DESERT HEALTHCARE DISTRICT
BOARD MEETING
Board of Directors
March 27, 2018
6:00 P.M.

Jerry Stergios Building, 2nd Floor
Arthur H. "Red" Motley Boardroom
1140 N. Indian Canyon Drive, Palm Springs, California 92262
This meeting is handicapped-accessible

Page(s)	**AGENDA** *Any item on the agenda may result in Board Action*	***Item Type***
	A. CALL TO ORDER – President Zendle, MD Roll Call ____Vice-President/Secretary Rogers, RN ____Director Wortham, DrPH ____Director/Treasurer Matthews____Director Hazen	
	B. PLEDGE OF ALLEGIANCE	
	C. APPROVAL OF AGENDA	**Action**
	D. 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.	
	E. CONSENT AGENDA All Consent Agenda item(s) listed below are considered to be routine by the Board of Directors and will be enacted by one motion. There will be no separate discussion of items unless a Board member so requests, in which event the item(s) will be considered following approval of the Consent Agenda.	**Action**
	1. BOARD MINUTES	
5-12	a. Board Meeting of February 19, 2018	
13-24	b. Board Meeting of February 27, 2018	
	2. FINANCE AND ADMINISTRATION	
25-50	a. Approval of January and February 2018 Financial Statements F&A Approved March 13, 2018	

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	F.	**DESERT HEALTHCARE DISTRICT CEO REPORT** – Herb K. Schultz, CEO	Information
	G.	**DESERT REGIONAL MEDICAL CENTER CEO REPORT** – Michele Finney, CEO	Information
	H.	**DESERT REGIONAL MEDICAL CENTER GOVERNING BOARD OF DIRECTORS' REPORT** – President Les Zendle, MD and Vice-President/Secretary Carole Rogers, RN	Information
	I.	**PRESENTATIONS**	
51-74		1. Grant #962 – Eisenhower Medical Center $55,805 for Coachella Valley Collaborative Program Antibiotic Resistance Prevention Partnership with Eisenhower Health, DRMC, JFK Hospital, CDPH, and RCPH	**Action**
75-97		2. cvHIP Marketing Update/Presentation – Staff & O'Bayley Communications (DHC Foundation)	Information
	J.	**DISTRICT EXPANSION INITIATIVE**	
98-119		1. LAFCO/Board of Supervisors Update	Information
120-122		2. Funding Update	Information
123-128		3. Polling – Lake Research Partners (LRP) Service Agreement $75,210	**Action**
	K.	**COMMITTEE REPORTS**	
		1. FINANCE, ADMINISTRATION, REAL ESTATE AND LEGAL COMMITTEE – Chair/Director Mark Matthews and Director Jennifer Wortham, DrPH	
129-134		a. Draft Minutes of March 13, 2018	
135-156		b. LPMP Lease Terms – Suite 1W 101 – Pathway Pharmaceuticals, Inc.	**Action**
157-158		c. LPMP Lease Terms – Suite 1E 201-203 – Palmtree Clinical Research	**Action**
159-162		d. LPMP Truss Repair – Suite 1E 201-203	**Action**

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163-165		e. Ticket Distribution Policy	**Action**
166-241		f. District Audit Reports – FY15 & FY16 (Restated)	**Action**
242-271		g. Highmark Capital Investment Reports	Information
		2. HOSPITAL GOVERANCE AND OVERSIGHT COMMITTEE - Chair/Vice-President Carole Rogers, RN and President Les Zendle, MD	
272-276		a. Draft Minutes of March 14, 2018	
277-290		b. American Disabilities Act (ADA) Compliance & Air Quality Report – DRMC	Information
		c. Center for Medicaid & Medicare Services (CMS) Hospital Compare – Five Star Rating System	Information
		3. NEW PROVIDERS, FACILITIES, PROGRAMS, AND SERVICES AD HOC COMMITTEE – Director/Treasurer Mark Matthews and President Les Zendle	
291-298		a. Seismic ASCE 41 Evaluation – Service Agreement - Simpson, Gumpertz & Heger - $312,000 NTE	**Action**
299-337		b. Hospital Appraisal – Service Agreement – VMG Health - $86,000 NTE	**Action**
338-339		c. Consulting Agreement Addendum – Kaufman Hall	**Action**
		d. Discussion and Possible Action Relating to Resolution pursuant to the California Voting Rights Act.	Discussion/Action
	L.	**COMMUNITY HEALTH & WELLNESS**	
		1. Resources and Philanthropy	
340-341		a. Principles for Engagement Policies of Community and Expert Input to Guide Resources and Philanthropy and Public Policy Research Programs (Reviewed at the February 27, 2018 Board Meeting. Consideration to Approve.)	**Action**
	M.	**OLD BUSINESS**	
342-346		1. Behavioral Health Collective Fund	**Action**

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	N.	**NEW BUSINESS**	
347-352		1. Strategic Implementation Plan	Information
353-374		a. Initiatives/Grant Programs Structure Proposal (includes scoring & software comparison)	Information
375-390		b. cvHIP 2.0 – Healthify/Purple Binder	Information
391-412		c. Communications and Marketing Plan	Information
	O.	**LEGAL COMMENTS & REPORT**	Information
	P.	**DIRECTORS' COMMENTS & REPORTS**	Information
	Q.	**ADJOURNMENT**	

DESERT HEALTHCARE DISTRICT
SPECIAL MEETING OF THE BOARD OF DIRECTORS
MEETING MINUTES
February 19, 2018

A Meeting of the Board of Directors of the Desert Healthcare District was held in the Jerry Stergios Building – 1[2t] Floor, Palm Springs, CA.

Attendance

<u>Members</u>
President Les Zendle, MD
Vice-President/Secretary Carole Rogers, RN
Treasurer Mark Matthews
Director Kay Hazen
Director Jennifer Wortham, DrPH

<u>Absent</u>

<u>Staff</u>
Herb K. Schultz, CEO
Lisa Houston, COO
Chris Christensen, CFO
Donna Craig, Senior Program Officer
Alejandro Espinoza, Program Officer and Outreach Director
Michele McKinney, Communications and Marketing Director
Andrea S. Hayles, Clerk to the Board

<u>Legal Counsel</u>
Jeffrey G. Scott

<u>Guests</u>
Carl Baker, Director, Legal Affairs, DAP
Mitch Blumberg, Chair, Governing Board of Directors, Desert Regional Medical Center
Karen Borja, Director Community Affairs, Planned Parenthood, PSW
Steve Brown, Special Assistant, Assemblymember Eduardo Garcia
Sergio, Carranza, Executive Director, Pueblo El Nido
Debbie Espinosa, CEO, FIND Food Bank
Linda Evans, Mayor, La Quinta; Chief Strategy Officer, Desert Market Hospitals, Tenet
Erica Felci, Government Projects Manager, CVAG
Sherry Finke, Development Specialist, CV Rescue Mission
Kevin Fitzgerald, Reporter, Coachella Valley Independent
Neftali Galarza, Trustee, CVUSD
Bea Gonzalez, ASES Coordinator, CVUSD
Ezra Kaufman, District Resident
Ricardo Loretta, Executive Director, Dr. Carreon Foundation
Mariela Magana, Resident, Coachella
Monique Maldonado, Latino Commission
Charles L. Maynard, City Manager, Desert Hot Springs
Lisa Michelle, Path of Life Ministries

Joe McKee, Councilmember, Desert Hot Springs
Jackie Newby, Executive Director, The Joslyn Center
Eileen Packer, Resident
Marcia Ramirez, Health Specialist, Lideres Campesinas
Jennie Rayner, Executive Director, ACT for MS
Joaquin Ross, Public Affairs, Mercury
Gary Rotto, Senior Vice-President of Government and Public Affairs, Borrego Health
David Salter, District Resident
Stephanie Salter, RN, District Resident
Chantel Schuering, Community Relations Director, FIND Food Bank
Dave Thornton, Executive Director, Habitat for Humanity
Sheila Thorton, CEO, One Future Coachella Valley
Bill VanHemert, Director of Grants, DAP
Heather Verikona, Founding Director, Lift to Rise

CALL TO ORDER
The meeting was called to order at 2:04 p.m. by President Zendle.

President Zendle thanked all in attendance acknowledging President's Day and recognizing Mayor Robert Moon, Palm Springs and Mayor Linda Evans, La Quinta.

APPROVAL OF AGENDA
President Zendle asked for a motion to approve the agenda.

#18-24 MOTION WAS MADE by Vice-President Rogers and seconded by Director Matthews to approve the agenda.
Motion passed unanimously.

Roll Call Vote:
AYES 5 Director Matthews; Director Wortham; Director Hazen Vice-President Rogers; President Zendle

NOES: 0
ABSTAIN:
ABSENT: 0
Motion Passed 5-0

PUBLIC COMMENTS (*items not listed on the agenda)*
None

Potential Options to Fund Healthcare District Expansion in the Eastern Coachella Valley

President Zendle opened the meeting by describing the goal of expanding the District to the entire Coachella Valley explaining the need for sustainable health and wellness, including the significant discrepancies between the east and west valley. President Zendle provided details on the implementation of AB 2414 enacted by Assemblymember Eduardo Garcia. President Zendle thanked the Ad Hoc Committee on New Providers, Facilities, Programs, and Services for their effort and guidance; elected officials; community members; and staff of Desert Healthcare District/Foundation.

Herb K. Schultz, CEO, Desert Healthcare District acknowledged Councilmember Joe McKee, City of Desert Hot Springs; Councilmember Russell Betts, City of Desert Hot Springs; and Steve Brown, Councilmember, City of Coachella. Mr. Schultz also thanked the community and staff.

Mr. Schultz provided an overview of the Board of Directors Discussion and Consideration of Expansion Funding that included AB 2414 Goals/Objectives, Current Implementation Status, Existing/Ongoing Funding Sources of the District and Foundation, and Examples of Potential Options.

Director Hazen, Chair, Ad Hoc Committee on New Providers, Facilities, Programs, and Services highlighted the background summary that includes the discussions and efforts on potential funding sources, explaining the Committee's synopsis for two funding sources – Check the Box/Self-Funded Approach and Conditional Approval/Combination of Public and Private Sources Approach. Director Hazen also explained that the Board would not continue with the expansion without additional funding, and prior dialogue of a scenario vote for expansion with an implementation to follow once an additional funding source was identified. Reiterating the vision of a broader Coachella Valley to add new services and funding. Director Matthews that serves on the Committee agreed and supports Director Hazen's position.

The Ad Hoc Committee's recommendation for funding is Option 2 – Conditional Approval/Combination of Public and Private Sources of a minimum of $4M per year for programs and services.

Vice-President Rogers thanked Directors Hazen and Matthews for their forward-thinking approach to the challenging work on the funding options and tackling such an enormity of tasks with the future of the District, explaining that the two Directors have held the longest terms on the Board with the most experience. Vice-President Rogers requested a clarification on Option 2 concerning the various approaches to funding and inquired on the barriers of obtaining the letter from the County to send to LAFCO.

President Zendle conveyed that he is not in favor of a parcel tax and described his questions about Option 2 and exploring the various funding mechanisms.

PUBLIC COMMENTS

President Zendle read public comments received via email from Rick Mesa, Executive Director, Ranch Recovery; Thomi Clinton, Executive Director, Transgender Community Coalition; Ezra Kaufman, District Resident; and Stephanie Salter, RN, District Resident that included the following:

Rick Mesa, Executive Director, Ranch Recovery - I think it is time to expand the Districts influence to include the East Valley. If it was up to a vote, and if I were eligible to vote, I would vote yes. The expansion could have a great positive impact on a large number of people and organizations in need of support with numerous health care issues.

Thomi Clinton, Executive Director, Transgender Community Coalition - I believe RAP goes to Blyth. That side of the valley is not only economically disadvantage but also oppressed by the powers that be that keep them that way.

Stephanie Salters, RN, District Resident - What is source of money. Cost to tax payers. Who's receiving money? Ultimate goals for expansion? New Hospital for Tenet?

Ezra Kaufman, District Resident - Under no circumstances should the funding for an expanded Desert Healthcare District derive from Reserve Fund assets. That fund is maintained to fulfill the obligations of the District regarding facility replacement and contingency operation of Desert Regional Medical Center.

Such funding would be of questionable legality and would limit the District's ability to define and maintain health care services in the Coachella Valley.

Using any of the Reserve Fund to finance District expansion will diminish the District's independence and enhance the efforts of Desert Regional Medical Center's lessee, Tenet Healthcare, to extend its lease beyond the current term. Expansion of the Desert Healthcare District should never lead to any extension or expansion of the District's contract with Tenet Healthcare.

For the twenty years of its tenancy of Desert Regional, Tenet Healthcare has failed to meet the stated objectives of its lease agreement with the District. Tenet operates under a business model that precludes it from consistently placing the interests of hospital patients and District residents above those of financial stakeholders.

Locally, Desert Regional is a low-quality healthcare facility as measured by federal, state, and independent monitoring agencies. It has been assessed several significant financial penalties for placing patients in "immediate jeopardy". The Centers for Medicare & Medicaid Services gives Desert Regional its lowest one-star rating.

Nationally, Tenet Healthcare hospitals' average rating from the Centers for Medicare & Medicaid Services is 2.29 stars, significantly lower than the national average of 3.15. During its tenancy of Desert Regional, Tenet has been subject to corporate compliance and non-prosecution agreements resulting from its improper behavior, paying more than
$1 billion in settlements.

The District has not materially benefited from participation in any regional healthcare system developed by Tenet Healthcare. Perversely, Tenet Healthcare's regional market power has extracted monopoly profits from services delivered at Desert Regional (and its operations in La Quinta). Desert Regional may represent the single largest engine of economic inequality in the Coachella Valley.

Through expansion and annexation, the Desert Healthcare District seeks to increase access to quality health care in the eastern Coachella Valley. That access should not be purchased, even in part, by prolonging Tenet Healthcare's regimen of clinically inferior, overpriced hospital services for any longer than is currently contractually required.

PUBLIC COMMENTS

Stephanie Salter, RN, District Resident is concerned about removing funds from the Facilities Replacement Fund due to the current seismic issues at Desert Regional Medical Center. Mrs. Salters is also concerned about using monies from the west to fund the east also stating that Tenet must not be given thirty more years.

Ricardo Lorretta, Executive Director, Dr. Carreon Foundation and RAP Foundation, Board Member stated that the needs east of Cook Street are necessary and applauded those present working to provide the appropriate healthcare and other services.

Joe McKee, Councilmember, Desert Hot Springs, Co-Chair, Homelessness Committee, thanked the District for the homelessness initiative collective fund and support over the last five years for grants to increase the number of doctors in the Valley. Mr. McKee also explained that one-third of the population is paying $6M and two-thirds of the population is paying $4M. As a representative of Desert Hot Springs, Mr. McKee expressed concerns with the existing monies and how it will be used in the future with the additional funding from the District – adding that Desert Hot Springs supports the inclusion of expansion to the entire East Valley.

Steve Brown, Special Assistant, Assemblymember Eduardo Garcia, explained the funds do not belong to the east or west valley, it is the county's funds with no assessment in the west valley, and no one individual is paying for the expansion; therefore, it is necessary to spread the assessments to where the need is necessary. Mr. Brown also stated that the Valley is fortunate to have a special district and Option 2 meets the need of LAFCO for conditional approval for the entire valley, requesting that Director Hazen explain the west valley tax assessment.

Karen Borja, Director Community Affairs, Planned Parenthood, PSW, disclosed the locations of their health centers in Rancho Mirage and Coachella describing the differences in gaps of services for reproductive healthcare. Ms. Borja added that Option 1 is also important as the North Shore continues to experience more growth and investments.

Russell Betts, Councilmember, Desert Hot Springs, stated that as a resident of the west side, he is inquiring on the share of funding that is diluted, and it is his responsibility to ensure the funding is not diluted - using more than the existing stakeholder monies. While creating one district with the One Coachella Valley approach makes matters easier, Councilmember Betts stated that a self-funded District would protect the existing stakeholder's funds.

Jennie Rayner, Executive Director, ACT for MS stated that the agency services everyone in the Coachella Valley with multiple sclerosis, and the District is preparing for what many nonprofits have already accomplished to support ACT for MS and other organizations in the east. Ms. Rayner further explained that ACT for MS services have grown by 66%.

Gary Rotto, Senior Vice-President of Government and Public Affairs, Borrego Health thanked the Board and Staff describing the numerous meeting with the District and Borrego as a key community partner in the Valley supporting the annexation concept of the expansion.

Linda Evans, Chief Strategy Officer, Desert Market Hospitals, Tenet, representing Michele Finney, CEO, Desert Regional Medical Center and Gary Honts, CEO, JFK Memorial Hospital, described Tenet's commitment to the Coachella Valley and the current partnership and services. Ms. Evans read aloud and provided verbal statements from Ms. Finney and Mr. Honts support early-on of AB 2414 to enhance the health of the region.

Heather Verikona, Founding Director, Lift to Rise, explained the organizations role acknowledging the health challenges and an equitable distribution of services and resources throughout the Valley.

Bea Gonzalez, ASES Coordinator, CVUSD, thanked the Board for the conversation on the east valley expansion explaining equality for the entire Valley and the willingness for support where necessary, describing that residents in the east not just going to simply take services in the east, but services are being taken away. There is a disconnect between the east and the west and more dialogue is necessary to make connections.

Neftali Galarza, Trustee, CVUSD, explained that the majority the east does not have transportation services and were not able to attend the meeting stating that an expansion of services is necessary for equitable distribution of services throughout the Valley.

Sheila Thorton, CEO, One Future Coachella Valley, explained her support of the expansion and funding. One Future Coachella Valley has attracted external dollars of $15M over the years for students with a unified approach for matters in common for maximum effect that will be a critical piece of the work of the Board.

Linda Evans, Mayor, La Quinta, stated that the City Council has not had a formal discussion on the healthcare district – a request made to CEO Herb Schultz explain that now is the time to educate the expanded area councils and the current districts city councils. Mayor Evans does not support a parcel tax nor do the residents in her area detailing new upcoming legislation that may prevent local entities from adding on to future tax dollars going forward, which would be a challenge for cities with the rising costs of insurance, and public safety costs. Mayor Evans supports the expansion and will work to assist to find ways for funding.

Marcia Ramirez, Health Specialist, Lideres Campesinas, expressed her support for health for all including transportation for low-income families and the necessity of assistance to east valley residents.

Maria, 21-year Resident, City of Coachella explained that farmworkers that do not have access to healthcare. Maria inquired about the timing of funding, and once funding is available, explained that there should be a resolution of long-term and short-term goals working with other partnerships such as Kaiser.

Lisa Michele, Path of Life Ministries, explained the work of Path of Life Ministries with low-income vulnerable populations and their support of the expansion and appreciation of the work of the Board to create the opportunity.

Sergio, Carranza, Executive Director, Pueblo El Nido, detailed that he has been working in Coachella Valley for 18-years and understands the concerns of the community. Eastern Coachella Valley is the largest area that provides $500M in revenue in farmworker communities. The Board has an opportunity to make history through a cohesive way – not east versus west but a unified approach for sustainability of sources of funding with a local campaign. Mr. Carranza also explained that more healthcare forums are necessary for new public policy to reallocate taxes coming into the Coachella Valley.

Charles Maynard, City Manager, Desert Hot Springs clarified that Desert Hot Springs is in complete support of the expansion but wants to ensure the funding paid by those in the east is used to help fund the east. Instead of spending current monies look at long-term revenue explaining that a certain percentage of Desert Hot Springs residents live below the poverty level or received government assistance, and funding should be secured before draining the current resources.

President Zendle made a motion in support of Option 1 but modifying the amount to a minimum $300,000 per year for 20 years – a total of $6,000,000. President Zendle explained that the $300,000 would be designated from non-property tax funds and non-hospital replacement funds. The goal is for LAFCO to approve the funding methodology, move forward with the election to achieve equal funding over time by obtaining additional funds from Option 2 with some funding sooner and other funding over several years. The District is committed to achieving a minimum of $4,000,000 per year similar to the west Valley contributions. After the election, if the vote passes, the Board will add two other Members from the east explaining that 40% of the residents east of Cook Street obtain health services in the west.

