

THE FAILURE OF EDEN TOWNSHIP HEALTHCARE DISTRICT'S MISSION

EXECUTIVE SUMMARY

The Grand Jury received a citizen complaint that the Eden Township Healthcare District (ETHD, dba Eden Health District) does not adequately provide for healthcare needs of its residents. The complaint also questioned whether the district should continue to exist.

According to its Mission Statement, the district exists:

To improve the health of the people in our community by investing resources in health and wellness programs that meet identified goals.

After a thorough investigation, the Grand Jury found that ETHD has failed in its core mission effectiveness; that is, how the organization carries out its planned goals and objectives. The district does not engage in advanced strategic planning practices, but rather, has chosen to muddle through governance and managerial responsibilities. Its poor management and absence of innovation results in very little impact on the health of Alameda County residents within the district.

ETHD is a multi-million dollar healthcare district. In examining the district's financial statements, budgets, projections and planning documents, the Grand Jury found that the district provides no direct medical services and its forecasted grant awards to service providers account for a mere 12% of the district's total expenses. The Grand Jury found that 88% of the district's budget is spent on real estate, administration, legal and consulting fees. In effect, ETHD is essentially a commercial real estate management operation rather than an indirect (or direct) healthcare provider for citizens of the community.

Having determined the district's ineffective execution of its mission, the Grand Jury found the citizen complaint to be valid and questions whether the Eden Township Healthcare District should continue to exist.

BACKGROUND

Eden Township Healthcare District is one of 78 healthcare districts in California. Healthcare districts are among a broader class of special districts which were created to deliver public health services to a resident population. Virtually all healthcare districts today were once named

“hospital districts” with one common purpose: to construct and operate community hospitals. Currently, only 40% of districts provide *direct* healthcare services; for example, owning and operating hospitals, clinics, assisted care or primary care facilities, ambulance transport, or senior housing. Others, like ETHD, provide *indirect* services to residents through third party healthcare providers; for example, providing funds to support community based organizations. Funding district operations for these services is usually achieved by resident-approved property tax assessments and/or through for-profit business ventures.

The primary purpose and mission at the time of the district’s founding in 1948 was to finance, construct and operate a community hospital in Castro Valley, which subsequently opened in the fall of 1954 as Eden Medical Center (EMC). Once the accumulation of capital for district expansion projects was no longer needed during the 1960s and into the 1970s, the district ceased levying taxes to fund its operations in 1977.

Eden Township Healthcare District boundaries include Castro Valley and San Lorenzo, Hayward and San Leandro. District residents numbered over 360,000 in 2010, and that number is projected to increase to over 437,000 by 2035. ETHD does not currently levy taxes, although it is considering levying a parcel tax on residents in the near future. Rather, it owns and operates office buildings and generates rental income for district operations and mission activities.

In 1994 the state mandated specific seismic upgrades for all hospitals. The district had three options to comply: replace the old Eden Medical Center (EMC) with a new hospital by 2013; retrofit EMC; or, close EMC operations by 2020. ETHD needed \$300 million to replace and construct a new hospital in Castro Valley. It asked Sutter Health (a not-for-profit healthcare system) to form a partnership to complete the project. In April 1997, district voters authorized ETHD to sell its major assets (Eden Medical Center and Laurel Grove Hospital) to Sutter Health for \$80 million, on the condition that the district retain Eden Medical Center’s \$57 million building fund and its community health fund, valued at \$37 million.

With these funds, ETHD purchased two medical office properties to generate income. The district used funds and other capital derived from its sale of assets to Sutter Health. The buildings that were purchased were: the San Leandro Medical Arts Building in 2004 (\$3.2 million) and the Dublin Gateway Building in 2007 (\$82 million). In 2013, the district opened the Eden Medical Building (\$7.2 million) that it built, owns, and operates. Property purchases were partially financed by mortgages amounting to \$45.5 million.

