

SUMMARY ACTION MINUTES
ALAMEDA LOCAL AGENCY FORMATION COMMISSION
SPECIAL MEETING

Castro Valley Library, Community Room, 3600 Norbridge Ave., Castro Valley, CA

January 31, 2017

1. **Call to Order and Pledge of Allegiance**

Chair Marchand called the meeting to order at 6:02 p.m. The Pledge of Allegiance was recited.

2. **Roll Call.**

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

County Members: Scott Haggerty (arrived 6:08 during item 5) and Nate Miley (arrived 6:39 during item 5)

City Members: John Marchand and Jerry Thorne (arrived 6:13 item 5)

Special District Members: Ayn Wieskamp, Ralph Johnson and alternate Georgean Vonheeder-Leopold (arrived 6:20 item 5)

Public Members: Sblend Sblendorio

Not Present: Alternate County Member Wilma Chan, Alternate City Member David Haubert, and Alternate Public Member Tom Pico

Staff present: Mona Palacios, Executive Officer; Theresa Rude, Analyst; 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.

CONSENT ITEM:

4. **Contract Extension with Berkson Associates**

Upon motion by Commissioner Sblendorio, second by Commissioner Johnson, the Commission approved a time-only contract amendment to extend the contract end date with Berkson Associates from January 31, 2017 to June 30, 2017 to allow for completion of the special study of the Eden Township Healthcare District and authorized the Executive Officer to sign the contract amendment.

AYES: 4 (Johnson, Marchand, Sblendorio, Wieskamp)

NOES: 0

ABSENT: 3 (Haggerty, Miley, Thorne)

ABSTAIN: 0

REGULAR ITEMS:

5. **Eden Township Healthcare District (ETHD)**

Staff provided introductory remarks, noting that project consultant, Richard Berkson would be presenting an overview of the study, the purpose of the study, ETHD's current position, and provide a summary of his findings and conclusions as well as governance options studied. She went over the next steps in the study process; namely, that following the end of the public comment period on February 3rd, the consultant would revise the study as necessary, and staff would then distribute the final report to all interested parties in advance of the next meeting and accept any further comments on the final draft. She said that she would like direction from the Commission whether it wants to consider accepting the final report at the next regular LAFCo meeting on March 9th, or at a special meeting on a different date to be held in the district; and, additionally, was seeking direction

regarding if and when the Commission would like to consider taking any actions regarding the district. She concluded her remarks with a summary of events that had led up to the present.

Project Consultant Richard Berkson then provided an overview of the study with the use of PowerPoint. Following his presentation, he responded to a question from Commissioner Sblendorio concerning the \$31 million figure of building net asset value (slide 25 "Comparison of Potential Revenues"). Mr. Berkson indicated that the \$31 million was net of building debt, and that the District also had approximately \$10 million in investments that may be available to a successor agency in the event of dissolution; the purpose of the slide was to illustrate the relative impact on revenues from building sale and investment, and did not show all net assets that might be available to a successor. The \$10 million of investments would be available under all scenarios.

PUBLIC COMMENT:

Chair Marchand opened Public Comment. The following people spoke:

- Jonnie Banks – Castro Valley resident and long-time health care professional, spoke in support of the district, commending the district for its concerted efforts in providing health education to the community, noting that she had participated with the district on programs dealing with diabetes, mental health care and cancer. She provided several examples of recent community events sponsored by the district.
- Joanne Sexton – Castro Valley resident and manager of the cancer program at Eden Medical Center, spoke in support of the district, noting the support that the district has provided the cancer program for the last five years.
- Tom Lorentzen – Castro Valley resident and ETHD board member, thanked the Commission for its efforts in conducting the study. He emphasized that the principal value of the district is in its commitment to preventative health care to improve health outcomes. He expressed that the flexibility of the district makes it valuable.
- Dave Brown – Chief of Staff to Supervisor Wilma Chan spoke on her behalf. He noted that her concerns were to maximize health services for the district and to make sure that the two hospitals are able to receive more resources. He said that she has a proposal for LAFCo to consider that would include the Health Care Services Agency (does contracts with health care providers including some which are also funded by the district) and General Services Agency (does facility management) taking a look at their ability to provide the grant making and building management services of the district at a lower cost. He said they wanted to know if LAFCo would be open to allowing the County to have access to the District's processes, including contracts, so that they could study the matter. He also spoke about the dollar-for-dollar matching program concerning hospitals that the County is involved in known as the Intergovernmental Transfer or IGT program that could provide additional resources for the hospitals.
- Pauline Cutter – Mayor of San Leandro, expressed disappointment that neither she, nor any of her staff, had been consulted about the study. She said she felt the study was flawed and that it is very important to her that the hospitals stay open to provide services to the district.
- Vanessa Cedeno – Staff to Supervisor Chan, offered comments on the study, stating that they did not necessarily agree with the definition of administrative expenses used in the study. She said they would be interested in knowing throughout the state how many health care districts that no longer have hospitals still support hospitals. She urged the study take a look at what the actual mission of a health care district is, and that attention to duplication of efforts be looked at as well, and identify opportunities for cooperation and coordination of services by the District and the County.
- Roxann Lewis – Castro Valley resident, and ETHD Board Member, thanked the consultant for his comprehensive report which she feels substantiates the District, whose health education programs are so critical. She agreed that working collaboratively with other agencies would be good, but that antagonistic

rhetoric makes it hard to accomplish that. She said the District is transparent, that anyone could and is invited to attend the District's board meetings on the 3rd Wednesday of each month. They also have an advisory committee.