Director Wortham stated that the after-expense earnings for hospitals in the Valley exceeds wells of over $100M. Examining how wealth is redistributed throughout the Valley, including the how residents are cared for, the gaps in services, and the current financial burdens of the state, county, cities such as retirement plans, the District should explore the current revenue being generated from facilities throughout the Coachella Valley and partner with those entities to ensure residents receive the appropriate services. Director Wortham fully supports and endorses this approach with ways to leverage choices from Option 2 but commencing to build those bridges and seek support using existing funds.

Vice-President Rogers expressed her agreement with Director Wortham stating that there are underserved populations in the East Valley and the District needs to ensure equity of funding and moving forward towards the future.

Director Matthews will not support inadequate funding of Option 1 - $300k since the District is expanding to the most sizable portion of diversity in the Valley with individuals and families that need the most assistance. Director Matthews supports the expansion, but to suggest $300k for a minimum of 10-years does not bring about the work that has already been completed by the Ad Hoc Committee. Further, it is a disservice to the east to self-fund $300k per year for 20-years since the Foundation is using its existing grant program to feed those services. Director Matthews will not support the motion as it is not a long-term solution.

Director Hazen stated that moving in the direction of Option 1 takes the pressure off the County to participate in funding and this option simply relieves some of the pressure. However, Director Hazen expressed her support for the expansion, but the District can do more and can do better.

#18-26 MOTION WAS MADE by President Zendle and seconded by Director Wortham to approve Option 1 with a minimum of $300,000 per year for 20-years (totaling $6,000,000) designated from non-property tax funds and non-hospital replacement funds with the goal of achieving equity and equality.
Motion passed.

Roll Call Vote:
AYES 3 Director Wortham; Vice-President Rogers; President Zendle

NOES: 2 Director Matthews; Director Hazen
ABSTAIN:
ABSENT: 0
Motion Passed 3-2

ADJOURNMENT
The meeting adjourned at 3:48 p.m.

ATTEST: ____
Carole Rogers, Vice-President/Secretary
Desert Healthcare District Board of Directors

Minutes respectfully submitted by Andrea S. Hayles, Clerk to the Board

DESERT HEALTHCARE DISTRICT
BOARD OF DIRECTORS
MEETING MINUTES
February 27, 2018

A Meeting of the Board of Directors of the Desert Healthcare District was held in the Jerry Stergios Building – 2nd Floor, Palm Springs, CA.

Attendance

Members
President Les Zendle, MD
Vice-President/Secretary Carole Rogers, RN
Treasurer Mark Matthews
Director Kay Hazen

Absent
Director Jennifer Wortham, DrPH

Staff
Herb K. Schultz, CEO
Lisa Houston, COO
Chris Christensen, CFO
Donna Craig, Senior Program Officer
Alejandro Espinoza, Program Officer and Outreach Director
Michele McKinney, Communications and Marketing Director
Mary Pannoni, Accounting/Admin. Support
Vanessa Smith, Health Educator
Andrea S. Hayles, Clerk to the Board

Legal Counsel
Jeffrey G. Scott

Guests
Robert A. Bernheimer, Board President, Desert Cancer Foundation
Mitch Blumberg, Chair, Desert Regional Medical Center Governing Board
Sarah Bryant, Executive Director, Desert Cancer Foundation
Brett Klein, Clinics Marketing Specialist, Eisenhower Medical Center
Rich Ramhoff, Director of Marketing & Public Relations, Desert Regional Medical Center
Jennie Rayner, Executive Director, ACT for MS

CALL TO ORDER
The meeting was called to order at 2:03 p.m. by President Zendle.

APPROVAL OF AGENDA
President Zendle asked for a motion to approve the agenda removing I.1.b. LPMP Lease Renewal - Suite 1W 101 - Pathways Pharmaceuticals and moving Item J. before Item I.

#18-27 MOTION WAS MADE by President Zendle and seconded by Director Matthews to approve the agenda. Motion passed unanimously.

Roll Call Vote:

AYES	**4**	**Director Matthews; Director Hazen** **Vice-President Rogers; President Zendle**
NOES:	**0**	
ABSTAIN:		
ABSENT:	**1**	**Director Wortham**

Motion Passed 4-1

PUBLIC COMMENTS

None

CONSENT AGENDA

Submitted for approval:

1. BOARD MINUTES
    a. Meeting of January 23, 2018
    b. Special Meeting of the Board February 19, 2018

#18-28 MOTION WAS MADE by Vice-President Rogers and seconded by Director Matthews to approve the Consent Agenda pulling Item 1.b. – Board Minutes Special Meeting of the Board February 19, 2018. The Clerk of the Board handed out the updated Minutes of the Special Meeting of the Board February 19, 2018 that included revisions to comments from President Zendle and Director Wortham, and the addition of public comments received via email from Rick Mesa, Executive Director, Ranch Recovery; Thomi Clinton, Executive Director, Transgender Community Coalition; Ezra Kaufman, District Resident; and Stephanie Salters, RN, District Resident. Director Matthews provided edits to the Minutes of February 19, 2018 Special Meeting of the Board that included the motion not passing unanimously.

Motion passed unanimously.

Roll Call Vote:

AYES	**4**	**Director Matthews; Director Hazen;** **Vice-President Rogers; President Zendle**
NOES:	**0**	
ABSTAIN:		
ABSENT:	**1**	**Director Wortham**

Motion Passed 4-1

DESERT HEALTHCARE DISTRICT CEO REPORT – Herb K. Schultz, CEO
Herb K. Schultz, CEO, explained the American Disabilities Act (ADA) Compliance and Air Quality Report for Desert Regional Medical Center requested by the Board at the January 23, 2018 meeting. The ADA Compliance review was completed in November 2014, and Air Quality Reports are completed for each occurrence. A 2015 report has been requested and will be provided for the fourth-floor flooding at the March 27, 2018 Board Meeting. Mr. Schultz distributed and described potential changes to the logo as part of the comprehensive Communications and Marketing Plan as it relates to the three-year Strategic Plan, clarifying that the weathervane on the logo is often mistaken and viewed as a cross from members of the community.

Vice-President Rogers stated that she would like the District to eventually change the name and logo to One Coachella Valley.

PUBLIC COMMENT
None

DESERT REGIONAL MEDICAL CENTER CEO REPORT – Michele Finney, CEO, Desert Regional Medical Center
Michele Finney, CEO, Desert Regional Medical Center described the recent Certifications and Accreditations and various projects completed and in process (CBRE year one recommendation; pharmacy remodel; Sinatra Tower isolation room upgrade; sterilizer replacement phase I and II; elevators; interventional radiology room; and Emergency Department expansion project). Ms. Finney also highlighted hospital operations that included the flu season peak in January, the Neurology Residency Program, and UCR Family Medicine's first class of eight residents.

PUBLIC COMMENT
None

DESERT REGIONAL MEDICAL CENTER GOVERNING BOARD OF DIRECTORS REPORT
President Zendle explained that Jim Kelly, Human Resources Director, gave a presentation on the Employee Engagement Surveys from 2015-2016. Most of the employees' adverse responses were based on communication between employees and managers with higher responses based on fair salaries and wages, talent among the staffed positions, low employee turnover in the first year, and grievance procedures in a union environment. Ethics action line cases related to compliance, benefits, patient care, and billing were also reviewed. The Director of Quality Improvement, Christine Langenwalter, MSN, RNC, CENP, gave a presentation on patient safety culture. President Zendle also described the California Department of Public Health visits with seven from January to February that are closed with no deficiencies; four that are open with one from over a year ago; and the other three still active. President Zendle further explained that the Governing Board is taking an active role in quality of care and any deficiencies including prevention.

PUBLIC COMMENT
None

J. COMMUNITY HEALTH & WELLNESS

1. Resources and Philanthropy

a. Consideration to Approve Desert Cancer Foundation $200,000 for Patient Assistance and Suzanne Jackson Breast Cancer Fund Programs

Donna Craig, Senior Program Officer, presented the Desert Cancer Foundation's grant request of $200,000 to support the Patient Assistance and Suzanne Jackson Breast Cancer Funds Program. Ms. Craig stated that Desert Cancer Foundation is the only organization in the Coachella Valley that supports financial systems for cancer patients – uninsured and underinsured. Ms. Craig explained that Sarah Bryant, Executive Director, Desert Cancer Foundation and Robert A. Bernheimer, Board President, Desert Cancer Foundation, are available to answer any questions of the Board.

Vice-President Rogers inquired in what way individuals access the free breast cancer screening program. Sarah Bryant, Executive Director, explained that patients contact the office directly if they are aware of the program and ask for information. Referrals from a local provider to the program often comes directly from Desert Regional Medical Center's Comprehensive Cancer Center, and schedulers refer the patients directly; eligibility is then determined. Mrs. Rogers also inquired how homeless women could access breast cancer screening services with Ms. Bryant explaining that the Every Woman Counts program through federally qualified health centers is for low-income and uninsured women that qualify for the services.

Director Hazen stated that the navigator funding and the usage of cvHIP would assist women access and traverse the systems, directing Staff to ensure that cvHIP has the most updated resources.

PUBLIC COMMENT

None

#18-29 MOTION WAS MADE by President Zendle and seconded by Vice-President Rogers to approve Desert Cancer Foundation $200,000 for Patient Assistance and Suzanne Jackson Breast Cancer Fund Programs.

Motion passed unanimously.

Roll Call Vote:

AYES	**4**	**Director Matthews; Director Hazen; Vice-President Rogers; President Zendle**
NOES:	**0**	
ABSTAIN:		
ABSENT:	**1**	**Director Wortham**

Motion Passed 4-1

b. Draft Principles for Engagement Policies of Community and Expert Input to Guide Resources and Philanthropy and Public Policy Research Programs

Herb K. Schultz, CEO, explained that at the Board's January 23, 2018 meeting Staff presented the Draft Principles for the Engagement of Community and Expert Input, and described that Lisa Houston, COO, will provide an overview of the Policy of the Draft Principles for Engagement of Community and Expert Input.

Lisa Houston, COO, described the in-depth process for the policy action detailing the District's push for the expansion and identifying the similarities and uniqueness in the community uch as tools used to communicate and set the tone on how the materials are created. The materials would guide the efforts and ensure the District is identifying the community's desires with the input of community experts.

Director Matthews inquired if the engagement would be completed with existing funds and existing staff. Mr. Schultz explained that the draft is a sizable portion of the Strategic Plan and operationalizes the public engagement activities commenced by Director Hazen and Vice-President Rogers for public and subject matter input that Staff will bring forward to the Board.

President Zendle explained that since this is a change from the Program Committee, frequently and actively monitoring the principles and policy for engagement will assist in meeting the goals.

PUBLIC COMMENT
None

OLD BUSINESS

K.1. 2018 Board Meeting Schedule Bylaws Amendment and Resolution

Chris Christensen, CFO, described the discussion at the January 23, 2018 Board Meeting proposed by Staff to change the monthly Board Meeting times to from 2 p.m. to 6 p.m. to allow more public attendance and hold meetings at other venues in the Coachella Valley. The Board directed Staff to amend the Bylaws to begin holding meetings at 6 p.m. commencing in March 2018. The designated location is the Boardroom on the 2nd floor of the Stergios Building unless noted in the monthly Board meeting agenda.

President Zendle stated that rather than making a change to the bylaws to set a different time, simply have the bylaws state at a time determined by the Board. Jeff Scott, Legal Counsel, explained that the statute indicates that the time must be provided for legal purposes; however, there is flexibility to hold the meetings in a different location.

The Board Clerk distributed and described the various locations for potential Board Meetings to encourage participation and ensure mid-valley residents can attend with the recommendation of UCR Palm Desert.

Herb K. Shultz, CEO, explained that several Board Members concern with the Board Room and Conference Rooms A and B downstairs, thanking the Board Clerk for the work and options provided to the Board.

Director Hazen stated that in years past, the Board has tried to move the meetings to various locations on a quarterly basis, or more frequently, explaining that she has no objections to moving the locations. The Board Meetings should be more accessible to the public with multiple locations and opportunities for convenience with various audiences; however, if the Board's direction is for one centralized location, she will support the decision.

President Zendle suggested tabling the move until the Board has gained some experience with the 6 p.m. meetings and the District is closer to the expansion; he further suggested to continue to hold the meetings at the District until we are closer to the election.

Vice-President Rogers agreed to postpone the move of the meetings and gradually move to various locations with President Zendle stating that in April or May we can potentially explore other sites.

PUBLIC COMMENT
None

#18-30 MOTION WAS MADE by President Zendle and seconded by Vice-President Rogers to adopt the 2018 Board Meeting Schedule Bylaws Amendment and Resolution.

Motion passed unanimously.

Roll Call Vote:

AYES	**4**	**Director Matthews; Director Hazen; Vice-President Rogers; President Zendle**
NOES:	**0**	
ABSTAIN:		
ABSENT:	**1**	**Director Wortham**

Motion Passed 4-1

COMMITTEE REPORTS

I.1. FINANCE, ADMINISTRATION, REAL ESTATE, AND LEGAL COMMITTEE – Chair/Director Matthews

a. No February Meeting
b. LPMP Lease Renewal – Suite 1W 101 – Pathway Pharmaceuticals, Inc. (See approval of agenda removing I.1.b.)
c. LPMP Lease Renewal – Suite 1E 101-102 – Eyecare Services Partners
d. LPMP Lease Renewal – Suite 2W 1-2-104 – Derakhsh Fozouni, M.D.

Director Matthews stated that there was no February Meeting of the F&A Committee and deferred to Chris Christensen, CFO, to explain the Eye Services Partners and Derakhsh Fozouni leases. Mr. Christensen described the standard lease options of five years at $1.56 per foot with a 3% increase each year or Cost Performance Index (CPI) for Eyecare Services Partners that has partnered with Miluaskas Eye Institute. Vice-President Rogers inquired on the most recent occupancy rate study for medical office space. Mr. Christensen explained that an occupancy rate study was performed in 2016. Director Hazen recommended reviewing the policy that states the occupancy rate study would occur regularly to avoid any lapse.

PUBLIC COMMENT

None

#18-31 MOTION WAS MADE by Director Matthews and seconded by Vice-President Rogers to approve Eyecare Services Partners.

Motion passed unanimously.

Roll Call Vote:

AYES 4 Director Matthews; Director Hazen; Vice-President Rogers; President Zendle

NOES: 0
ABSTAIN:
ABSENT: 1 Director Wortham

Motion Passed 4-1

Chris Christensen, CFO, explained the lease of Derakhsh Fozouni, M.D., – a long-term tenant. Dr. Fozouni previously occupied two separate suites, and the suites of the new lease will be combined next to each other – Suites 2W 102-104. The lease renewal is a combined five-year renewal at $1.56 per foot.

PUBLIC COMMENT

None

#18-32 MOTION WAS MADE by Director Matthews and seconded by Director Hazen to approve the lease of Derakhsh Fozouni, M.D.
Motion passed unanimously.

Roll Call Vote:

AYES	**4**	**Director Matthews; Director Hazen; Vice-President Rogers; President Zendle**
NOES:	**0**	
ABSTAIN:		
ABSENT:	**1**	**Director Wortham**

Motion Passed 4-1

I.3. NEW PROVIDERS, FACILITIES, PROGRAMS & SERVICES – Chair/Director Hazen

a. Update on LAFCO Process
b. Resolution - $300k of Non-Property Tax, Unrestricted Funds Codifies Action by the Board
c. LAFCO Plan of Services Application Addendum #1 – Funding

President Zendle explained that Director Hazen and Director Matthews had held positions on one of the most active Ad Hoc Committees of the District performing a fantastic job with their duties – thanking Director Hazen for her dedication and work on the Committee. President Zendle appointed himself to work with Director Matthews to complete the expansion work and move on other important matters such as facility issues.

Herb K. Schultz, CEO, detailed the Board's February 19 Special Board Meeting for consideration of funding sources for the District. Staff informed the Board and Public about the potential for the County not to move forward to LAFCO the deposition of the property tax negotiation. LAFCO was told, and the District was informed, that the County would not progress on any resolution for three to four months. LAFCO will not advance with the hearing on March 22 until the letter is expedited. According to communication with Supervisor Perez, and with his support, the hearing will most likely take place April 26. Supervisor Perez will author the letter to LAFCO for approval at the March 2018 Board of Supervisors Meeting.

Director Hazen explained that although she did not agree with the motion for funding, she does support the expansion. The District is committing $6M and by limiting the allocation to sources unrestricted, in practicality, once the District is expanded a future Board cannot be tied to an action. To effectively implement the allocation is by allocating, securing, and booking the $6M that should be included in the motion.

Further, Director Hazen stated that the Board needs to identify the sources of funding for the $6M allocation, and book it as a liability that strengthens the application with LAFCO. LAFCO may consider that the proposed resolution does not secure funding, and the Board could change the resolution next year.

Vice-President Rogers inquired if the allocation could be presented for a shorter length of time than 20 years. Mr. Schultz explained that a shorter period is not an option to present to LAFCO.

Mr. Schultz requested that Legal Counsel advise and clarify for the Board the $6M allocation to sources unrestricted. Mr. Scott explained that he was tasked to provide a resolution to reflect the action of the Board. Mr. Schultz also inquired if the District can book the $6M at this time.

Director Wortham stated that when the options were presented, they were offered as options. Was the $300k Option 1 that was presented not an option for the Board? Director Hazen explained that Staff presented the option of $100k that the District currently has, and the motion was for $300k.

Chris Christensen, CFO, explained that the District should book and accrue the full $6M similar to booking the grants – the resources are paid out over a period of time based on the payment schedule.

Director Hazen reiterated that the Board should book the $6M as a liability to strengthen the District's position with LAFCO and requested Legal Counsel research a method to ensure that the funding is secured and is unable to be changed or altered.

Jeff Scott, Legal Counsel, stated the Board is a legislative body, and there is no guarantee that another Board of elected officials cannot make a change.

Director Matthews fully supports the expansion, but believes it is underfunded; the Board is taxing the resources the District currently has. It does not take care of the impoverished most underserved, vulnerable populations with the highest disparities.

President Zendle stated that the benefits of moving forward outweigh the risks to prevent any delays of expansion, and there are other options that can be developed in the coming years.

Director Jennifer Wortham arrived at 3:02 p.m.

PUBLIC COMMENT
None

> **#18-33 MOTION WAS MADE by Vice-President Rogers and seconded by Director Wortham to approve the Resolution - $300k of Non-Property Tax, Unrestricted Funds with an amendment to include language for the Board to book $6M as a liability.**
>
> **Motion passed.**

Roll Call Vote:

AYES **4** **Director Wortham; Director Hazen; Vice-President Rogers; President Zendle**

NOES: **1** **Director Matthews**
ABSTAIN:
ABSENT:

Motion Passed 4-1

#18-34 MOTION WAS MADE by Vice-President Rogers and seconded by Director Wortham to approve the LAFCO Plan of Services Application Addendum #1 - Funding.

Motion passed.

Herb K. Schultz, CEO, recapped the conversation with LAFCO requesting an Addendum as opposed to recreating the application and including the additional language to the $6M booking as a liability.

PUBLIC COMMENT
None

Roll Call Vote:

AYES **4** **Director Wortham; Director Hazen; Vice-President Rogers; President Zendle**

NOES: **1** **Director Matthews**
ABSTAIN:
ABSENT:

Motion Passed 4-1

Director Hazen exited the meeting at 3:28 p.m.

I.2. HOSPITAL GOVERNANCE AND OVERSIGHT COMMITTEE
a. Draft Minutes of January 19, 2018 Meeting
b. No February Meeting – Next Scheduled Meeting is March 13, 2018

President Zendle explained that there is no action required;there was no February meeting, and the Minutes of the January 19, 2018 are included in the Packet for the Board's review.

PUBLIC COMMENT

None

K.2. Behavioral Health Update- Collective Fund Initiative

Herb K. Schultz, CEO, explained that Staff was requested to come back to the Board with a plan of services for the Board to review the plan that will establish a Collective Fund for Behavioral Health. The fund will include short-term and mid-term funding similar to the Homelessness Initiative.

