

APPROVED
Eden Township Healthcare District
Annual Budget
Fiscal Year 2016

Financial Highlights

The approved budget for fiscal year ending June 30, 2016 is attached. The Board approved this budget at the BOD meeting held on May 20, 2015. 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. This budget projects further progress with one major contingency which is the settlement of the Sutter Health damages claim and sale of some of our property. This will have a significant impact on our operations. Initially, it will set us back and require us to begin catching up again.

In FY 2016, there will be an increase in revenues consistent with the annual increases in lease terms and leases entered into during this fiscal year. Expense increases are consistent with the movements in the market place and represent no unusual changes. Capital improvement request are listed by building and were approved as a whole. A balance sheet is also attached.

The revisions made to the original draft are not material with the net change in the cash flow for FY16 being \$7,334 lower than the original draft budget. The primary changes were increased revenue of \$35,149 for SLMAB which was offset with an increase in proposed grant expense by \$50,000 for the year, as we continue to invest more into improving the health of the community. Revenue increased for SLMAB due to the completion of lease renewal negotiations which were underway at the time the original draft budget was presented in April.

**Eden Township Healthcare District
Budget Assumptions
Fiscal Year 2016**

Assumptions:

- 1) We expect the Sutter legal dispute to be resolved by June 30, 2015. As a result legal fees for FY16 do not include fees associated with the dispute.
- 2) The financial impact of selling 4000 Dublin and the two unimproved parcels is not reflected in the FY16 budget. A separate impact statement is attached.
- 3) The financial impact of securing a new building loan is not reflected in the FY16 budget but is reflected on the impact statement attached.
- 4) There are no elections to be held in FY16. The next election will be in November 2016 which will be FY17.
- 5) Salaries and benefits adjusted for change in the District office hours/reduced hours for the Chief Executive Officer effective April 1, 2015.
- 6) The \$100K expenditure for the aesthetic build out of Eden Medical Building's 3rd floor is assumed to be complete by June 30, 2015. The related depreciation is reflected in the FY16 budget.
- 7) Increases in rental income are primarily based upon annual increases per tenants leases.
- 8) Income from the Surgery Center is not included as the rights were sold in April 2015.

Budget FY2016
Consolidated Income Statement

EDEN TOWNSHIP HEALTHCARE DISTRICT
APPROVED

	Q1FY16	Q2FY16	Q3FY16	Q4FY16	FY 2016 BUDGET Eden Township Healthcare District	Estimated FY 2015 ACTUAL Eden Township Healthcare District	Change from FY15 Actual to FY16 Budget Higher/(Lower)
Revenues							
Rental income	\$ 1,198,334	\$ 1,206,496	\$ 1,221,789	\$ 1,227,048	\$ 4,853,667	\$ 4,710,151	\$ 143,516 (A)
CAM Reimbursement	222,624	222,624	222,624	222,624	890,494	865,896	24,598 (A)
Other Income	-	-	-	-	-	1,013,000	(1,013,000) (B)
Interest Income	78,444	78,444	78,444	78,444	313,776	304,918	8,858
Total Revenues	1,499,401	1,507,563	1,522,857	1,528,116	6,057,937	6,893,965	(836,028)
Expenses							
Salaries & Benefits	84,900	84,900	84,900	84,900	339,600	322,717	16,883 (C)
Consulting	21,250	6,250	6,250	6,250	40,000	40,500	(500)
Consulting Contingency	12,500	12,500	12,500	12,500	50,000	92,689	(42,689) (D)
Legal Fees	19,650	19,650	19,650	19,650	78,600	277,250	(198,650) (D)
Audit/Tax Preparation Fees	6,750	6,750	10,250	6,750	30,500	30,016	484
Management Fees	45,708	45,832	46,314	46,481	184,336	180,597	3,739 (A)
Public Relations	5,000	5,000	5,000	5,000	20,000	13,056	6,944
Utilities (Gas, Electric & Water)	111,876	95,478	75,214	93,155	375,723	356,947	18,776 (E)
Repairs & Maintenance	129,734	136,898	131,986	119,573	518,190	497,960	20,230 (F)
Investment Fees	11,550	11,550	11,550	11,550	46,200	43,611	2,589
Insurance	18,939	19,152	19,152	19,152	76,395	74,302	2,093
Purchased Services	18,371	17,536	18,335	17,030	71,272	68,658	2,614
Other Direct Expense	26,355	26,918	26,618	26,618	106,510	100,769	5,741
Property Taxes	101,337	101,337	101,337	101,337	405,348	394,664	10,684
Interest Expense	337,200	337,200	337,200	337,200	1,348,800	1,333,304	15,496 (G)
Sponsorships	1,000	-	22,030	5,000	28,030	28,030	-
Grants to service providers	62,500	62,500	62,500	62,500	250,000	201,810	48,190 (H)
Goodwill	2,645	2,645	2,645	2,645	10,580	31,948	(21,368) (I)
Amortization	39,549	39,549	39,549	39,549	158,196	156,352	1,844
Depreciation	948,631	948,631	948,631	948,631	3,794,525	3,782,109	12,416 (J)
Total Expenses	2,005,446	1,980,277	1,981,611	1,965,471	7,932,805	8,027,289	94,484
Net Profit/(Loss)	(\$506,045)	(\$472,713)	(\$458,755)	(\$437,355)	(\$1,874,868)	(\$1,133,324)	(\$741,544)
Cash Basis Gain/(Loss)	\$484,781	\$518,112	\$532,071	\$553,470	\$2,088,434	\$2,837,085	(\$748,651)

