures
Fiscal Year 2015 Budget

Requested Capital:

1) Tenant Improvements	\$231,900	Tenant improvements for an additional 3,092 sq. ft. of rented space.
2) Lease Commissions	28,034	Lease commissions associated with newly leased space.
3) Reserves	120,000	Improvement reserves.
Total	<u>\$379,934</u>	

APPROVED
San Leandro Medical Arts Building
Capital Expenditures
Fiscal Year 2015 Budget

Requested Capital:

1) Replace 2 Hot Water Heaters (100 gal/ea)	\$21,000	Existing hot water heaters are showing signs of rust and corrosion.
2) Installation of Water Isolation Valves	13,000	Will allow the water to be turned off for the section of the building being repaired rather than the entire buildings water supply.
3) Clean air ducts	24,000	Ducts have not been cleaned on side A & B of the building since 2001.
4) Paint	35,000	Enhance (7) common bathrooms with new paint and flooring.
5) Flooring	90,000	Install new flooring throughout the building.
Sub-total	<u>\$183,000</u>	

Contingency Capital:

1) Sewer line problems	\$20,000	We could potentially have additional problems in FY15.
2) Replace single bottom cylinder in the elevator	55,000	This has not been mandated by the state yet.
3) HVAC compression failure	20,000	
Sub-total	<u>\$95,000</u>	
Total Capital Requested	<u><u>\$278,000.00</u></u>	

Budget FY2015
Consolidated Income Statement

EDEN TOWNSHIP HEALTHCARE DISTRICT
APPROVED

	Q1 FY15	Q2 FY15	Q3 FY15	Q4 FY15	FY 2015 BUDGET Eden Township Healthcare District	Estimated FY 2014 ACTUAL Eden Township Healthcare District	Change from FY14 Actual to FY15 Budget
Revenues							
Rental Income	\$ 1,154,836	\$ 1,181,200	\$ 1,200,008	\$ 1,214,905	\$ 4,750,948	\$ 4,294,684	\$ 456,264 (A)
CAM Reimbursement	221,451	221,451	222,140	224,371	889,413	779,334	110,079 (A)
Interest Income	67,096	67,086	67,077	67,068	268,327	307,272	(38,945) (B)
Total Revenues	1,443,383	1,469,737	1,489,225	1,506,344	5,908,688	5,381,290	527,398
Expenses							
Salaries & Benefits	93,870	93,870	93,870	93,870	375,480	362,379	(13,101) (C)
Consulting	6,500	6,500	6,500	6,500	26,000	28,607	2,607
Consulting Contingency	12,500	12,500	12,500	12,500	50,000	27,742	(22,258) (D)
Legal Fees	35,650	35,650	35,650	35,650	142,600	218,029	75,429 (E)
Audit/Tax Preparation Fees	7,000	7,000	10,000	7,000	31,000	31,000	0
Management Fees	44,970	45,661	46,327	46,990	183,948	170,242	(13,706) (A)
Public Relations	5,000	5,000	5,000	5,000	20,000	19,402	(598)
Utilities (Gas, Electric & Water)	91,982	85,670	77,868	84,248	339,769	326,915	(12,854)
Repairs & Maintenance	120,561	146,561	128,429	124,070	519,621	478,330	(41,291) (F)
Investment Fees	10,440	10,440	10,440	10,440	41,760	40,995	(765)
Insurance	18,969	18,969	18,969	18,969	75,603	78,500	2,897
Purchased Services	14,103	17,419	14,653	14,803	60,979	60,204	(775)
Other Direct Expense	23,382	23,382	23,382	23,382	93,528	94,814	1,286
Property Taxes	100,722	100,722	100,722	100,722	402,888	394,992	(7,896)
Interest Expense	342,300	342,300	342,300	342,300	1,369,200	1,356,795	(12,405) (G)
Election Expense	50,000	50,000	50,000	50,000	200,000	-	(200,000) (H)
Sponsorships	7,500	12,500	8,000	-	28,000	28,000	-
Grants to service providers	39,976	39,976	39,976	39,976	159,905	162,500	2,595
Goodwill	9,768	9,768	9,768	9,768	39,072	39,072	-
Amortization	38,451	38,451	38,451	38,451	153,804	134,711	(19,093) (I)
Depreciation	967,410	967,410	967,410	975,282	3,877,512	3,890,712	13,200
Total Expenses	2,040,782	2,069,749	2,040,216	2,039,922	8,190,669	7,943,941	(246,728)
Net Profit/(Loss)	(\$597,399)	(\$600,012)	(\$550,991)	(\$533,578)	(\$2,281,980)	(\$2,562,651)	\$280,671
Cash Basis Gain/(Loss)	418,230	415,617	464,638	489,923	1,788,408	1,501,844	286,564