Lisa Houston, COO, described the two programs that were identified with a policy on community engagement and the District's role also explaining some of the emergency needs that are necessary and the relation between homelessness and behavioral health. The consultant is necessary to assist with the initiative including the workforce development.

Vice-President Rogers explained that the report is comprehensive, but she would like to see a mental health taskforce that includes the stakeholders – staff led, and consultant led to share with the community and how schools and mobile vans fit in the initiative. Mrs. Houston explained they will work as a group to identify in the future – new providers, new technology and others. Vice-President Rogers requested a master plan for behavioral health and homelessness.

Staff will provide additional details at the March 27, 2018 Board Meeting.

PUBLIC COMMENT
Linda Evans, Chief Strategic Officer, Tenet, explained that Herb Schultz, CEO, attended the Blue Ribbon Mental Health Roundtable hosted by Supervisor Perez, described the upcoming Roundtable, and Mr. Schultz will be presenting at the next Roundtable.

NEW BUSINESS
None

LEGAL COUNSEL COMMENTS & REPORTS

1. Legislative Update

Jeff Scott, Legal Counsel, explained the most recent legislative update and bill introductions that related to healthcare with 2,100 bills introduced. Most bills were spot bills used as place holders.

Herb K. Schultz explained spot bill AB 2019 that will update the healthcare district law.

DIRECTORS' COMMENTS & REPORTS
Vice-President Rogers explained how valuable the meeting was in Desert Hot Springs with the Police Chief concerning 51/50s. President Zendle described his meeting at DRMC and, the beds being used by 51/50s of mostly insured individuals. In 2016, there were 75,590 Emergency Department admits and 1,308 were psychiatric and substance abuse issues. In 2017, the numbers were up to 2,858.

ADJOURNMENT TO THE DESERT HEALTHCARE FOUNDATION BOARD OF DIRECTORS MEETING AT 4:04 p.m.

ADJOURNMENT TO EXECUTIVE SESSION OF THE DESERT HEALTHCARE DISTRICT AT 4:16 p.m.

CONVENE TO CLOSED SESSION OF THE DESERT HEALTHCARE DISTRICT BOARD OF DIRECTORS

1. Public Employee Evaluation pursuant to Government Code 54957 Title: Chief Executive Officer

2. Report Involving Trade Secrets Pursuant to Health & Safety Code 32106 – concerning proposed New Providers, Facilities, Programs, Services. Discussion only, no action. Estimated dated of public Disclosure: April 2018

RECONVENE TO OPEN SESSION OF THE DESERT HEALTHCARE DISTRICT BOARD OF DIRECTORS AT 4:53 p.m.

REPORT AFTER CLOSED SESSION

The Board heard a report on the potential of New Providers, Facilities, Programs, and Services and took no action.

ADJOURNMENT

The meeting adjourned at 4:57 p.m.

ATTEST: ____

Carole Rogers, Vice-President/Secretary
Desert Healthcare District Board of Directors

Minutes respectfully submitted by Andrea S. Hayles, Clerk to the Board

DESERT HEALTHCARE DISTRICT
JAN-FEB 2018 FINANCIAL STATEMENTS
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DESERT HEALTHCARE DISTRICT
YEAR TO DATE VARIANCE ANALYSIS
ACTUAL VS BUDGET
FIVE MONTHS ENDED FEBRUARY 28, 2018

Scope: $25,000 Variance per Statement of Operations Summary

Account	YTD Actual	YTD Budget	Over(Under) Budget	Explanation
4000 - Income	$ 5,294,443	$ 5,186,464	$ 107,979	Higher interest income from FRF investments $110K, lower NEOPB Grant Income $2k.
5000 - Direct Expenses	$ 337,271	$ 409,759	$ (72,488)	Lower wage, payroll tax, insurance premiums $46K due primarily to hiring delay for COO & Director of Communications and Marketing and straight-line amortization of salaries and 5.0% incentive pool, and vacations taken charged to vacation accrual; Lower retirement plan expense of $13K; Lower Board expenses and other various $13K.
6500 - Professional Fees Expense	$ 727,036	$ 317,648	$ 409,388	Higher cost of Consultant for New Providers, Facilities, Programs and Services $386k; Higher Legal Expense $27k, Lower various $4k.
7000 - Grants Expense	$ 1,908,993	$ 3,213,336	$ (1,304,343)	Budget of $4.7MM for fiscal year is amortized straight-line over the fiscal year. $1MM is for Pulmonary.
9999-1 Unrealized loss on invest	$ 1,175,775	$ 1,000,000	$ 175,775	Continuing market price fluctuations for fixed income investments - Treasury's and Agency Bonds.

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Desert Healthcare District

Cumulative Profit & Loss Budget vs. Actual

July 2017 through February 2018

	MONTH			MONTH			TOTAL		
	Jan 18	Budget	$ Over Budget	Feb 18	Budget	$ Over Budget	Jul '17 - Feb 18	Budget	$ Over Budget
Income									
4000 · Income	692,084	648,308	43,776	632,998	648,308	(15,310)	5,294,443	5,186,464	107,979
4500 · LPMP Income	91,683	103,390	(11,707)	91,683	103,390	(11,707)	729,815	794,362	(64,547)
4501 · Miscellaneous Income	750	6,250	(5,500)	750	6,250	(5,500)	28,190	50,000	(21,810)
Total Income	784,517	757,948	26,569	725,431	757,948	(32,517)	6,052,448	6,030,826	21,622
Expense									
5000 · Direct Expenses	53,338	55,568	(2,230)	41,587	55,568	(13,981)	337,271	409,759	(72,488)
6000 · General & Administrative Exp	44,543	37,411	7,132	36,734	37,411	(677)	322,845	299,288	23,557
6325 · CEO Discretionary Fund		417	(417)		417	(417)	2,799	3,336	(537)
6445 · LPMP Expenses	68,208	81,781	(13,573)	75,874	81,781	(5,907)	592,916	640,646	(47,730)
6500 · Professional Fees Expense	101,032	39,706	61,326	139,517	39,706	99,811	727,036	317,648	409,388
6700 · Trust Expenses	20,406	20,617	(211)	20,406	20,617	(211)	164,247	168,158	(3,911)
Total Expense Before Grants & Unrealized Loss	287,527	235,500	52,027	314,118	235,500	78,618	2,147,114	1,838,835	308,279
7000 · Grants Expense	35,283	401,667	(366,384)	216,825	401,667	(184,842)	1,908,993	3,213,336	(1,304,343)
9999-1 · Unrealized (gain)loss on invest	343,977	125,000	218,977	153,801	125,000	28,801	1,175,775	1,000,000	175,775
Net Income	117,730	(4,219)	121,949	40,687	(4,219)	44,906	820,564	(21,345)	841,909

Desert Healthcare District

Cumulative Profit & Loss Budget vs. Actual

July 2017 through February 2018

	MONTH			MONTH			TOTAL		
	Jan 18	Budget	$ Over Budget	Feb 18	Budget	$ Over Budget	Jul '17 - Feb 18	Budget	$ Over Budget
Income									
4000 · Income									
4010 · Property Tax Revenues	524,141	524,141	0	524,141	524,141	0	4,193,128	4,193,128	0
4200 · Interest Income	157,326	112,500	44,826	95,283	112,500	(17,217)	1,009,768	900,000	109,768
4300 · DHC Recoveries	1,749	1,666	83	1,749	1,666	83	13,992	13,328	664
4400 · Grant Income	8,868	10,000	(1,132)	11,825	10,000	1,825	77,554	80,000	(2,446)
Total 4000 · Income	692,084	648,307	43,777	632,998	648,307	(15,309)	5,294,442	5,186,456	107,986
4500 · LPMP Income	91,683	103,391	(11,708)	91,683	103,391	(11,708)	729,814	794,368	(64,554)
4501 · Miscellaneous Income	750	6,250	(5,500)	750	6,250	(5,500)	28,190	50,000	(21,810)
Total Income	784,517	757,948	26,569	725,431	757,948	(32,517)	6,052,446	6,030,824	21,622
Expense									
5000 · Direct Expenses									
5100 · Administration Expense									
5110 · Wages Expense	64,466	77,135	(12,669)	65,342	77,135	(11,793)	440,790	615,646	(174,856)
5111 · Allocation to LPMP - Payroll	(3,658)	(3,658)	0	(3,658)	(3,658)	0	(29,264)	(29,264)	0
5112 · Vacation/Sick/Holiday Expense	15,793	6,923	8,870	10,170	6,923	3,247	79,383	58,846	20,537
5114 · Allocation to Foundation	(48,015)	(51,096)	3,081	(48,015)	(51,096)	3,081	(255,408)	(408,768)	153,360
5115 · Allocation to NEOPB	(8,392)	(10,424)	2,032	(9,219)	(10,424)	1,205	(62,268)	(83,392)	21,124
5119 · Allocation to RSS/CVHIP-DHCF	(1,297)	(2,718)	1,421	(1,733)	(2,718)	985	(28,215)	(21,744)	(6,471)
5120 · Payroll Tax Expense	7,745	5,901	1,844	7,648	5,901	1,747	37,284	47,097	(9,813)
5130 · Health Insurance Expense									
5131 · Premiums Expense	2,302	11,602	(9,300)	11,481	11,602	(121)	57,203	88,520	(31,317)
5135 · Reimb./Co-Payments Expense	3,357	2,839	518	142	2,839	(2,697)	3,967	22,712	(18,745)
Total 5130 · Health Insurance Expense	5,659	14,441	(8,782)	11,623	14,441	(2,818)	61,170	111,232	(50,062)
5140 · Workers Comp. Expense		810	(810)		810	(810)	3,951	6,465	(2,514)
5145 · Retirement Plan Expense	5,876	6,248	(372)	4,142	6,248	(2,106)	36,293	49,867	(13,574)
5150 · Education Expense	1,050	292	758		292	(292)	1,739	2,336	(597)
Total 5100 · Administration Expense	39,227	43,854	(4,627)	36,300	43,854	(7,554)	285,455	348,321	(62,866)
5200 · Board Expenses									
5210 · Healthcare Benefits Expense									
5211 · Health Insurance Expense	12,192	7,768	4,424	4,049	7,768	(3,719)	36,145	39,866	(3,721)
5219 · Reimbursements/Co-Payments Exp							1,771		1,771
5224 · Retired Board - Medical Expense	1,237	2,904	(1,667)	1,237	2,904	(1,667)	9,896	13,230	(3,334)
Total 5210 · Healthcare Benefits Expense	13,429	10,672	2,757	5,286	10,672	(5,386)	47,812	53,096	(5,284)
5230 · Meeting Expense	550	667	(117)		667	(667)	3,601	5,336	(1,735)
5240 · Catering Expense	130	333	(203)		333	(333)	315	2,664	(2,349)
5250 · Mileage Reimbursment Expense		42	(42)		42	(42)	79	336	(257)
Total 5200 · Board Expenses	14,109	11,714	2,395	5,286	11,714	(6,428)	51,807	61,432	(9,625)
Total 5000 · Direct Expenses	53,336	55,568	(2,232)	41,586	55,568	(13,982)	337,262	409,753	(72,491)
6000 · General & Administrative Exp									
6110 · Payroll fees Expense	1,389	229	1,160	158	229	(71)	2,445	1,832	613
6120 · Bank and Investment Fees Exp	9,864	9,333	531	10,125	9,333	792	79,165	74,664	4,501
6125 · Depreciation Expense	1,153	1,181	(28)	1,056	1,181	(125)	9,127	9,448	(321)
6126 · Depreciation-Solar Parking lot	15,072	15,072	0	15,072	15,072	0	120,576	120,576	0
6130 · Dues and Membership Expense	1,013	2,275	(1,262)	938	2,275	(1,337)	14,921	18,200	(3,279)
6200 · Insurance Expense	945	700	245	945	700	245	7,560	5,600	1,960
6300 · Minor Equipment Expense		42	(42)		42	(42)		336	(336)
6305 · Auto Allowance & Mileage Exp	938	500	438	938	500	438	5,155	4,000	1,155
6306 · Staff- Auto Mileage reimb	2	104	(102)	225	104	121	1,697	832	865
6309 · Personnel Expense	69	104	(35)		104	(104)	1,890	832	1,058

Desert Healthcare District

Cumulative Profit & Loss Budget vs. Actual

July 2017 through February 2018

	MONTH			MONTH			TOTAL		
	Jan 18	Budget	$ Over Budget	Feb 18	Budget	$ Over Budget	Jul '17 - Feb 18	Budget	$ Over Budget
6310 · Miscellaneous Expense		42	(42)		42	(42)		336	(336)
6311 · Cell Phone Expense	450	540	(90)	1,307	540	767	4,736	4,320	418
6312 · Wellness Park Expenses	587	208	379		208	(208)	587	1,664	(1,077)
6315 · Security Monitoring Expense	608	38	570		38	(38)	1,705	304	1,401
6340 · Postage Expense	478	542	(64)	25	542	(517)	1,521	4,336	(2,815)
6350 · Copier Rental/Fees Expense	785	458	327	392	458	(66)	3,174	3,664	(490)
6351 · Travel Expense	1,149	500	649	1,676	500	1,176	9,681	4,000	5,681
6352 · Meals & Entertainment Exp	2,212	333	1,879	20	333	(313)	4,525	2,664	1,861
6355 · Computer Services Expense	1,002	2,376	(1,374)	1,415	2,376	(961)	24,522	19,008	5,514
6360 · Supplies Expense	5,046	1,333	3,713	660	1,333	(673)	15,605	10,664	4,941
6380 · LAFCO Assessment Expense	1,783	1,500	283	1,783	1,500	283	14,264	12,000	2,264
Total 6000 · General & Administrative Exp	44,545	37,410	7,135	36,735	37,410	(675)	322,858	299,280	23,578
6325 · CEO Discretionary Fund		417	(417)		417	(417)	2,799	3,336	(537)
6445 · LPMP Expenses	68,208	81,779	(13,571)	75,875	81,779	(5,904)	592,923	640,630	(47,707)
6500 · Professional Fees Expense									
6516 · Professional Services Expense	78,983	25,750	53,233	116,713	25,750	90,963	592,343	206,000	386,343
6520 · Annual Audit Fee Expense	1,449	1,456	(7)	1,449	1,456	(7)	11,592	11,648	(56)
6530 · PR/Communications/Website	2,540	2,500	40	2,975	2,500	475	16,165	20,000	(3,835)
6560 · Legal Expense	18,060	10,000	8,060	18,380	10,000	8,380	106,940	80,000	26,940
Total 6500 · Professional Fees Expense	101,032	39,706	61,326	139,517	39,706	99,811	727,040	317,648	409,392
6700 · Trust Expenses									
6711 · Disability Admin. Fee Expense								3,222	(3,222)
6720 · Pension Plans Expense									
6721 · Legal Expense		208	(208)		208	(208)	98	1,664	(1,566)
6725 · RPP Pension Expense	20,000	20,000	0	20,000	20,000	0	160,000	160,000	0
6728 · Pension Audit Fee Expense	406	408	(2)	406	408	(2)	4,149	3,264	885
Total 6720 · Pension Plans Expense	20,406	20,616	(210)	20,406	20,616	(210)	164,247	164,928	(681)
Total 6700 · Trust Expenses	20,406	20,616	(210)	20,406	20,616	(210)	164,247	168,150	(3,903)
Total Expense Before Grants & Unrealized Loss	287,527	235,496	52,031	314,119	235,496	78,623	2,147,129	1,838,797	308,332
7000 · Grants Expense									
7010 · Major Grant Awards Expense	26,415	391,667	(365,252)	205,000	391,667	(186,667)	1,831,439	3,133,336	(1,301,897)
7027 · Grant Exp - NEOPB	8,868	10,000	(1,132)	11,825	10,000	1,825	77,554	80,000	(2,446)
Total 7000 · Grants Expense	35,283	401,667	(366,384)	216,825	401,667	(184,842)	1,908,993	3,213,336	(1,304,343)
9999-1 · Unrealized (gain)loss on invest	343,977	125,000	218,977	153,801	125,000	28,801	1,175,775	1,000,000	175,775
Net Income	117,730	(4,215)	121,945	40,686	(4,215)	44,901	820,564	(21,309)	841,873

Las Palmas Medical Plaza

Cumulative Profit & Loss Budget vs. Actual

July 2017 through February 2018

	MONTH			MONTH			TOTAL		
	Jan 18	Budget	$ Over Budget	Feb 18	Budget	$ Over Budget	Jul '17 - Feb 18	Budget	$ Over Budget
Income									
4500 · LPMP Income									
4505 · Rental Income	66,044	73,816	(7,772)	66,044	73,816	(7,772)	524,471	567,848	(43,377)
4510 · CAM Income	25,639	29,492	(3,853)	25,639	29,492	(3,853)	205,343	225,856	(20,513)
4513 · Misc. Income		83	(83)		83	(83)		664	(664)
4500 · LPMP Income	91,683	103,391	(11,708)	91,683	103,391	(11,708)	729,814	794,368	(64,554)
Expense									
6445 · LPMP Expenses									
6420 · Insurance Expense	1,100	1,000	100	1,100	1,000	100	8,800	8,000	800
6425 · Building - Depreciation Expense									
6424 · Deprec - New LPMP parking Lot	1,879	1,879	0	1,879	1,879	0	15,032	15,032	0
6425 · Building - Depreciation Expense - Other	21,044	21,044	0	21,044	21,044	0	168,352	168,352	0
Total 6425 · Building - Depreciation Expense	22,923	22,923	0	22,923	22,923	0	183,384	183,384	0
6426 · Tenant Improvements -Dep Exp	14,044	17,120	(3,076)	14,044	17,120	(3,076)	112,352	123,358	(11,006)
6427 · HVAC Maintenance Expense		1,333	(1,333)		1,333	(1,333)	7,733	10,664	(2,931)
6428 · Roof Repairs Expense		208	(208)		208	(208)		1,664	(1,664)
6431 · Building -Interior Expense		208	(208)		208	(208)		1,664	(1,664)
6432 · Plumbing -Interior Expense		208	(208)		208	(208)		1,664	(1,664)
6433 · Plumbing -Exterior Expense		208	(208)		208	(208)		1,664	(1,664)
6434 · Allocation Internal Prop. Mgmt	3,658	3,658		3,658	3,658		29,264	29,264	
6435 · Bank Charges	572	1,000	(428)	768	1,000	(232)	6,216	8,000	(1,784)
6437 · Utilities -Vacant Units Expense	83	333	(250)	141	333	(192)	717	2,664	(1,947)
6439 · Deferred Maintenance Repairs Ex		1,042	(1,042)		1,042	(1,042)	375	8,336	(7,961)
6440 · Professional Fees Expense	10,117	10,167	(50)	10,117	10,167	(50)	80,936	81,336	(400)
6441 · Legal Expense		83	(83)		83	(83)		664	(664)
6458 · Elevators - R & M Expense	211	917	(706)	211	917	(706)	5,442	7,336	(1,894)
6460 · Exterminating Service Expense	180	208	(28)	180	208	(28)	1,440	1,664	(224)
6463 · Landscaping Expense	1,321	1,250	71	1,629	1,250	379	18,558	10,000	8,558
6467 · Lighting Expense		500	(500)		500	(500)	2,250	4,000	(1,750)
6468 · General Maintenance Expense		83	(83)		83	(83)		664	(664)
6470 · Maint. / Janitorial Service Exp		417	(417)		417	(417)		3,336	(3,336)
6471 · Marketing-Advertising		1,458	(1,458)		1,458	(1,458)		11,664	(11,664)
6475 · Property Taxes Expense	6,000	6,000		6,000	6,000		48,000	48,000	
6476 · Signage Expense		250	(250)		250	(250)	588	2,000	(1,412)
6480 · Rubbish Removal Medical Waste E	1,357	1,400	(43)	2,948	1,400	1,548	11,598	11,200	398
6481 · Rubbish Removal Expense	2,123	2,039	84	2,123	2,039	84	16,984	16,312	672
6482 · Utilities/Electricity/Exterior	707	833	(126)	729	833	(104)	4,063	6,664	(2,601)
6484 · Utilities - Water (Exterior)	453	583	(130)	506	583	(77)	4,445	4,664	(219)
6485 · Security Expenses	3,079	6,250	(3,171)	8,798	6,250	2,548	49,463	50,000	(537)
6490 · Miscellaneous Expense	280	100	180		100	(100)	315	800	(485)
6445 · LPMP Expenses	68,208	81,779	(13,571)	75,875	81,779	(5,904)	592,923	640,630	(47,707)
Net Income	23,475	21,612	1,863	15,808	21,612	(5,804)	136,891	153,738	(16,847)