In 2004, ETHD acquired San Leandro Hospital and immediately leased it to Sutter, with an option to purchase. In 2009, Sutter exercised that option to purchase, but ETHD refused to comply due to concerns by some in the community that the emergency department would be closed. Sutter Health soon after sued, alleging that ETHD violated their agreement. From 2009 to 2013, ongoing lawsuits and appeals resulted in the district not prevailing in any of them. All in all, the judgment against ETHD was \$19 million including interest and fees. The district has made one payment, bringing the current liability to \$17.7 million.

INVESTIGATION

The Grand Jury initiated an investigation to determine: (1) whether the *purpose* of ETHD is relevant since it no longer owns and operates a district hospital or otherwise provides direct healthcare needs for district residents; (2) whether the district's *mission activities* are effective; and (3) what factors, if any, contribute to the question of whether or not ETHD should continue to exist. The Grand Jury reviewed numerous reports, public documents and heard witness testimony during its investigation.

Discussion

Eden Township Healthcare District has two main functions: 1) oversight and management of its development and maintenance of property holdings, leasing office units, and handling its investments; and 2) administering grants and sponsorships to various organizations, which are more or less associated with ETHD's purpose and mission. The district's oversight and management of its real estate holdings currently contributes little, if any, value to delivering healthcare services. However, the district spends a disproportionate amount of time managing its holdings. Consequently, it has little time to administer grants and sponsorships to various organizations to provide healthcare services.

Business Enterprise Activity: Real Estate Ownership and Management

The Grand Jury heard testimony that the district's main business is in rentals and investments, which consists of developing and maintaining the organization's real-estate assets and lease operations. The district's three income-generating medical office buildings are not managed by ETHD; rather, ETHD pays third parties to manage building operations, including tenant recruitment, lease executions, and staffing. These facilities are expected to generate \$2.8 million, \$822,000, and \$434,000 respectively in lease income for 2016. Additionally, in March 2016, the district completed the sale of a portion of one property (4000 Dublin Gateway) in the city of

Dublin for a sale price of \$33.9 million, with all proceeds used to pay part of the mortgage for that property.

Health and Wellness Projects

The district administers income generated from a \$12 million cash management portfolio and other investments for purposes of funding a community grants program for the marginalized, underserved, high-risk and special needs populations of the district.

Grants and sponsorships are awarded to third party, healthcare community-based organizations (CBOs) or to government related agencies. In the past three years, the district annually awarded between \$200,000 to \$300,000 in grants, which is less than 5% of the organization's total expenses. In the previous 15 years, ETHD dispersed \$10 million in grants to over 60 organizations. Current district policy is to allocate 65% of its regulated investment proceeds to community grants.

The district's failure to perform advanced (strategic) planning has jeopardized the district's ability to fund third party CBOs. For example, in 2010-2011, ETHD actually suspended grants to third party CBO health providers. However, the Grand Jury noted that the district chose to make two funding awards. The first was an award of \$500,000 to the Davis Street Family Resource Center for the purchase of a building. The second was a \$3 million loan to St. Rose Hospital in order for St. Rose to meet its payroll expenses. St. Rose has since suspended repayment of the loan back to ETHD.

The Grand Jury noted that Eden Township Healthcare District provided partial funding for a diabetes education and health fair event in September 2015, which was co-sponsored by a multinational pharmaceutical company. The event involved several local community health organizations. A few other events were planned in the spring of 2016, each focusing on health education issues. The stated purposes of these events were two-fold: (a) to educate the general public and provide free resources for the prevention, diagnosis and treatment of health issues such as diabetes; and (b) to generate awareness of the purpose and mission of the ETHD. Given the lack of follow-up data, however, the Grand Jury was unable to assess the impact or value for all district residents.

In November 2015, the district entered into a partnership agreement with Davis Street Family Resource Center to assist that organization in funding community health needs. The agreement requires ETHD to commit \$250,000 annually, to be paid in monthly installments for a period of five

years. However, this agreement may be jeopardized due to the district's pending lawsuit with Sutter. The lawsuit is subject to final resolution on appeal, and until the appeal has been resolved, there remains a risk that the district may be unable to fund the Davis Street project as required by its agreement. The lawsuit poses a \$17.7 million liability to the district. The remaining issue on appeal is whether the district will be required to pay the \$17.7 million as a lump-sum payment or whether the district may satisfy its liability through payments over ten years.