- A) Higher rental income in FY15 due to an additional 9,706 sq. ft. of rented space by PAMF at Dublin Gateway. A full year of tenant occupancy by Horizon and Dr. Baz coupled with an assumption for an additional 3,092 sq. ft. of newly rented space at the Eden Medical Building and stable rent without rent abatement at SLMAB. Management fees will increase accordingly.
- B) Interest income is lower in FY15 due to the payoff of Webster Orthopedic's tenant improvement loan. Loan amount was \$1.5M at 6.75% interest.
- C) Lower salaries & benefits in FY14 due to staff taking time off without pay. It is also assumed CEO will reduce hours in FY15, but if replaced in 2015 expense may go up.
- D) Consulting Contingency is higher in FY15 due to budgeting \$50K for unknown consulting versus actual unknown expense of \$28K in FY14.
- E) Lower legal fees in FY15 due to the assumption that the Sutter dispute will have been resolved and the dissolution of the Dublin Gateway Partnership was resolved in FY14.
- F) Increase in repairs and maintenance expense primarily due to \$5K budgeted for roof repairs and Dublin Gateway and \$3K for elevator inspection and repairs at SLMAB. Additional increase due to increased expense for janitorial services, HVAC and plumbing services and landscape irrigation and plant maintenance.
- G) Interest expense is expected to increase due to a rise in interest rates for FY15.
- H) There will be an election in FY15 for three officers.
- I) Amortization expense increased due to a full year of amortizing Dublin Gateway loan fees and lease commissions for PAMF's newly leased space.

Budget FY2015

Trended Income Statement

DUBLIN GATEWAY, L.P.

APPROVED

	Q1FY15	Q2FY15	Q3FY15	Q4FY15	FY 2015 BUDGET Dublin Gateway	Estimated FY 2014 ACTUAL Dublin Gateway	Change from FY14 Actual to FY15 Budget
Revenues							
Rental	\$863,249	\$890,605	\$898,583	\$900,437	\$3,552,874	\$3,175,332	\$377,542
CAM Reimbursement	201,588	201,588	201,588	201,588	806,352	709,074	97,278
Interest Income	75	75	75	75	300	290	10
Total Revenues	\$1,064,912	\$1,092,268	\$1,100,246	\$1,102,100	\$4,359,526	\$3,884,696	\$474,830
Expenses							
Consulting	0	0	0	0	0	8,014	(8,014) (B)
Legal Fees	3,600	3,600	3,600	3,600	14,400	62,474	(48,074) (C)
Audit Fees	0	0	3,000	0	3,000	3,000	0
Management Fees (Incl Personnel)	31,460	32,176	32,375	32,421	128,432	117,064	11,368 (A)
Utilities	39,557	38,962	36,133	39,013	153,665	147,750	5,915 (D)
Repairs & Maintenance	50,811	75,098	54,410	51,714	232,033	211,259	20,774 (E)
Insurance	6,450	6,450	6,450	6,450	25,800	28,364	(2,564) (F)
Other Direct Cost	8,055	8,055	8,055	8,055	32,220	27,996	4,224 (F)
Interest Expense	264,000	264,000	264,000	264,000	1,056,000	1,049,087	6,913 (G)
Property Taxes	100,722	100,722	100,722	100,722	402,888	394,992	7,896 (G)
Amortization	35,322	35,322	35,322	35,322	141,288	123,727	17,561 (H)
Depreciation	727,578	727,578	727,578	735,450	2,918,184	2,911,502	6,682 (H)
Total Expenses	1,267,555	1,291,963	1,271,645	1,276,747	5,107,910	5,085,229	65,741
Net Profit/(Loss)	(\$202,643)	(\$199,695)	(\$171,399)	(\$174,647)	(\$748,384)	(\$1,200,533)	\$452,149
Cash Basis Gain/(Loss)	\$560,257	\$563,205	\$591,501	\$596,125	\$2,311,088	\$1,834,696	\$476,392