Desert Healthcare District
Balance Sheet
As of February 28, 2018

	Feb 28, 18
ASSETS	
Current Assets	
Checking/Savings	
1000 · CHECKING CASH ACCOUNTS	1,478,889
1100 · INVESTMENT ACCOUNTS	55,122,026
Total Checking/Savings	56,600,916
Accounts Receivable	
1201 · Accounts Receivable	130,569
Other Current Assets	
1270 · Prepaid Insurance -Ongoing	20,805
1279 · Pre-Paid Fees	18,299
1281 · NEOPB Receivable	31,057
1295 · Property Tax Receivable	754,455
Total Other Current Assets	824,616
Total Current Assets	57,556,100
Fixed Assets	
1300 · FIXED ASSETS	4,890,628
1335-00 · ACC DEPR	(1,524,242)
1400 · LPMP Assets	7,476,879
Total Fixed Assets	10,843,265
Other Assets	
1700 · OTHER ASSETS	2,928,331
TOTAL ASSETS	71,327,696
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
2000 · Accounts Payable	11,739
2001 · LPMP Accounts Payable	95,359
Total Accounts Payable	107,098
Other Current Liabilities	
2002 · LPMP Property Taxes	13,490
2131 · Grant Awards Payable	1,818,909
2133 · Accrued Accounts Payable	216,508
2141 · Accrued Vacation Time	30,994
2142 · Accrued Sick Time	43,421
2186 · Retired BOD Medical - Current	6,257
2188 · Current Portion - LTD	14,803

Desert Healthcare District
Balance Sheet
As of February 28, 2018

	Feb 28, 18
2190 · Investment Fees Payable	44,193
Total Other Current Liabilities	2,188,574
Total Current Liabilities	2,295,672
Long Term Liabilities	
2170 · RPP - Pension Liability	3,043,995
2171 · RPP-Deferred Inflows-Resources	3,242,061
2280 · Long-Term Disability	52,346
2281 · Grants Payable - Long-term	10,455,641
2286 · Retirement BOD Medical Liabilit	82,146
2290 · LPMP Security Deposits	58,517
Total Long Term Liabilities	16,934,706
Total Liabilities	19,230,378
Equity	
3900 · *Retained Earnings	51,276,754
Net Income	820,564
Total Equity	52,097,318
TOTAL LIABILITIES & EQUITY	71,327,696

Desert Healthcare District
Balance Sheet
As of February 28, 2018

	Feb 28, 18
ASSETS	
Current Assets	
Checking/Savings	
1000 · CHECKING CASH ACCOUNTS	
1010 · Union Bank - Checking	1,256,460
1046 · Las Palmas Medical Plaza	221,929
1047 · Petty Cash	500
Total 1000 · CHECKING CASH ACCOUNTS	1,478,889
1100 · INVESTMENT ACCOUNTS	
1130 · Facility Replacement Fund	
1129 · F R Fund - Restricted-Pulmonary	1,000,000
1130 · Facility Replacement Fund - Other	55,347,393
Total 1130 · Facility Replacement Fund	56,347,393
1135 · Unrealized Gain(Loss) FRF	(1,225,367)
Total 1100 · INVESTMENT ACCOUNTS	55,122,026
Total Checking/Savings	56,600,916
Accounts Receivable	
1201 · Accounts Receivable	
1204 · LPMP Accounts Receivable	20,831
1205 · Misc. Accounts Receivable	10,633
1211 · A-R Foundation - Exp Allocation	99,105
Total 1201 · Accounts Receivable	130,569
Total Accounts Receivable	130,569
Other Current Assets	
1270 · Prepaid Insurance -Ongoing	20,805
1279 · Pre-Paid Fees	18,299
1281 · NEOPB Receivable	31,057
1295 · Property Tax Receivable	754,455
Total Other Current Assets	824,616
Total Current Assets	57,556,100
Fixed Assets	
1300 · FIXED ASSETS	
1310 · Computer Equipment	77,668
1315 · Computer Software	68,770

Desert Healthcare District
Balance Sheet
As of February 28, 2018

	Feb 28, 18
1320 · Furniture and Fixtures	27,085
1325 · Offsite Improvements	300,849
1331 · DRMC - Parking lot	4,416,257
Total 1300 · FIXED ASSETS	4,890,628
1335-00 · ACC DEPR	
1335 · Accumulated Depreciation	(189,070)
1336 · Acc. Software Depreciation	(67,308)
1337 · Accum Deprec- Solar Parking Lot	(1,175,787)
1338 · Accum Deprec - LPMP Parking Lot	(92,077)
Total 1335-00 · ACC DEPR	(1,524,242)
1400 · LPMP Assets	
1401 · Building	8,705,680
1402 · Land	2,165,300
1403 · Tenant Improvements -New	2,081,211
1404 · Tenant Improvements - CIP	129,550
1406 · Building Improvements	
1406.1 · LPMP-Replace Parking Lot	676,484
1406 · Building Improvements - Other	1,364,337
Total 1406 · Building Improvements	2,040,821
1407 · Building Equipment Improvements	350,663
1409 · Accumulated Depreciation	
1410 · Accum. Depreciation	(6,869,668)
1412 · T I Accumulated Dep.-New	(1,126,678)
Total 1409 · Accumulated Depreciation	(7,996,346)
Total 1400 · LPMP Assets	7,476,879
Total Fixed Assets	10,843,265
Other Assets	
1700 · OTHER ASSETS	
1731 · Wellness Park	1,693,800
1740 · RPP-Deferred Outflows-Resources	1,234,531
Total 1700 · OTHER ASSETS	2,928,331
Total Other Assets	2,928,331
TOTAL ASSETS	71,327,696

Desert Healthcare District
Balance Sheet
As of February 28, 2018

	Feb 28, 18
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
2000 · Accounts Payable	11,739
2001 · LPMP Accounts Payable	95,359
Total Accounts Payable	107,098
Other Current Liabilities	
2002 · LPMP Property Taxes	13,490
2131 · Grant Awards Payable	1,818,909
2133 · Accrued Accounts Payable	216,508
2141 · Accrued Vacation Time	30,994
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2188 · Current Portion - LTD	14,803
2190 · Investment Fees Payable	44,193
Total Other Current Liabilities	2,188,574
Total Current Liabilities	2,295,672
Long Term Liabilities	
2170 · RPP - Pension Liability	3,043,995
2171 · RPP-Deferred Inflows-Resources	3,242,061
2280 · Long-Term Disability	52,346
2281 · Grants Payable - Long-term	10,455,641
2286 · Retirement BOD Medical Liabilit	82,146
2290 · LPMP Security Deposits	58,517
Total Long Term Liabilities	16,934,706
Total Liabilities	19,230,378
Equity	
3900 · *Retained Earnings	51,276,754
Net Income	820,564
Total Equity	52,097,318
TOTAL LIABILITIES & EQUITY	71,327,696

Desert Healthcare District
A/R Aging Summary
As of February 28, 2018

	Current	1 - 30	31 - 60	61 - 90	> 90	TOTAL	Comment
Cohen Musch Thomas Medical Group	-	(3,437)	-	71	-	(3,365)	Prepay
Desert Healthcare Foundation-	49,748	49,357	-	-	-	99,105	Due from Foundation
Kay Hazen-	-	-	2,383	-	-	2,383	Insurance Premiums
Laboratory Corporation of America	-	(4,620)	-	-	-	(4,620)	Prepay
Quest Diagnostics Incorporated	-	(3,659)	-	-	-	(3,659)	Prepay
Sovereign	750	750	750	750	5,250	8,250	Slow Pay
Tenet HealthSystem Desert, Inc	-	5,265	-	-	-	5,265	
Tenet HealthSystem Desert, Inc.	-	27,210	-	-	-	27,210	
TOTAL	50,498	70,866	3,133	821	5,250	130,569	

Desert Healthcare District
Deposit Detail
January through February 2018

Type	Date	Name	Amount
Deposit	**01/03/2018**		**1,110,917**
		Riverside County Treasurer-	(1,110,917)
TOTAL			(1,110,917)
Deposit	**01/03/2018**		**1,749**
		T-Mobile	(1,749)
TOTAL			(1,749)
Deposit	**01/08/2018**		**14,960**
		Riverside County Treasurer-	(14,960)
TOTAL			(14,960)
Deposit	**01/16/2018**		**20,515**
		Riverside County Treasurer-	(20,515)
TOTAL			(20,515)
Deposit	**01/16/2018**		**20,922**
		Riverside County Treasurer-	(20,922)
TOTAL			(20,922)
Deposit	**01/16/2018**		**1,718**
		Riverside County Treasurer-	(1,718)
TOTAL			(1,718)
Deposit	**01/22/2018**		**860,683**
		Riverside County Treasurer-	(860,683)
TOTAL			(860,683)
Deposit	**01/23/2018**		**67,318**

Desert Healthcare District
Deposit Detail
January through February 2018

Type	Date	Name	Amount
		Riverside County Treasurer-	(67,318)
TOTAL			(67,318)
Deposit	**01/31/2018**		**191,641**
Payment	01/31/2018	Desert Healthcare Foundation-	(191,641)
TOTAL			(191,641)
Deposit	**01/31/2018**		**2,507**
		Principal Financial Group	(220)
Payment	01/31/2018	Sovereign	(2,250)
Payment	01/31/2018	Herb K. Schultz	(37)
TOTAL			(2,507)
Deposit	**02/02/2018**		**1,749**
		T-Mobile	(1,749)
TOTAL			(1,749)
Deposit	**02/16/2018**		**41,548**
		Riverside County Treasurer-	(41,548)
TOTAL			(41,548)
Deposit	**02/16/2018**		**9,307**
		Riverside County Treasurer-	(9,307)
TOTAL			(9,307)
Deposit	**02/28/2018**		**9,852**
		Riverside County Treasurer-	(9,752)
		ACHD	(100)
TOTAL			(9,852)
		Total Deposits	**2,355,386**

DESERT HEALTHCARE DISTRICT
PROPERTY TAX RECEIPTS FY 2017 - 2018
RECEIPTS - TWELVE MONTHS ENDED JUNE 30, 2018

	FY 2016-2017 Projected/Actual					FY 2017-2018 Projected/Actual				
	Budget %	Budget $	Act %	Actual Receipts	Variance	Budget %	Budget $	Act %	Actual Receipts	Variance
July	2.5%	$ 152,663	1.3%	$ 79,912	$ (72,750)	2.5%	$ 157,242	1.7%	$ 107,591	$ (49,652)
Aug	1.6%	$ 97,704	1.7%	$ 101,498	$ 3,794	1.6%	$ 100,635	1.2%	$ 76,625	$ (24,010)
Sep	2.6%	$ 158,769	2.4%	$ 147,194	$ (11,575)	2.6%	$ 163,532	2.4%	$ 149,702	$ (13,830)
Oct	0.0%	$ -	0.0%	$ -	$ -	0.0%	$ -	0.0%	$ -	$ -
Nov	0.4%	$ 24,426	0.0%	$ 2,455	$ (21,971)	0.4%	$ 25,159	0.7%	$ 47,069	$ 21,910
Dec	16.9%	$ 1,031,999	17.6%	$ 1,075,328	$ 43,330	16.9%	$ 1,062,958	17.8%	$ 1,121,658	$ 58,700
Jan	31.9%	$ 1,947,974	33.0%	$ 2,014,083	$ 66,110	31.9%	$ 2,006,413	33.3%	$ 2,097,033	$ 90,621
Feb	0.0%	$ -	0.8%	$ 50,338	$ 50,338	0.0%	$ -	0.8%	$ 50,855	$ 50,855
Mar	0.3%	$ 18,320	0.2%	$ 11,638	$ (6,681)	0.3%	$ 18,869	0.0%		
Apr	5.5%	$ 335,858	5.8%	$ 356,027	$ 20,169	5.5%	$ 345,933	0.0%		
May	19.9%	$ 1,215,194	19.9%	$ 1,215,601	$ 408	19.9%	$ 1,251,649	0.0%		
June	18.4%	$ 1,123,596	16.8%	$ 1,025,799	$ (97,797)	18.4%	$ 1,157,304	0.0%		
Total	**100%**	**$ 6,106,500**	**99.6%**	**$ 6,079,874**	**$ (26,626)**	**100.00%**	**$ 6,289,695**	**58.0%**	**$ 3,650,533**	**$ 134,593**

Las Palmas Medical Plaza
Deposit Detail - LPMP
January through February 2018

Type	Date	Name	Memo	Amount
Deposit	**01/02/2018**		**Deposit**	**3,659**
Payment	01/02/2018	Quest Diagnostics Incorporated		(3,659)
TOTAL				(3,659)
Deposit	**01/09/2018**		**Deposit**	**13,894**
Payment	01/09/2018	Derakhsh Fozouni, M.D.		(4,215)
Payment	01/09/2018	Derakhsh Fozouni, MD -		(1,434)
Payment	01/09/2018	Aijaz Hashmi, M.D., Inc.		(2,656)
Payment	01/09/2018	Brad A. Wolfson, M.D.		(3,286)
Payment	01/09/2018	Ramy Awad, M.D.		(2,304)
TOTAL				(13,894)
Deposit	**01/25/2018**		**Deposit**	**32,279**
Payment	01/25/2018	Desert Family Medical Center		(3,470)
Payment	01/25/2018	Desert Oasis Healthcare Medical Group		(1,933)
Payment	01/25/2018	Milauskas Eye Institute Medical Group		(5,862)
Payment	01/25/2018	West Pacific Medical Laboratory		(1,889)
Payment	01/25/2018	Peter Jamieson, M.D.		(2,908)
Payment	01/25/2018	Cohen Musch Thomas Medical Group		(3,437)
Payment	01/25/2018	Steven Gundry, M.D.		(5,191)
Payment	01/25/2018	Cure Cardiovascular Consultants		(2,752)
Payment	01/25/2018	Dennis Spurgin, D.C.		(2,656)
Payment	01/25/2018	Pathway Pharmaceuticals,Inc.		(2,181)
TOTAL				(32,279)
Deposit	**01/25/2018**		**Deposit**	**4,620**
Payment	01/25/2018	Laboratory Corporation of America		(4,620)
TOTAL				(4,620)
Deposit	**01/31/2018**		**Deposit**	**44,257**
Payment	01/31/2018	Desert Oasis Healthcare Medical Group		(1,933)
Payment	01/31/2018	Steven Gundry, M.D.		(5,191)
Payment	01/31/2018	Desert Regional Medical Center		(4,658)

Las Palmas Medical Plaza
Deposit Detail - LPMP
January through February 2018

Type	Date	Name	Memo	Amount
Payment	01/31/2018	Tenet HealthSystem Desert, Inc		(5,265)
Payment	01/31/2018	Tenet HealthSystem Desert, Inc.		(27,210)
TOTAL				(44,257)
Deposit	**02/01/2018**		**Deposit**	**3,659**
Payment	02/01/2018	Quest Diagnostics Incorporated		(3,659)
TOTAL				(3,659)
Deposit	**02/07/2018**		**Deposit**	**13,990**
Payment	02/07/2018	Derakhsh Fozouni, M.D.		(4,215)
Payment	02/07/2018	Derakhsh Fozouni, MD -		(1,434)
Payment	02/07/2018	Cure Cardiovascular Consultants		(2,752)
Payment	02/07/2018	Brad A. Wolfson, M.D.		(3,286)
Payment	02/07/2018	Ramy Awad, M.D.		(2,304)
TOTAL				(13,990)
Deposit	**02/08/2018**		**Deposit**	**2,656**
Payment	02/08/2018	Aijaz Hashmi, M.D., Inc.		(2,656)
TOTAL				(2,656)
Deposit	**02/22/2018**		**Deposit**	**4,620**
Payment	02/22/2018	Laboratory Corporation of America		(4,620)
TOTAL				(4,620)
Deposit	**02/23/2018**		**Deposit**	**27,256**
Payment	02/23/2018	Milauskas Eye Institute Medical Group		(5,862)
Payment	02/23/2018	Peter Jamieson, M.D.		(2,908)
Payment	02/23/2018	Desert Family Medical Center		(3,470)
Payment	02/23/2018	Cohen Musch Thomas Medical Group		(3,437)
Payment	02/23/2018	West Pacific Medical Laboratory		(1,889)
Payment	02/23/2018	Pathway Pharmaceuticals,Inc.		(2,181)
Payment	02/23/2018	Dennis Spurgin, D.C.		(2,656)
Payment	02/23/2018	Desert Regional Medical Center		(4,755)
Payment	02/23/2018	Desert Regional Medical Center		(98)

Las Palmas Medical Plaza
Deposit Detail - LPMP
January through February 2018

Type	Date	Name	Memo	Amount
TOTAL				(27,256)
Deposit	**02/27/2018**		**Deposit**	**3,659**
Payment	02/27/2018	Quest Diagnostics Incorporated		(3,659)
TOTAL				(3,659)
		Total Deposits		**154,551**

Desert Healthcare District
Check Register
As of February 28, 2018

Type	Date	Num	Name	Amount
1000 · CHECKING CASH ACCOUNTS				
1010 · Union Bank - Checking				
General Journal	01/02/2018	07-01	401a payment - 12/29/17 payroll	(2,049)
General Journal	01/02/2018	07-01	457b payment - 12/29/17 payroll	(2,827)
Bill Pmt -Check	01/08/2018	14747	Blackbaud, Inc.	(168)
Bill Pmt -Check	01/08/2018	14748	Boyd & Associates	(108)
Bill Pmt -Check	01/08/2018	14749	CXtec	(123)
Bill Pmt -Check	01/08/2018	14750	Desert Ability Center	(5,000)
Bill Pmt -Check	01/08/2018	14751	Ernest Enterprises	(240)
Bill Pmt -Check	01/08/2018	14752	Frazier Pest Control, Inc.	(30)
Bill Pmt -Check	01/08/2018	14753	Herb K. Schultz-	(184)
Bill Pmt -Check	01/08/2018	14754	IntelliCorp Records,Inc.	(69)
Bill Pmt -Check	01/08/2018	14755	Quest Diagnostics	(25)
Bill Pmt -Check	01/08/2018	14756	Ready Refresh	(48)
Bill Pmt -Check	01/08/2018	14757	So.Cal Computer Shop	(640)
Bill Pmt -Check	01/08/2018	14758	The Well in the Desert	(2,067)
Bill Pmt -Check	01/08/2018	14759	Time Warner Cable	(341)
Bill Pmt -Check	01/08/2018	14760	Underground Service Alert of Southern Cal	(12)
Bill Pmt -Check	01/08/2018	14761	UPS	(25)
Bill Pmt -Check	01/08/2018	14762	Verizon Wireless	(798)
Liability Check	01/11/2018		QuickBooks Payroll Service	(1,228)
Liability Check	01/11/2018		QuickBooks Payroll Service	(34,694)
General Journal	01/16/2018	07-03	401a payment - 1/12/18 payroll	(2,061)
General Journal	01/16/2018	07-03	457b payment - 1/12/18 payroll	(3,005)
General Journal	01/16/2018	07-03	457b loan payment - 1/12/18 payroll	(446)
Bill Pmt -Check	01/17/2018	14763	First Bankcard (Union Bank)	(2,093)
Bill Pmt -Check	01/17/2018	14764	First Bankcard (Union Bank)	(467)
Bill Pmt -Check	01/18/2018	14765	CoPower Employers' Benefits Alliance	(2,265)
Bill Pmt -Check	01/18/2018	14766	Ernest Enterprises	(26)
Bill Pmt -Check	01/18/2018	14767	Image Source	(341)
Bill Pmt -Check	01/18/2018	14768	KaufmanHall	(78,441)
Bill Pmt -Check	01/18/2018	14769	Mangus Accountancy Group, A.P.C.	(500)
Bill Pmt -Check	01/18/2018	14770	Staples Credit Plan	(1,704)
Bill Pmt -Check	01/18/2018	14771	Xerox Financial Services	(392)
Bill Pmt -Check	01/19/2018	14772	Blackbaud, Inc.	(11,199)
Liability Check	01/22/2018		QuickBooks Payroll Service	(1,232)
Bill Pmt -Check	01/23/2018	14773	Burke Consulting	(2,000)
Bill Pmt -Check	01/23/2018	14774	California CareForce	(5,000)
Bill Pmt -Check	01/23/2018	14775	Cash - Mary Pannoni	(387)

