DESERT HEALTHCARE DISTRICT
Doing Healthy Deeds

DESERT HEALTHCARE DISTRICT
SPECIAL MEETING OF THE BOARD OF DIRECTORS
February 19, 2018
2:00 P.M. – 4 P.M.

Jerry Stergios Building, 1st floor
Conference Rooms A and B
1140 N. Indian Canyon Drive, Palm Springs, California 92262
This meeting is handicapped-accessible

Page(s)	**AGENDA**	***Item Type***
	Any item on the agenda may result in Board Action	
	A. CALL TO ORDER – President Zendle, MD Roll Call _____Director Hazen _____Director Wortham ____Director Matthews _____Vice-President Rogers _____President Zendle, MD	
	B. PLEDGE OF ALLEGIANCE	
	C. PUBLIC COMMENT At this time, comments from the audience may be made on items ***not*** listed on the agenda that are of public interest and within the subject-matter jurisdiction of the District. **The Board has a policy of limiting speakers to no more than three minutes.** The Board cannot take action on items not listed on the agenda. Public input may be offered on agenda items when they come up for discussion and/or action.	
	D. APPROVAL OF AGENDA	**Action**
	E. Potential Options to Fund Healthcare District Expansion in the Eastern Coachella Valley.	Discussion & Consideration
	F. ADJOURNMENT	

DESERT HEALTHCARE DISTRICT

Date: February 15, 2018

Main Topic: Board Consideration of Potential Options to Fund Healthcare District Expansion in the Eastern Coachella Valley

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Objective: Board education, discussion, and consideration of potential options to fund the healthcare district expansion into the Eastern Coachella Valley.

Background: Assembly Bill 2414, authored by Assemblymember Eduardo Garcia and signed by the Governor in September 2016, requires Desert Healthcare District file an application to expand its service area into the Eastern Coachella Valley. An annexation would expand the District's service area, which now encompasses the cities of Desert Hot Springs, Palm Springs, Cathedral City, Rancho Mirage, part of Palm Desert, and unincorporated areas within the current District boundaries. The expansion would cover the remainder of Palm Desert, Indian Wells, La Quinta, Indio, Coachella, Bermuda Dunes, Mecca, Thermal, Oasis, North Shore and Vista Santa Rosa, as well as unincorporated areas of Riverside County.

Desert Healthcare District submitted an annexation application to the Riverside County Local Agency Formation Commission (LAFCO) January 5, 2017. Later in January and February 2017, LAFCO advised that a specific funding source would be required to complete the application process.

Once the application is accepted as complete, AB 2414 requires LAFCO to approve the application within 150 days and direct the Riverside County Board of Supervisors to place the issue on the November 2018 ballot. If voters in the proposed annexation area approve the expansion and a funding source to support services, the District will be enlarged and two new members, who reside in the annexation area, will be added to the District Board.

- **Discussion:** For almost two years, Desert Healthcare District has been at the forefront of the community-wide discussion on how to finance the potential annexation/expansion of the Eastern Coachella Valley into the current District. The District has been involved in a substantial number of activities related to developing and considering a large variety of possible funding streams. Funding options included in the LAFCO application were: Voluntary Dedication of Existing General Fund Taxes by City/County, with Possible Voter Advisory Measure; Community Facilities District; Joint Powers Authority (JPA); Parcel Tax; Hospital Lease Income; General Obligation (GO) Bonds; Enhanced Infrastructure Financing Districts and/or Community Revitalization Investment Areas; Public Lease Revenue Bonds; Financing Leases and Certificates of Participation; Conduit Revenue Bonds; User Fees; and Grants and Donations.

  Discussion and work on potential funding streams has occurred both before and after the introduction of AB 2414 in late 2015 and early 2016, during both the development and submission of the LAFCO annexation application earlier this year, and continuing through to today. Desert Healthcare District has held public meetings and town halls, Board and Committee meetings, and stakeholder discussions across the Coachella Valley. The District has been engaged throughout this process with the bill's author, other local (county, city, special districts) elected officials and their staff, and stakeholders across the Coachella Valley.

  An October 31, 2017 Study Session (excerpts below) offered another significant opportunity for the Desert Healthcare District Board to hear about the implementation of AB 2414 directly from its author, Assemblymember Eduardo Garcia. Further, the Board continued its overall examination of potential streams to finance the law's proposed annexation/expansion into the Eastern Coachella Valley.

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TIMELINE

- **February 19, 2016** – Introduction of AB 2414 by Assemblymember Eduardo Garcia.

- **March 2016 – September 2016** – District/Board Actively Monitored/Discussed AB 2414 at its Meetings, Through Staff, and with the Author throughout its Consideration.

- **June 9, 2016** -- District Letter to Assemblymember Garcia on Expansion Vote Recommendation.

- **July 26, 2016** and **August 2, 2016** – District Board Authorized on July 26 and sent a Letter and Resolution on August 2 in support of AB 2414 with Recommended Changes to Assemblymember Garcia.

- **August 17, 2016** – Board Special Meeting on becoming the applicant and assuming financial responsibility.

- **September 20, 2016** – District/Board Sends Letter to Governor in Full Support of AB2414.

- **September 21, 2016** – Governor Jerry Brown Signs AB 2414 into Law.

- **December 29, 2016 – Present** – Starting with a December 29, 2016 Special Meeting (With Assemblymember Garcia as Guest Presenter), Ongoing Discussion of Potential Options to Fund the Annexation/Expansion by the Ad Hoc Committees on Expansion and Board of Directors as well as Elected Officials, Staff, and Stakeholders Across the Coachella Valley.

- **January 4, 2017 –** CEO met with Riverside University Health System (RUHS).

- **January 5, 2017** – Application and Proposed Plan of Services Filed with LAFCO per AB 2414.

- **January 5, 2017** – CEO met with Eisenhower Medical Center.

- **January 18, 2017** -- Letter from LAFCO on Property Tax Exchange Notice to Riverside County Assessor-County Clerk-Recorder.

- **January 20, 2017** – CEO met with Borrego Community Health Foundation (Borrego).

- **January 21, 2017** -- Letter from LAFCO Complimenting the District on a Well-structured Application, but indicated the application is incomplete until a defined specific long term source(s) of funding is adequately identified.

- **January 25, 2017** – CEO met with Borrego.

- **February 16, 2017** – CEO met with Borrego.

- **March 1, 2017** – CEO met with Borrego.

- **March 23-24, 2017** – Board Strategic Planning Sessions and East and West Valley Voter Surveys.

- **March 28, 2017** -- Letter to District CEO from Riverside County Chief Assistant County CEO Regarding Property Tax Negotiation.

- **April 11, 2017** – First Expansion Town Hall Co-Hosted by Assemblymember Garcia and the District in Indio.

- **April 19, 2017** -- Riverside County CEO Letter to LAFCO on Revenue Taxation Code Application.

- **April 25, 2017** – CEO met with Borrego.

- **May 4, 2017** – Second Expansion Town Hall Co-hosted by Assemblymember Garcia and the District in Cathedral City.

- **May 8, 2017** – Property Tax "Increment" Negotiation with Riverside County CEO's Office.

- **June 2, 2017** – Communication from the Riverside County CEO's Office indicating County opposition to the District's request for property tax increment allocation.

- **June 21, 2017** – CEO met with Borrego.

- **June 27, 2017** – Adoption of the District/Foundation's Comprehensive Three-year Strategic Plan formally adopting Expansion ("One Coachella Valley") as One of Three Strategic Priorities and Calling for the Development/Implementation of Six Expansion-Related Outcomes.

- **July 7, 2017** – CEO met with Loma Linda.

- ***June 3, 2017 – Present** – Board and Ad Hoc Committee Meetings, Meetings with Elected Officials and Staff, and Resident and Stakeholder Discussions across the Coachella Valley.

- **September 29, 2017** – CEO met with Borrego.
- **October 2, 2017** – CEO met with Borrego.
- **November 21, 2017** – CEO met Loma Linda.
- **December 11, 2017** – CEO met with RUHS.
- **December 15, 2017** – CEO met with Borrego.
- **February 12, 2018** – CEO met with RUHS.
- **February 19, 2018** – Special Meeting of the Board of Directors for Board Discussion and Consideration of Potential Expansion Funding Options.
- ****March 22, 2018** – Next LAFCO Hearing Date for Possible Consideration of the District's Annexation/Expansion Application.

***Note: Extensive public engagement has taken place for more than a year and continues to occur across the Coachella Valley.**

****Note: For the District's Annexation/Expansion Application to be considered complete for hearing, LAFCO has indicated the County Board of Supervisors must send a letter to LAFCO stating the disposition of the tax increment negotiation per above (i.e., that no agreement was reached). To date, the County has not submitted a letter to LAFCO.**

MAJOR ACTIVITIES

State Legislative Consideration of AB 2414

During the State Legislature's debate on the-then proposed AB 2414 on June 9, 2016, the District's Board of Directors sent a letter to Assemblymember Garcia recommending that AB 2414 be subject to a vote of the residents both within the current boundary and the new proposed annexation area. In late July and into August, the Board took several additional actions regarding AB 2414. Although one of those actions included a resolution in support of AB 2414, the Board still requested amendments to AB 2414, including:

- Providing that current District residents would also vote for the expansion;
- Conditioning the expansion of the District on the imposition of sufficient revenues ("may" to "shall"); and
- Substituting the applicant and assuming financial responsibility (County to District).

Ultimately, only the last of these recommendations were incorporated into the final version of the bill that was signed into law.

LAFCO Application Process and Plan of Services

The enacted AB 2414 required that the District complete an application by January 5, 2017 for the annexation/expansion of the District. Major sections included, but not limited to a description and map of the proposed annexed area; demographics; current financial resources; services, initiatives, and programs; financing/funding opportunities and constraints; and governance.

The Plan of Services, from page 10-18 out of a 21-page document, included a comprehensive list of possible public and private options (opportunities and constraints) to finance/fund the proposed annexation/expansion. These included:

- Voluntary Dedication of Existing General Fund Taxes by City/County, with Possible Voter Advisory Measure
- Community Facilities District
- Joint Powers Authority (JPA)
- Parcel Tax
- Tenet Lease Income
- General Obligation (GO) Bonds
- Enhanced Infrastructure Financing Districts and/or Community Revitalization Investment Areas
- Public Lease Revenue Bonds
- Financing Leases and Certificates of Participation
- Conduit Revenue Bonds

- User Fees
- Grants and Donations

Board Strategic Planning Sessions

The Board of Directors held a substantial one and a half days Strategic Planning Session (among others) to validate the Board's new Vision and begin the development and discussion of a comprehensive three-year Strategic Plan. Extensive public participation and input occurred, resulting in a draft that included Strategic Priorities, Community Health Funding Areas, Major Activities, and Outcomes to guide the Board's work. The proposed expansion of the District ("One Coachella Valley") was a significant topic of discussion, including potential options to fund it.

East and West Valley-Focused Voter Polls/Surveys

A newly-completed East Valley voter-focused polling of the issue was extensively discussed at the Strategic Planning Session. Significant support was shown for expansion and two potential funding sources – reallocation of property tax revenues and a parcel tax. From Thursday, March 16 to Monday, March 20, 2017, Probolsky Research conducted a telephone survey of likely November 2018 voters within the proposed Desert Healthcare District expansion area. A total of 300 voters were surveyed. A survey of this size yields a margin of error of +/- 5.8 percent with a confidence level of 95 percent. Interviews were conducted with voters on both landline and mobile phones (49 percent) and were offered in English and Spanish language.

In November 2016, a West Valley-focused voter (current district) poll was conducted by the District. Potential annexation/expansion was not a subject of the poll, but questions were asked on important topics such as ranking of healthcare as an issue, quality of community medical care with a focus on DRMC, and awareness of the District and Tenet's Lease. From Friday, November 4 through Monday, November 7, 2016 Probolsky Research conducted a telephone survey of voters within the Desert Healthcare District. A total of 301 voters were surveyed. A survey of this size yields a margin of error of +/-5.8 percent with a confidence level of 95 percent. Interviews were conducted with voters on both landline and mobile phones (67.8 percent were completed on mobile phones) and were offered in English and Spanish language.

Public Engagement, Including Town Halls

Since January 2017, the Board, Ad Hoc Committee, and the Staff have discussed ongoing expansion and funding and program issues in numerous meetings in the current District and in the Eastern Coachella Valley, including residents, Government Officials and Staff, and community-based organizations, among others. Multiple meetings and discussions were held with providers, including Riverside University Health System (RUHS), Borrego Community Health Foundation, and Eisenhower and Loma Linda hospitals.

On April 11, the Desert Healthcare District held the first of two joint Town Halls on the proposed District expansion with Assemblymember Eduardo Garcia. The first was held in Indio (College of the Desert Campus) and the speakers included the Assemblymember, District CEO, and the Director of The California Endowment's Building Healthy Communities Coachella Valley. Topics included the history of AB 2414, implementation (including LAFCO and funding processes), and the health challenges in the Eastern Coachella Valley. On May 4, a similar Town Hall with the same speakers was held at the Cathedral City Senior Center. Both events were well-attended, full of residents and Board representatives who heard significant support for the expansion at both Town Halls.

Use of Ad Valorem Tax Revenues

Desert Healthcare District receives Ad Valorem property taxes, which are used to support programs, services, and facilities in the District. Proposition 13 defines the Ad Valorem tax as 1 percent of the assessed property value. The Ad Valorem tax allocated to the District equates to approximately 2 percent of the 1 percent (total Ad Valorem tax on District property) or approximately $6,000,000 per year.

Following are excerpts from two opinions from the District's current and formal legal counsels regarding the use and restrictions of the Ad Valorem taxes and other District funds.

Current District general counsel, Jeffery Scott, states the District must demonstrate the use of funds (including rental income, interest income and property taxes) to promote the specific mission and interests of the District and to also primarily benefit the residents of the District. If the funds are used for any other purpose, it could be construed to be a gift of public funds in violation of Article XVI Section 6 of the California Constitution.

On January 28, 2015, the District's then-legal counsel, Best, Best & Krieger, provided an opinion which states that under Section 32126.5 of the Health and Safety Code, District grant funds primarily targeted to benefit people who reside, work and/or seek healthcare services within the District boundaries (and might indirectly benefit residents of areas outside District boundaries) are permissible. As an example, the District provides funding support to various organizations located in the Eastern Coachella Valley (e.g. Find Food Bank,

Volunteers in Medicine, Coachella Valley Rescue Mission) for the District residents the organization serves.

The restrictions defined by the opinions of both legal counsel above apply to the Reserve Fund (aka "Facility Replacement Fund"), (described below) which includes various sources of funds identified in the schedule titled "Source of Funds – Reserve Fund (aka) Facility Replacement Fund-FRF)." The schedule is in the Appendix.

Reserve Fund (aka Facility Replacement Fund)

The Desert Healthcare District entered into a thirty (30) year lease agreement for Desert Regional Medical Center (DRMC) with Tenet Health System in 1997. DRMC serves residents of the entire Coachella Valley.

In the event that Tenet or the District decided to terminate the lease, the District would be responsible for operating DRMC during a transition period to a potential new operator. Required upfront operating capital would be required to maintain the operations without interruption. The current ninety (90) day estimate of operating capital is $125M. The District recognizing this obligation, established an investment fund, with a current net value of $54M and is currently identified as the Facility Replacement Fund (Reserve Fund).

With over nine (9) years remaining on the current lease, the District continues to maintain the Reserve Fund in the event of a lease termination. Should the lease continue to its expiration in 2027, the operating capital would not be utilized.

The District is obligated to meet State requirements for seismic retrofit by 2030 to provide continued healthcare services to all Coachella Valley residents. Recognizing the need to ensure the seismic upgrades are complete by 2030, the District has recently engaged the services of CBRE, Inc. to complete an initial high level assessment of the seismic retrofit needs of DRMC. The initial assessment is approximately $60M.

To obtain a more solid estimate, CBRE strongly recommended an ASCE 41 evaluation be performed. The ASCE 41 evaluation provides a more reliable estimate, which could be lower or higher than $60M. The estimated fee for the entire hospital campus would a minimum of $150,000 due to the level of OSPHD requirements.

The Reserve Fund is maintained to fulfill the obligations of the District regarding operating capital and/or seismic needs to continue operations of DRMC in serving the Coachella Valley.