District Financial Summary

The district's recent sale of its Dublin property to a tenant, who exercised a lease option to purchase, will materially impact its debt, asset, book value, and cash flow. The figures for 2016 include adjustments to its original budget provided by the district to the Grand Jury, and reflect approximations for planning purposes. *(Please refer to the chart on page 49 for greater details.)* In light of this sale and the information provided, the Grand Jury notes ETHD's financial condition as follows:

- 1) An analysis of the 2015-2016 budget and audited financial statements, indicate that ETHD has \$12 million in cash reserves. After the Dublin property sale, the district forecasted approximately \$800,000 in positive cash flow for FY2016, reflecting a decrease in cash flow from approximately \$2 million.
- 2) Only a minimal amount of profits derived from the real estate activities are allocated for the district's mission-related community grants program for the underserved or other district residents. All real estate tenants are either medical professionals or related medical operations, such as medical labs paying market rate rents. There is no evidence that any of the spaces leased in the district's office buildings are used by non-profit or community based organizations.
- 3) A full 76% of the district's 2015-2016 operating budget is spent on real estate activities (which includes paying down debt on ETHDs medical office buildings, property management, maintenance, administrative expenses and staffing), while an additional 12% is spent on district administration, legal, and consulting expenses. Total spending on items other than direct or indirect healthcare programs is approximately 88% of the district's total budget.

- 4) The long-term debt of the district is \$29.3 million. This sum includes:
 - \$11.6 million mortgage debt remaining on medical office buildings; and
 - \$17.7 million remaining debt as a result of the failed lawsuits and counter suits between the district and Sutter Health.
- 5) Based on the ETHDs financial statements for budget years 2013-2015, funds allocated for the organization's community grants program has historically been in the range of 2% to 3.5% of district expenses. After the recent Dublin Gateway property sale, community grants would increase to 12% of the organization's expenses with the revised FY2016 budget.

The Grand Jury is concerned that residents of the district are unaware of ETHD's financial priorities and inability to provide a wide range of direct healthcare and/or health related services. The failed Sutter lawsuit continues to negatively impact the already precarious financial condition of the district originally caused by a series of management and legal missteps with Sutter Health. There is little evidence of *ongoing*, serious strategic planning practices for the allocation and expenditure of public resources that focus on meeting clearly identified goals. In the opinion of the Grand Jury, the district's decision to prioritize its financial planning for real estate management, rather than to deliver healthcare services for the benefit of its residents, has led to an unfortunate misallocation of public resources.

On another note, in November 2015, ETHD officials were certified by the Association of California Healthcare Districts for meeting high healthcare district governance standards set for participating members in the association. The district is one of twelve in the state to have received such certification. Because of the commendable public transparency of the district, the Grand Jury was able to study a variety of easily accessible documents such as audited financial statements, planning documents, budgets, board agendas, meeting minutes, and other information. The availability of these documents enhanced the Grand Jury's investigation into a citizen's allegations against the district's purpose, mission and operations. Thus, ETHD residents and other stakeholders have open access to the district's current operational realities.

