

SUMMARY ACTION MINUTES
ALAMEDA LOCAL AGENCY FORMATION COMMISSION
SPECIAL MEETING

Hayward City Hall, City Council Chambers, 2nd Floor, 777 B Street, Hayward, CA 94541

October 18, 2016

At 5:41 p.m., Chair Marchand announced that while waiting for a quorum to be established he would start the meeting. He then offered introductory remarks concerning the purpose of the meeting; namely, for the Commission, which had initiated a special study of the Eden Township Healthcare District (ETHD), to receive input from the public and other stakeholders concerning the District. He requested that speakers focus their remarks in line with the following (as noted on the meeting agenda):

- What value, if any, does the ETHD provide to the public?
- For those who find value in the District, what specific needs and/or priorities should the District address:
- For those who do not find value in the District, should the District's functions continue to be provided by another entity?

LAFCo Executive Officer Mona Palacios provided information on Local Agency Formation Commissions (LAFCos), how and why they were established and what some of their main functions are, and explained the background leading up to the present concerning the ETHD.

Project Consultant Richard Berkson spoke about the purpose and focus of the special study of the District. He explained that the purpose was to conduct an objective, independent review of the District's governance, services and funding and to provide information to LAFCo, other affected jurisdictions and decision makers, establishing a foundation for decisions that could be made concerning the District's future. He discussed what the study would include, what it would not include, and noted that the comments given tonight would be incorporated in the study. He mentioned that the Commission would consider a timeline for the study at their regular November meeting, and expected that a draft report would be prepared by mid to late November. He concluded his remarks with a very brief overview of the District that included its founding, its boundaries and past and current service focus.

1. Call to Order and Pledge of Allegiance

Chair Marchand called the meeting to order at 5:55 p.m. The Pledge of Allegiance was recited.

2. Roll Call.

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

County Members: Nate Miley (arrived at 5:55 pm)

City Members: John Marchand and Jerry Thorne

Special District Members: None

Public Members: Sblend Sblendorio

Not Present: County Members, Scott Haggerty and alternate Wilma Chan; Special District Members Ayn Wieskamp, Ralph Johnson and alternate Georgean Vonheeder-Leopold; alternate City Member David Haubert, and alternate Public Member Tom Pico

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

3. Public Comment

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

4. **Eden Township Healthcare District**

Chair Marchand invited those who wished to speak to come forward when their name was called and to please limit their comments to three minutes.

PUBLIC COMMENT: The following people offered comments.

- Assembly Member Bill Quirk – requested that the consultant for the special study of the District clarify if the study would be comparing the need of money for the hospitals versus the need of money for the current programs being funded by the District, as he felt that would be an essential aspect to look at. The consultant responded that the study would look at the status quo, what would happen if the District continues as it is, how much money it has available and how it spends it, and compare that to dissolution of the district and disposition of its assets as well as what potential uses of that money could occur, but the study would not specifically say one option was better than another. Determination of that will be left up to the decision makers. His report will provide basic information on both options. Assembly Member Quirk explained that he had stopped the bill he introduced as he became familiar with the responsibilities of LAFCo and became convinced that the right thing to do would be to have a local process, where all stakeholders could voice their opinions. He suggested that the Commission, if it likes what the District is doing, consider an option of having it managed by a non-profit, as, in his opinion, having an elected board that spends considerable money on elections every two years, as well as requiring other overhead, is unnecessary. He concluded his remarks noting that the Commission has a difficult decision to make, but trusts it will make a good one.
- Johan Klehs – Representative of Alecto Healthcare Services, the company that manages St. Rose Hospital in Hayward, expressed appreciation to the ETHD for providing 70 years of service to its four communities and noted that his company was neutral on the two bills introduced concerning the District (by Assembly Member Bonta and by Assembly Member Quirk) and that they are also neutral on whether or not the District should be dissolved. He noted that he is working with Supervisor Valle on a task force looking at a long-term financing solution for St. Rose Hospital. He suggested that, if LAFCo decides to dissolve the District, it might consider an alternate option to that of splitting the assets between St. Rose and San Leandro Hospitals, since that would provide funding for a short period of time – a year at most. He suggested they consider creating a not-for-profit entity to assume and manage the assets, potentially investing them and using the principal to continue to support the hospitals, as well as the various community groups that currently receive funding from the district.
- Lester Friedman – Current chair of the District board, talked about the litigation the District has been involved in concerning San Leandro Hospital and the impact that has had on the District. He also noted that splitting the District's funds, if it were dissolved, and giving to the hospitals would result in the funds probably being gone in six months. After mentioning many of the organizations providing services to the community that are supported by the District, he recommended that the District continue as it is and noted that when litigation payments were completed, the District would have considerable more funds for supporting community services.
- Jonnie Banks – Castro Valley resident, noting that she wanted to correct a comment from a speaker at the meeting the preceding night in Castro Valley, said that the figure of 88% of the District's assets going to Administrative costs was incorrect; that, in fact, the amount was 11%. She reiterated her comments from the previous meeting, noting that the District's community health programs concerning glaucoma, diabetes and mental health had received positive comments from the participants. She expressed support for the District continuing as it is.
- Keisuke "Kasey" Warner – long-time resident of Castro Valley, charter member of VFW 9601, spoke in appreciation of the support from the District for the local VFW's support of veterans, noting a \$5000 grant received from the District last year, as well as help from the District in sponsoring a golf tournament that raised funds for supporting veterans, and noted specific ways the funds were used for veterans. He urged LAFCo to decide to keep the District.