- Elke Sommer – Castro Valley resident, spoke in support of the district, which she considers a wonderful asset to the community, praised the study, and expressed concerns about the negative repercussions that might occur if the district were disbanded. She suggested a five-year (rather than one-year) review of the District's strategic plan except for instances of unusual changes, such as a national health emergency.
- Adrienne Sommer – Hayward (Fairview) resident, concurred with remarks from the previous speaker and praised the District's focus on preventative health services. She urged the Commission to not recommend dissolution.
- Carolina Salazar Herrera – Staff to Assembly Member Quirk, read a letter from Assembly Member Quirk that requested that the study more adequately and thoroughly address the option of dissolving the district and transferring funds to the local hospitals. (Copies of the letter were distributed to the Commissioners and the letter was subsequently sent to LAFCo.)
- Megan Lynch – Castro Valley resident, new board member of the District, urged the Commission to maintain the District.
- Claudia Arce – Hayward resident, representing East Bay Agency for Children, spoke about the value of the child assault workshops that the agency provides to schools and expressed appreciation to the District for its support of them.
- Dale Silva – Community member, thanked the Commission for meeting in Castro Valley and after pointing out that the study said there was no evidence of mismanagement, suggested that it actually should say it is well managed, considering its overhead of 16% is well under the standard of 20%. He urged the Commission to conclude that the District stay as is.
- Terry Lightfoot – Alameda Health System (AHS), noted that AHS and San Leandro Hospital also provide preventive health services. He noted that AHS supports dissolution and read a letter from the Board of Trustees critiquing the study for its failure to “explore other options which could improve the availability of health care services within the district boundaries.” It criticized the District for focusing on its real estate operations rather than on core healthcare services and proposed three specific directives for LAFCo to give the District: 1) dedicate some of its real estate space for providers that focus on serving the underserved; 2) establish a minimum amount of funds for grants for direct services; and 3) support implementation of integrated electronic health records for safety net providers that serve the District's residents. (Letter was subsequently submitted to LAFCo.)
- Dev Mahadevan – Chief Executive Officer of ETHD, commended the report, but said he disagreed with its description of an “enterprise district,” and noted that Trask Leonard, a representative of the property management company for the District's Dublin buildings, would be addressing the Commission about the District's real estate operations. He addressed some of the points that the previous speaker had brought up and responded no to Commissioner Haggerty's question about whether the District had the ability to gain funds through an IGT (Intergovernmental Transfer). Mr. Mahadevan indicated that program was reserved for counties.
- Trask Leonard – Owner of Bayside Realty Partners, noted that his firm is the largest private firm in the Bay Area that focuses on management of medical office buildings. He expressed that 1) the services provided by the tenants in the District's medical office buildings - ranging from oncology groups, orthopedic surgeon, to urgent care/primary care providers – are all essential and important to the community and that the District makes conscientious decisions concerning the tenants in its buildings, and 2) in the current commercial real

estate market, medical office buildings are the most attractive asset, with a retention rate of over 85%, compared to office buildings which have a rate of 25-50%.

- Chris Higgins – Fairview resident, also thanked the Commission for having the meeting in the community and spoke in support of the District, which he feels is doing a pretty good job. He said that he likes that the District has an elected board within the community, which keeps them accountable to the constituents.
- Dr. Itoco Garcia – Principal of Cherryland Elementary School, had high praise for the District’s support of that school’s implementation of an annual health fair that has had far reaching positive impacts for the school and the community. He provided to the Commission copies of a newsletter of the National Coalition for Community Schools that highlighted his school’s partnership program that helps children cope with trauma, as well as copies from another national publication (EdSource) that featured an in-depth look at Cherryland School’s approach to be a hub for the community by “offering a range of services, such as mental health counseling, health clinics, after-school programs and classes for parents.” He spoke at length of the criticalness of the District’s support of not only his school but for the various other programs that receive support from the District. In response to Commissioner Wieskamp’s expressing interest in a visit to his school, he invited the Commission to visit Cherryland’s 5th annual health fair in the springtime and said he would provide further information as the time drew near.
- Dr. Kathleen Clanon – Medical Director of Alameda County Health Care Services Agency (HCSA) and resident of San Leandro, spoke in alignment with comments offered by previous speaker Dave Brown. She noted that 31% of the programs that receive funding from the District also received funding from the HCSA, which places an administrative burden on both the grantors and grantee, and that funding separately without collaboration makes it difficult to measure the impact of the dollars. Not knowing what will happen with federal resources makes it important to work together in collaboration and cooperation to maximize the dollars. She stated that the Interim Director of the HCSA had authorized her to make the offer that the HCSA is willing to take on the grant making responsibility, which they believe they could do with minimal or no increase in their budget.