Potential Funding Streams

(1) **Property Tax Negotiation with Riverside County CEO's Office**
Early guidance from LAFCO on January 18, 2017, (and beforehand from others during the AB 2414 debate) stated that, to fund the proposed expansion, the District would have to negotiate a portion of existing property tax revenue that was being distributed to all local public agencies (county and special districts) in the affected area.

Later, the District was told that a property tax negotiation would occur only between the County CEO's Office and the District. Moreover, the negotiation would not be on the total amount of property tax revenue received by the County, but it would be for the change in value ("tax increment" approach), the year-over-year change in value from one County general fund account, or around $21 million. The Board designated the CEO, CFO, and its General Counsel to handle the negotiation and prep work was completed prior to the actual date of the negotiation meeting (May 8, 2017) to ascertain the potential levels of funding that could be negotiated to support the expansion. Recognizing the County's fiscal situation (emphasized several times during Staff's call with the CEO's Office, as well as at the negotiation), it was a steep climb.

(2) **Potential Funding Streams (December-May)**
Throughout this six-month period, several types of funding options were discussed and debated at Board Meetings, Ad Hoc Committee Meetings, meetings with elected and other government officials, and in stakeholder meetings (individual and groups) throughout the entire Coachella Valley.

Almost all of the options were included in the Plan of Services that was developed as a part of the LAFCO process. This included reallocation, temporary private funding, existing lease revenue and future lease revenue, parcel tax, and tax increment.

With regard to private funding, Staff has spent time in discussion with various Foundations. Early indications validated mutual interest in the Coachella Valley although in relation to co-funding programs and services and not the funding of expansion itself.

(3) **Potential Funding Streams (June to Present)**
The Ad Hoc Committee entered a new phase of investigating additional potential funding streams that were incorporated into the Plan of Services submitted to LAFCO. This included options to fund infrastructure. The work focused on the following:

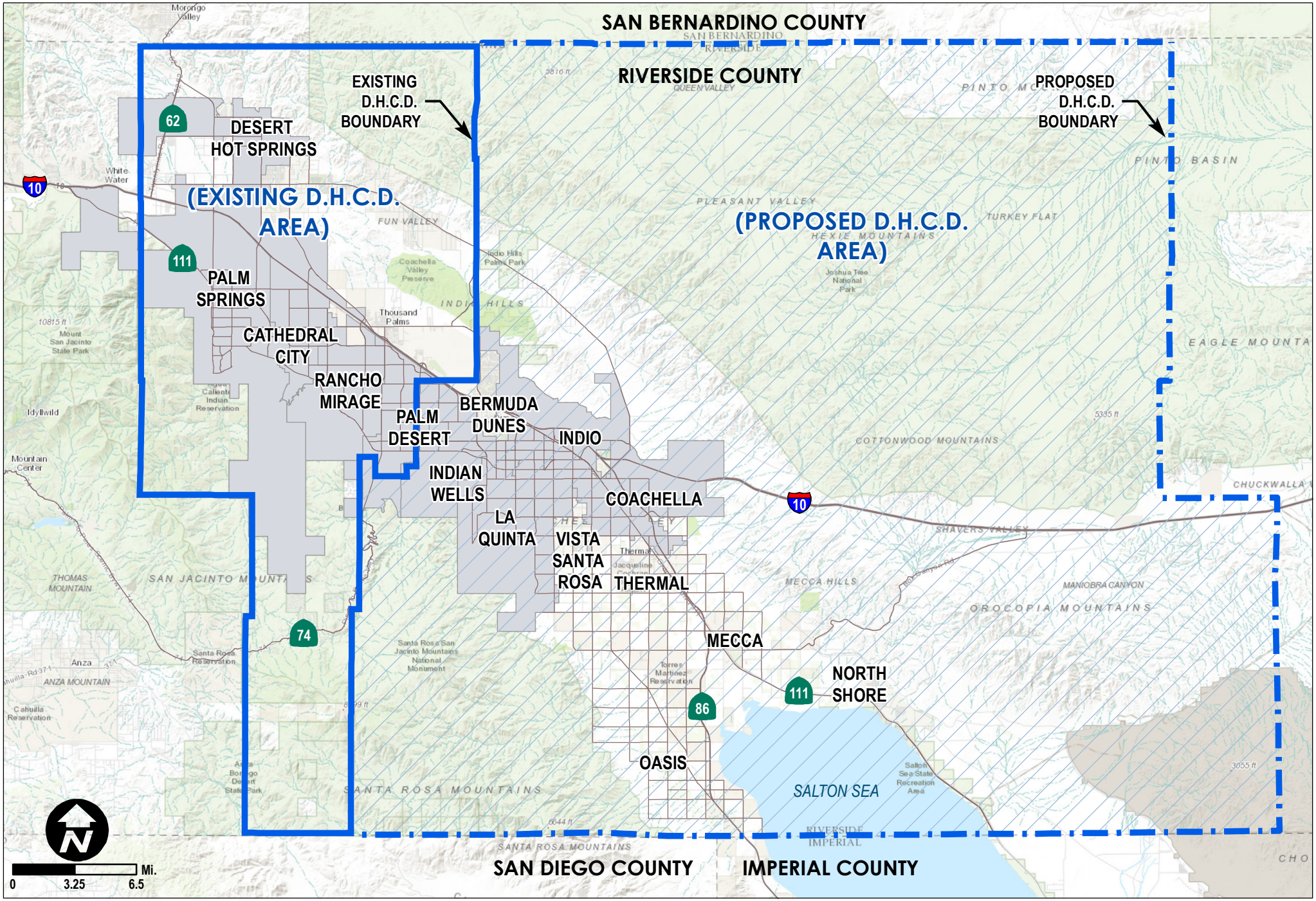
1. Infrastructure Financing District (IFD) – An IFD allows special districts to partner with counties and municipalities to capture increment for capital infrastructure and economic development projects and/or to serve

disadvantaged communities. Most recently, County Supervisor V. Manuel Perez introduced a Salton Sea-related proposal using the IFD approach.

2. General Obligations Bonds – A common type of municipal bond in California (and the U.S.) that is secured by a state or local government's pledge to use legally available resources, including tax revenues, to repay bondholders. GO Bonds require voter approval prior to their issuance and are commonly used to finance large capital projects, but cannot be used for equipment purchases or to pay for operations and maintenance.

Potential LAFCO Consideration

A completed application may be heard at LAFCO's March 22 meeting. Under the provisions of AB 2414, LAFCO must approve the annexation/expansion application. LAFCO's Executive Officer provided informal guidance to Staff to ensure a full understanding of the type of information needed for a funding source(s) contained in the application. In summary, each source must be quantified, state the expected amount of revenue and commencement and duration should specified. It is important to note that Section 32499 (4)(c)(1) in Chapter 10 within AB 2414 (Chapter 416) states "The commission may condition the annexation on the district's imposition of significant revenues to provide services within the territory to be annexed…"



DATE: 12/12/2016

DATA SOURCES: RIVERSIDE COUNTY IT-GIS, DHCD, USGS, ESRI

DESERT HEALTHCARE DISTRICT PROPOSED BOUNDARY EXPANSION PURSUANT TO CALIFORNIA ASSEMBLY BILL 2414

DESERT HEALTHCARE DISTRICT
PLAN OF SERVICES

I. INTRODUCTION AND BACKGROUND

This Plan of Services (Plan) is submitted by the Desert Healthcare District (District) as part of the Application to the Riverside County Local Agency Formation Commission (LAFCO) pursuant to AB 2414 (Garcia) Chapter 416 (2016) (AB 2414) for the annexation of approximately 1,760 square miles of the Eastern Coachella Valley into the District's current service area of the Western Coachella Valley that encompasses approximately 515 square miles. The District currently includes the cities of Palm Springs, Desert Hot Springs, Cathedral City, Rancho Mirage, part of Palm Desert, and unincorporated areas within the current District boundaries. The Annexation proposed by AB 2414 includes the remainder of Palm Desert, Indian Wells, La Quinta, Indio and Coachella, the communities of Bermuda Dunes, Mecca, Thermal, Oasis, North Shore and Vista Santa Rosa as well as unincorporated areas of the County of Riverside (Annexed Area).

1.1. AB 2414

AB 2414, authored by Assemblymember Eduardo Garcia, was signed by the Governor on September 21, 2016. This special legislation is unique to Desert Healthcare District and would exempt the proposed annexation from a number of the requirements that govern the usual process under LAFCO for "district annexations." Among other mandates, AB 2414 requires:

- the District to file the proposed annexation Application with LAFCO by January 5, 2107;
- that LAFCO approve the Application within 150 days;
- the Application be exempt from a protest hearing;
- LAFCO to direct the Riverside County Board of Supervisors to place approval of the expansion of the District on the ballot at the next countywide election (November 2018);
- the expansion of the District upon voter approval, if a funding source sufficient to support the operations of the expanded District is also approved as specified.

As noted by the author, the clear intent of AB 2414 is to maximize and enhance the assets of the District, to address the significant barriers preventing access to health care providers and services for residents in the Eastern Coachella Valley. Expanding the District will help address these needs if sufficient revenue sources are included and the expansion is modeled after the success of the District in addressing various critical health needs of its current constituency.

A copy of the complete text of AB 2414 is attached as **Exhibit 1.1** to this Application.

1.2. Desert Healthcare District and Foundation

In 1948, the Desert Hospital District was formed with the mission to build a hospital to meet the healthcare needs of local residents in Palm Springs and surrounding areas. Since its inception, the District has been governed by a five-member board elected by the residents of the communities within its boundaries.

DESERT HEALTHCARE DISTRICT
PLAN OF SERVICES

A diagram of the existing District Boundaries is attached as **Exhibit 1.2** to this Application.

Originally, Desert Hospital was constructed as a single building with 33 beds on 8 acres on the grounds of the El Mirador Hotel. The District purchased the entire hotel property in the early 1970s and over the next few decades transformed the hotel site into a modern, comprehensive healthcare facility - Desert Hospital, now known as Desert Regional Medical Center.

In 1986, the hospital was leased to Desert Hospital Corporation, a not-for-profit organization formed by local residents to operate the hospital. The Desert Hospital Foundation, founded in 1967, became a subsidiary of Desert Hospital Corporation and was governed by a community board. The Foundation operated a number of important local healthcare services including Hospice, Desert Health Car (free door-to-door transportation service to and from non-emergency medical and health appointments) and The Smile Factory (a mobile dental clinic offering free dental screenings and treatment to elementary schoolchildren), which were developed in 1997 after the hospital lease with Tenet.

In the 1990s, the hospital struggled financially in an increasingly complex and competitive healthcare environment. In 1997, after careful consideration and a lengthy public process, the District Board voted unanimously to enter into a lease of the hospital to Tenet Health Systems (Tenet) for 30 years. Desert Hospital District subsequently became Desert Healthcare District. Desert Healthcare Foundation was absorbed by the District and its programs were spun off in 2005 into existing community-based organizations.

Today, with an annual operating budget of roughly $7.21 million, the District Board pursues its mission to promote good health for the District's residents through community health initiatives, providing grants of over $3 million annually, and by serving as good stewards in protecting and enhancing the District's assets. The District's grant funding is linked to the fulfillment of a comprehensive strategic plan, which focuses on enhancing and optimizing the health of District residents. Additional income is derived from property taxes, medical office building leases, interest on investments, and grants and contributions from other public and private sources.

Oversight of the 1997 lease with Tenet of Desert Regional in Palm Springs is an essential component of the District's mission to protect and enhance its assets. Over the last 20 years, Tenet has invested over $200 million in the hospital, including capital upgrades and improvements in technology and equipment. Because Tenet is a for-profit corporation, Desert Regional has paid over $44 million in property and sales tax and invested $7 million in sponsorships to various community organizations.

As a 385-bed, acute-care hospital, Desert Regional provides comprehensive medical care to residents throughout the Coachella Valley. The hospital has the only designated trauma center serving patients across an 8,000-square-mile region from the San Gorgonio Pass to the Arizona border, as well as the Coachella Valley's only neonatal intensive care unit. The Institute of Clinical Orthopedics and Neurosciences at Desert Regional features advanced brain and spine

care treatment and rehabilitation. Also housed at Desert Regional is an expanded, Comprehensive Stroke Center, which includes new technology and a new medical fellowship program. Desert Regional also recently opened a new state-of the-art Linear Accelerator for Radiation Therapy in Cancer Treatment and has the Coachella Valley's only Joint Commission-certified program in hip and knee replacement. Desert Regional's Advanced Congestive Heart Failure Program is the only robotic system for the treatment of atrial fibrillation and other heart disorders in the Coachella Valley.

Other serious health illnesses are addressed at Desert Regional through the Comprehensive Cancer Center, El Mirador Imaging Center, Pulmonary Laboratory and Center for Weight Management, as well as inpatient and outpatient rehabilitation services. An outpatient Surgery Center is also housed in the El Mirador Medical Plaza.

II. ANNEXED AREA, DEMOGRAPHICS, AND GROWTH PROJECTIONS

In accordance with AB 2414, the area proposed to be annexed to the District (Annexed Area) includes the cities of Palm Desert, Indian Wells, La Quinta, Indio and Coachella, the communities of Bermuda Dunes, Mecca, Thermal, Oasis, North Shore and Vista Santa Rosa and unincorporated County areas. The District's Application proposes a 1,760 square-mile area that would extend the eastern boundary of the District. For simplicity, the Annexation Application is based on the boundaries of Desert Sands Unified School District and Coachella Valley Unified School District to the border between Riverside and Imperial Counties to the south. These currently existing and known geographic divides encompass all of the communities required by AB 2414 and provide an appropriate basis for the expanded District.

A diagram of the proposed Annexed Area, which includes the school district boundaries, is attached as **Exhibits 2.1 & 2.2** to this Application.

A legal description of the proposed Annexed Area was prepared by MSA Consultants, Inc. on November 21, 2016, and has been converted to a PDF file for transmittal with this application.

2.1 Demographics

The Annexed Area has a population of approximately 240,000 residents, many of whom are low-income; some are undocumented. They face serious environmental hazards, such as drinking water contamination, pesticide exposure, inferior housing and poor air quality. The health disparities in the Eastern Coachella Valley compared to the Western area are significant, particularly when it comes to access to healthcare. The doctor-to-resident ratio is more than four times below the federally recommended level. Some Eastern Coachella Valley residents must travel 30 minutes for emergency medical care. Residents of this area are more likely to be uninsured compared with the rest of the state, have a higher incidence of obesity, diabetes and childhood asthma, and are less likely to receive dental care and routine medical screenings than those in the Western part of the Valley. A primary goal of AB 2414 in expanding the District is

to improve access to health care programs and services in the Eastern Coachella Valley by narrowing the disparities that exist between the Eastern and Western sides of the Valley.

Demographic information relating to the current District territory and the proposed Annexed Area, which was generated from the GIS boundaries of the two areas prepared by the District's civil engineering consultant, is attached as **Exhibit 2.3** to this Application. The information is divided into Population and Households (Figure 1), Age Comparisons (Figure 2) and Income Bracket Comparisons (Figure 3). The source for this data is ESRI Business Analyst Online. The data reflects estimates of the 2010 Census, and estimates of the 2016 and 2021 resident population.

Figure 1 presents estimates of the permanent population and households in the two areas. Of particular note, despite having approximately 8 percent fewer households, the population of the Annexed Area is nearly 17 percent greater than the District territory due to larger household sizes.

Figure 2 illustrates that Annexed Area households are not only larger but significantly younger, with a median age of 35.6 compared to 47 in the current District boundaries, making the median age more than 24 percent lower than the current District territory. The Annexed Area includes significantly more residents under the age of 30.

Finally, the demographic data indicates that the Annexed Area is somewhat poorer than the current District resident population. As shown in Figure 3, the larger household sizes do indicate that the Annexed Area residents have higher wealth per household, but once adjusted for household size, the per capita income of Annexation Area residents is approximately 12 percent lower than the District territory. Still, the percentage of the population without medical insurance is nearly identical in the District territory and in the Annexed Area.

2.2 Growth Projections in the Annexed Area

The population for the District's proposed service area is projected to experience moderate growth over the next 10 years.

The Annexed Area's population age cohort 65 years and older is projected to grow at a rapid compound annual rate (2.4 percent). As the population ages, the community and its provider organizations are likely to experience an increased demand for services such as internal medicine, cardiovascular services, gastroenterology, neurosciences, oncology, orthopedics, pulmonary medicine and urology, and see a greater need for chronic disease management.