- A) Rental income projections are higher in FY16 primarily due to annual increases in existing rents. Management fees are higher as well.
- B) Other income in FY15 is proceeds from the San Leandro Surgery Center. The rights were sold in April 2015 and there will no longer be income as a result.
- C) Higher salaries & benefits in FY16 due to the restructuring of staff hours effective April 2015.
- D) Legal fees and contingency expense lower in FY16 due to the resolution of the Sutter dispute.
- E) Utilities were under estimated for the FY15 budget. Expense for FY16 expected to be more in line with the actual expense.
- F) Increase in repairs and maintenance expense primarily due to painting at both Dublin Gateway and the EMB, tree trimming & roof repairs at Dublin Gateway and window washing at the EMB. These increases are offset with lower HVAC repairs for SLMAB.
- G) Interest expense is expected to increase due to a rise in interest rates for FY16.
- H) Higher grants awarded in FY16 due to an increase in investment income for FY16.
- I) Goodwill will be lower in FY16 due to the sale of the San Leandro Surgery Center in FY15 and the write off of related Goodwill.
- F) Depreciation expense expected to be higher in FY16 due to the capitalization of SLMAB tenant improvements in FY15 and the build out of EMB's 3rd floor for aesthetic purposes.

DUBLIN GATEWAY, L.P.

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					FY 2016 BUDGET		Estimated FY2015 ACTUAL		FY15 Actual to FY16 Budget Higher/(Lower)			
					Dublin Gateway		Dublin Gateway					
Revenues	Q1FY16	Q2FY16	Q3FY16	Q4FY16	\$3,686,512	\$3,555,221	\$131,291					
	Rental	\$906,794	\$919,954	\$928,152	\$931,612	803,016	795,636	7,380				
	CAM Reimbursement	200,754	200,754	200,754	200,754	276	271	5				
	Interest Income	69	69	69	69							
Total Revenues					\$1,107,617	\$1,120,777	\$1,128,975	\$1,132,435	\$4,489,804	\$4,351,128	\$138,676	(A)
Expenses	Legal Fees	2,500	2,500	2,500	2,500	10,000	10,932	(932)				
	Audit Fees	0	0	3,500	0	3,500	3,000	500				
	Management Fees (Incl Personnel)	31,979	32,307	32,498	32,584	129,368	125,978	3,390	(A)			
	Utilities	53,056	45,507	37,710	42,734	179,007	166,523	12,484	(B)			
	Repairs & Maintenance	53,075	61,575	57,799	47,549	219,998	198,430	21,568	(C)			
	Insurance	6,774	6,774	6,774	6,774	27,096	25,801	1,295				
	Other Direct Cost	10,230	10,230	10,230	10,230	40,920	36,993	3,927	(D)			
	Interest Expense	264,000	264,000	264,000	264,000	1,056,000	1,046,301	9,699	(E)			
	Property Taxes	101,337	101,337	101,337	101,337	405,348	394,664	10,684				
	Amortization	36,420	36,420	36,420	36,420	145,680	143,836	1,844	(F)			
	Depreciation	728,343	728,343	728,343	728,343	2,913,373	2,913,373	0				
	Total Expenses	1,287,714	1,288,993	1,281,111	1,272,471	5,130,290	5,065,831	64,459				
Net Profit/(Loss)					(\$180,097)	(\$168,217)	(\$152,136)	(\$140,036)	(\$640,486)	(\$714,703)	\$74,217	
Cash Basis Gain/(Loss)					\$584,666	\$596,547	\$612,627	\$624,727	\$2,418,567	\$2,342,506	\$76,061	