- A) Rental income projections are higher in FY15 due to an additional 9,706 sq. ft. of rented space by PAMF on the 3rd floor. Rent and CAM increased by \$404,309 as a result. The remaining increase is due to annual increases in existing rents. Management fees will be higher in FY15 as a result of higher income.
- B) Consulting expense in FY14 was for the valuation of Dublin Gateway property for the purpose of dissolving Dublin LP.
- C) Legal fees were higher in FY14 due to the dissolution of the Dublin Gateway partnership and transferring the assets to the non-profit Dublin Gateway LLC.
- D) PG&E electricity and gas expected to increase approximately 3.5%
- E) The primary contributors to increased repairs and maintenance expense is an increase in janitorial expense of \$7,222 due to increased occupancy, increased HVAC maintenance expense of \$2,606 and owners association fees of \$1,935. Additionally roof repairs are budgeted in FY15 for \$4,800.
- F) The increase in FY15 is primarily garbage expense which is projected to be higher by \$3,367 due to increased building occupancy.
- G) Interest expense is expected to increase due to a rise in interest rates for FY15.
- H) Amortization and depreciation expense increased due to capitalizing tenant improvements, loan fees and lease commissions for PAMF's newly leased space.

Budget FY2015
Trended Income Statement

SAN LEANDRO MEDICAL ARTS BLDG
APPROVED

	Q1FY15	Q2FY15	Q3FY15	Q4FY15	FY 2015 BUDGET	Estimated FY 2014 ACTUAL	Change from FY14 Actual to FY15 Budget
Revenues					SLMAB	SLMAB	Higher/(Lower)
Rental Income	\$207,398	\$210,492	\$211,873	\$213,059	\$842,822	\$814,182	\$28,640 (A)
Total Revenues	\$207,398	\$210,492	\$211,873	\$213,059	\$842,822	\$814,182	\$28,640
Expenses							
Management Fees	9,333	9,472	9,534	9,588	37,927	37,264	663
Utilities	41,105	34,988	30,815	34,315	141,224	135,675	5,549 (B)
Repairs & Maintenance	45,750	45,500	48,375	47,935	187,560	166,621	20,939 (C)
Insurance	2,550	2,550	2,550	2,550	10,200	9,589	611
Purchased Services	6,816	10,132	7,366	7,516	31,831	31,204	627
Other Direct Cost	7,200	7,200	7,200	7,200	28,800	28,568	232
Interest Expense	21,600	21,600	21,600	21,600	86,400	83,624	2,776 (D)
Depreciation	79,812	79,812	79,812	79,812	319,248	295,733	23,515 (E)
Total Expenses	\$214,167	\$211,254	\$207,253	\$210,516	\$843,190	\$788,278	\$54,912
Net Profit/(Loss)	(\$6,768)	(\$762)	\$4,620	\$2,543	(\$367)	\$25,904	(\$26,271) (F)
Cash Basis Gain/(Loss)	\$73,044	\$79,050	\$84,432	\$82,355	\$318,881	\$321,637	(\$2,756)

- A) Income projections higher for FY15 due to stable rents without rent abatement.
 B) PG&E electricity and gas expected to increase approximately 3.5%.
 C) The primary contributors to increased repair & maintenance is an increase in janitorial contract/supplies of \$3,425, increased landscaping of \$3,150 for irrigation repairs and new plants, increased HVAC repairs of \$3,126 and plumbing repairs of \$1,819. Additionally there will be an elevator inspection in FY15 estimated at \$2,914 for the inspection and any repairs.
 D) Interest expense is expected to increase due to a rise in interest rates for FY15.
 E) Depreciation expense expected to be higher due to a full year of depreciation for capitalized building and tenant improvements completed in FY14.
 F) Net profit for FY15 is lower than FY14 due to higher expenses in FY15.