Summary of District Finances 2013 through 2016

4/6/2015	ETHD, \$ 000's			As of 3/22/2016		
	Audited	Audited	Audited	Original	Gateway	Pro Forma
				Plan	Plan	Estimate
	2013	2014	2015	2016	2016	2016
Rental Income	3,763	4,306	4,708	4,854	2,230	2,624
Tenant Income	669	838	947	890	431	459
Taxes	0	0	0	0	0	0
Operating Income	4,432	5,144	5,655	5,744	2,661	3,083
Operating Expenses	6,762	6,693	6,789	6,584	2,156	4,428
Operating loss	-2,330	-1,549	-1,134	-840	505	-1,345
Interest income	388	322	303	314	0	314
Other income	200	50	750	0	0	0
Gain/(loss) on invest	-233	-46	-153	0	0	0
Interest Expense **	-1,480	-1,346	-1,378	-1,349	-733	-616
Legal settlement charge			-19,673			
Net Loss	-3,455	-2,569	-21,285	-1,875	-228	-1,647
Depreciation & Amort	3,674	4,073	3,977	3,952	1,508	2,444
Legal settlement charge	0	0	19,673			
Cash generated	219	1,504	2,365	2,077	1,280	797
Grants & Sponsorships	134	186	229	278		278
Davis Street Commitment				250		250
% of total expenses	2.0%	2.8%	3.4%	8.0%		11.9%
% of cash expenses	4.3%	7.1%	8.1%	10.6%		14.0%
** Note interest expense adjusted to reflect new estimate of \$616,000 on remaining mortgage of 11,600,000 per ETHD projections						

Lack of Advanced (Strategic) Planning Practices

In 2013, district officials adopted what they described as a five-year plan. Prior to 2013, the last time ETHD conducted a plan review was 2009. The Grand Jury found this planning to be insufficient. It failed to demonstrate *advanced* planning practices within the organization as described by Alameda County's Local Agency Planning Commission (ALAFCo). Rather, the planning stance of the district consists of wait-and-see or what the Grand Jury concludes as one of muddling through. One witness testified that district officials stand by and wait to respond to community health needs so the organization may remain "nimble." The Grand Jury finds that the district's planning is anything but nimble; rather, it is fairly characterized, at best, as plodding.

An example of negligent planning is shown in the results of a district survey of residents in May 2012, titled *Public Perception of ETHD*. The survey's purpose was designed to assess residents' awareness and opinions about the district. Survey results show that 55% of respondents prior to taking the survey had never heard of Eden Township Healthcare District. An additional 24% of respondents had heard of the organization, but had no opinion about it. Only 18% of the responses were positive. The Grand Jury found no evidence of formal planning by ETHD officials to remedy the community's unawareness of the district as revealed by the 2012 survey.

The Grand Jury reviewed ETHD and Alameda Local Agency Formation Commission (ALAFCo) documents relating to the district's strategic plan and goals. Beginning in 2013, district officials reported to ALAFCo on its various plans and goals, attempting to articulate what had been accomplished. (See *Alameda Local Agency Formation Commission*, page 57.) Since there are insufficient *advanced* district-wide strategic plans, the Grand Jury noted that many goals referring to future plans are not *proactively* formulated from within the district. Rather, district goals are short-term *reactions*, forced by unanticipated circumstances, or ideas from outside the organization. For example:

- District officials reported to ALAFCo during ETHD's November 13, 2015 oversight review meeting that it was exploring possibilities of providing dental services in the city of Dublin. The Grand Jury learned that this idea was not developed through internal planning processes, but rather from an idea suggested by an elected Dublin official.

- The district publicized that it had loaned cash-strapped St. Rose Hospital \$3 million to make payroll, a loan that is still partially outstanding. This took place only *after* the hospital reached out to the district after being turned away from other funding sources.
- It was reported that ETHD was considering asking voters to approve a parcel tax. The Grand Jury learned that this was an idea that came from a member of the Alameda County Board of Supervisors.
- ETHD recently sold its Dublin Gateway office building and used the money from the sale to pay down its debt. This action was not the result of strategic planning from within ETHD, but rather, the building's tenant exercising its option to purchase the building.