The population age cohort 15 to 44 years overall, and for those who are female, is projected to grow at moderate rates over the next 10 years. This implies that the demand for elective sub-specialty care and obstetrics will continue to grow in the Annexed Area for the duration of the projection period.

The population age cohort 0 to 14 is projected to increase slowly over the next 10 years. As a result, demand for inpatient and outpatient pediatric services will continue to exist in the Annexed Area over the 10-year projection period.

A large portion of the service area population is Hispanic. Given the projected growth and the fact that statistically, Hispanics have a higher incidence of diabetes, heart disease and obesity, it is anticipated that there will be an increased demand for cardiovascular services, endocrinology, gastroenterology and orthopedics in the Annexed Area.

A large proportion of household incomes in the Annexed Area are estimated to be below $50,000 in CY 2016 (52.6 percent). During this same time period, the service area is expected to have lower median and average household incomes compared to the State. It is likely that a large portion of the service area population is covered by Medi-Cal or the Affordable Care Act, providing free or subsidized health insurance for individuals and families earning up to 400 percent of the Federal Poverty Level.

The entire service area is located in Riverside County. In general, this geographic region has higher mortality rates from cancer, Alzheimer's disease, coronary heart disease, unintentional injuries, stroke, suicide, motor vehicle accidents, and for infants when compared to the State overall. Further, the service area also has higher rates of cancer (e.g. colorectal, lung and bronchus, prostate), obesity, diabetes, high blood pressure, smoking and low-birth- weight infants.

This implies an increased demand for services such as primary care, cardiovascular, neurosciences, oncology, general surgery, orthopedics, pulmonary medicine, urology, obstetrics and perinatology, neonatology, pediatrics and chronic disease management.

The Health Assessment Resource Center's 2013 "Coachella Valley Community Health Monitor Report" further illustrates that portions of the District's service area population are underserved, and opportunities exist to improve the overall health of the community with a focus on wellness and prevention through increased access to coordinated primary and specialty care services.

III. CURRENT FINANCIAL RESOURCES

3.1 Annual Revenue

The District's operating revenue was $7.21 million in fiscal year 2015-16. Based on an estimated district population of 206,311, this equals approximately $35 per capita.

District revenue is generally comprised of:

- Property taxes received from the County of Riverside for the fiscal year ended June 30, 2016, were $5,794,197. The property taxes are comprised of property taxes received

from District residents and Redevelopment Apportionment Funds. Of the $5,794,197 for the year ended June 30, 2016, the Redevelopment Apportionment Funds were $2,121,562. It is presently unknown how long the Redevelopment Apportionment will continue.

- Rental income from the Las Palmas Medical Plaza, which is owned and managed by the District, generated $1,141,312 for the fiscal year ended June 30, 2016.

- Other income from investments totaled $278,566.

Total revenue for the fiscal year ended June 30, 2016, is $7,214,075.

3.2. Assets

The following facilities are owned by the District:

- Desert Regional Medical Center (including El Mirador Medical Plaza, with imaging, outpatient surgery and cancer centers)
- Las Palmas Medical Plaza
- Desert Healthcare District Wellness Park

3.3. Reserves

Through the stewardship of the District Board, the District has been able to establish a Facility Replacement Reserve Fund with a current balance of almost $58 million. This fund is committed to insuring that the District can meet its legal obligations to Tenet upon the expiration or earlier termination of the 1997 lease or in the event the District needs to take over operations of Desert Regional.

While the District is no longer responsible for operating the hospital, the hospital is still owned by the District, and is its most important asset serving the community. Pursuant to the 1997 lease, the District Board retains significant oversight responsibilities. In fact, two District Board members sit on the hospital's Governing Board. Further, the District must ensure that Tenet maintains the hospital in good condition and that the hospital has appropriate accreditations, valid licenses and adequate insurance. Keeping the hospital in good condition includes compliance with California's Hospital Seismic Safety Law (SB 1953).

Pursuant to the terms of the 1997 lease, Tenet has a number of options to terminate or abandon the Lease prior to expiration, including an option (Section 3.2 of the Lease) to terminate if seismic upgrades exceed $12.5 million. In the event that Tenet elects to terminate or abandon the Lease, the District would be legally obligated to reimburse Tenet for prepaid rent (estimated to be $12.2 million as of January 2017) and pay the fair market value of unamortized improvements that Tenet has made to the hospital, which are estimated to be $47.7 million. To continue operations of Desert Regional, the District would need to finance a

minimum of 90 days working capital (approximately $90 million). In addition, significant capital improvements would be needed to comply with the 2030 seismic requirements. The hospital's North Wing and East Tower have been re-evaluated under HAZUS to SPC-2 ratings – giving the hospital until January 1, 2030, to be brought into compliance. It has been estimated that seismic compliance costs could exceed $100 million.

Consequently, while the Replacement Facility Reserve Fund provides a significant and important safeguard, it would provide only a portion of the funds and financing needed if Tenant abandons or terminates the Lease.

IV. HEALTH CARE RELATED SERVICES, INITIATIVES AND PROGRAMS SUPPORTED BY THE DISTRICT AND FOUNDATION

The District's primary mission and responsibility is to ensure that safe, high-quality hospital services are available and accessible to its residents. For the last year, the District has worked with Desert Regional to review its assessment of potential community need strategies and future facility plans. While the current hospital facility is compliant with seismic statutory requirements, by the end of the lease term in 2027, major renovations and/or replacement of some or all of the existing facilities may be required. Estimates have exceeded $100 million.

As part of its strategic and facility planning process, the District is working with Desert Regional to complete a Facilities Conditions Assessment (FCA), which will provide the foundation from which to develop corresponding infrastructure recommendations. Concurrent with the FCA investigation, the District will conduct an assessment of the hospital's existing conditions and facility operations, and potential scenarios to address seismic retrofit requirements, facility repairs, renovation and potential for expansion.

In addition to working to ensure access to direct healthcare services, the District and Foundation also focus on addressing community health and wellness through initiatives, grants and partnerships with other health care providers. The District and Foundation work with local non-profit and community-based organizations, schools, government agencies and foundations to improve the health and wellness of individuals, families, neighborhoods and communities throughout the service area. The District has taken a leadership role in efforts to address access to healthcare, medically underserved populations, a shortage of healthcare workers, health disparities, socioeconomic determinants of health and other public health issues.

Since 1998, the District has invested more than $66 million in initiatives, grants and programs serving and benefiting its residents.

One of the largest District initiatives in recent years has focused on improving access to primary care, particularly in underserved areas. The District was instrumental in helping make the UCR Medical School and Family Residency Program possible. The first group of family practice residents arrived at Desert Regional Medical Center in 2014.

Today there are residency programs in Internal Medicine, Neurosurgery and Emergency Medicine, with more in development. Ten family medicine physicians are now in place. Sixteen medical students are serving clinical rotations through their rotations at hospitals and community health centers. And, thanks to the District, a new 13,000-square foot UCR primary care clinic is open with physicians seeing hundreds of patients, regardless of ability to pay.

District funding has also helped create a number of new and expanded clinics to increase access to care, including dental and family care clinics in Desert Hot Springs, Cathedral City and Palm Springs. The number of dental providers who accept Medi-Cal and new patients has doubled. The District has also provided funding to more than double the size of the Borrego family care clinic in Cathedral City and add mobile clinic outreach to remote areas to serve those most in need.

The Desert Healthcare Foundation is an important partner in implementing programs to promote access to care. The Foundation has been particularly successful in identifying gaps and working with community partners to develop programs and services to address community health needs and leverage resources to increase both reach and impact.

More than three decades ago, the Foundation launched a free breast screening program, now operated by the Desert Cancer Foundation. The Foundation also created the Smile Factory mobile dental clinic that visits local schools to provide free and reduced-cost dental screening and treatment, now operated by Borrego Health. With funding from The California Wellness Foundation, the Foundation created the Health Assessment Resource Center (HARC) to launch the triennial community health survey to identify health status and priority needs. The District continues as its major funder.

An overview of District- and Foundation-sponsored health initiatives and programs are included on the attached **Exhibit 4.1,** Community Investment in Health and Well Being.

V. POTENTIAL PROGRAM AND SERVICES TO BE PROVIDED

While AB 2414 does not specify which types of services the District is to provide, the Local Health Care District Law allows significant flexibility for healthcare districts to provide and support a variety of health-related facilities, services and programs.

Exhibit 5.1 features a series of maps including: portions of the geographic region that are designated by the Federal Government as a Health Professional Shortage Area (HPSA) or Medically Underserved Area (MUA), and healthcare facilities located within the region by facility type (e.g. hospitals, skilled nursing facilities, ambulatory surgery centers, imaging centers, health clinics and urgent care centers).

Going forward, these baseline impressions from strategic, facilities, operational, demographic, and market analysis perspectives will continue to be reviewed and considered. Ongoing analysis, including utilization projections, will inform decisions regarding future facility needs and Strategic Facility Master Plan options and projects. As options are developed, high-level schedules and cost estimates will be prepared to assist in the evaluation of the options relative to capital availability. Determining the right size, location and configuration of future hospital services will be a key focus of District planning efforts.

Developing scenarios to ensure the right number and mix of medical/surgical beds, the number, type and location of outpatient clinics, and other facilities needed to serve District residents in the future will be critically important from a capital, efficiency and community need perspective. With healthcare reform impacting reimbursement models and overall incentive structures, the District must also plan for a greater number of non-urgent services located outside of the hospital for a more cost-effective environment.

In implementing the intent of AB 2414 to address the significant barriers preventing access to healthcare providers and services for the residents in the Eastern Coachella Valley, the District, with sufficient funding, could provide grants, programs and services to the residents in the Annexed Areas that are comparable to those being provided to the residents in its current boundaries.

Key components to making decisions for specific services for the annexation area will be assessment, planning, implementation and evaluation.

As a part of the District's ongoing strategic planning efforts, the District regularly reviews and utilizes a wide range of information about the communities it serves. The District is currently involved in a due diligence process which will include a series of workshops to review data, information and market analysis reports to assess, evaluate and plan for future health needs, including accommodating the Annexed Area in the assessment phase.

As a starting point in assessing needs for the Annexed Area, the District will review existing demographic, market and health needs assessment reports which have been conducted for the area. A sample of recent studies is included as **Exhibit 5.2** to this Application. These recent studies will help inform the process for the District, working in consultation with providers and community stakeholders, to identify the precise scope, nature and level of healthcare services that may be provided in the Annexation Area.

Engaging the broader community in the process will be essential. Community input will help to determine the needs of the community and the community assets available to address those needs. Collecting community input on an ongoing basis will also allow the District to directly connect with specific populations in the Annexed Area, including disenfranchised, disadvantaged or minority and special needs populations. Community outreach and public engagement will not only inform and improve eventual plans and strategies, but will also lead to successful collaborations in implementation.

Because services change depending on the finances available and priorities identified by the community and District Board, it is not possible to list exactly which programs and services will be available in the Annexed Area. However, in accordance with AB 2414, a successful annexation will have a newly constituted board including representatives from the Eastern Coachella Valley who will set priorities and oversee the District's budget. Development of a comprehensive needs analysis and priority setting with public input and participation will ensure resources are allocated for services and programs similar to those described in Article IV above. A few examples of future programs and services (pursuant to the California Health & Safety Code Section 32121) include, but are not limited to, the following:

- Strategic plan for health and wellness initiatives
- Free and low-cost medical and dental clinics
- Mental health counseling and related services
- Drug and alcohol treatment
- Food distribution programs
- Financial support and case management for families with special needs children
- Free rehabilitation for stroke patients
- Health assessment surveys that inform future programs and services
- New and expanded inpatient and outpatient facilities

Although use rates are projected to decrease for almost all inpatient medical and surgical service lines, total volume in the service area is expected to increase due to population growth and aging of the population.

VI. FINANCING OPPORTUNITIES AND CONSTRAINTS

This fiscal section explores the full extent of financing options and constraints that await an expanded district as it works to address future health needs for the entire district. None of the financing options are mutually exclusive and a combination of funding could be considered (e.g. some negotiated share of the current property tax in the expansion area redirected to the District, plus a parcel tax to make up the difference). The potential tax levels are generally based on the amount of funding which would be needed to and would be comparable to the programs and services provided in the current District boundaries.

Figure 6.1 (below) presents a forecast of Annexed Area revenue based on a presumption of 1.37 percent annual population growth rate and a 2.5 percent annual increase in costs. Based on the same per-capita rate in the current District boundaries of approximately $35 per person, the District would need approximately $9 million in operating revenues in fiscal year 2018-2019 from the Annexed Area to generate a comparable level of services given a population of 240,000 residents.

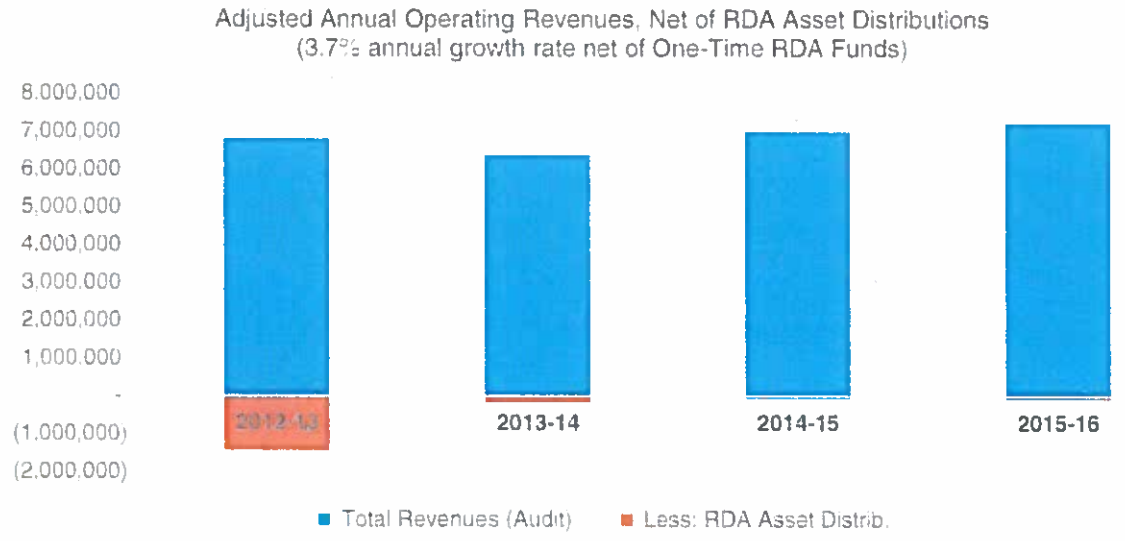
Figure 6.1: Projected Annexation Area Healthcare Revenue Needs

Summary of Operating Revenues
Desert Healthcare District
Source: DHCD Audited Financial Statements

OPERATING REVENUES PER CAPITA, ADJUSTED

	2012-13	2013-14	2014-15	2015-16
Total Revenues (Audit)	$ 6,801,289	$ 6,366,048	$ 6,981,056	$ 7,214,075
Change		*-6.4%*	*9.7%*	*3.3%*
Less: RDA Asset Distrib.				
RDA True Up	(555,250)	-	-	-
LMIHF Asset Distrib.	(430,435)	(39,122)	(759)	(28,966)
RDA Asset Distrib	(452,860)	(126,390)	(63,456)	(38,310)
Adjusted Recurring Revenues	6,246,039	6,366,048	6,981,056	7,214,075
Change		*1.9%*	*9.7%*	*3.3%*

2016 District Population (ESRI Estimate)	206,311
2015-16 Adjusted Operating Revenues Per Capita:	**$ 34.97**



At this time, the District is evaluating all options, consistent with AB 2414. As such, the operational revenue financing options considered, include, but are not limited to, the following:

- Voluntary Dedication of Existing General Fund Taxes by City/County, With Possible Voter Advisory Measure
- Community Facilities District (CFD)
- Joint Powers Authority (JPA)

- Parcel Tax
- Tenet Hospital Lease Income

6.1 Voluntary Dedication of Existing General Fund Taxes by City/County, Including a Voter Advisory Measure

The District currently receives approximately 80 percent of its operating revenues from property taxes collected within the District territory. There is no such levy in place in the Annexed Area.