Budget FY2015
Trended Income Statement

EDEN MEDICAL BUILDING
APPROVED

	Q1FY15	Q2FY15	Q3FY15	Q4FY15	FY 2015 BUDGET Eden Medical Bldg	Estimated FY 2014 ACTUAL Eden Medical Bldg	Change from FY14 Actual to FY15 Budget
Revenues							
Rental	\$84,189	\$80,102	\$89,552	\$101,408	\$355,252	\$305,170	\$50,082
CAM Reimbursement	19,863	19,863	20,552	22,783	83,061	70,260	12,801
Interest Income	394	384	375	366	1,519	1,679	(160)
Total Revenues	\$104,446	\$100,349	\$110,479	\$124,557	\$439,832	\$377,109	\$62,723 (A)
Management Fees	4,177	4,013	4,418	4,981	17,589	15,914	1,675 (A)
Utilities	9,559	9,959	9,159	9,159	37,836	36,544	1,292 (B)
Legal Fees	2,050	2,050	2,050	2,050	8,200	6,710	1,490
Repairs & Maintenance	22,875	24,838	24,519	23,296	95,528	97,047	(1,519)
Insurance	1,371	1,644	1,644	1,644	6,303	6,878	(575)
Other Direct Cost	4,068	4,068	4,068	4,068	16,272	19,663	(3,391) (C)
Interest Expense	26,700	26,700	26,700	26,700	106,800	105,399	1,401
Amortization	3,129	3,129	3,129	3,129	12,516	10,984	1,532
Depreciation	158,073	158,073	158,073	158,073	632,292	677,384	(45,092) (D)
Total Expenses	232,002	234,474	233,760	233,100	933,336	976,523	(43,187)
Net Profit/(Loss)	(\$127,556)	(\$134,125)	(\$123,281)	(\$108,543)	(\$493,504)	(\$599,414)	\$105,910
Cash Gain/(Loss)	33,646	27,077	37,921	52,659	151,304	88,954	62,350

- A) Income will be higher in FY15 compared to FY14 due to a full year of tenant occupancy from Horizon & Dr. BAZ. Additional assumption for 1,382 sq. ft. to be rented in March 2015 and another 1,710 sq. ft. in June 2015. Additional rental income from new tenants will be \$22.8K. Management fees will be higher in FY15 as a result of higher income.
- B) PG&E electricity and gas expected to increase approximately 3.5%.
- C) Other direct was higher in FY14 due to EMB's open house event.
- D) Depreciation was higher in FY14 due to a one time correction of the estimated depreciation and final depreciation expense for the building and tenant improvements.