The district's plan document, *Strategic Plan Priorities*, has seven priority declarations that are not goal statements even though the organization's mission states that it invests in resources "...that meet identified goals." The priorities lack language that would inform residents and other stakeholders that any mission-accomplishments of the district are planned for and budgeted. The following list is a verbatim presentation of the district's seven priorities:

- (a) Providing educational programs to promote health among adults and children in collaboration with schools, libraries and health centers.
- (b) Providing funding through the Community Health Fund for the underserved population of the district.
- (c) Providing services directly, such as urgent care or outpatient psychiatric services, which are needed in the community.
- (d) Continuing to maintain investment properties that serve a medical or health purpose or provide revenue that may support such a purpose.
- (e) Strategically manage and divesting itself of properties that may better promote the district's other strategies.
- (f) Increasing awareness of the districts purpose and value to the residents of the district as evidenced by substantial increase in the number of people of the district who understand its purpose and its services to the community.

- (g) Remaining financially sound and manage its operations towards this goal.

These priorities fail to articulate, or to detail in any reasonable fashion, how and when the district intends to accomplish its core mission: to deliver health services to the community.

Examples of Lack of Planning

In a planning-related document obtained by the Grand Jury, and from corroborating information gathered from witness testimony, the Grand Jury learned that:

- In the fall of 2015, the district pivoted from providing *direct* healthcare to *indirectly* providing loosely defined programs and services. The Grand Jury observed that such a major decision was executed in the absence of advanced planning. ETHD failed to provide information to the community and did not provide opportunities for public input.
- The Grand Jury heard testimony that ETHD officials do not believe that promoting or creating public awareness, such as marketing of the organization, is necessary for its mission.
- The Grand Jury found no evidence that the district integrates its planning to achieve meaningful collaboration with Alameda County Healthcare Services, the government organization mandated to serve the needs of the poor and underserved in Alameda County.
- The Grand Jury found that district residents and other stakeholders have little information on how the district correlates grant awards and sponsorships in order to meet the health needs of the community.
- District officials leverage resources through the formation of third party partnerships to *indirectly* deliver health programs and services to district residents. The Grand Jury found little or no evidence that ETHD performed meaningful evaluations to determine if these third party providers achieved the specific intended outcomes for which they were funded.

CONCLUSION

Strategic plans describe *what* an organization intends to be in the future (the *vision*), and *how* it intends to achieve that vision (the *plan*).

Strategic planning is essential. It is what elected officials and managers of governmental agencies are expected to do for the efficiency, effectiveness, and economical delivery of public services. And it is equally essential to ensure transparency and accountability. In the case of the Eden Township Healthcare District, it neither has a vision nor a mission plan consisting of stated goals, objectives, and strategies that describe how the district expects to navigate its future existence and be relevant for the citizens it serves.

In the absence of meaningful strategic planning practices, ETHD's elected officials govern the organization's mission from a reactive perspective. The Grand Jury believes district residents and other stakeholders appear to be unaware of the implications of this situation.

ETHD spends 88% of its resources managing its real estate holdings and only 12% on mission-related activities. With this balance of resource allocation, the district struggles to deliver (directly or indirectly) adequate healthcare services for all residents. There is minimal evidence of active, informed citizen participation in district affairs. Agency officials do not solicit district-wide feedback or input from other healthcare organizations to evaluate and plan for greater mission effectiveness. Equally troublesome, there is no meaningful strategic planning in place to correct these matters.

The district's original purpose is no longer relevant since ETHD no longer owns and operates a district hospital or other *direct* care assets to deliver acute healthcare solutions. Unless ETHD has a clear vision and a defined strategic plan to be relevant, it should be dissolved.

The citizen's complaint, which initiated the Grand Jury's investigation, is warranted. It reflects accurate perceptions concerning the mission-realities of the Eden Township Healthcare District.

FINDINGS

Finding 16-14:

The Eden Township Healthcare District lacks a clear vision of its future as a viable governmental agency.

Finding 16-15:

The execution of the Eden Township Healthcare District's mission is ineffective because it does not engage in advanced strategic planning practices. The district lacks information concerning the needs of its residents and fails to take steps to assess those needs.

Finding 16-16:

The amount of resources devoted to the Eden Township Healthcare District's primary mission is only 12% of its total expenses. Although an improvement over the historical 5%, this ratio is an indication that the district's attention has been diverted away from its primary mission, which is to "improve the health of the people in our community."