To estimate the approximate amount of the general (1 percent) tax levy that would be necessary to generate approximately the same amount of revenue per capita in the Annexation Area compared to the current District territory. **Figure 6.2** (below) illustrates that roughly 2.26 percent of the general property tax levy would need to be collected by the District to yield sufficient revenues based on the current $37 billion net assessed value of the Annexation Area. Because assessed values can grow at rates different than population and District healthcare costs, Figure 6.2 also shows a potential shortfall of revenues if assessed values grow by 2 percent annually compared to the projected population and inflation growth rate of nearly 3.8 percent.

The purpose of the annexation proposed by AB 2414 and the District is an extension of new services, rather than an assumption of existing services by the District. This could be accomplished by a voluntary dedication/negotiation of a property tax transfer from the County and/or the affected cities in the Annexation Area (Indian Wells, La Quinta, Indio and Coachella, as well as possibly portions of Palm Desert). Should the District favor this approach, in order to capture and clearly communicate the support of the Annexed Area and the residents' dedication of property taxes, the annexation could be conditioned upon a favorable vote for an advisory measure to dedicate some of their taxes currently allocated to affected local agencies and the County to fund District-provided healthcare services in the Annexed Area.

In this instance, should negotiations on the voluntary contribution of taxes from these entities to the District for healthcare services in the Annexation Area not be successful, the District could pursue mediation with the cities and County to attempt a resolution and meet the conditions of expansion.

Figure 6.2: Share of Annexation Area Property Taxes for Extending Services

Annexation Area Fiscal Model
Desert Healthcare District

POSSIBLE SHARE OF PROPERTY TAX LEVY

2016-17 Assessed Value (AV) of Annexation Area	$	37,139,267,453
2016-17 Revenue Need of Annexation Area (if Annexed)		8,410,000
Derived Share of 1% Property Tax Levy		2.26445%

Projected Property Tax Revenues if Part of Basic 1% Levy

Year		Projected AV @ 2%	1% General Levy	Revenue 2.26445% Tax Share	Costs Projected Needs (Costs)	Favorable/ (Unfavorable)
	2016-17	$ 37,139,267,453	$ 371,392,675			
	2017-18	37,882,052,802	378,820,528			
1	2018-19	38,639,693,858	386,396,939	$ 8,749,764	$ 9,080,000	$ (330,236)
2	2019-20	39,412,487,735	394,124,877	8,924,759	9,430,000	(505,241)
3	2020-21	40,200,737,490	402,007,375	9,103,254	9,800,000	(696,746)
4	2021-22	41,004,752,240	410,047,522	9,285,320	10,190,000	(904,680)
5	2022-23	41,824,847,285	418,248,473	9,471,026	10,580,000	(1,108,974)
6	2023-24	42,661,344,230	426,613,442	9,660,446	11,000,000	(1,339,554)
7	2024-25	43,514,571,115	435,145,711	9,853,655	11,430,000	(1,576,345)
8	2025-26	44,384,862,537	443,848,625	10,050,729	11,870,000	(1,819,271)
9	2026-27	45,272,559,788	452,725,598	10,251,743	12,330,000	(2,078,257)
10	2027-28	46,178,010,984	461,780,110	10,456,778	12,820,000	(2,363,222)

6.2 Community Facilities Districts (CFD)

Community facilities districts (also known as Mello-Roos districts) are a financing tool that allows for facilities and some services to be financed by the district. However, the law does not currently allow the provision of healthcare services, aside from ambulatory or paramedic services, to be financed with CFDs.

6.3 Joint Powers Authority (JPA)

Some healthcare districts have formed JPAs with other public agencies to expand or enhance services. In 1996, the City of Calexico and Heffernan Memorial Healthcare District created a joint powers authority which was funded by a portion of the city's sales tax revenues for a 10-year period. From a fiscal perspective, this sharing enhanced the funding available to Heffernan MHD for several years, but in 2006 the city's financial obligations terminated and the JPA was dissolved in 2016.

Under a JPA model, the District could provide services throughout the Coachella Valley either by:

1) Creating a JPA with the Annexation Area member cities and County, or

2) Dissolving and reorganizing as a Valley-wide JPA with all Coachella Valley cities and the local unincorporated communities.

3) Partnering with an existing JPA (e.g., Coachella Valley Association of Governments), including the participation of tribal nations.

Under the first option, the District projected the approximate amount of additional revenue that would need to be raised, assuming a sales tax increase among only the four cities wholly within the Annexed Area[1] (Indian Wells, La Quinta, Indio and Coachella). The District would continue to collect property taxes from its existing share of the general tax levy within the District territory. It is noted that two of the four cities (La Quinta and Indio) just this November approved 1 percent increases in their local sales taxes for general purposes. A second approach would be more complex, wherein the JPA would replace the District, with all member cities (and the County) either agreeing to increase the sales tax rate at an overall lower rate and the District's share of the existing property tax levy being reapportioned to the respective cities and County within the District territory.

Both approaches may have several legal, governance and practical challenges which would need to be evaluated by the District. Setting aside these challenges, the District has estimated that a 0.50 increase in the Annexed Area may be necessary to reach sufficient funding for comparable health care services or a 0.25 increase in Valley-wide sales taxes if the entire District reorganized as a JPA reliant on these new taxes. **Figure 6.3** (below) illustrates a hypothetical sales tax increase to extend services into the Annexed Area.

[1] The unincorporated county areas were left out of our analysis because such taxable sales data for the Eastern Coachella Valley was not available.

Figure 6.3: Hypothetical Sales Tax Increase to Extend Services into Annexed Area

Annexation Area Fiscal Model
Desert Healthcare District

POSSIBLE SALES TAX RATE WITH JOINT POWERS AUTHORITY

Jurisdiction	2014 Taxable Sales (000's) /	Current Tax Rate /2	Illustrative Increase for JPA	Total Potential Rate w/ JPA	Increase in Rate
Cathedral City	753,153	9.000%	0.000%	9.000%	0%
Coachella	**330,324**	**9.000%**	**0.500%**	**9.500%**	**6%**
Desert Hot Springs	133,906	8.000%	0.000%	8.000%	0%
Indian Wells	**98,669**	**8.000%**	**0.500%**	**8.500%**	**6%**
Indio	**882,079**	**9.000%**	**0.500%**	**9.500%**	**6%**
La Quinta	**744,038**	**9.000%**	**0.500%**	**9.500%**	**6%**
Palm Desert	1,594,753	8.000%	0.000%	8.000%	0%
Palm Springs	1,036,541	9.000%	0.000%	9.000%	0%
Rancho Mirage	423,095	8.000%	0.000%	8.000%	0%
Unincorporated /3	n/a	n/a	n/a	n/a	n/a

Total with 0.50% Rate Increase in East Valley Cities	$ 10,275,550
Total with 0.25% Rate Increas in All Valley Cities /4	$ 14,991,395

1/ Source: State Board of Equalization, 2014
2/ Source: State Board of Equalization, Preliminary November 2016 election results
3/ Data for unincorporated areas of Coachella Valley not published by State Board of Equalization and is excluded from this forecast for illustrative purposes.
4/ Assumes District dissolved and forms JPA in entire Valley, with property taxes reverting to member cities/county in exchange for share of sales tax increase of 0.25% Valley-wide.

6.4 Parcel Tax

A number of healthcare districts rely on parcel taxes to generate funds when they do not collect sufficient property taxes and operating revenues. Parcel taxes are a type of special tax which require 2/3 voter approval and are then assessed on the property tax bills. Typically, tax exempt properties do not pay these taxes, but the measures can often create multiple types of exemptions and tiers based on land use and other factors.

Parcel taxes are levied by at least 12 healthcare districts in California to augment local funding, including the Palo Verde Healthcare District in Blythe (Riverside County) which levies a parcel tax of $32 per parcel in perpetuity. Rates and terms can vary, as shown in some of the examples listed below in **Figure 6.4**.

Figure 6.4: Select Parcel Taxes Levied by Other Health Care Districts

District	Bear Valley Community Healthcare District (San Bern. Co.)	San Bernardino Mountains Community Hospital District (San Bern. Co.)	Southern Humboldt Community Hospital District (Humboldt Co.)
Effective Date	July 1, 2015	1989	July 1, 2007
Sunset Date	June 30, 2025		June 30, 2018
Levy Rate(s)	$20/ unimproved $45/ improved	$80 per home $40 per vacant lot $200 per business	$125 per parcel

To illustrate the potential level of a parcel tax that could be assessed within the Annexed Area, the District prepared the following hypothetical estimate of a parcel tax in **Figure 6.5** (below). The levy rate and term should be evaluated further to consider potential exemptions, but based on the estimated 117,932 parcels located within the Annexation Area, a parcel tax of approximately $77 per parcel would be needed to meet initial operating revenue goals by 2018-19.

Figure 6.5: Possible Parcel Tax Rates in Annexation Area

Annexation Area Fiscal Model
Desert Healthcare District

POSSIBLE PARCEL TAX REVENUES

	Parcels	Potential Parcel Tax Rate/Parcel	Total Taxes
Parcels by Land Use Category /1			
Improved			
Agriculture	58	$ -	$ -
Commercial	4,066	100	406,600
Residential	81,174	100	8,117,400
Miscellaneous	2,626	25	65,650
Subtotal	87,924	98	8,589,650
Unimproved			
Agriculture	4,099	-	-
Commercial	1,357	25	33,925
Residential	18,309	25	457,725
Miscellaneous	1,993	-	-
Subtotal	25,758	19	491,650
Unknown	4,250	-	-
Total	117,932	**$ 77**	**$ 9,081,300**

1/ Source: Riverside County Assessment Roll

Parcel taxes are generally not designed with automatic inflationary adjustments, something that would need to be evaluated if the District were concerned about the ability to meet the increasing costs for services in the Annexation Area.

6.5 Tenet Hospital Lease Income

The District has an existing 30-year lease with Tenet Health Systems (Tenet) of Desert Regional, which expires in May 2027. In 1997, Tenet paid the District prepaid rent of approximately $110 million, which consisted of approximately $95 million to defease and pay off outstanding hospital indebtedness and approximately $15 million in cash.

While it could raise legal issues to use the existing Facilities Replacement Reserve Fund for health related programs and services in the Annexed Area, Tenet has recently expressed interest in entering into a new lease that would extend the term of the public/private partnership relationship for an additional 30 years. In such event, and depending upon the timing, the new lease would likely require a favorable vote of residents in the existing District and residents in the Annexed Area if the annexation is completed. Moreover, a new lease with Tenet could open a number of scenarios to address acute care needs in the entire Valley, including the possibility of building a new hospital facility that would be more convenient to serve the entire expanded District.

6.6 Other Options for Capital Improvements and Facilities

This fiscal analysis was prepared for the purposes of determining how the District may fund immediate and recurring operational costs associated with providing grants for programs and services, and the administration of health care to the Annexed Area. Separate from these revenue needs, the District expects that annexation may impact Desert Regional Medical Center as well as trigger the need for additional healthcare facilities serving the Annexed Area. The revenue options outlined above focus primarily on potential means for funding recurring services. But there are additional options that could be available to the District, often in collaboration with other local agencies, to raise capital for expanded or new facilities both inside the District territory and serving the Annexation Area. In addition to the above financing tools for capital projects, other possible financing options include:

- General Obligation (GO) bonds - a type of capital financing issued by a government agency secured by any and all tax revenues.

- Enhanced Infrastructure Financing Districts and/or Community Revitalization Investment Areas - are two property tax increment financing tools to finance capital improvements by certain consenting public agencies, differing by where they may be employed.

- Public lease revenue bonds - differ from GO bonds in that they are secured by a specific revenue pledge and therefore do not expose the entire revenue stream of the government agency at risk. Lease revenue bonds are one such type of specific revenue pledge, but there may be others, including tax allocation bonds.
- Financing leases and certificates of participation - are alternatives to bond financing for public agencies. Under a lease financing, a public agency enters into a lease-leaseback with another agency who provides a lump sum lease payment in exchange for recurring leaseback payments from the public agency. A COP is generally a type of lease financing, though often involving multiple investors who share in the lease income.
- Conduit revenue bonds - a type of pass through financing issued by a government agency but secured by revenues from another nongovernmental source, such as project-based income for an economic development project.
- User fees - With a 2/3 voter approval, local agencies can impose user fees or taxes which may in turn be pledged as security for a revenue bond or pay for services.
- Grants and donations – grants and donations received from external sources.

The District does not anticipate any changes to its capital needs with the application for annexation, so we have not explored the feasibility of these financing options in this fiscal analysis.

VII. FORMATION, GOVERNANCE, NEXT STEPS AND PROCESS

Pursuant to AB 2414, governance for the entire expanded district is phased in if voters approve to expand the District. The interim phase will span 2018-2020. The permanent governance structure would become effective in 2020.

7.1. Formation

The District is required to file an annexation application with LAFCO on or before January 5, 2017. LAFCO is required to approve this application within 150 days. Thereafter, the funding for annexation will be presented to the voters of the Annexed Area at the next County-wide general election, which will be November 2018

7.2 Interim Governance – 2018-2020

If the voters approve expanding the District, 30 days after the expansion of the District (approximately December 2018), the then-existing Board of Directors of the District shall adopt a resolution to expand its board from five to seven members. This will be done without a petition or voter approval. The five-member Board of Directors is required to appoint two new

board members. Both new board members are required to be registered voters within the Annexed Area.

7.3 Permanent Governance – 2020 and Beyond

If the District is expanded, the District shall be divided into seven voting districts with representation in accordance with demographic, including population, and geographic factors of the entire area. The first district elections shall occur at the first election after January 1, 2020, which would be November 3, 2020.

7.4 Transition Considerations

As Desert Healthcare District expands its service area, connecting with new communities and serving new constituents, the District is committed to proactively planning to ensure that its communications goals, public engagement mechanisms and outreach strategies align with its evolving identity. The District will undertake comprehensive transition planning to build a foundation of inclusion that encourages broad public involvement across and throughout the expanded service area.

Residents throughout the District, both in the original and annexed areas, will be presented with fair and proportionate outreach, engagement and representation. Efforts will be undertaken to provide effective community education, program support and public participation throughout the expanded District boundaries. Communication will be provided in a culturally and linguistically competent manner, with consideration given to the language, cultural and other needs of all residents so that no group or demographic is left behind. All the communities served will be able to see themselves represented in the District's identity and engagement methods.

Desert Healthcare District welcomes this transition because it offers the opportunity to inform residents within the Annexed Area of the programs and services newly available to support their overall health and wellness, while also increasing the visibility, participation and involvement of residents in the area currently being served by the District.

7.5 District Outreach

The District benefits from an image that reflects its unique history of service, built and strengthened over nearly 70 years supporting health and wellness in the Coachella Valley. While the District's roles, responsibilities and assets have evolved over that time, its central commitment to promoting the good health of residents has not changed. The proposed annexation will be one of the most significant steps in the District's continued evolution, incorporating new communities with unique identities, strengths and needs.

To promote inclusion and involvement throughout the expanded service area, the District will develop a process that allows ongoing outreach to evolve to more completely represent its entire constituency, both new and old.

Outreach evolution will accomplish the following objectives:

- Increased awareness, ensuring that the District is widely recognized and its services understood among those it serves and regional stakeholders.

- Broad inclusiveness, aligning the District more completely with all the communities it serves, allowing residents of all types to see themselves in the District's identity and connect with the benefits it provides.

- Internal guidance, using the District brand and what it represents as a set of guiding principles to connect staff and program partners with the District mission and guide positive and successful interaction with the public.

The outreach evolution, which would take place immediately following approval of expansion, will consist of an ongoing public process to incorporate wide-ranging community input and priorities, and channel them into a representative identity that embodies aspects of the entire service area.

An inclusive outreach process is the platform from which all successful communication will launch.

7.6 Communication Plan

The District will develop and implement a strategic plan to align communications with the new identity of the District, the expanded communities it serves, and its providers and grantees. This plan will capitalize on the District's long legacy of success and further increase public awareness of its services, quality and value. The District recognizes the importance of lining up the communications strategy with the District's mission of promoting and improving health, ensuring that outreach efforts dovetail with and support broader District goals. The plan will focus and prioritize resource allocation by evaluating communication tools and efforts to maximize outreach efficiency and effectiveness.

