

DRAFT

January 24, 2016

Commissioner John Marchand, Chair
Attn: Mona Palacios, Executive Officer
Local Agency Formation Commission of Alameda County
1221 Oak Street, Room 555
Oakland, CA 94612

RE: Eden Township Healthcare District Special Study

Chair Marchand:

I am writing on behalf of the Hayward City Council to express our concerns with the Special Study of Governance Options for the Eden Township Healthcare District.

In the City of Hayward's request for the LAFCo to conduct a study or audit of the Eden Township Healthcare District, former City Manager Fran David expressed our concern with the lack of a thorough and in-depth study of the District's finances and decision-making abilities, whether or not District resources are being and have been used appropriately to facilitate delivery of health care services within the voter-approved mission of the District, and the lack of an inclusive, informed, and transparent community conversation. Additionally, the letter outlined several elements to be included in the study:

1. A review and analysis of the District's past decision-making related to the contract with Sutter Health and whether or not decisions made during that event were consistent with the District's responsibilities to all of its constituents;
2. A review and analysis of the District's real estate holdings and their relationship to the voter-approved mission of the District;
3. A review and analysis of the District's ability and intent to meet their overall core mission now and into the future;
4. An analysis of the flow and advisability of the District's current funding and/or grant program in relation to various entities around the County;
5. An in-depth audit of the District's overall short- and long-term financial health in relationship to its original mission;
6. If dissolution is recommended, a clear description of the dissolution process and how the successor agency is determined; and
7. If continuation of the District is recommended, a financial and programmatic plan that shows clearly how the District will go forward to meet its original voter-approved mission.

DRAFT

These elements were also listed in the LAFCo staff report regarding the City of Hayward's request. The draft special study recently prepared addresses some issues related to the Municipal Service Review (MSR) process, including: adequacy of public services; financial ability of the agency to provide services; accountability for community services needs including governmental structure and operational efficiencies; and any other matter related to effective or efficient service delivery. Unfortunately, the scope of the study defined by the MSR process does not address all the elements the City of Hayward requested be included in the study.

- While the report summarizes the ETHD's history regarding San Leandro Hospital, it does not delve into the decision-making process behind that history, nor does it evaluate the consistency of the District's actions with its responsibility to all of its constituents. The report mentions that concerns from the community drove ETHD's decision to withhold transfer of the hospital to Sutter, but does not further analyze the District's decision or decision-making process. Providing a review and analysis of the decision-making process in the District surrounding this action would provide information to stakeholders and the public regarding the relationship between this process and the District's mission.
- The report does include a review of the District's real estate holdings. Additionally, the study details the revenue generated by the District's real estate and its return on investment compared with cash investment options, as well as the relatively high risk of real estate investment. However, the report lacks an analysis of the relationship between these holdings and the District's voter-approved mission.
- The District's mission is stated in the report as follows:

It is the mission of Eden Township Healthcare District to improve the health of the people in our community by investing resources in health and wellness programs that meet identified goals.

The report does not evaluate the District's ability to meet this mission, nor does it illuminate the identified goals of the District, which are not outlined in its strategic plan. Additionally, there is no discussion of performance measures by which the District may be able to determine whether it has improved the health of the people in its community. It is not clear from the report whether the District's major activities and priorities are well-aligned with achieving its stated mission now and into the future.

- A review of several other entities providing health care within the District's service area is included in the report. The District's current funding and grantmaking activities are not analyzed in relation to similar work and unmet needs in the County. In the report, there is

DRAFT

no analysis of the District's decision-making process in the allocation of grant funding, of whether it is advisable that the District pursue grantmaking and sponsorship as its primary service to the community, or whether the District's grantmaking fills a niche or strategic need in the County.

- The report does provide an adequate analysis of the District's financial viability in the short- and long-term, and acknowledges both the advantages and risks of its revenue sources as well as its liabilities' impact on the current ability to provide services.
- Regarding the final two elements, the report does provide a thorough analysis of the governance options for the ETHD, and details where possible the process to initiate each of these transitions. Some aspects of these elements – i.e., a method of determination for the successor agency and a financial and programmatic plan for the future of the District were it to be preserved – will need to be discussed and developed by stakeholders and decision-makers rather than in a consultant's report.

The City of Hayward urges the LAFCo to hold an inclusive, collaborative conversation around topics related to dissolution as they move to take action on the special study.

The City of Hayward continues to have concerns about this study, and the Eden Township Healthcare District. The District's function and mission has changed since its creation by voters in 1948, as have the health care needs of our community and the landscape of health care provision in general. These changes warrant a community conversation around the District's mission and purpose in the modern health care landscape. While the draft special study addresses issues related to the Municipal Service Review process, it does not provide adequate new information to form a foundation for substantive conversation about the future of the District and the best use of public resources to provide healthcare to our most vulnerable community members. We urge the LAFCo to thoroughly examine the Eden Township Healthcare District in the context of health care in the County, its historic mission, and the long-term needs of our community members as Hayward had originally requested.

Sincerely,

Barbara Halliday
Mayor

cc: Hayward City Council
Kelly McAdoo, Hayward City Manager