Finding 16-17:

Survey data showing that district residents have little or no knowledge or opinion of ETHD's existence demonstrates ETHD's failure to deliver on its stated mission.

Finding 16-18:

Eden Township Healthcare District's current priorities lack concrete action plans, timelines, funding sources, or a rationale that would inform residents how and when plan priorities will be achieved.

Finding 16-19:

ETHD's stated priority to provide direct healthcare services to the community is unachievable under its current operating structure. This problem highlights the fact that the district has not aligned its strategic priorities with the reality of its operating structure.

Finding 16-20:

The Eden Township Healthcare District's passive approach to planning has resulted in a lack of short- and long-term objectives. It reduces the organization to haphazardly funding its priorities on a reactionary or politically driven basis.

Finding 16-21:

There is little or no evidence of collaboration between the Eden Township Healthcare District and the Alameda County Health Care Services Agency. Lack of collaboration is wasteful and detrimental to the community the district serves.

RECOMMENDATIONS

Recommendation 16-10:

The Eden Township Healthcare District must conduct community assessments giving all district residents and other stakeholders the opportunity to provide input for strategic planning purposes.

Recommendation 16-11:

The Eden Township Healthcare District must create and articulate a clear vision for the district that serves as a basis for advanced strategic planning practices that meet the expectations of residents and other stakeholders.

Recommendation 16-12:

The Eden Township Healthcare District must take steps to correlate its grant programs to meet specific identified needs of the diverse demographic of its residents.

Recommendation 16-13:

The Eden Township Healthcare District must collaborate with the Alameda County Health Care Services Agency and show evidence that they have identified short- and long-term priorities that address the district's core mission and functions.

Recommendation 16-14:

The Eden Township Healthcare District must take additional steps to publicly provide health information, educational resources, news and community events to all district residents.

Recommendation 16-15:

In conjunction with Eden Township Healthcare District's next board election, the district must provide the electorate with a choice to vote on whether the district should continue to exist.

RESPONSES REQUIRED

Responding Agencies – Please see page 125 for instructions

Eden Township Healthcare District Board of Directors:

Findings 16-14 through 16-21

Recommendations 16-10 through 16-15

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ALAMEDA LOCAL AGENCY FORMATION COMMISSION

EXECUTIVE SUMMARY

Pursuant to state mandate, the Eden Township Healthcare District (ETHD, dba Eden Health District) falls within the oversight jurisdiction of the Alameda Local Agency Formation Commission (ALAFCo). During the Grand Jury's investigation of ETHD, ALAFCo's oversight role in relation to the district came into question (See *The Failure of Eden Township Healthcare District's Mission*, page 43). The Grand Jury sought to determine whether ALAFCo's oversight of the district's advanced (strategic) planning processes initiated by the 2013 Municipal Service Review (MSR) was adequate.

The findings and conclusions from the Grand Jury's ETHD investigation suggest the district does not implement advanced (strategic) planning practices. As a consequence, there is no accountability system to monitor the spending of public resources that are earmarked to provide effective healthcare deliverables to all district residents, including, most importantly, the marginalized and underserved.

As a result of the Grand Jury's investigation, it was found that there has been insufficient monitoring of the 2013 MSR and of ALAFCo's follow-up protocols for 2013, 2014, and 2015. Additionally, ALAFCo lacked political will to confront the reality of ETHD's ineffective execution of its mission and delivery of services. The district's residents cannot be assured that the Eden Township Healthcare District provides meaningful and inclusive public health services as stated in its mission.

BACKGROUND

In 1963, the California Legislature created and mandated that each of the state's 58 counties establish a "regulatory boundary agency" called a Local Agency Formation Commission (LAFCo). All LAFCos are political subdivisions of the state created by the legislature made up of appointees representing counties, cities, special districts and the public. Commissions oversee and establish procedures for changes in the organization of local governments within their jurisdictions for purposes of shaping and increasing local governmental efficiencies in the delivery of public services.