Desert Healthcare District
Check Register
As of February 28, 2018

Type	Date	Num	Name	Amount
Bill Pmt -Check	01/23/2018	14776	Grassroots Junior Tennis Inc.	(5,000)
Bill Pmt -Check	01/23/2018	14777	Pitney Bowes Global Financial Services	(279)
Bill Pmt -Check	01/23/2018	14778	Pitney Bowes Purchase Power	(200)
Bill Pmt -Check	01/23/2018	14779	Principal Life Insurance Co.	(1,007)
Bill Pmt -Check	01/23/2018	14780	Rogers, Carole	(8,357)
Bill Pmt -Check	01/23/2018	14781	Shred-It	(81)
Bill Pmt -Check	01/23/2018	14782	Law Offices of Scott & Jackson	(18,060)
Liability Check	01/25/2018		QuickBooks Payroll Service	(37,131)
Liability Check	01/25/2018		QuickBooks Payroll Service	(1,370)
Check	01/27/2018	Auto Pay	Principal Financial Group-	(686)
Check	01/27/2018	Auto Pay	Principal Financial Group-	(1,061)
General Journal	01/29/2018	07-08	401a payment - 1/26/18 payroll	(2,067)
General Journal	01/29/2018	07-08	457b payment - 1/26/18 payroll	(3,010)
General Journal	01/29/2018	07-08	457b loan payment - 1/26/18 payroll	(446)
Bill Pmt -Check	01/31/2018	14783	Alejandro Espinoza-	(517)
Bill Pmt -Check	01/31/2018	14784	Andrea S. Hayles-	(2)
Bill Pmt -Check	01/31/2018	14785	Angel View Inc.	(32,535)
Bill Pmt -Check	01/31/2018	14786	Boys & Girls Club of Cathedral City	(33,750)
Bill Pmt -Check	01/31/2018	14787	Desert Cancer Foundation	(13,828)
Bill Pmt -Check	01/31/2018	14788	Ernest Enterprises	(587)
Bill Pmt -Check	01/31/2018	14789	Gilda's Club Desert Cities	(63,900)
Bill Pmt -Check	01/31/2018	14790	Image Source	(360)
Bill Pmt -Check	01/31/2018	14791	Moss, Levy & Hartzheim LLP	(4,255)
Bill Pmt -Check	01/31/2018	14792	Ready Refresh	(48)
Bill Pmt -Check	01/31/2018	14793	Safehouse of the Desert	(101,904)
Bill Pmt -Check	01/31/2018	14794	Sodexo	(130)
Bill Pmt -Check	01/31/2018	14795	The LGBT Community Center	(18,000)
Bill Pmt -Check	01/31/2018	14796	Time Warner Cable	(221)
Bill Pmt -Check	01/31/2018	14797	Vanessa Smith-	(252)
Bill Pmt -Check	01/31/2018	14798	Verizon Wireless	(592)
Bill Pmt -Check	01/31/2018	14799	Zendle, Les	(3,012)
Check	01/31/2018		Service Charge	(864)
General Journal	01/31/2018	07-04	January 2018 LTD Payment - Jena Marie Van Earl	(1,234)
General Journal	01/31/2018	07-11	Record Medical Reimb - January 2018	(3,357)
Check	02/05/2018	Auto Pay	Calif. Public Employees'Retirement System	(13,223)
Liability Check	02/08/2018		QuickBooks Payroll Service	(35,209)
Liability Check	02/08/2018		QuickBooks Payroll Service	(1,611)
General Journal	02/12/2018	08-01	401a payment - 2/9/18 payroll	(2,061)
General Journal	02/12/2018	08-01	457b payment - 2/9/18 payroll	(3,005)

Desert Healthcare District
Check Register
As of February 28, 2018

Type	Date	Num	Name	Amount
General Journal	02/12/2018	08-01	457b loan payment - 2/9/18 payroll	(446)
Bill Pmt -Check	02/13/2018	14800	CBRE, Inc.	(37,100)
Bill Pmt -Check	02/13/2018	14801	Hidden Harvest Corporation	(42,750)
Bill Pmt -Check	02/13/2018	14802	Jewish Family Service of the Desert	(58,500)
Bill Pmt -Check	02/13/2018	14803	Mizell Senior Center	(90,068)
Bill Pmt -Check	02/14/2018	14804	Andrea S. Hayles-	(31)
Bill Pmt -Check	02/14/2018	14805	Assistance League of Palm Springs Desert	(5,000)
Bill Pmt -Check	02/14/2018	14806	Burke Consulting	(2,300)
Bill Pmt -Check	02/14/2018	14807	Desert Communities EAC	(40)
Bill Pmt -Check	02/14/2018	14808	First Bankcard (Union Bank)	(1,559)
Bill Pmt -Check	02/14/2018	14809	Frazier Pest Control, Inc.	(30)
Bill Pmt -Check	02/14/2018	14810	Herb K. Schultz-	(150)
Bill Pmt -Check	02/14/2018	14811	Mangus Accountancy Group, A.P.C.	(500)
Bill Pmt -Check	02/14/2018	14812	Palm Springs Alarm	(500)
Bill Pmt -Check	02/14/2018	14813	So.Cal Computer Shop	(742)
Bill Pmt -Check	02/14/2018	14814	Staples Credit Plan	(1,773)
Bill Pmt -Check	02/14/2018	14815	Underground Service Alert of Southern Cal	(12)
Bill Pmt -Check	02/14/2018	14816	UPS	(25)
Bill Pmt -Check	02/14/2018	14817	Xerox Financial Services	(392)
Bill Pmt -Check	02/15/2018	14818	First Bankcard (Union Bank)	(772)
Bill Pmt -Check	02/20/2018	14819	Alejandro Espinoza-	(1,090)
Bill Pmt -Check	02/20/2018	14820	CoPower Employers' Benefits Alliance	(2,555)
Bill Pmt -Check	02/20/2018	14821	KaufmanHall	(79,071)
Bill Pmt -Check	02/20/2018	14822	Zendle, Les	(1,397)
Liability Check	02/22/2018		QuickBooks Payroll Service	(36,474)
Liability Check	02/22/2018		QuickBooks Payroll Service	(1,322)
General Journal	02/26/2018	08-04	401a payment - 2/23/18 payroll	(2,081)
General Journal	02/26/2018	08-04	457b payment - 2/23/18 payroll	(3,020)
General Journal	02/26/2018	08-04	457b loan payment - 2/23/18 payroll	(446)
Bill Pmt -Check	02/27/2018	14823	Alejandro Espinoza-	(162)
Bill Pmt -Check	02/27/2018	14824	Law Offices of Scott & Jackson	(18,380)
Bill Pmt -Check	02/27/2018	14825	Lisa Houston-	(767)
Bill Pmt -Check	02/27/2018	14826	Vanessa Smith-	(281)
Check	02/28/2018		Service Charge	(1,125)
General Journal	02/28/2018	08-02	February 2018 LTD Payment - Jena Marie Van Earl	(1,234)
General Journal	02/28/2018	08-09	Record Medical Reimb - February 2018	(142)
TOTAL				(967,684)

Desert Healthcare District
Details for credit card Expenditures
Credit card purchases - December 2017 - Paid January 2018

Number of credit cards held by District personnel -2
Credit Card Limit - $5,000
Credit Card Holders:
Herb Schultz - Chief Executive Officer
Chris Christensen - Chief Financial Officer
Routine types of charges:
Office Supplies, Dues for membership, Computer Supplies, Meals, Travel including airlines and Hotels, Catering, Supplies for BOD meetings, CEO Discretionary for small grant & gift items

Year	Statement Month Charged	Statement Total Charges		Expense Type	Amount	Purpose	Description	Participants
		$ 2,560.10						
Chris' Statement:								
2017	December	$ 2,092.82		District				
				6360	$ 3.39	Conference call expense		
				6360	$ 21.94	Conference call expense		
				6360	$ 43.30	Conference call expense		
				6360	$ 35.48	Conference call expense		
				6360	$ 16.34	Conference call expense		
				6360	$ 46.68	Conference call expense		
				6352	$ 49.54	CEO/CFO/etc. lunch meeting		
				6352	$ 89.40	Flowers - BOD		
				6352	$ 1,400.00	Staff gifts		
				6360	$ 201.17	2017 W-2		
				6360	$ 185.58	2018 HR materials		
					$ 2,092.82			
Herb's Statement:								
2017	December	$ 467.28		District				
				5230	$ 50.54	CEO/BOD meeting		
				5230	$ 50.95	CEO/BOD lunch meeting		
				6352	$ 35.69	CEO lunch meeting		
				6352	$ 23.57	CEO lunch meeting		
				6352	$ 45.57	CEO lunch meeting		
				6352	$ 28.47	CEO lunch meeting		
				6352	$ 232.49	Staff holiday lunch		
					$ 467.28			

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Desert Healthcare District
Details for credit card Expenditures
Credit card purchases - January 2018 - Paid February 2018

Number of credit cards held by District personnel -2
Credit Card Limit - $5,000
Credit Card Holders:
Herb Schultz - Chief Executive Officer
Chris Christensen - Chief Financial Officer
Routine types of charges:
Office Supplies, Dues for membership, Computer Supplies, Meals, Travel including airlines and Hotels, Catering, Supplies for BOD meetings, CEO Discretionary for small grant & gift items

Year	Statement: Month Charged	Statement: Total Charges	Expense Type	Amount	Purpose	Description	Participants
		$ 2,331.46					
Chris' Statement:							
2018	January	$ 1,559.48	District				
			6360	$ 13.54	Conference call expense		
			6360	$ 61.62	Conference call expense		
			6360	$ 10.86	Conference call expense		
			6360	$ 8.06	Conference call expense		
			6360	$ 33.34	Conference call expense		
			6360	$ 3.11	Conference call expense		
			6361	$ 14.46	Conference call expense		
			6362	$ 27.61	Conference call expense		
			6363	$ 29.64	Conference call expense		
			6352	$ 60.51	CEO/CFO/COO lunch meeting		
			6352	$ 59.32	CEO/CFO/COO lunch meeting		
			5230	$ 133.03	BOD meeting snacks		
			6360	$ 40.22	2017 W-2 DHCD		
			5160	$ 600.00	ACHD - Registration COO (Special District Leadership Academy)		
			6351	$ 279.00	ACHD - flight COO (Leadership Academy)		
			5160	$ 150.00	ACHD - Registration COO (Leadership Academy)		
			6130	$ 35.16	1 and 1 cvHIP Domain		
				$ 1,559.48			
Herb's Statement:							
2018	January	$ 771.98	District				
			6352	$ 37.29	CEO/Comms Dir		
			6351	$ 7.39	Personal Lyft - CEO to reimburse		
			6352	$ 40.45	CEO/COO		
			5230	$ 40.02	CEO/BOD		
			6352	$ 15.50	CEO lunch meeting		
			6351	$ 257.97	ACHD flight		
			5160	$ 150.00	ACHD registration - CEO		
			5160	$ 150.00	ACHD registration - BOD		
			6352	$ 73.36	CEO lunch meeting		
				$ 771.98			

Las Palmas Medical Plaza
Check Register
As of February 28, 2018

Type	Date	Num	Name	Amount
1000 · CHECKING CASH ACCOUNTS				
1046 · Las Palmas Medical Plaza				
Bill Pmt -Check	01/08/2018	9775	Desert Water Agency	-$484
Bill Pmt -Check	01/08/2018	9776	Imperial Security	-$1,566
Bill Pmt -Check	01/08/2018	9777	INPRO-EMS Construction	-$10,117
Bill Pmt -Check	01/08/2018	9778	Palm Springs Disposal Services Inc	-$2,123
Bill Pmt -Check	01/18/2018	9779	Frazier Pest Control, Inc.	-$180
Bill Pmt -Check	01/18/2018	9780	Frontier Communications	-$211
Bill Pmt -Check	01/18/2018	9781	Imperial Security	-$3,079
Bill Pmt -Check	01/18/2018	9782	Pink, Inc.	-$1,321
Bill Pmt -Check	01/18/2018	9783	Southern California Edison	-$790
Bill Pmt -Check	01/18/2018	9784	Stericycle, Inc.	-$1,357
Bill Pmt -Check	01/23/2018	9785	Locks Around The Clock	-$280
Bill Pmt -Check	01/23/2018	9786	So.Cal Computer Shop	-$540
Bill Pmt -Check	01/31/2018	9787	Desert Water Agency	-$453
Bill Pmt -Check	01/31/2018	9788	INPRO-EMS Construction	-$10,117
Check	01/31/2018		Service Charge	-$572
Bill Pmt -Check	02/14/2018	9789	Frontier Communications	-$211
Bill Pmt -Check	02/14/2018	9790	Imperial Security	-$2,933
Bill Pmt -Check	02/14/2018	9791	Palm Springs Disposal Services Inc	-$2,123
Bill Pmt -Check	02/14/2018	9792	Southern California Edison	-$870
Bill Pmt -Check	02/20/2018	9793	Frazier Pest Control, Inc.	-$180
Bill Pmt -Check	02/27/2018	9794	Imperial Security	-$4,399
Bill Pmt -Check	02/27/2018	9795	Palmtree Clinical Research, Inc.	-$60,000
Bill Pmt -Check	02/27/2018	9796	Pink, Inc.	-$1,250
Check	02/28/2018		Service Charge	-$768
TOTAL				**-$105,924**

DESERT HEALTHCARE DISTRICT

Doing Healthy Deeds

MEMORANDUM

DATE: March 13, 2018

TO: F&A Committee

RE: Retirement Protection Plan (RPP)

Current number of participants in Plan:

Active – still employed by hospital	132
Vested – no longer employed by hospital	62
Former employees receiving annuity	13
Total	**207**

The outstanding liability for the RPP is approximately **$4.8M** (Actives - $3.5M and Vested - $1.3M). Per the June 30, 2017 Actuarial Valuation, the RPP has an Unfunded Pension Liability of approximately **$2.9M**. A monthly accrual of $20K is being recorded each month as an estimate for FY2018.

The payouts, excluding monthly annuity payments, made from the Plan for the Eight (8) months ended February 28, 2017 totaled **$252K.** Monthly annuity payments (13 participants) total **$1.8K** per month.

DESERT HEALTHCARE DISTRICT
OUTSTANDING GRANTS AND GRANT PAYMENT SCHEDULE
As of 02/28/18
TWELVE MONTHS ENDED JUNE 30, 2018

Grant ID Nos.	Name	Approved Grants - Prior Yrs	Current Yr 2017-2018	6/30/2018 Bal Fwd/New	Total Paid July-June	Open BALANCE
2013-759-BOD 02/26/13	Desert Hot Springs Wellness FDN - Oversampling - HARC -3yr	$ 30,000		$ 15,000	$ -	$ 15,000
2013-782-BOD 6/25/13	CVEP - CV/iHub Accelerator Campus 3 years	$ 500,000		$ 25,000	$ 25,000	$ -
2014-MOU-BOD-11/21/13	Memo of Understanding CVAG CV Link Support	**$ 10,000,000**		$ 10,000,000	$ -	$ 10,000,000
2014-852-BOD-11-19-14	Desert AIDS Project - Get Tested Coachella Valley - 3 yr	$ 498,625		$ 124,656	$ 74,794	$ 49,863
2015-866-BOD-4-28-15	The LGBT Center of PS - Desert Low-Cost Counseling Clinic - 3 yr	$ 140,000		$ 68,000	$ 36,000	$ 32,000
2015-870-BOD-5-26-15	Mizell Senior Center - CV Senior Fall Prevention Program - 2 Yr	$ 403,300		$ 40,330	$ 40,330	$ -
2015-874-BOD-6-23-15	United Cerebral Palsy - Skill-builders Community Integration - 2 Yr	$ 178,894		$ 17,889	$ 17,889	$ -
2015-875-BOD-6-23-15	Desert AIDS Project - Sexually Transmitted Infection Clinic - 3 Yr	$ 800,000		$ 175,000	$ 78,750	$ 96,250
2015-876-BOD-6-23-15	Arrowhead Neuroscience Fndtn-NeuroInterventional & NeuroCritical Care Fellowship 2 Yr	$ 373,540		$ 289,494	$ 84,047	$ 205,447
2016-886-BOD-9-22-15	B&G Club of Cathedral City - Main Club House Capital Improvements - 1 Yr	$ 150,000		$ 48,750	$ 33,750	$ 15,000
2016-887-BOD-9-22-15	CVEP - Mental Health College & Career Pathways Development Initiative - 2 Yr-ext 9/18	$ 737,900		$ 239,818	$ 166,028	$ 73,790
2016-889-BOD-10-27-15	HARC - 2016 Community Health Monitor - 3 Yr	$ 499,955		$ 199,982	$ 74,993	$ 124,989
2016-891-BOD-11-17-15	Jewish Family Services of the Desert - Mental Health Outpatient Treatment - 3 Yr	$ 570,000		$ 297,691	$ 166,602	$ 131,089
	Unexpended funds from Year 1 of Grant #891			$ (75,792)		$ (75,792)
2016-894-BOD-12-15-15	Act for MS - Enhanced health Training, Flexibility and Circulation Therapy - 2 Yr	$ 368,228		$ 119,674	$ 82,851	$ 36,823
2016-907-BOD-05-24-16	CV Volunteers in Medicine - Access to Healthcare Post Implementation of the ACA 1 Yr	$ 120,798		$ 12,080	$ 12,080	$ -
2016-908-BOD-06-28-16	Angel View Support for the Outreach Stabilization Program - 2 Yr	$ 144,600		$ 79,530	$ 65,070	$ 14,460
2016-909-BOD-06-28-16	Desert Cancer Foundation Support for the Patient Assistance Care - 1 Yr	$ 187,000		$ 18,700	$ 16,700	$ 2,000
	Unexpended funds from Grant #909 - October 2017					$ (15,828)
	Reverse unexpended funds Grant #909 - January 2018					$ 15,828
	Revised unexpended funds Grant #909 - January 2018					$ (2,000)
2016-910-BOD-06-28-16	FIND Food Bank Support for the Hunger to Health Program - 1 Yr	$ 390,151		$ 39,015	$ 39,015	$ -
2016-911-BOD-07-26-16	Well in the Desert - Support Assistance With Projects and Saving Lives - 1 Yr	$ 44,800		$ 4,480	$ 2,067	$ 2,413
	Unexpended funds from Grant #911					$ (2,413)
2016-913-BOD-07-26-16	Neuro-Vitality Center - Core Program Operations - 1 Yr	$ 261,340		$ 26,134	$ 26,134	$ -
2016-916-BOD-09-27-16	UCRSOM - Street Medicine Clinic - 1 Yr	$ 70,899		$ 7,090	$ (63,809)	$ 70,899
	Unexpended funds from Grant #916					$ (63,809)
2016-920-BOD-10-25-16	LifeStream Blood Bank - Support Protate Cancer Treatment Program	$ 60,000		$ 6,000	$ -	$ 6,000
2016-926-BOD-12-20-16	Ranch Recovery Center - Purchase and Installation of Emergency Generator	$ 27,969		$ 2,797	$ -	$ 2,797
2016-927-BOD-12-20-16	SafeHouse of the Desert - "What's Up" Crisis Texting Application - 3 Yr	$ 679,357		$ 577,453	$ 203,807	$ 373,646
2017-929-BOD-05-23-17	Gilda's Club Desert Cities: HeLP - Healthy Living Program - 1 Yr	$ 142,000		$ 78,100	$ 63,900	$ 14,200
2017-934-BOD-07-25-17	Well in the Desert - New Vans for Client Pickup & Deliveries		$ 84,798	$ 84,798	$ 76,318	$ 8,480
2017-936-BOD-07-25-17	Hidden Harvest - Senior Markets & Healthy Fairs		$ 95,000	$ 95,000	$ 85,500	$ 9,500
2017-938-BOD-07-25-17	Mizell Senior Center - A Matter of Balance Phase 2 - 2 Yr		$ 400,300	$ 400,300	$ 180,135	$ 220,165
2017-939-BOD-07-25-17	Loma Linda University - Dream Homes Initiative - 16 months		$ 178,016	$ 178,016	$ 40,054	$ 137,962
2017-947-BOD-09-26-17	Coachella Valley Volunteers in Medicine - Primary Healhcare & Support Services - 1 Yr		$ 121,500	$ 121,500	$ 54,675	$ 66,825
2017-948-BOD-09-26-17	Pegasus Hippo Therapy - Equine Therapy for District Residents - 1 Yr		$ 93,829	$ 93,829	$ 42,223	$ 51,606
2017-953-BOD-11-28-17	FIND Food Bank - Project Produce - 1 Yr		$ 387,068	$ 387,068	$ 87,090	$ 299,978
2017-954-BOD-11-28-17	CVRM - Emergency Food, Shelter with Wrap Around Services for West CV Homeless 1Yr		$ 100,000	$ 100,000	$ 45,000	$ 55,000
2017-955-BOD-11-28-17	Martha's Village & Kitchen - Heatlh in Housing: Emergency Housing With Wrap Around 1Yr		$ 186,150	$ 186,150	$ 83,768	$ 102,383
2018-960-BOD-02-27-18	Desert Cancer Foundation - Patient Assistance and Suzanne Jackson Breast Cancer		$ 200,000	$ 200,000	$ -	$ 200,000
TOTAL GRANTS		**$ 17,379,356**	**$ 1,846,661**	**$ 14,283,531**	**$ 1,940,760**	**$ 12,274,549**
Amts available/remaining for Grant/Programs - FY 2017-18:						
Amount budgeted 2017-2018			$ 4,700,000		G/L Balance:	**2/28/2018**
Amount granted through February 28, 2018:			$ (1,846,661)		2131	$ 1,818,909
Mini Grants: 932,940,942,943,944,946,952,956,958,959			$ (53,000)		2281	$ 10,455,641
Net adj - Grants not used:	916, 909, 911		$ 68,222		**Total**	**$ 12,274,550**
Balance available for Grants/Programs INCLDG $1,000,000 for pulmonary.			**$ 2,868,561**		**Difference - Rdg**	**$ (0)**