- Vanessa Cedeño – legislative aide to Supervisor Wilma Chan, talked about the Grand Jury’s review of the District in its Report of 2015-2016 that concluded that the District “failed in its core mission effectiveness” She noted that, as mentioned in the Grand Jury Report, 88% of the District’s assets go towards not only administrative, but real estate and legal costs as well, leaving only 12% for funding its grant programs. She noted that the District’s original mission was to build and fund a hospital, that safety net hospitals such as St. Rose and San Leandro, which provide critical and life-saving services, face severe financial difficulties in keeping their doors open. She urged that LAFCo, whatever it decides about the District, make sure that the District stays true to its mission to contribute to the viability and sustainability of these hospitals as well as to other healthcare providers that it is currently supporting.
- Barbara Halliday – Mayor of Hayward, welcomed and thanked the Commission for conducting the study of the District at the City of Hayward’s request and for holding the public meetings. She also referenced the Grand Jury’s conclusions about the District. Noting that St. Rose and San Leandro hospitals have had serious shortage of funds that nearly caused their closing in the last few years, she urged LAFCo to strongly consider dissolution of the District and using its assets to provide healthcare to the community.
- Tom Lorentzen – ETHD Board member, noted that the District had stepped up and provided support to San Leandro Hospital and recently to St. Rose Hospital via a loan when it was faced with closure. The part of the loan that has not been repaid has been forgiven. He noted that after the Sutter lawsuit has been paid off, \$2.5 million will be available for the District to use.
- Phyllis Moroney, R.N., NP – Castro Valley resident, expressed agreement with the Grand Jury Report that the District should be dissolved. She said that the figures she had mentioned at the meeting in Castro Valley the preceding evening were directly from the Grand Jury Report, and she found it unacceptable that only 12 percent of the district’s budget is used for grants, scholarships and health care services. She urged LAFCo to dissolve the District and keep the funds “in a lock box” until the proper management for using the funds appropriately for the healthcare of the community can be decided upon.
- Rebecca Bell – resident of Fairview, independent grant writer whose clients are primarily in the healthcare field, spoke in support of the District, mentioning various organizations supported by the District. She believes the District fills a gap in supporting preventative services, which hospitals are unable to provide. Referencing it as a well-intentioned, but misguided “money grab”, she urged the Commission not to dissolve the District and give its assets to the hospitals.
- Dev Mahadevan – CEO of ETHD, in response to comments about the criticism of the District in the Grand Jury Report 2015-2016, noted that the Grand Jury Report of 2014-2015 talked extensively of the oversight of the Alameda Health System by its current owners, the Board of Supervisors and about Supervisor Wilma Chan’s secret meeting with Sutter having to do with the deal that transferred San Leandro hospital. In reference to figures given in the Grand Jury Report, he noted that numbers can be interpreted variously, and they should be looked at carefully. He stated the District’s overhead is approximately 11%. He noted that the medical offices the District has are not just investments, but they are used to provide services to the community. The reason they have a medical office in Castro Valley was to support the hospital, which could not get a developer to build the building. The future of healthcare is keeping people out of the hospitals. Lastly, he noted that the amount of \$50 million referenced in the Grand Jury Report went to support all the losses of San Leandro Hospital as reported by Sutter from 2004-2012 and that \$3.5million went to lawsuits for the District, \$1.5 million for Sutter.

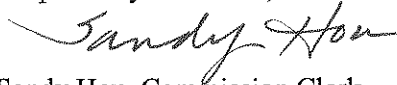
In concluding the meeting, Chair Marchand thanked all the speakers for their comments and noted that a third meeting to gain input on the District would be held on November 7th in San Leandro.

5. **Adjournment of Special Meeting**

The meeting was adjourned at 6:43 p.m.

6. **Next Meeting of the Commission - Third Special Meeting concerning Eden Township Healthcare District
Monday, November 7, 2016 at 5:30 pm at San Leandro City Council Chambers**

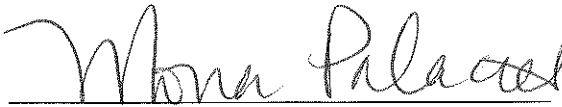
Respectfully submitted,



Sandy Hou, Commission Clerk

These minutes were approved by the Commission on November 10, 2016.

Attest:



Mona Palacios
Mona Palacios, LAFCo Executive Officer