A communications plan will include:

- Communication goals
- Key message identification
- Stakeholder analysis
- Brand deployment
- Internal communications strategies

- External communications strategies
- Strategic resource allocation
- Long-term planning

7.7 Public Engagement

The District recognizes the importance of strong communication in meeting and exceeding expectations set by customers, community members and other stakeholders. The District is committed to proactively identifying and connecting with stakeholders and community groups. This is best done in presentations and forums that offer face-to-face communication with various groups and encourage feedback, in addition to other ways.

Other considerations:

- Ensure that messaging is presented in appropriate languages and tone for the audience. Inclusivity of all District residents should be the goal.
- Develop an annual advertising program and budget to support key initiatives and the District's role as a community partner.
- Create and strengthen partnerships with agencies that mutually support the District's goals, and ensure that these stories of shared success reach the general public and other partners.
- Design and implement targeted messaging strategies for the organization's many unique relationships within the communities it serves.

Herb K. Schultz, CEO
Desert Healthcare District

1/5/17
Date

Exhibit 1.1

Assembly Bill No. 2414

CHAPTER 416

An act to add Chapter 10 (commencing with Section 32499) to Division 23 of the Health and Safety Code, relating to health care districts.

[Approved by Governor September 21, 2016. Filed with Secretary of State September 21, 2016.]

LEGISLATIVE COUNSEL'S DIGEST

AB 2414, Eduardo Garcia. Desert Healthcare District.

Existing law, the Local Health Care District Law, authorizes the organization and incorporation of local health care districts and specifies the powers of those districts, including, among other things, the power to establish, maintain, and operate, or provide assistance in the operation of, one or more health facilities or health services, including, but not limited to, outpatient programs, services, and facilities; retirement programs, services, and facilities; chemical dependency programs, services, and facilities; or other health care programs, services, and facilities and activities at any location within or without the district for the benefit of the district and the people served by the district.

This bill would authorize the expansion of the Desert Healthcare District to include the eastern Coachella Valley region by requiring the district to submit a resolution of application to the Riverside County Local Agency Formation Commission to initiate proceedings to expand the district. The bill would require the commission to order the expansion of the district subject to a vote of the registered voters residing within the territory to be annexed at an election following the completion of those proceedings. The bill would require the Board of Supervisors of the County of Riverside, upon direction by the commission, to place approval of district expansion on the ballot at the next countywide election following the completion of commission proceedings, including a public hearing. The bill would provide for expansion of the district upon voter approval, if a funding source sufficient to support the operations of the expanded district is, if required, approved, as specified. The bill would require the district to pay for election costs, as specified. By imposing new duties on the County of Riverside, the bill would impose a state-mandated local program.

This bill would require the board of directors of the district, following expansion, to adopt a resolution to increase the number of members of the district's board of directors from 5 to 7, and to appoint 2 members who are residents of the territory annexed by the district to fill the vacant positions, as specified. Following the expansion of the board of directors, the bill would require the board of directors to adopt a resolution to divide the Desert Healthcare District into voting districts for the purpose of

electing members of the board of directors from and by the electors of those voting districts beginning with the next district election after January 1, 2020, as specified.
This bill would state the intent of the Legislature that the Desert Healthcare District maximize the use of its assets to provide direct health services to individuals within the district, as specified.
This bill would make legislative findings and declarations as to the necessity of a special statute for the Coachella Valley region of Riverside County.
The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.
This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.

DIGEST KEY

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: yes

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BILL TEXT

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1.

Chapter 10 (commencing with Section 32499) is added to Division 23 of the Health and Safety Code, to read:

CHAPTER 10. Desert Healthcare District Reorganization

32499.

(a) The Desert Healthcare District may be expanded in accordance with this chapter. All other provisions of this division shall apply to the Desert Healthcare District following its reorganization, except as provided in this chapter.

(b) (1) On or before January 5, 2017, the Desert Healthcare District shall file a resolution of application with the Riverside County Local Agency Formation Commission, pursuant to subdivision (a) of Section 56654 of the Government Code, to initiate proceedings by the Riverside County Local Agency Formation Commission for the purpose of expanding the Desert Healthcare District to include the East Coachella Valley region. The expanded district shall include all communities served by the Desert Healthcare District as of the date of the filing of the resolution of application, and shall also include, but not be limited to, the communities of Indian Wells, La Quinta, Indio, and Coachella, and the unincorporated areas of Bermuda Dunes, Mecca, Thermal, Oasis, North Shore, and Vista Santa Rosa. The resolution of application shall comply with Section 56652 of the Government Code and shall specify the source of funding for the expanded district. The Desert Healthcare District shall pay any fees associated with the resolution of application.

(2) The Riverside County Local Agency Formation Commission proceeding shall be deemed initiated on the date the resolution of application is accepted for filing. Subsequent to initiation of the proceeding, the commission shall hold a hearing pursuant to Section 56666 of the Government Code. The commission shall comply with the notice requirements of Sections 56660 and 56661 of the Government Code in connection with the hearing.

(3) The Riverside County Local Agency Formation Commission shall complete its proceedings and direct the election required by paragraph (2) of subdivision (c) no later than 150 days following receipt of the completed resolution of application. Notwithstanding any other law, the Riverside County Local Agency Formation Commission shall not have the power to disapprove the resolution of application.

(4) Notwithstanding any other law, the resolution of application filed by the Desert Healthcare District pursuant to this subdivision shall not be subject to any protest proceedings.
(c) (1) The Riverside County Local Agency Formation Commission shall order the expansion of the district subject to a vote of the registered voters residing within the territory to be annexed at an election following the completion of proceedings pursuant to subdivision (b). The commission may condition the annexation on the district's imposition of sufficient revenues to provide services within the territory to be annexed, including, but not limited to, the concurrent approval of special taxes or benefit assessments that will generate those sufficient revenues.
(2) The Riverside County Local Agency Formation Commission shall direct the Board of Supervisors of the County of Riverside to direct county officials to conduct the necessary election for approval of district expansion by placing approval of district expansion, pursuant to subdivision (d) of Section 57118 of the Government Code, and approval of any necessary funding source for the expanded district that requires voter approval on the ballot at the next countywide election.
(3) If a majority of the voters within the territory ordered to be annexed vote in favor of the expanded district and if a number of voters required under applicable law to approve any necessary funding source that requires voter approval vote in favor of that funding source, the district shall be expanded in accordance with this chapter.
(4) The district shall pay to the county the actual cost of the services rendered in conducting the election.
(d) The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Division 3 (commencing with Section 56000) of Title 5 of the Government Code) shall not apply to the expansion of the district pursuant to subdivisions (b) and (c), except as specified in this part. The act shall apply to any other change of organization or reorganization as defined in that act, following the reorganization of the district pursuant to this section.
(e) As used in this chapter, "district" means the Desert Healthcare District.

32499.2.

(a) Thirty days after the expansion of the district, and notwithstanding Sections 32100.01 and 32100.02, the Board of Directors of the Desert Healthcare District shall adopt a resolution to increase the number of members of its board of directors from five to seven without the necessity of a petition or approval thereof by voters residing within the district. The resolution shall become effective on the date of, and subject to any conditions specified in, the resolution.
(b) The additional vacancies created by the expansion shall be filled by appointment by the board of directors. A person appointed to fill a vacancy created by subdivision (a) shall be a registered voter and a resident of the territory annexed by the district pursuant to Section 32499.
(c) Upon appointment, the board shall, by lot, designate one member appointed pursuant to subdivision (a) who shall leave office when his or her successor takes office pursuant to Section 10554 of the Elections Code, and one member appointed pursuant to subdivision (a) who shall leave office two years thereafter.
(d) A vacancy in one or both of the board positions created by subdivision (a) after the first appointments to those positions pursuant to subdivision (b) shall be filled by the methods prescribed in Section 1780 of the Government Code, and, after January 1, 2020, shall be filled by the methods prescribed in Section 32499.3.
(e) This section shall only become operative if the Desert Healthcare District is expanded in accordance with Section 32499.

32499.3.

(a) Following the expansion of the Board of Directors of the Desert Healthcare District, and notwithstanding Section 32100.1, the board of directors shall adopt a resolution to divide the district into seven voting districts, number the voting districts consecutively, and elect members of the board of directors by voting district beginning with the first district election after January 1, 2020.

(b) In establishing the voting districts described in subdivision (a), the board of directors shall provide for representation in accordance with demographic, including population, and geographic factors of the entire area of the district. The board of directors shall fix the time and place and give public notice for a hearing on the proposed establishment of the voting districts, at which any elector of the district may present his or her views and plans in relation to the proposed division, but the board of directors shall not be bound thereby and their decision, in the resolution adopted, shall be final.

(c) The resolution adopted pursuant to subdivision (a) shall declare the voting districts and describe the boundaries of each voting district.

(d) The voting districts described in subdivision (a) and any necessary procedures for implementing the election of the board of directors by voting districts shall be established and implemented on or before January 1, 2020.

(e) The voting districts established pursuant to this section shall be effective for the next district election after January 1, 2020. At the expiration of the terms of office of the members of the board of directors then in office, and thereafter, these members of the board of directors shall be elected by voting districts. One member of the board of directors shall be elected by the electors of each of the voting districts. A person shall not be eligible to hold the office of member of the board of directors unless he or she has been a resident of the voting district from which he or she is elected for 30 days next preceding the date of the election.

(f) A vacancy upon the board that results in a voting district left unrepresented prior to the expiration of the term of that board position shall be filled by appointment of the remaining members of the board of directors. A member of the board of directors appointed pursuant to this subdivision shall be a resident of the voting district left unrepresented on the board of directors.

(g) This section shall become operative only if the Desert Healthcare District is expanded in accordance with Section 32499.

32499.4.

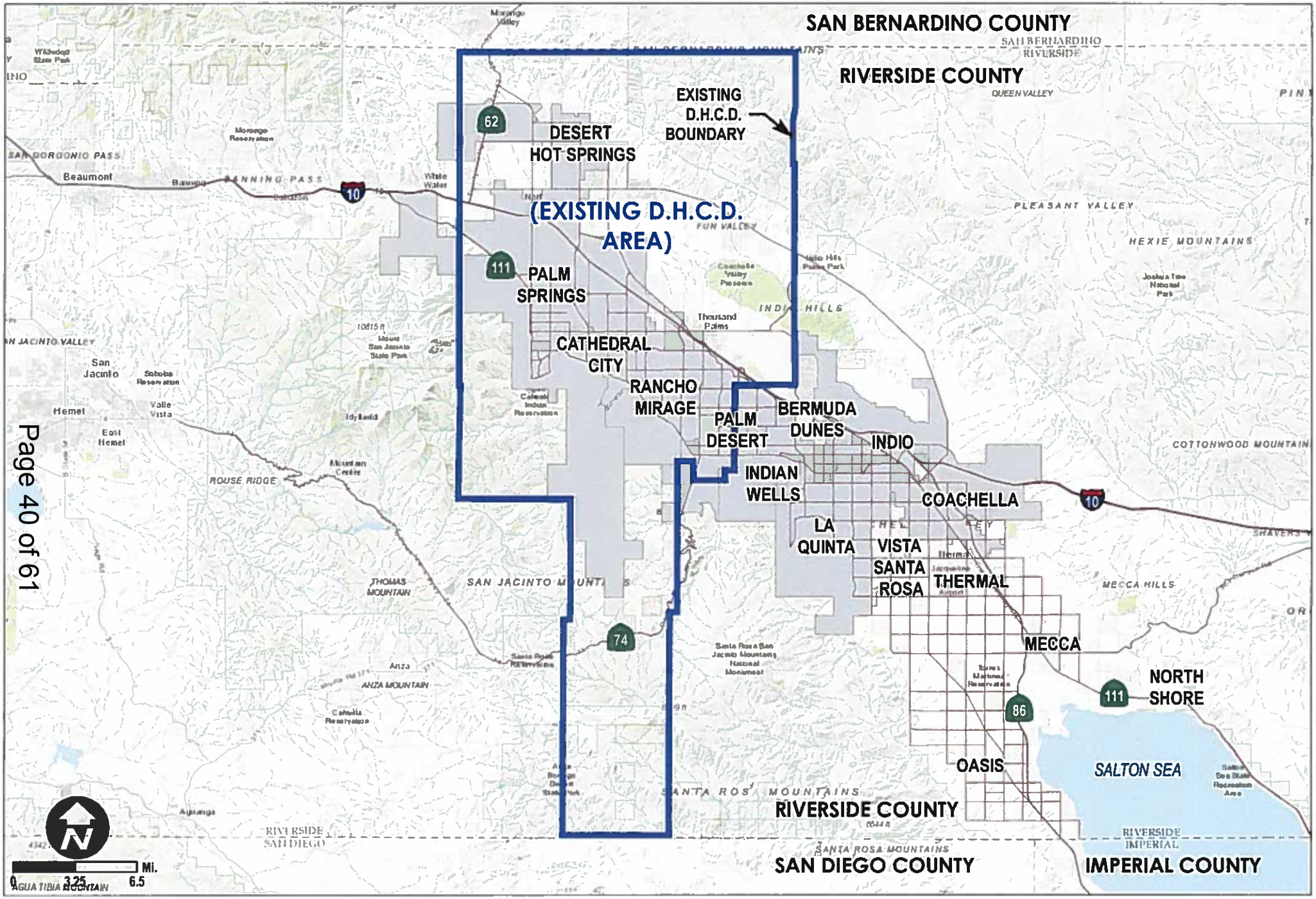
It is the intent of the Legislature that the Desert Healthcare District maximize the use of its assets to provide direct health services to individuals within the district through direct operation of or funding provided to organizations that own or operate hospitals, medical clinics, ambulance services, transportation programs for seniors or persons with disabilities, wellness centers, health education services, promotoras, mental health services, veterans' health services, and other similar services.

SEC. 2.

The Legislature finds and declares that a special law is necessary and that a general law cannot be made applicable within the meaning of Section 16 of Article IV of the California Constitution because of the unique community needs in Riverside County that would be served by the expansion of the Desert Healthcare District to include the entire Coachella Valley region, including limited access in the eastern Coachella Valley to health care services by an underserved population that suffers from a higher than average prevalence of preventable disease.

SEC. 3.

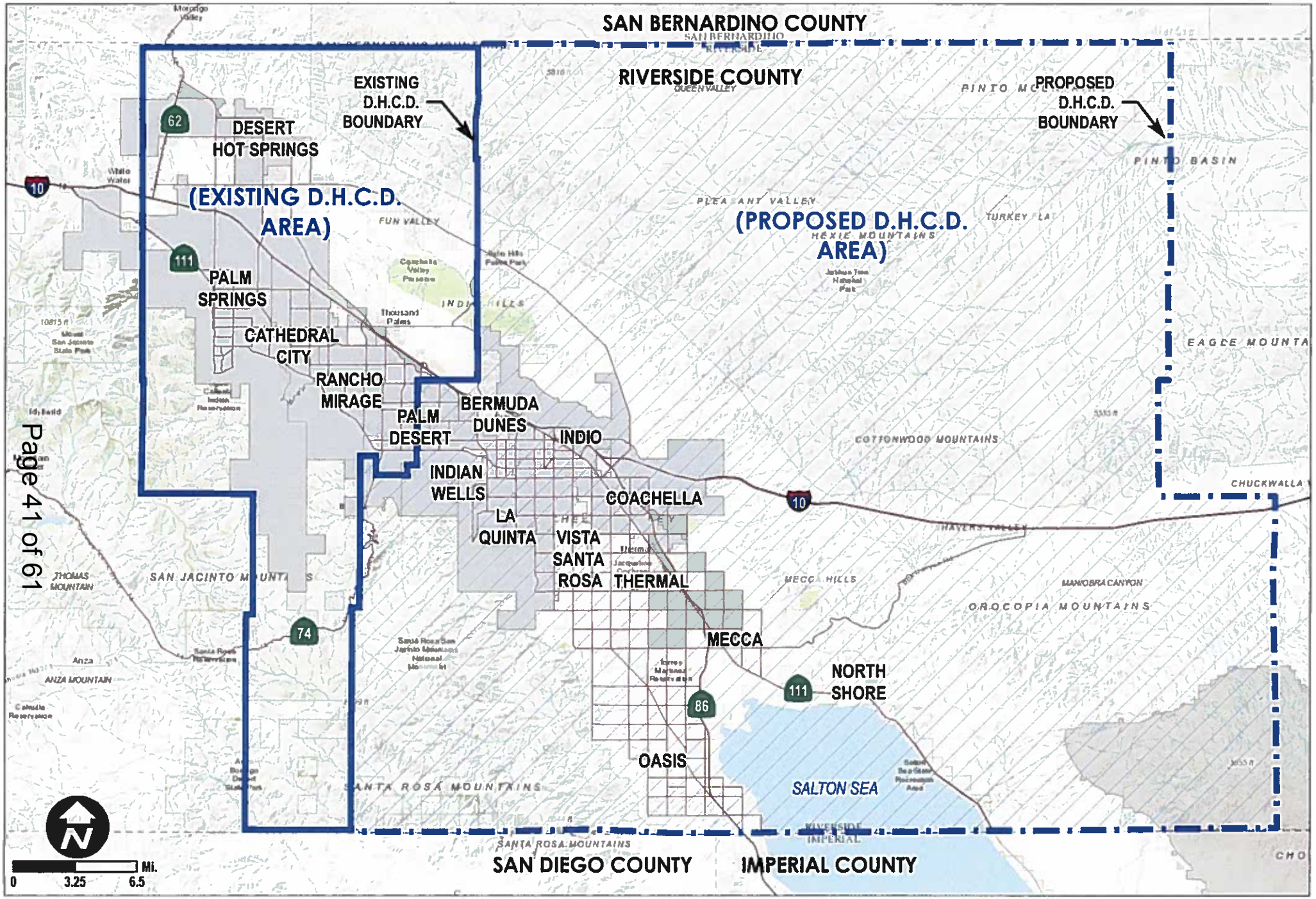
If the Commission on State Mandates determines that this act contains costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code.