Date: March 27, 2018

TO: BOARD OF DIRECTORS

Subject: **RESOURCES AND PHILANTHROPY PROGRAM**

Strategic Plan Priority Area #3: Community Health and Wellness

Community Health Focus Area: Quality, Safety, Accountability & Transparency: ***Program, services and facility investments include standards and expectations related to quality, safety and accountability***

GRANT REQUEST: Grant #962: Eisenhower Health (aka Eisenhower Medical Center): Project Title: *Coachella Valley Antibiotic Resistance Prevention Collaborative* – $55,805

REQUESTED USE OF DISTRICT FUNDS: This is a new collaborative partnership between Eisenhower Health, Desert Regional Medical Center, JFK Hospital, along with support from the California Department of Public Health and Riverside County Public Health. The grant funds will be used by Eisenhower Health to hire one staff person, a **Community Engagement Specialist (CES)** to engage community partners (skilled nursing facilities, long-term care, & other health facilities) and to implement proposed strategies that will benefit all three hospitals.

STAFF Recommendation: that an award of $55,805 be approved to Eisenhower Health to support the employment of a Community Engagement Specialist of the Coachella Valley Antibiotic Resistance Prevention Collaborative.

Community Impact: ***This is a new collaborative effort of the three hospitals for the Coachella Valley community***. It relies on existing program strategies and tools implemented in other counties throughout California by the California Department of Public Health. The primary aim of forming this Coachella Valley Area Collaborative is that it will strengthen healthcare-associated infections prevention strategies and enhance interfacility communication across the continuum of care by adopting and implementing a "coordinated approach" by using CDPH antimicrobial resistance collaborative model.

The Coachella Valley Antimicrobial Resistance Prevention (CVARP) Collaborative will unite Eisenhower Health, Desert Regional Medical Center (DRMC), and JFK Hospital, with skilled nursing facilities, long-term care facilities, and other clinically-focused partners to strengthen community antimicrobial resistance (AR) prevention strategies and improve overall health in the Coachella Valley. The CVARP collaborative will implement the California Department of Public Health's (CDPH) Healthcare-Associated Infections Program (HAI) comprehensive model for regional AR prevention collaboratives to concurrently and synergistically reduce the burden of antimicrobial resistance, specifically targeting Clostridium difficile – an urgent public health threat, as defined by the Centers for Disease Control and Prevention (CDC). Involvement of acute care facilities with skilled nursing facilities for implementation of a coordinated community approach is essential.

Grant Request Summary

Eisenhower Medical Center, Grant #962

Tel: (760) 340-3911
39000 Bob Hope Drive
Rancho Mirage, CA 92270
www.emc.org

Contact:
Dr. Patricia Cummings
Tel: (760) 340-3911 x6229
pcummings@eisenhowerhealth.org

Historical (approved Requests)

Grant Year	Project Title	Grant Amount	Type	Disposition Date	Fund
2002	grant 2003-134	$37,200	Grant	6/30/2003	
2003	Pre-Diabetic Screening	$725,000	Grant	6/22/2004	
2004	Diabetes Education Scholarships	$10,000	Grant	1/25/2005	
2010		$6,000	Foundation	12/7/2010	Other
2010		$6,000	Foundation	4/11/2011	Grant budget
2010	Excercise for Cancer Patient's	$15,347	Achievement Building	6/28/2011	Grant budget
2011		$6,000	Foundation	8/11/2011	Grant budget
2011		$6,000	Foundation	1/25/2012	Grant budget
2011		$6,000	Foundation	5/1/2012	Grant budget
2012		$6,000	Foundation	8/16/2012	Grant budget
2012		$6,000	Foundation	1/15/2013	Grant budget
2012		$6,000	Foundation	5/3/2013	Grant budget
2013		$6,000	Foundation	8/27/2013	Grant budget
2013		$6,000	Foundation	1/23/2014	Grant budget
2013		$6,000	Foundation	6/24/2014	Grant budget
2014		$6,000	Foundation	3/20/2015	Grant budget

About the Organization
Organization Type: Direct Service Provider\Medical

Background:
Eisenhower Health, a not-for-profit organization, exists to serve the changing healthcare needs of our region by providing excellence in patient care with supportive education and research.

Proposal

Type of Request: Capacity building

Strategic Plan Link: GOAL#2: Facilitate access to and availability of health and wellness services for District Residents\2.4 Collaborate with Desert Regional Medical Center and other healthcare providers to advance quality health care

Project Title: **Coachella Valley Antibiotic Resistance Prevention Collaborative**

Total Project Cost: $130,255
Requested from DHCD: $55,805
Length of Project: 12 months
Start Date: 4/2/2018
End Date: 4/1/2019

Project Description:

1. Summary: The Coachella Valley Antimicrobial Resistance Prevention (CVARP) Collaborative will unite Eisenhower Health, Desert Regional Medical Center (DRMC), and JFK Hospital, with skilled nursing facilities, long-term care facilities, and other clinically-focused partners to strengthen community antibiotic resistance (AR) prevention strategies and improve overall health in the Coachella Valley. Eisenhower Health, in partnership with DRMC, JFK, California Department of Public Health, and Riverside County Public Health, are requesting funds to hire a Community Engagement Specialist (see #2 below) to support the collaborative launch, and adoption and implementation of the strategies outlined in this project plan. This is a new program for the Coachella Valley community; however, it relies on existing program strategies and tools implemented in other counties throughout California by CDPH.

1a. CHALLENGE: Healthcare-associated infections (HAI) have increased at a staggering rate in recent years, most notably Clostridium difficile infection (CDI) (Sreeamoju et al., 2010). Clostridium difficile is the most frequently reported healthcare-associated pathogen in U.S. hospitals, costing $4.8 billion in excess costs for acute care facilities, and is the top urgent antibiotic resistant threat (CDC, 2013; Dubberke and Olsen, 2012). The CDC estimates about 250,000 people annually require hospital care for CDI, resulting in at least 14,000 deaths (CDC, 2013). This contributes to the approximately two million people who acquire serious, resistant infections each year in the U.S. (CDC, 2013).

CDI is associated with increased length of hospital stay (by 2.8 to 5.5 days); costs ($3,006-$15,397 per episode); morbidity (2x as likely to be discharged to a long-term care facility); and mortality (5-10% attributable mortality) (Dubberke and Olsen, 2012; Dubberke et al., 2008; Walker et al., 2013). The proportion of discharged patients diagnosed with CDI more than doubled in less than nine years between 2000 and 2009 (Dubberke et al., 2014). These increases have been seen among both pediatric and adult populations, with older adults being more disproportionately affected (Lucado et al., 2009). This is of particular importance given the Coachella Valley?s predominately aging population, especially for those living with multiple chronic conditions.

State and Local Data: In California, there has been a 9% increase (since 2011) in healthcare facility onset-CDI cases reported. In a multicenter study, the majority of community-onset CDI cases diagnosed in hospitals were associated with a previous healthcare facility exposure (51% associated with a different healthcare facility; and 34% associated with the same hospital) (Dubberke et al., 2010). Additional data show a significant number of nursing-home onset CDI in the U.S. (n=112,800), with more than 14,000 CDIs in California nursing home residents alone. Limited progress has been made to-date in reducing the number of CDI in California, making it the highest healthcare-associated infection prevention priority for the state (Please see Letters of Support from CDPH and Riverside County Public Health).

Community-Onset CDI Prevalence: Riverside County and the Coachella Valley
The prevalence of community-onset CDI in Riverside County has increased for three years in a row from 2013-2015, during the surveillance period 2011-2015. The aggregate CDI Standardized Infection Ratio (SIR) for Riverside County in 2015 was 1.27 (95% Confidence Interval: 1.18, 1.38). This is the second highest county-wide CDI SIR in the Southern California region, after San Diego (i.e., among Los Angeles, Orange, San Bernardino, Riverside, San Diego, and Imperial Counties). Imperial County, which neighbors the Coachella Valley, has also seen a large increase in CDI prevalence since 2013. In 2015, Imperial County had the highest community-onset CDI prevalence out of all the southern California regions. This is important given many Imperial County residents utilize health services in the Coachella Valley since Imperial County has a shortage of medical care providers, particularly for primary care and mental health (Imperial County, 2012-13). From 2011 to 2015, the Coachella Valley had an overall increase in community-onset CDI prevalence from 2.85 per 1000 hospital admissions to 3.38 per 1000 hospital admissions.

Healthcare Facility-Onset CDI Prevalence: Riverside County and the Coachella Valley
Among hospitals in the Coachella Valley (n=3), the aggregate CDI SIR was 1.02 (95% CI: 0.85, 1.22). In other words, hospitals in the Coachella Valley observed slightly more CDI cases than predicted given the standard population (i.e., National Healthcare Safety Network baseline). However, given the small sample size (three hospitals) the estimate could be improved by including more facilities. Determining the healthcare facility-onset CDI prevalence among other facilities in the Coachella Valley, such as skilled nursing facilities, is a targeted outcome of The Antibiotic Resistance Prevention Strategy in the Coachella Valley. The addition of facilities into the National Healthcare Safety Network (NHSN) tracking system will stabilize estimates by increasing the sample size and providing greater accuracy of the true burden CDI places on the Coachella Valley's health system.

The CVARP collaborative is guided by the U.S. Department of Health and Human Services (HHS) goal of reducing the national rate of HAIs by demonstrating significant, quantitative, and measurable reductions in:

- Catheter-associated urinary tract infections (CAUTI)
- Central-line associated bloodstream infections (CLABSI)
- Clostridium difficile infections (CDI)*
- Methicillin-resistant Staphylococcus aureus (MRSA) infections
- Surgical site infections (SSI)

1a. OPPORTUNITY: The collaborative will focus on CDI* during Year 1, yet infection prevention and control strategies will also help reduce other healthcare-associated infections, such as MRSA. With the first focus area being CDI, the target number of CDI that need to be prevented in Riverside County hospitals to achieve the U.S. HHS CDI reduction goal, is 277 infections, with Coachella Valley hospitals contributing at least 40 infections annually, towards the prevention goal (based on 2015 data). Divided among the three Coachella Valley hospitals, this would be about 13 prevented CDI infections per hospital per year, which appears minimal. However, this would result in about $39,078 to $200,161 saved per hospital annually and does not account for the prevention of other healthcare-associated infections as a secondary outcome of the implemented infection prevention strategies. To achieve this goal, involvement of acute care facilities with skilled nursing facilities for implementation of a coordinated community approach is essential.

Approach: A major risk factor for transmission of multi-drug resistant organisms is healthcare facilities that share patients. According to the CDC, a coordinated approach to HAI prevention can have a greater impact in reducing the dissemination of multi-drug resistant organisms, including CDI, than independently-led healthcare facility efforts alone. The purpose of implementing a regional approach is to provide a forum for healthcare facilities to work together to enhance and coordinate AR prevention efforts, including antibiotic stewardship. The latter is important given the fact that in a majority of CDI, the use of antibiotics was a major contributing risk factor for subsequent infection, many of which may have been prevented with appropriate antibiotic prescribing. In our current system, or the common approach, patients are transferred between facilities for treatment with little to no communication about patient characteristics, infection history, or AR status. The primary aim of this grant is to form a Coachella Valley Area Collaborative that will strengthen CDI prevention strategies and enhance interfacility communication across the continuum of care by adopting and implementing a coordinated approach by using the CDPH AR Prevention Collaborative model.

1b. NEW SERVICE OR PROGRAM: The Coachella Valley area collaborative will consist of the three main acute care facilities, skilled nursing facilities, long-term care facilities, and other clinically-focused partners. The collaborative partners will be engaged to take on leadership roles within the initiative in partnership with CDPH and Riverside County Public Health. Technical assistance will be provided by CDPH's HAI Program, which will:

- Conduct a network analysis to identify acute care facilities and skilled nursing facilities who share patients with the three Coachella Valley hospitals, and with surrounding counties if applicable
- Assist and support healthcare facilities in the collaborative with conducting CDI surveillance (e.g., via National Healthcare Safety Network)
- Provide training and initial support to the collaborative to conduct CDI prevention assessments and facilitate development of processes for infection prevention and control improvement
- Support antibiotic stewardship implementation through linkages to resources, tools, and other resources or organizations that provide support (e.g., Healthcare Services Advisory Group ? HSAG)
- Facilitate identification and implementation of strategies to optimize interfacility communication

The collaborative partners will work with CDPH on the above activities, and Eisenhower Health will provide meeting space and staff time and resources to launch and sustain the collaborative with potential grant funding support.

Goals and Strategic Aims: The CVARP collaborative has three main goals, with corresponding strategic aims:

Goal 1. Improve implementation of CDI prevention strategies within healthcare facilities in the Coachella Valley area

- Strategic Aim 1.1: Adopt and implement CDPH's Antibiotic Resistance Prevention Collaborative model, including strategies outlined in the Antibiotic Resistance Prevention Collaborative Toolkit (embargoed; rev. July 31, 2017) and the Centers for Disease Control and Prevention's coordinated approach (CDC Vital Signs, August 2015)
- Strategic Aim 1.2: Assess baseline CDI prevention strategies currently being implemented in healthcare facilities who sign-on to the collaborative through an onsite prevention assessment
- Strategic Aim 1.3: Identify opportunities to improve adoption and implementation of evidence-based CDI prevention strategies, including antibiotic stewardship and environmental cleaning and disinfection, via facility tailored CDI processes for improvement, and sharing best practices with other participating healthcare facilities

Goal 2. Improve coordination of care to maintain appropriate infection control precautions when CDI patients/residents transfer between facilities.

- Strategic Aim 2.1: Enhance communication about CDI events between transferring and receiving healthcare facilities by identifying key staff to be responsible for interfacility communication
- Strategic Aim 2.2: Work within the area networks to develop an interfacility communication protocol and tool

Goal 3. Improving CDI surveillance by enhancing the capability to track and analyze CDI data to target prevention efforts and monitor prevention progress

- Strategic Aim 3.1: Implement CDI tracking in the National Healthcare Safety Network (NHSN) CDI module for skilled nursing facilities

By achieving these goals and strategic aims, the CVARP collaborative aims to reduce overall rates of CDI in the Coachella Valley, particularly rates of healthcare facility-onset CDI, resulting in a potential <u>reduction of 30-day readmission rates.</u>

2. Since this is a new program, the grant funds will be used to hire one staff (i.e, **the Community Engagement Specialist**) to support the collaborative launch, project development, implementation of the proposed strategies, and evaluation of the collaborative.

Number of District individuals with this issue:
3,400

Core know-how as it pertains to this request:
Eisenhower Health has a number of supporting initiatives and staff in place to support the objectives of this project proposal. Specifically, Dr. Patricia Cummings (Clinical Epidemiologist), Project Director of the grant proposal, has over 10 years of Public Health experience working in government and coordinating public and private partnerships, including collaborative work. She has extensive knowledge of epidemiologic principles, including infection prevention and control strategies at the population/community level. Please see Curriculum Vitae / Biosketch for a full list of qualifications, including prior grant funding support. She will leverage existing resources from California Department of Public Health (for technical guidance), Riverside County Public Health, and engage local partners to assist in meeting the goals of the collaborative, including sustaining the collaborative after the grant funding ends.

Past Achievements as they relate to this request:
As part of the national and global antibiotic resistance (AR) prevention efforts, Eisenhower Health performs programmatic and outcome evaluations as part of their antimicrobial stewardship program, including examining local community data. One of their evaluations won an award last year at The Society for Healthcare Epidemiology of America (Cummings et al., 2017). To expand these efforts, a coordinated approach to HAI prevention can have a greater impact in reducing the dissemination of multi-drug resistant organisms, including Clostridium difficile infection (CDI), than independently-led healthcare facility efforts alone. The purpose of implementing a regional approach is to provide a forum for healthcare facilities to work together to enhance and coordinate AR prevention efforts, including antibiotic stewardship. The collaborative hopes to disseminate lessons learned and outcomes achieved during the project period to local and national audiences, as part of this grant funding.

Future Program Sustainability: Participating facilities will be asked to commit a minimum of one-year to the quality improvement and safety process; however, partners will be engaged to sustain the collaborative over time by leveraging existing resources from each facility (e.g., offering meeting space and other resources as needed).

Participants:
(Description of District Residents who will benefit.)

Participant Number (District Residents): 500,000
Area to be served: All District Areas
Participant age group(s): All Ages
Participant community: The collaborative aims to engage Coachella Valley area healthcare facility partners to work together to prevent and reduce healthcare-associated infections (HAIs). The target population includes training and educating nurses, nursing assistants, infection preventionists, quality improvement staff, healthcare leadership, epidemiologists, physicians, pharmacists, laboratory personnel, and other healthcare staff on the most up-to-date evidence-based practices in preventing HAIs, as well as coordinating processes across the healthcare continuum to improve inter-facility communication. This will ultimately result in providing safe, quality healthcare to all patients across the Coachella Valley, both young and older adults, and particularly those at high-risk for HAIs (e.g., those who reside in skilled nursing facilities).

Does this program serve residents outside the District Boundaries? If so, approximately how many and in what Coachella Valley cities?
This program will serve staff from any healthcare facility located in the Coachella Valley area (both within District boundaries and beyond), including Eastern Coachella Valley.