The legislative intent of Local Agency Formation Commissions is to:

- Encourage orderly growth of governmental agencies.
- Promote efficient and orderly formation of local governmental agencies.
- Contribute to logical and reasonable development.
- Shape development of local agencies to provide for present and future needs of the county and its communities.
- Ensure efficient, sustainable public services.
- Preserve agricultural land resources, open space and discourage and prevent urban sprawl.

In California, LAFCos oversee 2,109 independent special districts. By comparison, there are only 482 city governments and 58 county governments in the state. These agencies conduct municipal service reviews every five years for special districts and other local jurisdictions within their respective counties. Each LAFCo is required to review and report that local governments provide balanced, effective public services and that the delivery of those services is done efficiently and economically.

INVESTIGATION

The findings of the Grand Jury's investigation into a citizen's complaint pertaining to the ineffectiveness and execution of the mission of the Eden Township Healthcare District led to the Jury's questioning the oversight role ALAFCo has played in recent years. Specifically, the Grand Jury needed to establish whether ALAFCo's oversight of ETHDs 2013 MSR has been adequate for residents served by the district.

Including witness testimony, the Grand Jury analyzed the following ALAFCo documents: (a) 2004 Sphere of Influence Service Review of ETHD; (b) ETHD 2013 MSR; (c) Resolution 2013-14: *Adopting Municipal Service Review Determinations, Sphere of Influence Determinations, and Updating the Sphere of Influence for the Eden Township Healthcare District*; (d) Resolution 2014-07: *Updating the Sphere of Influence for the Eden Township Healthcare District*; and (e) Staff memo dated November 5, 2015 to the commissioners regarding ETHD CEO's "status report" updating Resolution 2014-07 for the commissioner's November 12, 2015 meeting.

The Grand Jury determined that ETHD does not engage in advance strategic planning practices, and spends too little of its resources on its primary mission. As a result of this investigation, the Grand Jury found (a) that ALAFCo missed opportunities to authenticate and identify these problems; and (b) the responses to ETHD's annual 2013 follow-up reports

did not appear to be aligned with or responsive to ALAFCo's earlier demands.

Critics of LAFCos claim the commissions have a bias towards maintaining local governmental agencies. As a result of that bias, LAFCos rarely if ever muster the political will to dissolve or consolidate special districts even if the district's purpose and mission are no longer justified. ALAFCo's lack of awareness and verification that ETHD district officials have not and do not participate in sufficient advanced planning practices to guide its mission and future operations is unfortunate. This lack of attention gives credence to LAFCo critics about a bias of maintaining the status quo.

CONCLUSION

The Alameda Local Agency Formation Commission has provided inadequate oversight of the Eden Township Healthcare District resulting in maintaining the status quo of a public agency whose purpose and mission are no longer relevant or effective.

FINDINGS

Finding 16-22:

As a result of ALAFCo's lack of oversight of ETHD's advanced (strategic) planning practices, residents and other stakeholders of the district are unaware whether ETHD has long-term capacity, or even the intent, to provide well-planned delivery of efficient and sustainable health programs and services.

RECOMMENDATIONS

Recommendation 16-16:

The Alameda Local Agency Formation Commission must ensure that the Eden Township Healthcare District's strategic planning aligns with ETHD's current operational structure.

Recommendation 16-17:

The Alameda Local Agency Formation Commission must provide greater scrutiny and oversight of the Eden Township Healthcare District to ensure that current and future Municipal Service Reviews are effectively constructed to meet the district's adherence to advanced (strategic) planning practices and on-going reporting to residents and other stakeholders of successful mission outcomes.

Recommendation 16-18:

The Alameda Local Agency Formation Commission must employ its initiatory powers (planning and regulatory) to decide the public value of the Eden Township Healthcare District in light of the overall needs of the district and act accordingly by either recommending dissolution or consolidation.

RESPONSES REQUIRED

Responding Agencies – Please see page 125 for instructions

Alameda Local Agency Formation Commission Board

Finding 16-22

Recommendations 16-16 through 16-18