DATE: 12/12/2016
DATA SOURCES: RIVERSIDE COUNTY IT-GIS, DHCD, USGS, ESRI

EXISTING DESERT HEALTHCARE DISTRICT BOUNDARY

Exhibit 2.1



CELEBRATING FORTY YEARS

DATE: 12/12/2016

DATA SOURCES: RIVERSIDE COUNTY IT-GIS, DHCD, USGS, ESRI

DESERT HEALTHCARE DISTRICT PROPOSED BOUNDARY EXPANSION PURSUANT TO CALIFORNIA ASSEMBLY BILL 2414

Exhibit 2.2

EXHIBIT 2.3

(Demographic information)

Figure 1: Population and Households

Demographic Profiles - Existing and Proposed Annexation Areas
Desert Healthcare District
Source: ESRI Business Analyst, November 2016

POPULATION AND HOUSEHOLD ESTIMATES

		Existing	Annexation	Δ
Population				
	2016 Estimates	206,311	240,515	16.6%
	2021 Projection	219,239	257,442	
	Growth Rate (2016 - 2021)	1.22%	1.37%	
Households				
	2010 Census	82,133	73,572	
	2016 Estimates	85,396	77,883	-8.8%
	2021 Projection	90,151	82,852	
	2016 Avg HH Size	2.4	3.07	27.9%

Figure 2: Age Comparison

Demographic Profiles - Existing and Proposed Annexation Areas
Desert Healthcare District
Source: ESRI Business Analyst, November 2016

AGE BRACKETS

	Existing	Annexation	Δ
Median Age			
2010 Census	45	34.8	
2016 Estimates	47	35.6	-24.3%

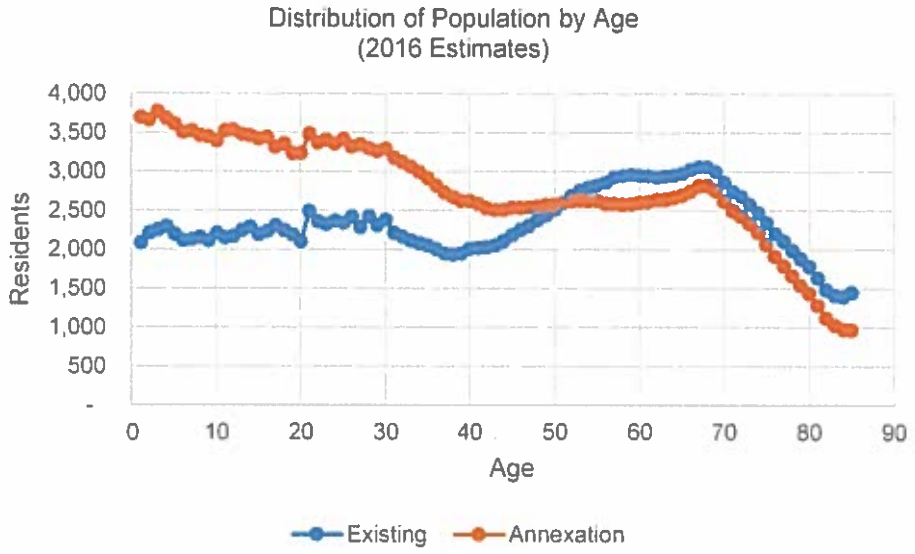


Figure 3: Income Bracket Comparison

Demographic Profiles - Existing and Proposed Annexation Areas
Desert Healthcare District
Source: ESRI Business Analyst, November 2016

INCOME DATA

	Existing	Annexation	Δ
Household Income Data			
2016 Average HH Income	$ 72,553	$ 81,402	
2016 Median HH Income	$ 45,183	$ 53,776	19.0%
2016 Per Capita HH Income	**$ 30,299**	**$ 26,555**	**-12.4%**
HH Below Poverty Level /1	6.62%	5.56%	-16.0%
Population Uninsured /1	21.35%	21.28%	-0.3%

1/ Source: American Community Survey data, 2014 5 Year Estimates

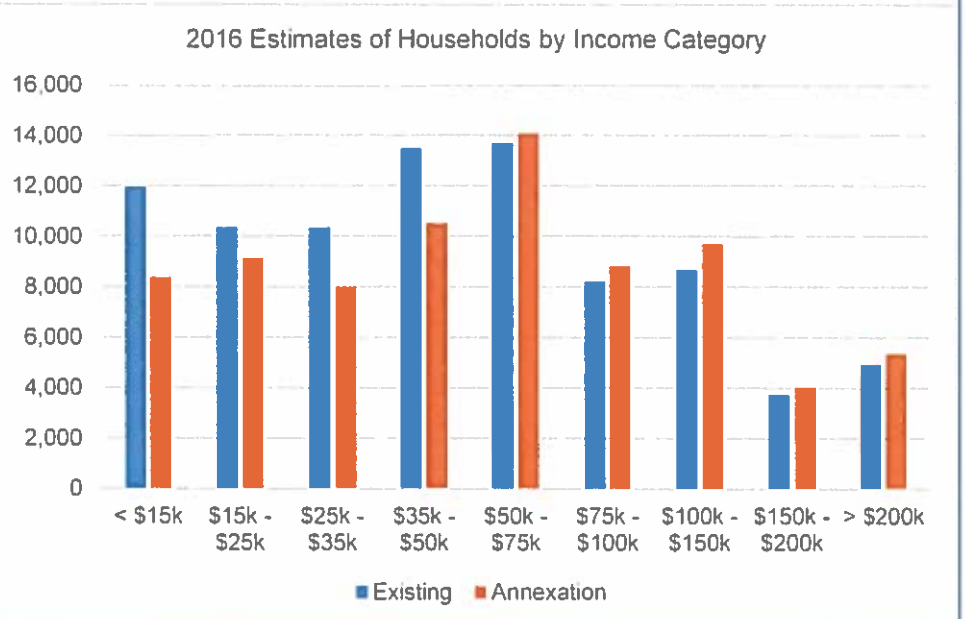


EXHIBIT "4.1"

Overview of Desert Healthcare District Initiatives, Programs and Grant Activity

Expanding Access to Primary Care

The District has been a leading force in efforts to expand access to primary care for uninsured and underinsured local residents, including:

- Development of the UCR School of Medicine Primary Care Residency Program, which added 10 family medicine physicians in the Coachella Valley beginning in 2013. As of August 2016, 16 medical students began serving Valley residents through their rotations at local hospitals and community health centers; beginning in 2017, there will be 24 residents. Faculty and residents also staff a Family Medicine Clinic open to all District residents and housed in the District's medical office facility, and work the UCR Street Medicine Program that serves the District's homeless where they live.
- Based on DHCD funding and the long-term partnership with UCR School of Medicine, academically eligible Coachella Valley residents are designated as priority registrants for 20 percent of the available medical school slots annually.
- Funding for development of the Desert Highland Gateway Free Clinic to serve the uninsured, underinsured and homeless in North Palm Springs.
- Invested $5.2 million to open the Desert Hot Springs Community Health and Wellness Center. The center includes a teen clinic, cardio fitness gym and four dental suites to serve low-income local residents. Since opening in Fall 2013, the Health Center has accommodated more than 3,000 dental visits and 234 teen medical visits, and issued more than 360 cardio fitness gym memberships.
- Funded the establishment of the first Federally Qualified Healthcare Clinic in Desert Hot Springs in 2010 to add two new Primary Care providers to the under-served community.
- Funded a new Behavioral Health Clinic that provides intensive out-patient mental health services for District residents.
- Funded low-cost mental health counseling services, substance abuse treatment and case management services to expand behavioral health services for District children and seniors.
- Expanded primary care access in Cathedral City to increase dental, mental health and family medicine for low- and no-income local residents.
- Opened a sexually transmitted infection clinic for the uninsured and underinsured to provide free testing and treatment for infectious diseases, including HIV, syphilis, gonorrhea, chlamydia, HPV, and Hepatitis B and C; and well-woman exams.
- Funded increased access to primary care at the Volunteers in Medicine Free Clinic for hundreds of uninsured and low-income residents.
- Created the SMILE Factory Mobile Dental Clinic providing free and low-cost dental screening and procedures to thousands of uninsured children in local schools.

- Funded breast cancer screening and cancer-related treatment, including co-insurance, Medi-Cal monthly share of cost, prescriptions, inpatient hospital costs and insurance premiums for low-income and uninsured residents within the District.

Promoting Health and Well-being

With the advent of the Affordable Care Act, many health organizations began shifting their care delivery to population-based models, which requires providers to look outside their organizations and into the community to keep individuals as healthy as possible. The Desert Healthcare District has long recognized that in order to keep people healthy, efforts to target the social determinants of health must expand - including focus on income, physical environment, infrastructure, shelter and housing, access to healthy food and infrastructure, and other things that promote healthy behaviors and an active lifestyle. District programs and grants include:

- Provided major funding to launch Get Tested Coachella Valley to routinize HIV testing and connect residents to care in partnership with the Desert AIDS Project.
- Supported development of a 52-mile hiking/biking corridor connecting all nine Coachella Valley cities, providing a safe route to schools, improved air quality and healthier lifestyles.
- Funded shelter and housing for special populations including domestic violence victims, special needs children, seniors, substance abuse patients and homeless.
- Increased the percentage of fresh produce from 2 million pounds (2010) to 4.8 million pounds (2015) distributed through the food insecurity system serving low-income local residents.
- Provided ongoing funding for food assistance to over 100 food pantries and agencies and major funding to build the FIND Food Bank Regional Warehouse.
- Funding to support Hidden Harvest, which employs low-income farm workers to salvage produce left behind after harvest and distribute it free to senior citizens and families whose children attend schools in high poverty areas in the Coachella Valley.
- Funded evidence-based policies and practices in 78 local schools to change the school-based environment to address childhood obesity.
- Creation of the Ready Set Swim Initiative to teach every child in the District to swim before the end of third grade, reduce accidental drowning and promote life-long safe and healthy behaviors.
- Supporting Boys and Girls Club programs to promote active living and healthy lifestyles in local youth.
- Funded health education coordinators for high-need, predominantly low-income high schools in the Coachella Valley to teach health and wellness-related classes.
- In partnership with the El Sol Neighborhood Education Center, completed a two-year diabetes intervention project for high-risk Hispanic residents in the District. More than

420 people completed an eight-week diabetes education class, and more than 50 percent lowered their blood sugar levels.
- Funded walking tracks, exercise stations and community gardens in conjunction with cities and local school sites to expand and enhance access to health and wellness infrastructure in low-income neighborhoods.

Advancing the Healthcare Workforce

The District's work to build healthy communities by increasing access to healthy food and supporting healthy environmental conditions, expanding access and connections to care, and disease prevention can only be fully achieved with a larger and appropriately trained health workforce. In the last decade, the District has strived to expand pathways and opportunities for local residents to pursue health careers. More than $5 million dollars has been invested in higher education, health career pathways, health-related scholarships and workforce development tools.

- The District provided more than $3 million to develop the California State University, San Bernardino - Palm Desert Health Sciences Building, created the local bachelor of science in nursing (BSN) degree program, and the RN to BSN program for working nurses.
- An average of 125 college scholarships for health pathways students are funded each year by the District.
- 200 nurses have graduated from the RN to BSN program funded by the District, received their degrees and are locally employed.
- The development of a mental health career pathway was funded by the District in 2015 to address the crisis in mental health workforce shortage.
- A District Healthcare Workforce Study helps identify future healthcare workforce needs and spur development of strategies and actions to address gaps and projected future needs.
- The Health Career Education Pipeline funded by the District serves more than 3,000 students through a variety of programs, including more than 1,000 students at the K-8 level's Medical Magnet academy programs and Junior Upcoming Medical Professionals (JUMP) clubs; 1,312 students have completed the region's eight high school health academies.
- More than 750 students have benefited from local vocational, post- secondary and college health science programs.

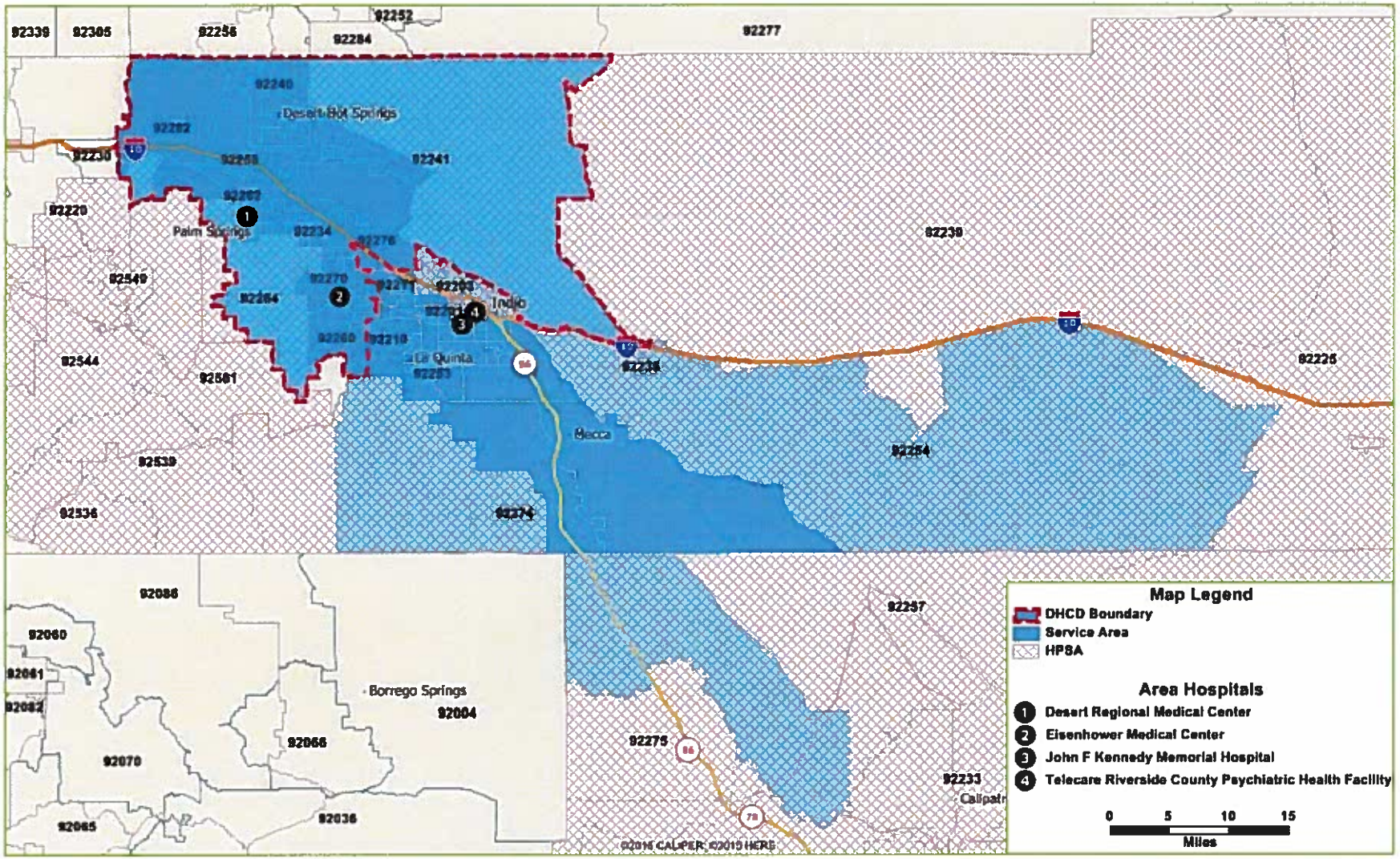
Expanding Access to Health Data, Information, Innovation and Healthy Resources

- Majority funding provided by the District supports the community tri-annual health and wellness survey used to identify health status and gaps, and design programs and services for unmet health needs.
- Funded community health needs assessments for the Latino, LGBT and African American populations.
- Created an online directory of resources (cvHip) to link disenfranchised and underserved residents to healthcare, food pantries, wellness activities and other health and wellness services.
- Created a Rare Blood Library/Donor Registry for Latino, African American, Native American populations.
- Funding for development of the Health and Medical Innovations Center, which offers a coordinated regional approach to attracting healthcare-related businesses to the Coachella Valley.