- A) Rental income projections are higher in FY16 due to annual increases in existing rents. Management fees will be higher in FY16 as a result.
- B) Utilities were under estimated for the FY15 budget. Expense for FY16 is more realistic.
- C) The primary contributors to increased repairs and maintenance is painting expense of \$8,000, tree trimming of \$7,700, and roof repairs of \$6,400.
- D) The increase in FY16 is primarily garbage expense which had a rate increase during FY15.
- E) Interest expense is expected to increase due to a rise in interest rates for FY16.

Amortization expense increased due to a full year effect of capitalizing tenant improvements, loan fees and lease commissions for PAMF's newly leased space in FY15.

Budget FY2016
Trended Income Statement

SAN LEANDRO MEDICAL ARTS BLDG
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	Q1FY15	Q2FY15	Q3FY15	Q4FY15	FY 2016 BUDGET SLMAB	Estimated FY 2015 ACTUAL SLMAB	Change from FY15 Actual to FY16 Budget Higher/(Lower)
Revenues							
Interest Income	0	0	0	0	0	\$818,707	\$3,308
Rental Income	\$204,987	\$204,255	\$205,487	\$207,286	\$822,015	\$818,707	\$3,308
Total Revenues	\$204,987	\$204,255	\$205,487	\$207,286	\$822,015	\$818,707	\$3,308
Expenses							
Management Fees	9,224	9,191	9,247	9,328	36,991	37,328	(337)
Utilities	43,401	35,642	25,450	37,947	142,440	137,624	4,816 (A)
Repairs & Maintenance	50,143	50,225	47,921	47,243	195,531	203,022	(7,491) (B)
Insurance	3,000	3,000	3,000	3,000	12,000	11,442	558
Purchased Services	9,822	8,987	9,787	8,482	37,078	34,575	2,503 (C)
Other Direct Cost	7,137	7,400	7,400	7,400	29,338	28,445	893
Interest Expense	21,600	21,600	21,600	21,600	86,400	83,342	3,058 (D)
Depreciation	81,963	81,963	81,963	81,963	327,852	319,588	8,264 (E)
Total Expenses	\$226,291	\$218,009	\$206,367	\$216,962	\$867,630	\$855,366	\$12,264
Net Profit/(Loss)	(\$21,304)	(\$13,754)	(\$880)	(\$9,676)	(\$45,615)	(\$36,659)	(\$8,956) (F)
Cash Basis Gain/(Loss)	\$60,659	\$68,209	\$81,083	\$72,287	\$282,237	\$282,929	(\$692)

- A) PG&E electricity and gas expected to increase approximately 3.5%.
 B) The primary contributors to the decrease in repair & maintenance is lower HVAC repair expense for FY16. This is due to the installation of new HVAC systems in FY15.
 C) Increase in purchased services due to increased security in FY16.
 D) Interest expense is expected to increase due to a rise in interest rates for FY16.
 E) Depreciation expense expected to be higher in FY16 due to the capitalization of tenant improvements in FY15.
 F) Net profit for FY16 is lower than FY15 primarily due to higher total expenses in FY16.