Chair Marchand closed Public Comment.

COMMISSION DISCUSSION:

Following is a summary of comments offered by the Commission:

Chair Marchand said a final report would be brought to the next regular meeting, or a subsequent meeting, that should be held either again in Castro Valley, or perhaps in Hayward or San Leandro.

Commissioner Haggerty said he supported having the meetings at a location within the District’s boundaries for the convenience of the residents.

Commissioner Thorne recommended that the consultant conduct interviews with the Mayors of Hayward and San Leandro. The consultant responded that he and the Executive Officer had met with the City Managers of those cities, but that he certainly could also meet with the Mayors.

Commissioner Miley said that he was agreeable to having a subsequent meeting to receive the final report at the Castro Valley Library and asked if Staff would bring a recommendation to the Commission at that meeting. Staff responded that she would prefer if the Commission received the report and then provided direction to her so as to allow her more time for making a recommendation.

Commissioner Miley also asked if Assembly Member Quirk’s request that the study include more analysis of dissolution of the district could be implemented. Staff clarified that the study was not about the overall healthcare system in the county and where the dollars should be spent, but rather about the governance structure and the level and adequacy of services of the District. The consultant concurred, but indicated that he could amend the option of dissolution to be clearer that, with that option, the possibility exists that assets could go to the hospitals.

Commissioner Wieskamp said that she liked what she had heard about the possibility of collaboration among agencies. She said it was admirable to have something continuing for so long, providing important services without using taxpayer money, and maybe there would be a way for that to continue. She cautioned that in view of the uncertainty of what may be happening on the federal level, it is important to pay attention and look at where agencies can work together.

Commissioner Vonheeder-Leopold said that she prefers the report be finalized at the next meeting and that the Commission discuss alternatives and choices. She said it seems extremely shortsighted to take an asset that has generated non-tax payer money, sell it, convert it to cash, give it to the two hospitals and poof it's all gone. She suggested that the Commission take a look at the District's sphere of influence, as it appears that about a thousand residents in Dublin are in the District's boundaries. The Commission could discuss recommendations regarding the District's strategic planning process and coordinating with other agencies. She emphasized that the Commission must discuss various choices.

Commissioner Johnson said that he agreed with Commissioner Vonheeder-Leopold's comments, wanted to know more about what he thought he heard was an offer of collaboration from the County, and that he wants more discussion before making a decision. Regarding strategic planning, he noted that generally that is done every 3-5 years, and that in between, the planning effort is called a work plan. It is a matter of terminology.

Commissioner Sblendorio, saying that the crucial question is whether the District should be dissolved or not, asked what the process would be if that was the determination. Is it a two-step process? What is done with the assets? – a far trickier question. He indicated they do not have enough information to know that. He agreed with having the next meeting in Castro Valley again. They would hear the final report and then give direction to staff. He then shared that the reason he cannot make a decision concerning what to do with the assets is because he wants to know more about diversification in investments. He is not convinced the District is getting the best return, and that if the District be maintained, it should have a more diversified portfolio. It would be a shame if services supported by the District now would disappear because of lack of funding should the District be dissolved. Is there a public agency that could manage it? Is the District, in reality a real estate company and a non-profit, the most efficient use of public funds? The Commission will need more information if they decide to dissolve the District.

Staff provided information on the process should the Commission decide on dissolution. An application would be required, a resolution of application, a plan to provide services and a range of other items. A dissolution application could be submitted by LAFCo itself, by an affected agency, or by property owners within the district. An application would contain information upon which LAFCo would make a decision. If the Commission decided upon dissolution, then staff would move forward with an application.

After a brief next-steps discussion, the following was agreed upon:

- In preparing the final report, per Assembly Member Quirk's request, the consultant will provide more clarity concerning the option of dissolution.
- The consultant will interview/talk with the Mayors of San Leandro and Hayward, as well as Supervisors Chan and Valle, if possible (Commissioner Miley said he was not comfortable being interviewed in his role as Supervisor) and incorporate their comments into the final report.
- The meeting for the final report to be presented will be within the District's boundaries, preferably at the Castro Valley library. At that meeting, the Commission will provide direction to staff on how to proceed, and a subsequent meeting will also be held within the District, possibly again in Castro Valley.
- The process will not be rushed. The consultant will be allowed time for the additional interviews and to produce the final report. At the Commission's regular March 9th meeting, staff will propose some dates/location for a special meeting to present the final report.

5. Adjournment of Special Meeting

The meeting was adjourned at 7:54 p.m.

6. Next Meeting

Thursday, March 9, 2017 at 2:00 p.m. – Regular Meeting

Respectfully submitted,



Sandy Hou, Commission Clerk

These minutes were approved by the Commission on March 9, 2017.

Attest:



Mona Palacios
Mona Palacios, LAFCo Executive Officer