Results:
Specific benefits or tangible effects to be achieved:
The hiring of the **Community Engagement Specialist** (CES) will support the grant activities over the course of the one-year funding period. The CES will work closely with the Project Director, Dr. Patricia Cummings, and our partners (CDPH, RivCOH, DMRC and JFK), to engage community partners, including skilled nursing homes, long-term care, and other healthcare-related partners in the adoption and implementation of the project goals and strategic aims through the development of a community collaborative. The CES will conduct one-on-one interviews, small group meetings, or other methods to facilitate engagement. They will ensure the needs of each facility are met by identifying any potential or realized barriers to participation. The CES will also support overall implementation of collaborative activities, including but not limited to:

- organizing and attending meetings, maintaining ongoing/frequent communications with community stakeholders to achieve community support and engagement in the CVARP collaborative;
- building trust among collaborative partners and fostering close partnerships among all facilities involved;
- fostering an environment where culturally diverse people can work together cooperatively and effectively to meet common goals;
- working with facilities on conducting prevention assessments;
- working with facilities on implementing infection prevention and control protocols/policies;
- creating or adapting existing tools and resources to ensure proper adoption of collaborative initiatives;
- drafting tools/protocols specific to the Coachella Valley collaborative; and
- creating and maintaining community partners? database to facilitate efficient contact and relationship management.

The CES will guide collaborative partners through the tools and resources discussed in the quarterly collaborative meetings, tailoring each of the strategies to the facility, if needed. They will also provide feedback at the collaborative quarterly meetings on facilitators and barriers of implementation and provide report-outs on any lessons learned from the field in operationalizing the infection prevention protocols. The CES will work with Dr. Cummings to develop and conduct surveys and other methods for project evaluation, including analyzing and documenting project progress to meet the outlined goals and aims. The CES will spend approximately half of their time in the community visiting the facilities and helping to guide proper adoption of the collaborative initiatives.

The **Community Engagement Specialist** position responsibilities will support the Coachella Valley Area Collaborative, which will provide participating facilities with:

- A network analysis of patient sharing between facilities in the Coachella Valley and surrounding areas, if applicable
- A prevention assessment to better understand the baseline status of current CDI (and other HAIs) prevention activities and strategies Assistance with development of a facility-tailored infection prevention action plan
- Tools and protocols to enhance interfacility communication; tool and protocol to be developed as part of the collaborative
- Opportunities to discuss and share best practices, and address relevant topic areas (e.g., prevention assessment results and strategies to address challenges, facilitators/barriers to CDI prevention progress, and lessons learned). These discussions will enable facilities to share tools to assess infection control protocols in individual facilities, implementation and evaluation strategies, and ways to collect and use data to focus infection prevention activities. Sharing CDI prevention strategies with others demonstrates that the facility is committed to learning and providing the best quality of care for their patients and community

Project Tracking:

Measurements to be used throughout project:
The Community Engagement Specialist (CES) will meet weekly with the Project Director to ensure they are meeting their essential responsibilities, which include:

- Engaging community partners, such as skilled nursing facilities, long-term care, and other healthcare-related partners in the implementation of the project proposal goals and strategic aims through the development of a community collaborative
    - Tracking documentation (e.g., date of visit, contact person, and meeting purpose)
    - Quarterly report-outs on implementation progress (e.g., facilitators and barriers to implementation) at the collaborative meetings
- Conducting one-on-one interviews, small group meetings, or other methods to facilitate engagement
    - Tracking documentation (e.g., date of visit, contact person, and meeting purpose)
- Ensuring the needs of each facility are met by identifying any potential or realized barriers to participation
  o Tracking documentation (e.g., list or matrix with associated barriers at each facility)
- Organizing and attending meetings, maintaining ongoing/frequent communications with community stakeholders to achieve community support and engagement in the CVARP collaborative
    - Tracking documentation (e.g., scheduling meetings, meeting sign-in sheets, emails)
- Guiding collaborative partners through the tools and resources discussed in the quarterly collaborative meetings, tailoring each of the strategies to the facility, if needed
    - Tracking documentation (e.g., in-person meetings, emails, phone calls)
- Creating and maintaining community partners? database to facilitate efficient contact and relationship management
    - Tracking documentation (e.g., Excel database with contact info, notes, meeting dates)
- Developing and assisting the conduct of surveys and other methods for project evaluation, including analyzing and documenting project progress to meet the outlined goals and aims

    - Tracking documentation (e.g., survey tools, evaluation plan, matrix tracking forms)
- Traveling by vehicle to each of the facilities to ensure program progress and engagement
    - Tracking documentation (e.g., mileage logs)

The CES will also be responsible for tracking and updating program progress for the collaborative through the use of a Gantt chart or Excel timeline tracking matrix.

Collaborative Project Timeline:

- Collaborative planning and scope (Aug-Sep 2017)
- CDPH network analysis (Aug-Sep 2017)
- Outreach and meetings with acute care facilities (Oct-Dec 2017)

- Outreach and recruitment of skilled nursing facilities (Jan-Mar 2018)
- Preparation for kick-off meeting (Feb-Mar 2018)
- ***Recruit and hire the Community Engagement Specialist (Mar-Apr 2018)***

- Collaborative kick-off meeting (Apr 2018)
- Prevention assessments (Apr-May 2018)
- Enrollment of participating facilities into NHSN (Apr-May 2018)
- Draft prevention action plan (May-Jun 2018)
- Q2 collaborative meeting (Jun 2018)

- Develop interfacility communication protocol and tool (Jun-Sep 2018)
- Facilitate adoption and implementation of interfacility communication protocol (Sep-Dec 2018)
- Q3 collaborative meeting (Sep 2018)

- Continue interfacility communication protocol adoption and implementation (Oct-Dec 2018)
- U.S. Antibiotics Awareness Week (Nov 2018); facilitate local communications strategy and events
- Draft monitoring and evaluation plan to present at Q4 meeting (Nov 2018)
- Q4 collaborative meeting (Dec 2018); offer voluntary commitment to continue participation in Year 2

- Begin monitoring implementation of CDI strategies, interfacility communication tool, and conducting evaluation (Jan-Apr 2019)
- Create online toolkit for collaborative resources and education materials facilities (Jan-Apr 2019)
- Draft articles, peer-review manuscripts, and/or presentations on lessons learned (Mar-Apr 2019)

If there are unanticipated costs associated with this service or program, how will they be covered?
The collaborative does not anticipate any additional costs outside the scope of the proposed budget. However, in the unlikely event there are unanticipated costs, the collaborative will seek support from its committed partners to provide support.

Describe any critical changes to the organization, policy or staffing that are required to successfully implement this service or program. Will there be additional staff hired?
Since this is a new program, the grant funds will be used to hire one staff, the Community Engagement Specialist, to support the collaborative launch, project development, implementation of the proposed strategies, and evaluation of the collaborative.

Key partners and their roles:
Since this is a collaborative, our partners' commitment to participating will be essential to the success of the project. The collaborative will consist of hospitals, skilled nursing facilities, long-term care facilities, and other clinically-focused partners in the Coachella Valley area. The collaborative will initially be led by Eisenhower Health and California Department of Public Health's (CDPH) HAI Program, but all partners will be engaged to take on various leadership roles.

Our Public Health partners (CDPH) will provide technical assistance which will:

- Conduct a network analysis to identify acute care facilities and skilled nursing facilities who share patients in the Coachella Valley, and with surrounding counties, if applicable
- Assist and support healthcare facilities in the collaborative with conducting CDI surveillance (e.g., via National Healthcare Safety Network)
- Provide training and initial support to the collaborative to conduct CDI prevention assessments and facilitate development of processes for improvement
- Support antimicrobial stewardship implementation for skilled nursing facilities and long-term care facilities through linkages to resources, tools, and other resources or organizations that provide support (e.g., Healthcare Services Advisory Group HSAG)
- Facilitate identification and implementation of strategies to optimize interfacility communication, especially between acute care and skilled nursing facilities

Eisenhower Health and all partners involved in the collaborative will work with CDPH on the above activities, as well as provide meeting space, staff time and resources to launch and sustain the collaborative.

COACHELLA VALLEY
ANTIMICROBIAL RESISTANCE PREVENTION COLLABORATIVE

Targeting Prevention and Control of Clostridium difficile Infection

PROJECT PLAN
2018-2019

California Department Of PublicHealth

Riverside University HEALTH SYSTEM Public Health

EISENHOWER HEALTH

DESERT REGIONAL MEDICAL CENTER

JFK MEMORIAL HOSPITAL

December 2017
Last updated February 5, 2018

Summary

The Coachella Valley Antimicrobial Resistance Prevention (CVARP) Collaborative will unite Eisenhower Health, Desert Regional Medical Center (DRMC), and JFK Hospital, with skilled nursing facilities, long-term care facilities, and other clinically-focused partners to strengthen community antimicrobial resistance (AR) prevention strategies and improve overall health in the Coachella Valley. The CVARP collaborative will implement the California Department of Public Health's (CDPH) Healthcare-Associated Infections Program (HAI) comprehensive model for regional AR prevention collaboratives to concurrently and synergistically reduce the burden of antimicrobial resistance, specifically targeting *Clostridium difficile* during year one.

Structure

The CVARP collaborative will consist of the three main acute care facilities in the Coachella Valley, skilled nursing facilities, long-term care facilities, and other clinically-focused partners. The collaborative will be led by the acute care facilities. Technical assistance will be provided by CDPH's HAI Program, which will:

- Conduct a network analysis to identify acute care facilities and skilled nursing facilities who share patients in the Coachella Valley, and with surrounding counties, if applicable
- Assist and support healthcare facilities in the collaborative with conducting CDI surveillance (e.g., via National Healthcare Safety Network)
- Provide training and initial support to the collaborative to conduct CDI prevention assessments and facilitate development of processes for improvement
- Support antimicrobial stewardship implementation for skilled nursing facilities and long-term care facilities through linkages to resources, tools, and other resources or organizations that provide support (e.g., Healthcare Services Advisory Group – HSAG)
- Facilitate identification and implementation of strategies to optimize interfacility communication, especially between acute care and skilled nursing facilities

The hospitals will work with CDPH on the above activities, as well as provide meeting space, staff time and resources to launch and sustain the collaborative.

Focus Areas

The CVARP collaborative will focus on reducing overall rates of CDI in the Coachella Valley. Pending engagement of facilities, subsequent focus areas for the collaborative will be determined based on interest and resources.

CDPH will train selected CVARP collaborative staff to conduct prevention assessments at each participating facility and will direct webinar/in-person meeting topics, as needed and available. A few examples include, but are not limited to:

- Surveillance methods and reporting to the CDC's National Healthcare Safety Network (NHSN) (e.g., *Clostridium difficile* laboratory-identified (LabID) events)
- Evidence-based CDI prevention strategies, such as:
  - Antimicrobial stewardship
  - Environmental cleaning and disinfection
  - Early and reliable detection of CDI (lab testing and diagnosis)
  - Early and appropriate containment of CDI (contact precautions)
- Communication strategies for transfers within (internal) and between (external) facilities
- Patient/visitor education materials and resources
- Sustainability strategies to maintain improvements and interventions

Benefits

The CVARP collaborative will provide participating facilities with:

- A **network analysis** of patient sharing between facilities in the Coachella Valley and surrounding areas, if applicable
- A **prevention assessment** to better understand the baseline status of current CDI prevention activities and strategies
- Assistance with development of a **facility-tailored infection prevention action plan**
- Tools and protocols to **enhance interfacility communication**
- **Opportunities to discuss and share best practices,** and address relevant topic areas (e.g., prevention assessment results and strategies to address challenges, facilitators/barriers to CDI prevention progress, and lessons learned). These discussions will enable facilities to share tools to assess infection control protocols in individual facilities, implementation and evaluation strategies, and ways to collect and use data to focus infection prevention activities. Sharing CDI prevention strategies with others demonstrates that the facility is committed to learning and providing the best quality of care for their patients and community

Expectations

Participating facilities will be asked to commit a minimum of one-year to the quality improvement and safety process by:

- **Obtaining appropriate leadership approvals** and endorsement to participate in the CVARP collaborative and gather an interdisciplinary CDI team to carry out prevention action plan items
- **Committing to a prevention action plan.** Participate in a one-time onsite prevention assessment. Actively engage all CDI team members in collaborative sessions (e.g., webinars, conference calls, and in-person meetings)
- **Working together in the development of an interfacility transfer protocol** or tool to facilitate communication between healthcare facilities and prevent CDI transmission across the continuum of care
- **Enrolling in NHSN and begin CDI reporting** for skilled nursing facilities. The NHSN CDI module will provide facilities the capability to track and analyze their CDI data and monitor the impact of prevention efforts

Recruitment

- Recruitment packets will be collated in **January 2018** by the acute care facilities and distributed to each skilled nursing facility in **February 2018**. The packets will include the following: (1) introduction letter (addressed to CMO/CNO for hospitals and Administrators for skilled nursing facilities), (2) abridged project plan, and (3) commitment form
- Commitment forms will be solicited for submission from each facility **March 2018**

Kick-Off Meeting

- The kick-off meeting is scheduled for **April 6, 2018** at Eisenhower Medical Center
- The kick-off meeting will unite Coachella Valley healthcare facilities with state and local public health (e.g., CDPH and Riverside County Public Health), and other stakeholders and partners in the area, and will provide an overview of the collaborative, goals, expectations, and involvement activities

Enrollment in the National Healthcare Safety Network (NHSN)

- Skilled nursing facilities (SNF) will be invited to enroll in and report CDI events into NHSN. The NHSN Multi-Drug Resistant Organisms (MDRO)/CDI module will provide facilities the capability to track and analyze their CDI data and monitor their prevention progress. NHSN enrollment should take place before or soon after the CVARP collaborative enrollment
- Phone consultations may be provided to assist SNF with NHSN enrollment. Additionally, HSAG may also offer support for NHSN enrollment and reporting
- Facilities will be required to join the "CDPH LTC/SNF Group" to enable sharing of reported data

Prevention Assessment Visits

- The CVARP collaborative will schedule onsite facility visits to take place after the kick-off meeting. These visits will be ongoing, depending on the number of facilities enrolled. Facility visits will be performed **April-May 2018**
- During these onsite visits the CVARP collaborative staff, alongside CDPH HAI Program infection preventionists, will conduct observational assessments and interview key personnel at each facility to understand the status of the facility's current prevention plan
- Prevention assessments will focus on characteristics of infection prevention and control practices, safety culture, adherence to core CDI prevention strategies, effectiveness of environmental cleaning, antimicrobial stewardship, and will help identify facility strengths and areas where improvement is most needed
- Upon completion of the prevention assessment, a feedback report will be given to the key personnel at the end of the day

Prevention Action Plan

- The CVARP collaborative staff, in consultation with the CDPH HAI Program, will aid each facility in drafting a CDI prevention action plan based on results from the prevention assessment site-visits

Interfacility Communication

- Develop an interfacility transfer protocol and/or tool with collaborative members
- Facilitate adoption and implementation of transfer protocol and/or tool with collaborative members at their respective facilities
- Evaluate the implementation of the transfer protocol and/or tool to determine if any modifications or changes are needed

Collaborative Meetings

- The CVARP collaborative will meet on a quarterly basis via in-person; conference space will be provided by Eisenhower Health, as needed and available
- **Starting in 2018**, the collaborative meetings for year one will be scheduled each quarter (tentative dates will be scheduled for Q1: **April**, Q2: **June**, Q3: **September**, Q4: **December**)
- The collaborative meetings will address targeted topics from the prevention assessment results, and will provide collaborative members with the opportunity to:
    - Discuss and share best practices, facilitators/ barriers of strategy implementation, and lessons learned
    - Share tools and other infection prevention and control resources
    - Learn and discuss surveillance methods, including data collection and analysis in NHSN, and how to tailor and focus infection prevention strategies based on analysis results

Acknowledgements
We would like to thank our Coachella Valley community partners for their commitment to reducing antimicrobial resistance and improving patient safety.

Authors

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California Department of Public Health

Grant #962 Eisenhower Health

EXHIBIT B

PAYMENT SCHEDULE, REQUIREMENTS & DELIVERABLES

Project Title	*Start/End*
Coachella Valley Antibiotic Resistance Prevention Collaborative	4/2/2018 4/1/2019

PAYMENTS:

(2) Payments: $25,112.25
10% Retention: $5,580.50

Total request amount: $55,805.00

PAYMENT SCHEDULE REQUIREMENTS:

Scheduled Date	Grant Requirements for Payment	Payment
4/01/2018	Signed Agreement submitted & accepted	Advance of $25,112.25 for time period 04/01/2018 – 9/30/2018
10/01/2018	1st six-month (4/01/2018 – 9/30/2018) progress and budget reports submitted & accepted	Advance of $25,112.25 for time period 10/01/2018– 3/31/2019
4/01/2019	2nd six-month (10/01/2018 – 3/31/2019) progress and budget reports submitted and accepted	$0
4/30/2019	Final report (4/01/2018– 3/31/2019) submitted & accepted	$5,580.50 (10 % retention)

TOTAL GRANT AMOUNT: $55,805.00

DELIVERABLES:

The **Community Engagement Specialist** position responsibilities will support the Coachella Valley Area Collaborative, which will provide participating facilities with:

- A network analysis of patient sharing between facilities in the Coachella Valley and surrounding areas, if applicable
- A prevention assessment to better understand the baseline status of current CDI (and other HAIs) prevention activities and strategies
- Assistance with development of a facility-tailored infection prevention action plan
- Tools and protocols to enhance interfacility communication; tool and protocol to be developed as part of the collaborative

- Opportunities to discuss and share best practices, and address relevant topic areas (e.g., prevention assessment results and strategies to address challenges, facilitators/barriers to CDI prevention progress, and lessons learned). These discussions will enable facilities to share tools to assess infection control protocols in individual facilities, implementation and evaluation strategies, and ways to collect and use data to focus infection prevention activities. Sharing CDI prevention strategies with others demonstrates that the facility is committed to learning and providing the best quality of care for their patients and community

Line Item Budget - Sheet 1 Operational Costs

Approved budgets are the basis for reporting all grant expenditures. Line items may not be added or changed without grant amendment. Prior authorization is required for transfering funds (<10%) between existing line items. Describe budget narrative in cell B38. You may insert rows or create additional worksheets if more space is needed to fully describe your budget.

PROGRAM OPERATIONS		Total Program Budget	Funds from Other Sources Detail on sheet 3	Amount Requested from DHCD
Total Labor Costs	**Detail on sheet 2**	124,450	70,450	52,000
Equipment (itemize)				
1	Computer	1,800	0	1,800
2				
3				
4				
Supplies (itemize)				
1	Paper, notebooks, flip-charts, post-its	200		200
2	Pens, markers, printer ink	200		200
3	Coffee for collaborative meetings	150		150
4	Light refreshments for meetings	300		300
Printing/Duplication		200		200
Mailing/Postage/Delivery		0		0
Travel		545		545
Education/Training				
Facilities (Detail)				
Office/Rent/Mortgage				
Meeting Room Rental		2,000	2,000	0
Telephone/Fax/Internet		410		410
Utilities				
Insurance				
Maintenance/Janitorial				
Other Facility costs (itemize)				
1				
2				
3				
4				
Other Program Costs not described above (itemize)				
1				
2				
3				
4				
Total Program Budget		130,255	72,450	55,805

Line Item Budget - Sheet 1 Operational Costs

Budget Narrative	Summary: The Coachella Valley Antibiotic Resistance Prevention Collaborative will gather 4x per year to learn, network, develop, and discuss infection prevention and control strategies to reduce and prevent healthcare-associated infections in the Coachella Valley. Equipment: The Community Engagement Specialist (*See Labor Cost Tab) will require a computer ($1,800) to do the described work in the proposed project plan. Supplies: To support the quarterly collaborative meetings, office supplies will be needed: pens, paper, notebooks, post-its, markers, printer ink, coffee ($0.32 per cup x ~2-3 cups/person = $0.96 x 40 people x 4 meetings = ~$154), and light refreshments ($1.80 per assorted muffins/danishes x 40 people x 4 meetings = ~$292). Printing: Project materials will need to be printed/copied for all participants (~40 participants x 4 meetings - packet sizes may vary 10-20 pages) plus, printing/publication services for potential conference presentation - i.e., poster printing =$200. Travel: The grant-funded position will be working closely with all collaborative partners and will require mileage reimbursement. The standard mileage rate approved by the IRS is $54.5 cents per mile x 1K miles for one year = $545. Facilities: Eisenhower Health will provide the meeting space in-kind (room rental $500 x 4 meetings = $2,000). Collaborative partners will also be asked to provide meeting space for any additional meetings needed throughout the project period (in-kind). The Community Engagement Specialist will require phone, internet, and fax ($410) capabilities to perform the outlined work.