Budget FY2016
Trended Income Statement

EDEN MEDICAL BUILDING
APPROVED

	FY 2016				FY 2015		FY15 Actual to FY16 Budget Higher/(Lower)
	Q1'FY16	Q2'FY16	Q3'FY16	Q4'FY16	FY 2016 BUDGET	ESTIMATED ACTUAL'S	
Revenues					Eden Medical Bidg	Eden Medical Bidg	
Rental	\$86,553	\$82,287	\$88,150	\$88,150	\$345,140	\$336,223	\$8,917
CAM Reimbursement	21,870	21,870	21,870	21,870	87,478	70,260	17,218
Interest Income	375	375	375	375	1,500	1,529	(29)
Total Revenues	\$108,797	\$104,532	\$110,395	\$110,395	\$434,118	\$408,012	\$26,106 (A)
Management Fees	4,505	4,334	4,569	4,569	17,977	17,291	686 (A)
Utilities	13,715	12,625	10,350	10,770	47,460	46,153	1,307
Legal Fees	900	900	900	900	3,600	2,415	1,185
Repairs & Maintenance	25,454	24,036	25,204	23,719	98,413	92,381	6,032 (B)
Insurance	1,065	1,278	1,278	1,278	4,899	4,558	341
Other Direct Cost	4,428	4,728	4,428	4,428	18,012	17,335	677
Interest Expense	26,700	26,700	26,700	26,700	106,800	106,337	463
Amortization	3,129	3,129	3,129	3,129	12,516	12,516	0
Depreciation	136,378	136,378	136,378	136,378	545,512	543,556	1,956 (C)
Total Expenses	216,274	214,108	212,936	211,871	855,189	842,542	12,647
Net Profit/(Loss)	(\$107,477)	(\$109,576)	(\$102,541)	(\$101,476)	(\$421,070)	(\$434,530)	\$13,460
Cash Gain/(Loss)	\$32,030	\$29,931	\$36,966	\$38,031	\$136,957	\$121,542	\$15,415

- A) Rental income projections are higher in FY16 due to annual increases in existing rents. Management fees will be higher in FY16 as a result.
 B) The primary contributors to increased repairs and maintenance is painting expense of \$2,400 and window washing \$2,200.
 C) Depreciation is higher in FY16 due to capitalization of \$100K for the third floor aesthetic improvements.

Budget FY2016
Trended Income Statement

DISTRICT OFFICE
APPROVED

	Q1 FY16	Q2 FY16	Q3 FY16	Q4 FY16	FY 2016 BUDGET District Office	FY 2015 ESTIMATED ACTUAL'S District Office	FY15 Actual to FY16 Budget Higher/(Lower)
Revenue							
Interest Income	\$78,000	\$78,000	\$78,000	\$78,000	\$312,000	\$303,118	\$8,882 (A)
Other Income	0	0	0	0	0	1,013,000	(1,013,000) (B)
Total Revenue	\$78,000	\$78,000	\$78,000	\$78,000	\$312,000	\$1,316,118	(\$1,004,118)
Expenses							
Salaries & Benefits	84,900	84,900	84,900	84,900	339,600	322,717	16,883 (C)
Consulting	21,250	6,250	6,250	6,250	40,000	40,500	(500)
Consulting Contingency	12,500	12,500	12,500	12,500	50,000	92,689	(42,689) (D)
Legal Fees	16,250	16,250	16,250	16,250	65,000	263,903	(198,903) (E)
Audit Fees	6,750	6,750	6,750	6,750	27,000	27,016	(16)
Public Relations	5,000	5,000	5,000	5,000	20,000	13,056	6,944 (F)
Utilities	1,704	1,704	1,704	1,704	6,816	6,647	169
Repairs & Maintenance	1,062	1,062	1,062	1,062	4,248	4,127	121
Investment Fees	11,550	11,550	11,550	11,550	46,200	43,611	2,589 (A)
Directors and Officers Insurance	8,100	8,100	8,100	8,100	32,400	32,501	(101)
Purchased Services	8,549	8,549	8,549	8,549	34,194	34,083	111
Other Direct Cost	4,560	4,560	4,560	4,560	18,240	17,996	244
Sponsorships	1,000	0	22,030	5,000	28,030	28,030	0
Interest Expense	24,900	24,900	24,900	24,900	99,600	97,324	2,276
Grants to service providers	62,500	62,500	62,500	62,500	250,000	201,810	48,190 (G)
Goodwill	2,645	2,645	2,645	2,645	10,580	31,948	(21,368) (H)
Depreciation	1,947	1,947	1,947	1,947	7,788	5,592	2,196 (I)
Total Expenses	275,167	259,167	281,197	264,167	1,079,696	1,263,550	(183,854)
Net Profit/(Loss)	(\$197,167)	(\$181,167)	(\$203,197)	(\$186,167)	(\$767,696)	\$52,568	(\$820,264)
Cash Basis Gain/(Loss)	(\$192,574)	(\$176,574)	(\$198,604)	(\$181,574)	(\$749,328)	\$90,108	(\$839,436)