Budget FY2015
Trended Income Statement

DISTRICT OFFICE
APPROVED

					FY 2015 BUDGET		Estimated FY 2014 ACTUAL'S		Change from FY14 Actual to FY15 Budget	
	Q1FY15	Q2FY15	Q3FY15	Q4FY15	District Office		District Office		Higher/(Lower)	
Revenue										
Interest Income	\$66,627	\$66,627	\$66,627	\$66,627	\$266,508		\$305,303		(\$38,795)	(A)
Total Revenue	\$66,627	\$66,627	\$66,627	\$66,627	\$266,508		\$305,303		(\$38,795)	
Expenses										
Salaries & Benefits	93,870	93,870	93,870	93,870	375,480		362,379		13,101	(B)
Consulting	6,500	6,500	6,500	6,500	26,000		20,593		5,407	(C)
Consulting Contingency	12,500	12,500	12,500	12,500	50,000		27,742		22,258	(D)
Legal Fees	30,000	30,000	30,000	30,000	120,000		148,845		(28,845)	(E)
Audit Fees	7,000	7,000	7,000	7,000	28,000		28,000		(0)	
Public Relations	5,000	5,000	5,000	5,000	20,000		19,402		598	
Utilities	1,761	1,761	1,761	1,761	7,044		6,946		98	
Repairs & Maintenance	1,125	1,125	1,125	1,125	4,500		3,403		1,097	
Investment Fees	10,440	10,440	10,440	10,440	41,760		40,995		765	
Directors and Officers Insurance	8,325	8,325	8,325	8,325	33,300		33,669		(369)	
Purchased Services	7,287	7,287	7,287	7,287	29,148		29,000		148	
Other Direct Cost	4,059	4,059	4,059	4,059	16,236		18,587		(2,351)	(F)
Election Expense	50,000	50,000	50,000	50,000	200,000		0		200,000	(G)
Sponsorships	7,500	12,500	8,000	0	28,000		28,000		0	
Interest Expense	30,000	30,000	30,000	30,000	120,000		118,685		1,315	
Grants to service providers	39,976	39,976	39,976	39,976	159,905		162,500		(2,595)	(H)
Goodwill	9,768	9,768	9,768	9,768	39,072		39,072		0	
Depreciation	1,947	1,947	1,947	1,947	7,788		6,093		1,695	(I)
Total Expenses	327,058	332,058	327,558	319,558	1,306,233		1,093,911		212,322	
Net Profit/(Loss)	(\$260,431)	(\$265,431)	(\$260,931)	(\$252,931)	(\$1,039,725)		(\$788,608)		(\$251,117)	
Cash Basis Gain/(Loss)	(\$248,716)	(\$253,716)	(\$249,216)	(\$241,216)	(\$992,865)		(\$743,443)		(\$249,422)	

- A) Interest income is lower in FY15 due to the payoff of Webster Orthopedic's tenant improvement loan. Loan amount was \$1.5M at 6.75% interest.
- B) Lower salaries & benefits in FY14 due to staff taking time off without pay. It is also assumed CEO will reduce hours in FY15, but if replaced in 2015 expense may go up.
- C) Consulting expense is higher in FY15 due to budgeting \$10K for Nancy Dyar. Actual expense in FY14 was \$5K.
- D) Consulting Contingency is higher in FY15 due to budgeting \$50K for unknown consulting versus actual unknown expense of \$28K in FY14.
- E) Lower legal fees in FY15 due to the assumption that the Sutter dispute will have been resolved. Archer Norris estimated at \$10K per month (\$120K for the year).
- F) Higher office expense in FY14 primarily due to the purchase of new office laptop in FY14.
- G) There will be an election in FY15 for three officers.
- H) Lower grants awarded in FY15 due to interest income being less than FY14.
- I) Increase in depreciation expense due to purchase of new telephone system in the later part of FY14.

APPROVED
Eden Township Helathcare District
Estimated FY14 and Budgeted FY15 Balance Sheet

	Estimated FY14	Budgeted FY15
Current Assets	\$5,907,000	\$5,821,000
Investments	8,309,000	9,384,000
Fixed Assets	78,564,000	75,168,000
Total Assets	<u>\$92,780,000</u>	<u>\$90,373,000</u>
Current Liabilities	\$378,000	\$398,000
Line of Credit	144,000	0
Loan Payable US Bank	44,917,000	44,917,000
Fund Bal/Net Assets	<u>47,341,000</u>	<u>45,058,000</u>
Total Liab. & Net Assets	<u><u>\$92,780,000</u></u>	<u><u>\$90,373,000</u></u>

Assumptions:

- 1) The line of credit will be paid off in FY15.
- 2) All capital request in FY15 will be spent.
- 3) The loan payable to US Bank is an interest only loan so the balance remains the same.
- 4) Any additional cost or award for Sutter Health's damages claim in not accounted for.