Health Professional Shortage Areas and Medically Underserved Areas

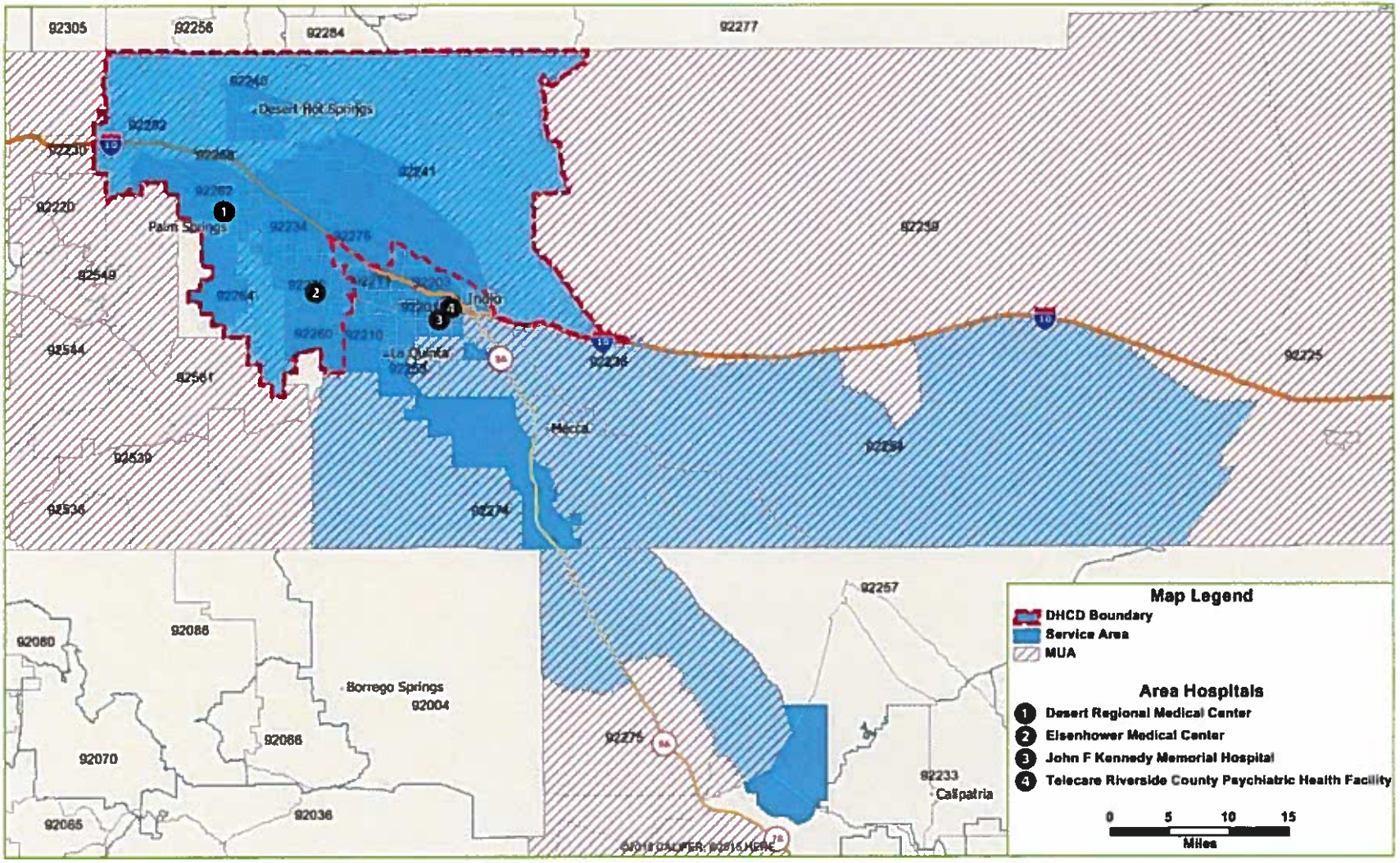
- The Federal Government defines a HPSA as an area, facility, or population group with a shortage of primary care physicians, as defined by a population-to-primary care physician ratio greater than 3,500:1. Other factors taken into consideration include the poverty rate, infant mortality rate, fertility rate, and indicators of insufficient capacity to meet area need.
- A MUA is defined as an area, facility, or population group with an Index of Medical Underservice ("IMU") less than or equal to 62 out of 100. The IMU is calculated by taking into consideration the ratio of primary medical care physicians per 1,000 population, infant mortality rate, percentage of the population with an income below the poverty level, and the percentage of people age 65 or older. These factors are converted to weighted values and then summed to obtain an IMU score for a particular area.
- Portions of the District's service area have been designated as a HPSA, MUA, or both. Maps illustrating these analyses are provided on the following two pages.

Health Professional Shortage Area



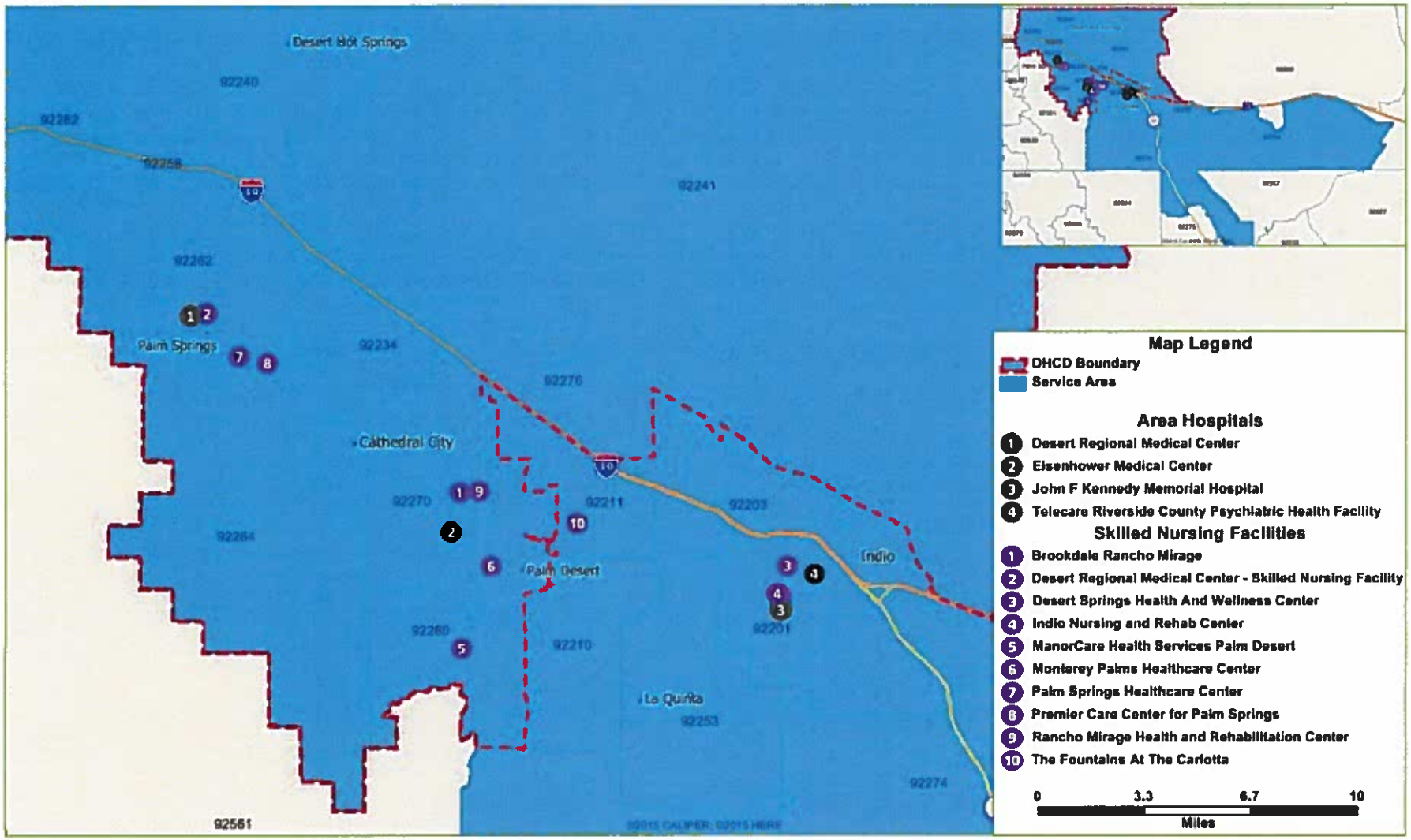
15 Source: Desert Healthcare District, Definitive Healthcare, Maptitude, Health Resources and Services Administration

Medically Underserved Area



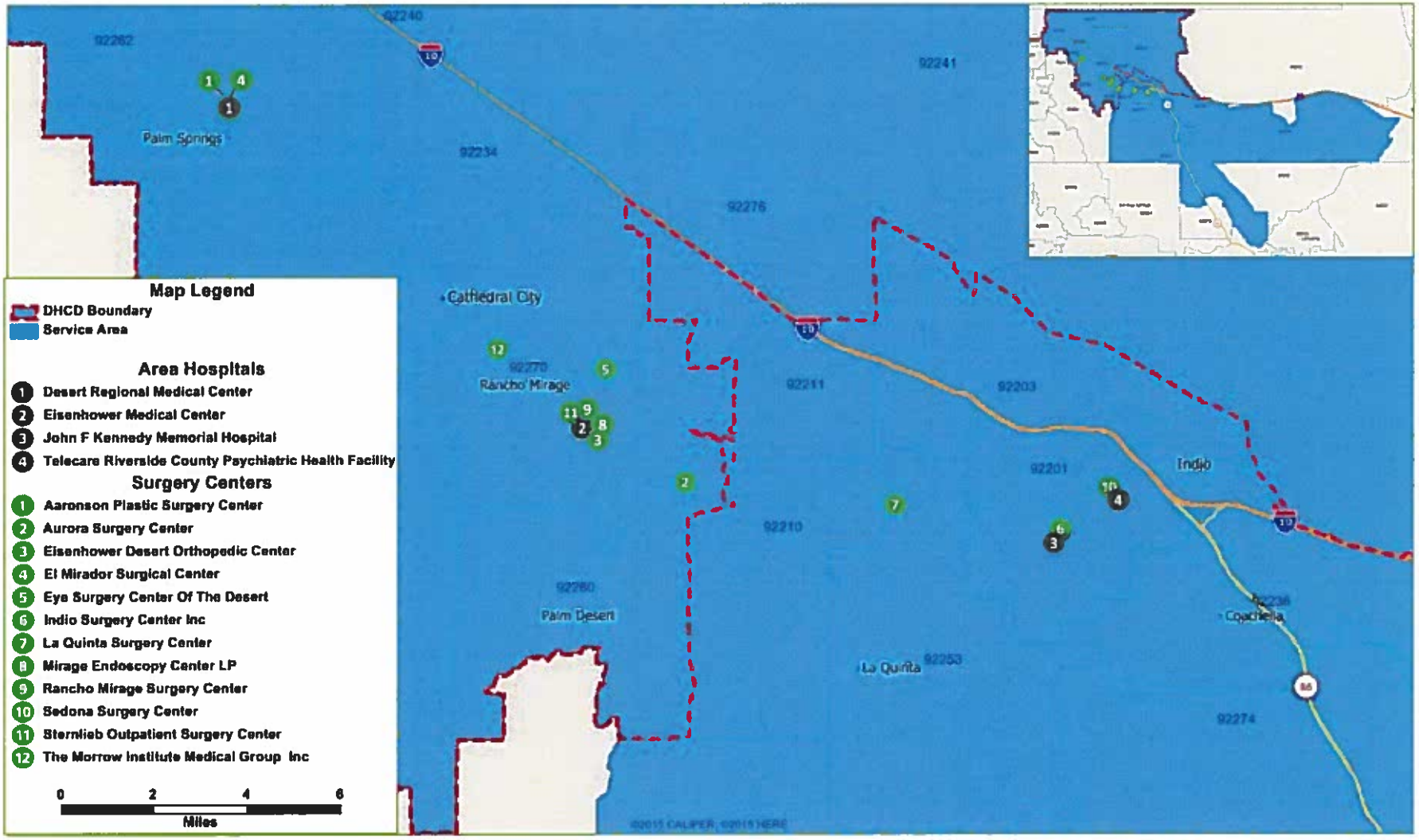
Source: Desert Healthcare District, Definitive Healthcare, Maptitude, Health Resources and Services Administration

Service Area Overview Illustrating Skilled Nursing Facilities



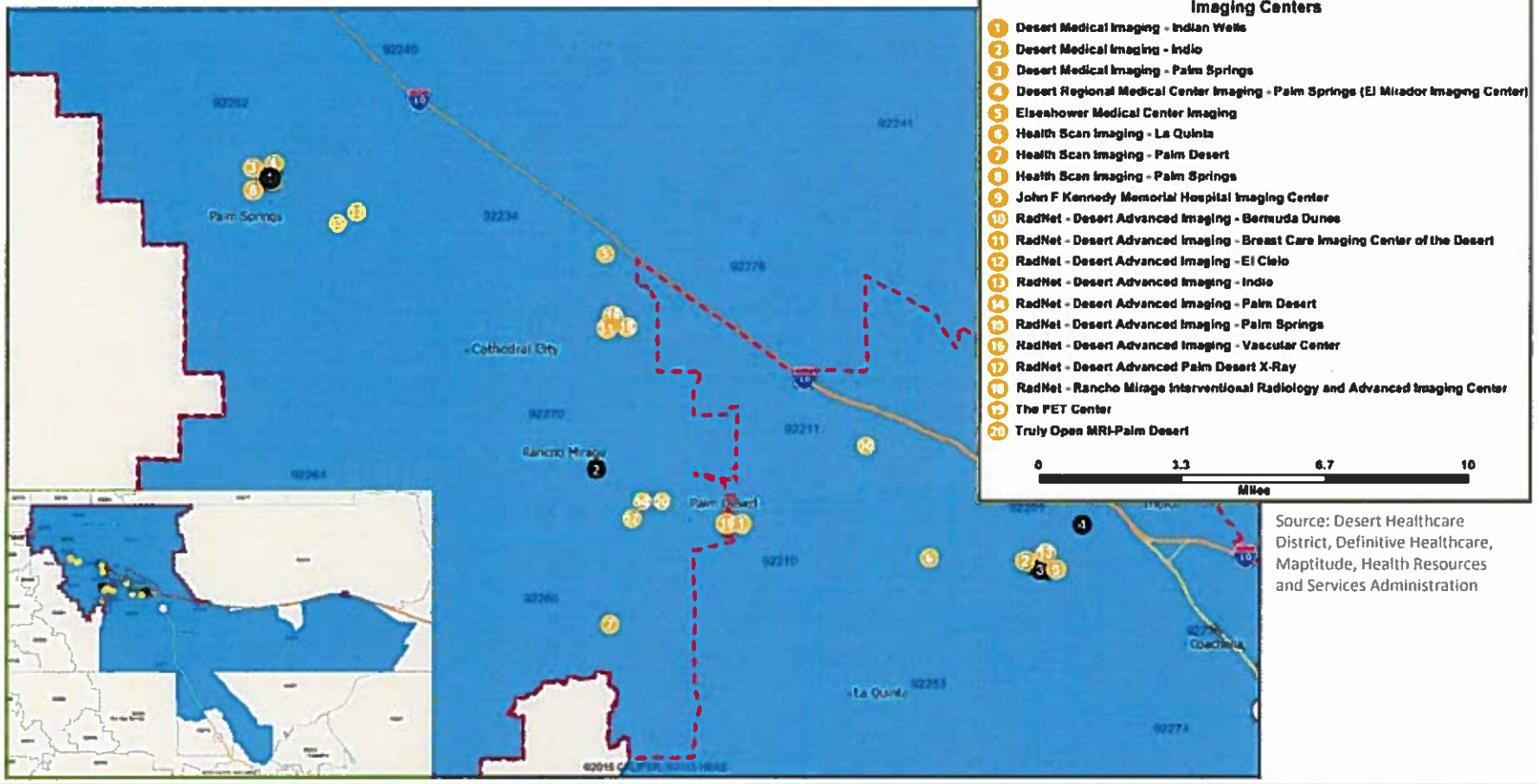
Source: Desert Healthcare District, Definitive Healthcare, Maptitude, Health Resources and Services Administration