- A) Interest income is higher in FY16 due to an increase in investment deposits throughout the year.
 B) Other income in FY15 is proceeds from the San Leandro Surgery Center. The rights were sold in April 2015 and there will no longer be income as a result.
 C) Higher salaries & benefits in FY16 due to the restructuring of staff hours effective April 2015.
 D) Consulting contingency expense was higher in FY15 due to the Sutter dispute.
 E) Legal fees lower in FY16 due to the resolution of the Sutter dispute.
 F) Public Relations expense is estimated to be \$5K lower in FY15 than budgeted. Expense for FY16 is estimated to be higher due to efforts to make the public more aware of ETHD.
 G) Higher grants awarded in FY16 due to an increase in investment income for FY16.
 H) Goodwill will be lower in FY16 due to the sale of the San Leandro Surgery Center in FY15 and the write off of related Goodwill.
 I) Depreciation expense will be higher in FY16 due to capitalizing a new office telephone system, laptop for Barbara and copier/fax machine.

APPROVED
Dublin Gateway
Capital Expenditures
Fiscal Year 2016 Budget

Requested Capital:

1) Re-seal and Re-stripe parking lot	53,000	Needed for normal wear and tear of parking lot.
2) Tree Grate removal	12,000	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.
3) HVAC Commissioning	10,000	Cost associated with the start up of the AC unit that serves the 2nd floor.
Total	\$75,000	

APPROVED
San Leandro Medical Arts Building
Capital Expenditures
Fiscal Year 2016 Budget

Requested Capital:

Flooring	\$75,000 A Install flooring Common Areas
Common Area Chairs	\$25,000 A Lobby Chairs
Common Area Lights	\$10,000 A LED Lights for Common Area
Common Area Doors	\$10,000 A Paint Common Area Doors Jambs
Water Valves	\$13,000 A Installation of Water Isolation Valves
A Priority Projects	<u>\$133,000</u>

APPROVED
Eden Medical Building
Capital Expenditures
Fiscal Year 2016 Budget

Requested Capital:

Tenant Improvements

\$120,000

Reserves for tenant improvements for vacant suites.

APPROVED
District Office
Capital Expenditures
Fiscal Year 2016 Budget

Requested Capital:

1) Telephone System	\$11,000	The District telephone system has been in place for 5 years and has been unreliable for the past year. Calls are occasionally dropped or the line is dead.
2) Laptop for Barbara	1,500	Barbara's laptop is 7 years old. The laptop will loose power and Barbara has had difficulty in recovering her data. Additionally the laptop has Window's XP which is no longer supported by Microsoft.
3) Copy/Printer/Fax Machine	1,000	The District's copier/printer/fax machine is 7 years old. During the past year the printing quality, number of jams, and service calls have increased. Service has recommended a replacement as a result.
Total Capital Requested	<u>\$13,500</u>	

APPROVED
Eden Township Helathcare District
Estimated FY15 and Budgeted FY16 Balance Sheet

	Estimated FY15	Budgeted FY16
Current Assets	\$5,559,932	\$5,597,307
Investments	10,345,310	13,182,395
Fixed Assets	75,639,906	72,286,881
Total Assets	<u>\$91,545,148</u>	<u>\$91,066,583</u>
Current Liabilities	\$505,174	\$445,986
Loan Payable US Bank	44,917,000	44,917,000
Fund Bal/Net Assets	<u>46,122,974</u>	<u>45,703,597</u>
Total Liab. & Net Assets	<u><u>\$91,545,148</u></u>	<u><u>\$91,066,583</u></u>

Assumptions:

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