Service Area Overview Illustrating Ambulatory Surgery Centers



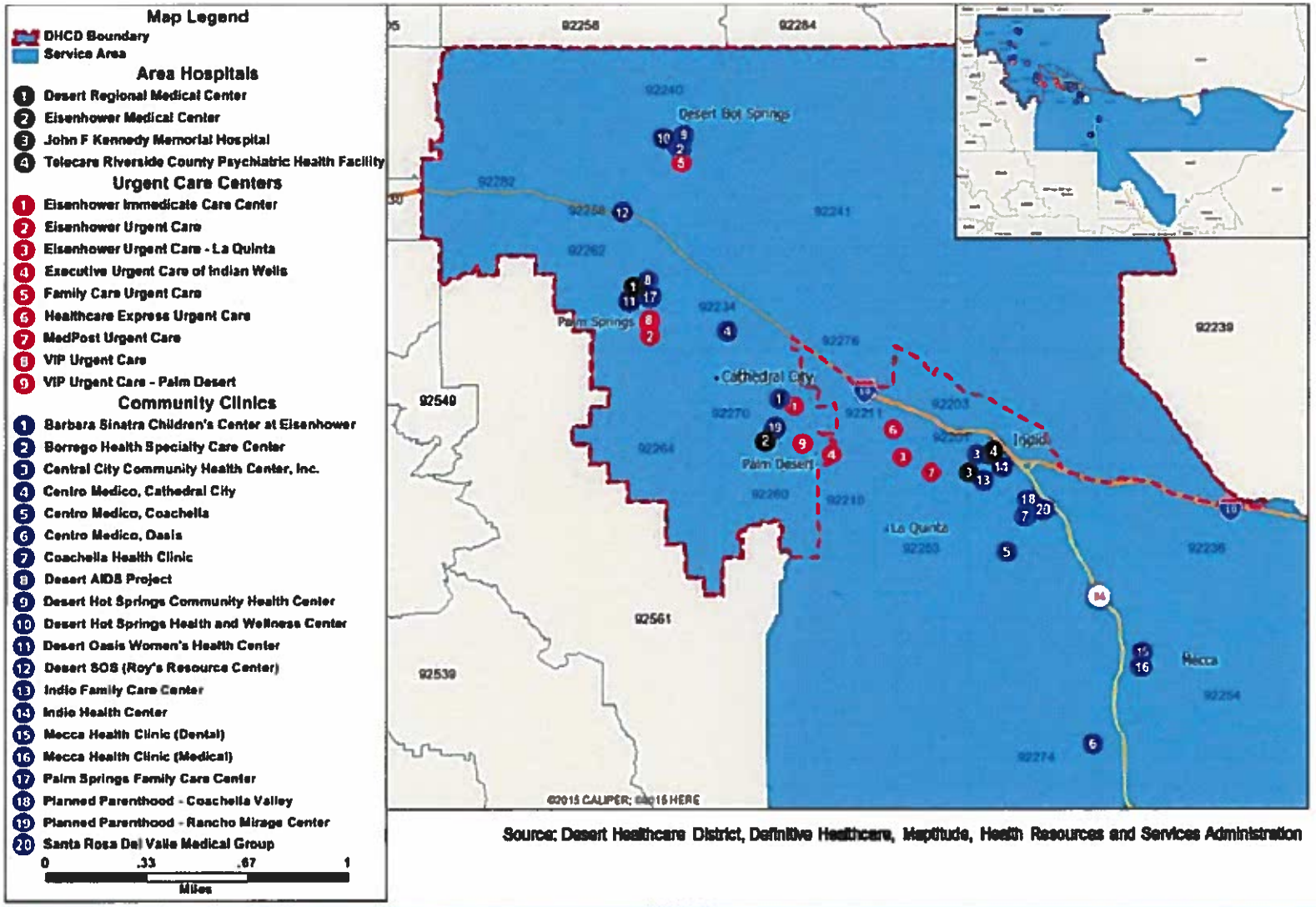
Source: Desert Healthcare District, Definitive Healthcare, Maptitude, Health Resources and Services Administration

Service Area Overview Illustrating Imaging Centers



Source: Desert Healthcare District, Definitive Healthcare, Maptitude, Health Resources and Services Administration

Service Area Overview Illustrating Health Clinics and Urgent Care Centers



Source: Desert Healthcare District, Definitive Healthcare, Maptitude, Health Resources and Services Administration

EXHIBIT 5.2
List of Recent Market and Health Need Assessments

- Community Health Monitor 2013 (new 2016 Monitor expected March 2016) - Health Access Resource Center
- Inland Region Community Health Needs Assessment 2016 – CHFC
- Riverside County Community SHAPE Health Needs Assessment 2015 – RUHS
- Community Health Needs Assessment Center 2016 - Eisenhower Medical
- Kaiser Community Health Needs Assessment Riverside County 2013 – Kaiser Permanente
- Riverside County Community Action Plan 2016 - Community Action Partnership
- Revealing the Invisible Coachella Valley 2013 - The California Endowment
- Eastern Coachella Valley Health Profile - Building Healthy Communities

Desert Healthcare District

Source of Funds – Reserve Fund (aka) Facility Replacement Fund-FRF

Balance as of January 31, 2018

Source	Amount	Comment
Union Bank	$ 4,899,312	Transferred to FRF in 1998. Believed to be residual of the Tenet lease transaction.
Restricted Investment	10,109,373	Posted to Balance Sheet in 1998 - Transferred to FRF in 2002. Believed to be Property Taxes.
Sale of property	2,710,000	2001 & 2005
Malpractice - Self Insurance	6,396,382	Collected through 2001
Medicare Reimbursements	16,231,380	Collected through 2003
Transfer to RPP	(3,400,000)	12/27/2016
Property Taxes(Ad Valorem & Redevelopment), Interest, Realized Losses, LPMP.	18,453,553	Accumulation of transfers over the years
Balance January 31, 2018	$ 55,400,000	
As of January 31, 2018		
Grants Payable	15,000,000	
Pension Related Allocation	6,200,000	
Accrued Liabilities	900,000	
Current Reserve Account Assets	**33,300,000**	

***Note: This calculation is based on our current financial statements dated January 31, 2018**

** Potential other liabilities not included in the above calculation:

a. Effective May 2018, the Districts obligation for prepaid lease repayment plan will be approx. $9,000,000. In the lease contract, upon termination, the payment maybe made over a 5 year period.

b. There is also a requirement to purchase all assets upon termination of Lease.

DESERT HEALTHCARE DISTRICT
BOARD OF DIRECTORS
SPECIAL MEETING MINUTES
JANUARY 14, 2016

A SpecialMeeting of the Board of Directors of the Desert Healthcare District was held in the Arthur H. "Red" Motley Boardroom, Palm Springs, CA.

Attendance:

Members	Absent
William Grimm, DO – President	
Kay Hazen – Vice-President/Secretary	
Mark Matthews – Treasurer	
Michael Solomon MD - Director	
Carole Rogers - Director	

Staff	Legal Counsel
Kathy Greco, Chief Executive Officer	Carlos Campos
Donna Craig, Chief Grants Officer	
Chris Christensen, CFO/COO	
Alejandro Espinoza, Director Programs/Projects	
Steve Brown, Clerk to the Board	

Guests
Congressman Raul Ruiz, MD
Octavio Gonzalez, District Director, Congressman Raul Ruiz
Assemblymember Eduardo Garcia
Jacqueline Lopez, District Director, Assemblymember Eduardo Garcia
Greg Wallis, District Director, Assemblymember Chad Mayes
Jesse Ramirez, Office of State Senator Jeff Stone
Carolyn Caldwell, CEO, Desert Regional Medical Center (DRMC)
Rich Ramhoff, DRMC
Ashely VeAuno, DRMC
Kristan Schmidt, DRMC
Gary Honts, CEO, JFK Memorial Hospital
Sam Roth, Tenet Corp
Elizabeth Romero, Planned Parenthood of the Pacific Southwest
Silvia Paz, Building Healthy Community
Luz Gallegos
Samantha Young

CALL TO ORDER
The meeting was called to order at 4:30 pm by President Grimm.

APPROVAL OF AGENDA

President Grimm asked for a motion to approve the agenda.

#16-02 MOTION WAS MADE by Director Rogers and seconded by Vice-President Hazen to approve the agenda. Motion passed unanimously.

PUBLIC COMMENTS

None

STUDY SESSION

1. Options for Healthcare District in the Eastern Coachella Valley

Ms. Greco opened the study session by reporting that Assemblymember Garcia had asked to meet the entire board to share what the stakeholders in the East Valley had been discussing regarding the options for a healthcare district in the Eastern Coachella Valley. Turning the meeting over to the Assemblymember, he asked the Congressman to speak first. Congressman Ruiz discussed the importance of sustainable health and wellness for the entire Coachella Valley. In 2010, when he organized the Coachella Valley Health Initiative over 600 members participated. Issues such as high medical cost, lack of infrastructure, drastic shortage of primary care physicians, and transportation were identified as high priority needs to be addressed. Recently, Congressman Ruiz and Assemblymember Garcia held a meeting with stakeholders from the east valley, hospital representatives and local elective officials to review the options available for an expansion or the process for forming a new east valley healthcare district. Assemblymember Garcia then held a second meeting with the group to discuss which direction to go. Participants all believed that we are one community, one valley and they did not want an east valley versus the west valley situation.

Congressman Ruiz turned the meeting over to Assemblymember Garcia.

Assemblymember thanked the Board for taking this time out of their busy schedules. He wanted to report that he received an email from Mr. Michael Landes, President of the Eisenhower Medical Center Foundation apologizing for being unable to attend the study session, but expressing his support for the process to expand the boundaries of the District, which the Assemblymember will present. Assemblymember Garcia repeated that the stakeholders all agreed that the expansion, rather than formation of a separate healthcare district, was the best way to proceed. The stakeholders agreed that the DHCD strategies, mission, and programs are exactly what they would want for the east valley.

The legislative route avoids the long process of petitions, signatures, hearings, etc. and directs LAFCO to begin an analysis of need for any expansion, annexation, or sphere of influence request. As a part of the legislation under development, LAFCO would be directed to review an expansion or formation of a separate district and identify need, study potential impacts, perform a fiscal analysis and identify potential funding sources to support a possible expansion of the boundaries from Cook Street east to North Shore. The Assemblymember made it clear, that without a funding source, the stakeholders understand there would be no expansion. He shared that he will be meeting with Supervisor Benoit to discuss potential funding sources similar to the formula used for the current boundaries of the District. The Assemblymember had already spoken with State Senator Jeff Stone who offered his support.

In discussions in Sacramento with the attorney general's office, ACHD, and CSDA they learned the proposed legislative process is a legal process for the pursuit of an expansion of boundaries.
Following passage of legislation, when LAFCO completes their analysis, public hearings will be held as required by law. The Board of Supervisors would place the measure on the ballot for the November 2016 election. The stakeholder group believes the presidential election brings out the most voters, which could play a significant role for this ballot measure. If the County provides funding, the existing district residents and the residents in the proposed boundary expansion would vote on a proposed expansion. If there were a new funding source, current district residents and proposed district residents would still both vote on the expansion, but only the residents in the proposed expansion would vote on the proposed new funding source.
Assemblymember Garcia summarized the process:
1. Stakeholders have worked together on the proposed language for the legislative process.
2. There will be no expansion without an additional funding source for the east valley expansion.
3. The purpose is the same mission and vision of the current District, including the mission for the District hospital (DRMC) and to provide additional health and wellness resources for a must needed area.
4. The proposed bill will be logged in by January 30 to begin a process. There is a waiting period of 30 days after which the bill will go to the committees for approval (Local Government Committee, and Appropriations Committees). If approved by the committees it would go before the State Assembly and State Senate. If approved, it proceeds to the Governor for signature as an emergency bill in order to have LAFCO complete their analysis within approximately 40 days. The analysis would go to the Board of Supervisors for the remaining of the process in order to have the measure on the November 2016 ballot.
Congressman Ruiz added that services most needed for the entire district would be:

- Mental Health Services
- Additional infrastructure and training programs
- Public Health Programs
- Services for Veterans
- Services for adolescents and children (pediatrics)

Assemblymember Garcia clarified that the legislation will not be specific or restrict the services to be provided. Those decisions would be decided locally.
Mr. Honts, CEO for JFK Memorial Hospital spoke of the need to have alternatives for 5150s other than the hospital emergency rooms that become overcrowded. Specialists in all medical fields are needed and he supports efforts to address those issues.
Elizabeth Romero from Planned Parenthood of the Pacific Southwest is in support of one district. We are one valley and do not need to divide the communities.
Director Matthews agreed that we need to embrace one healthcare district. However, the DHCD is currently wrestling with our own hospital needs. We are in preliminary discussions regarding developing a process to consider extending the lease with Tenet Corp. There needs to be revenue for the hospital upgrades and infrastructure. At the end of the day, we need a public-private partnership. Director Matthews's biggest concern is the timeline. Assemblymember Garcia explained that the timeline is not the District's timeline for any action but his timeline to have the measure on the 2016 November ballot. In addition, the population growth will be in the east valley. Property values will be going up in the east valley. He pointed out that potential revenue

and bond issues could be more effective with sources and votes from the east valley. The Assemblyman said the pressure of the timelines falls on him.
Vice-President Hazen questioned the role of Desert Healthcare District and asked for clarification regarding whether the district expansion could move forward without action by the DHCD board. Both Assemblymember and legal counsel responded that it could move forward by the legislative process to the vote of the people, who ultimately make the decision.
Assemblymember Garcia reported that he has met with the Tenet Corp lobbyists in Sacramento who are supportive of the expansion. There are still 11 years remaining on the current lease and perhaps there is an opportunity with a new lease to include discussions regarding upping their investment back into the healthcare district.
The east valley understands and supports the value and benefit of DRMC. It is the only trauma center within our region. DRMC provides employment for and serves patients outside the current district boundaries. This added to the rationale for the stakeholders request to have one district across the valley rather than an east valley and west valley healthcare district. The seismic issues to be completed by year 2030 are also a concern for all valley residents.
Assemblymember Garcia invited one or two board members to be part of the next stakeholders meeting to include the District to ask any questions, address concerns and possibly provide suggestions not previously addressed. No board members responded to his invitation.
President Grimm concluded the meeting stating that he appreciated the honest conversation and he would place this item on the January 26 board agenda for further discussion.

ADJOURNMENT
The meeting was adjourned at 5:53 p.m.

ATTEST: _____
Kay Hazen, Vice-President/Secretary
Desert Healthcare District Board of Directors

Minutes respectfully submitted by Steve Brown, Clerk to the Board