Line Item Budget
Sheet 2 - Labor Costs

Staff Salaries Employee Position/Title		Annual Salary	% of Time Allocated to Program	Actual Program Salary	Amount of Salary Paid by DHCD Grant
1	Community Engagement Specia	52,000	100	52,000	52,000
2					
3					
4					
5					
6					
7					
8					
Enter this amount in Section 1, Employee Salaries				Total ›	52000
Budget Narrative	The collaborative is requesting financial support to hire a full-time (40 hours per week; 100% FTE) Community Engagement Specialist to help implement the program and support collaborative partners (i.e., skilled nursing facilities and hospitals) with technical guidance on strategy implementation and coordination of project deliverables. The average salary for a community engagement specialist is ~$40K x 30% benefits = $12K + $40K= $52K for one year.				

Consultants/Contractors Consultant/Contractor Name		Hourly Rate	Hours/ Week	Monthly Fee	Amount of Salary Paid by DHCD Grant
1					
2					
3					
4					
5					
6					
7					
8					
Enter this amount in Section 1, Professional Services/Consultants				Total ›	0
Budget Narrative					

Line Item Budget - Other Program Funds

Funding for this program received from other sources			Amount
Fees			
Donations			
Grants (List Organizations)			
	1		
	2		
	3		
	4		
Fundraising (describe nature of fundraiser)			
Other Income, e.g., bequests, membership dues, in-kind services, investment income, fees from other agencies, etc. (Itemize)			
	1	Eisenhower Health (in-kind staff + meeting space)	53,950
	2	California Department of Public Health (in-kind staff)	18,500
	3		
	4		
Total funding in addition to DHCD request			72,450

Budget Narrative	
Budget Narrative	Project in-kind support from Eisenhower Health includes operational costs for supporting the collaborative, including providing meeting space (see Tab 1-Operational Costs) and staff support to help manage and execute the collaborative (Dr. Patricia Cummings, Clinical Epidemiologist, 15% FTE) to manage the grant funded position and execute the project goals and objectives; Martin Massiello (Chief Operating Officer, 5% FTE) to provide executive leadership support and oversee grant management, including support requested by Dr. Cummings. Other support provided by Eisenhower departmental programs and resources, including Dr. Massoud Dezfuli (Director of Infectious Disease, 2%FTE) to provide infectious disease expertise and antimicrobial stewardship guidance to the collaborative (e.g., presentations/lectures), as requested; Christine Johnstone (Director of Quality Department, 0.5% FTE) to provide leadership support from the Quality Department, as well as staff support (i.e., Mike Connors and Brigette Crenshaw, Infection Preventionists); Michael Connors (Infection Prevention, 5% FTE) and Brigette Crenshaw (Infection Prevention, 5% FTE) will actively participate in the collaborative and support Dr. Cummings with Infection Prevention grant-related activities, as requested. California Department of Public Health is also providing technical assistance, including in-person site visits to attend the collaborative meetings, infection prevention support to all facilities involved in the collaborative, technical assistance with National Healthcare Safety Network data submission (for mandated disease reporting - a new requirement for skilled nursing facilities), among other activities outlined in the project plan.

Letters of Support

State of California—Health and Human Services Agency
California Department of Public Health

KAREN L. SMITH, MD, MPH
Director and State Public Health Officer

EDMUND G. BROWN JR.
Governor

October 19, 2017

Patricia L. Cummings, PhD, MPH
Clinical Epidemiologist
Eisenhower Medical Center
39700 Bob Hope Drive
Bob Hope Classic Medical Building, Suite 101
Rancho Mirage, California 92270

Dear Dr. Cummings:

On behalf of the Healthcare-Associated Infections (HAI) Program of the California Department of Public Health (CDPH), I am writing to express our strong support for the Eisenhower Medical Center grant proposal to develop the "Antimicrobial Resistance Prevention Program," which will launch and support the Coachella Valley Antimicrobial Resistance Prevention Collaborative. This proposal represents an excellent opportunity for Eisenhower Medical Center to convene with other Coachella Valley healthcare facilities to address the urgent public health threat of antimicrobial resistance (AR) and improve the health of all Coachella Valley residents.

The Centers for Disease Control and Prevention recommends a coordinated approach to address AR, in which healthcare organizations and public health work together to coordinate AR prevention strategies across the continuum and transitions of care. Since 2015, the CDPH HAI Program has engaged eleven local public health departments and more than 100 healthcare facilities in AR prevention collaboratives. We seek to expand and sustain these efforts by supporting additional locally convened regional AR prevention collaboratives. We developed a toolkit with in-depth guidance, templates for recruitment materials, meeting agendas and presentations, and facility assessment tools. Our staff provide network analyses to identify patient-sharing connections among facilities to prioritize highly connected facilities for recruitment. HAI Program liaison infection preventionists may provide assistance with conducting onsite healthcare facility assessments, and participate in collaborative meetings.

The HAI Program is pleased to support Eisenhower Medical Center in its efforts to convene key community partners and stakeholders, and work with local and state public health agencies to implement a coordinated regional approach to address AR in the Coachella Valley. This initiative will improve health care quality, community safety, and transparency – key focus areas for the Desert Healthcare District. Please accept this letter as formal recognition of our strong support for Eisenhower Medical Center's grant proposal. If funded, the CDPH HAI Program would be happy to serve on the Collaborative Leadership Team and work with Eisenhower in achieving the important goals proposed in the grant application. We look forward to our partnership in improving the health and well-being of your diverse community.

Sincerely,

Erin Epson, MD | Assistant Chief, HAI Program

Riverside University HEALTH SYSTEM Public Health

December 14, 2017

Patricia L. Cummings, PhD, MPH, Clinical Epidemiologist
Eisenhower Medical Center
39700 Bob Hope Drive
Bob Hope Classic Medical Building, Suite 101
Rancho Mirage, California 92270

Dr. Cummings:

On behalf of the County of Riverside Department of Public Health (DOPH), I would like to express our strong support for the Eisenhower Medical Center grant proposal to develop the "Antimicrobial Resistance Prevention Program," which will launch and support the Coachella Valley Antimicrobial Resistance Prevention Collaborative. This is a great opportunity for the Department of Public Health, Eisenhower Medical Center and other healthcare facilities in the Coachella Valley to take collaborative action to combat antimicrobial resistance and improve the health of all Coachella Valley residents.

The Riverside County Department of Public Health promotes and protects the health of all Riverside County residents and visitors in the service of the well-being of the community. As an organization dedicated to improving health, we are deeply concerned with the growing threat of antibiotic resistance; resistant *C. difficile* infection in particular is a growing public health threat locally, nationally, and globally. This initiative will improve health care quality, community safety, and transparency, all key focus areas for the Desert Healthcare District. Our organization is a partner with Eisenhower Medical Center to advance and leverage knowledge and other resources to achieve sustainable infection prevention, control policies and systems changes to improve the health of all Coachella Valley residents and visitors.

Please accept this letter as formal recognition of our strong support for Eisenhower Medical Center's grant proposal. If funded, the Department of Public Health would be happy to support and work with the *Collaborative Leadership Team* in achieving the important goals proposed in the grant application. We look forward to our partnership in improving the health and well-being of our diverse community.

Attentively,

Cameron Kaiser, MD, MPH, FAAFP
Public Health Officer
County of Riverside

Kim Saruwatari, M.P.H., Director   Cameron Kaiser, M.D., M.P.H., Public Health Officer

4065 County Circle Drive, Riverside, CA 92503 / 951.358.7036 / www.rivcoph.org

DESERT HEALTHCARE
FOUNDATION

Date: March 27, 2018

To: Board of Directors

Subject: cvHIP Campaign Update

Summary:
Staff recommends consideration to receive and file the cvHIP Campaign Update – advertising concepts and advertising purchase plan for the Pilot/Phase I; further action is to present to the Finance and Administration Committee at the April 10 meeting followed by request for approval from the Board of Directors at the April 24 meeting.

Background:
cvHIP fits the mission and vision of the Desert Healthcare District/Foundation by connecting residents to health and wellness services in the community. It links Coachella Valley residents, especially the disenfranchised and underserved, to healthcare, food pantries, wellness activities, and many other health and wellness services. At the Board's direction to promote cvHIP, a marketing, advertising, media and community relations campaign has been created for the District/Foundation by O'Bayley Communications.

The campaign will clearly communicate what cvHIP is, encourage its use, and create metrics to measure the site's use. Currently, metrics of the platform site indicate that the site garners:

- 158 to 798 visits per month – 478 on average
- 109 to 669 programs are viewed monthly – 389 on average
- 2 to 51 referrals per month –26 on average

During this campaign creation process, it has been determined that a website landing (or "splash") page must be created by a website company with the visuals and imagery provided by O'Bayley Communications. This step in the process is necessary and nominal in cost.

The advertising campaign includes English and Spanish print media with newspapers, magazines, and free publications; TV & radio; outdoor - billboards/bus shelters; and online/digital/social media.

The identity/brand development is complete, and the advertising plan is drafted for the Pilot/Phase I of the campaign. Interaction with the City of Palm Springs continues for the three-month Phase I Pilot campaign. Phase II of the campaign will be targeted for the entire Coachella Valley with a tentative launch date of September.

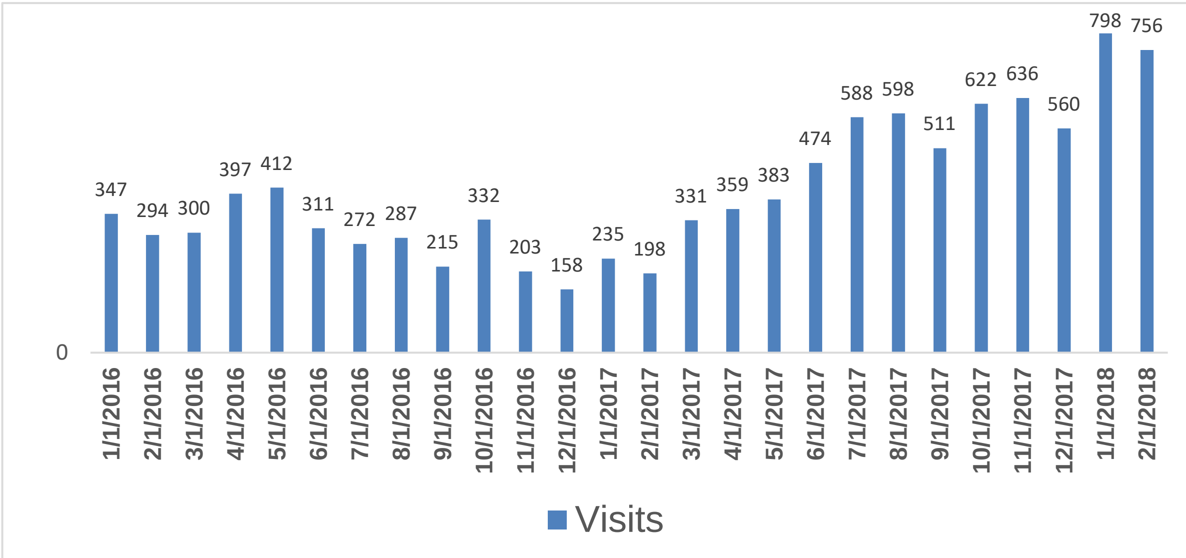
The Pilot launch is now scheduled for May and will run for approximately three months; the launch will feature a Board-included press conference.

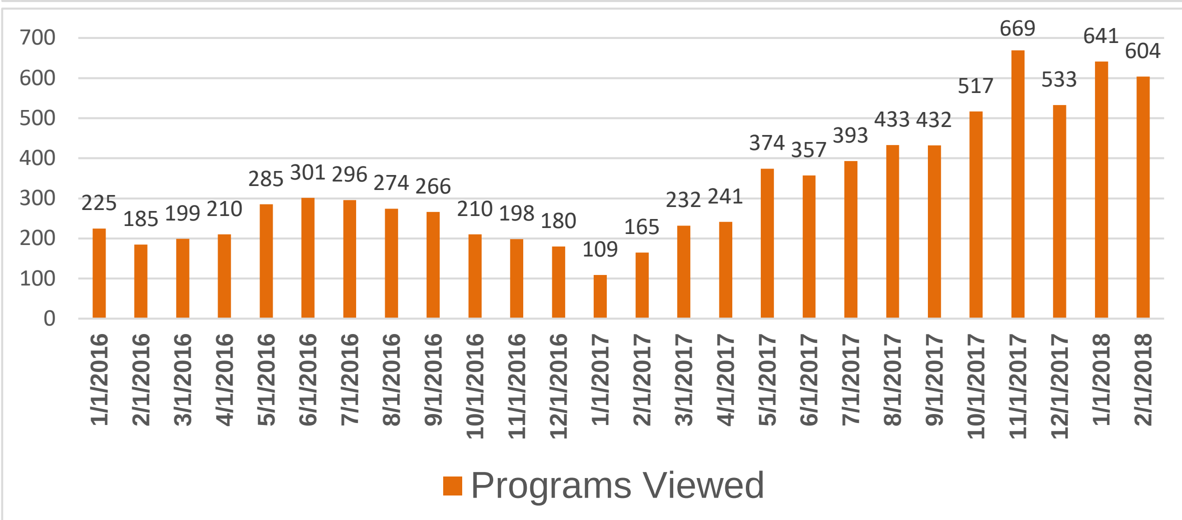
Fiscal Impact:

Costs for the campaign elements:

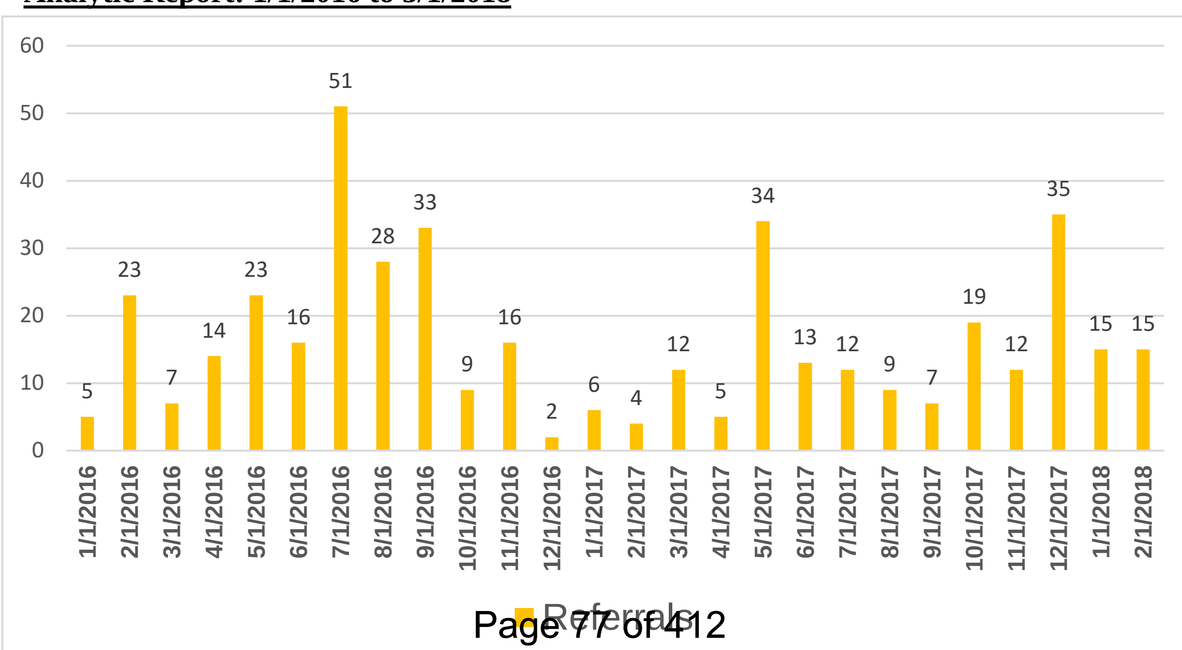
#1 Marketing, media, and community relations including logo creation – are budgeted and within O'Bayley Communications' contract scope; the contract is not to exceed $72,000. The contract was approved at the Dec. 19, 2017 Board of Directors meeting.

#2 Advertising – the advertising plan and purchase cost for the three-month Phase I Pilot is a separate budget item of $40,000, the website landing (or "splash") page and website hosting estimated cost is $3,240. This will be presented to the April 10 Finance and Administration Committee for review and then submitted to the Board of Directors at the April 24 Board Meeting for approval.





Analytic Report: 1/1/2016 to 3/1/2018



CV HIP.COM

THE CAMPAIGN

DESERT HEALTHCARE DISTRICT

DESERT HEALTHCARE
FOUNDATION

THE VISUALS

- The logo conveys action and strongly displays the name / URL.
- The additional components of the advertising campaign are designed to make the best use of each medium.
- Clarity and brevity is key.

ADVERTISING

The advertising plan narrative explains the demographics we're targeting and explains why the various media outlets included in the plan have been selected.

- Phase I of our campaign is planned to launch in May, focusing on Palm Springs and the Western part of the Valley.

- Phase II will follow, and will expand to the rest of the Valley.

A WORD ABOUT DEMOGRAPHICS

- CV HIP is intended to serve a wide range of people, from teens to seniors, and all ethnic groups.

- We determined that the more affluent population will not be the primary users of CV HIP.com since in all probability they already have adequate healthcare services.

- We therefore chose not to go into high-end publications like Palm Springs Life, and instead recommend free publications: Mobile Home News, TidBits, and CV Weekly.

PRINT ADVERTISING

Ads will be developed in accordance with the advertising plan and will include:

- Small 'ear' ads for the front of the Health section of The Desert Sun.
- Larger print ads in publications such as the Neighbors supplement of The Desert Sun, CV Independent, TidBits, Mobile Home News, and CV Weekly.

This is a sample print ad.

- Quarter-page horizontal (10” wide X 3.562” tall)

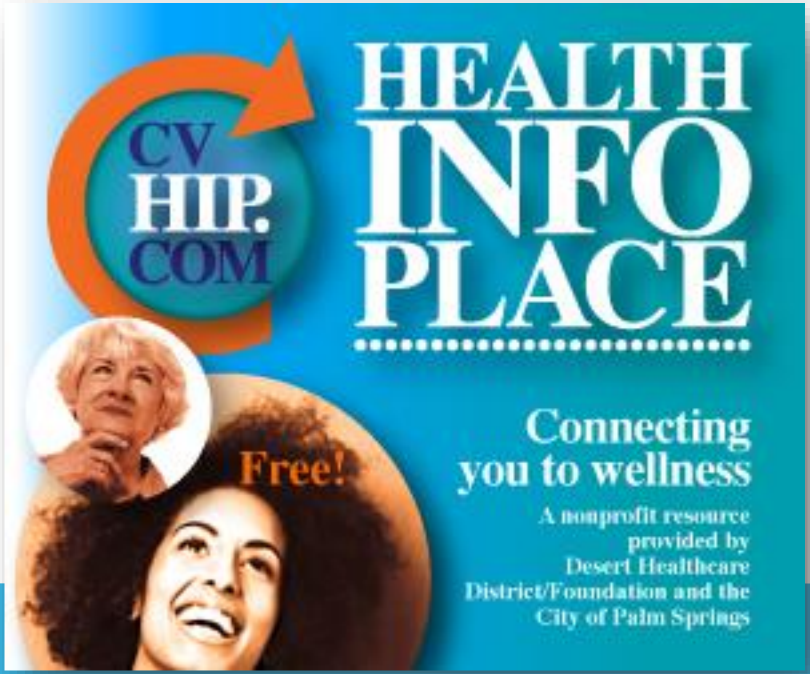
This is another sample print ad, with an alternate layout.

- Quarter-page horizontal (10” wide X 3.562” tall)

DIGITAL ADVERTISING

This is a sample digital ad.

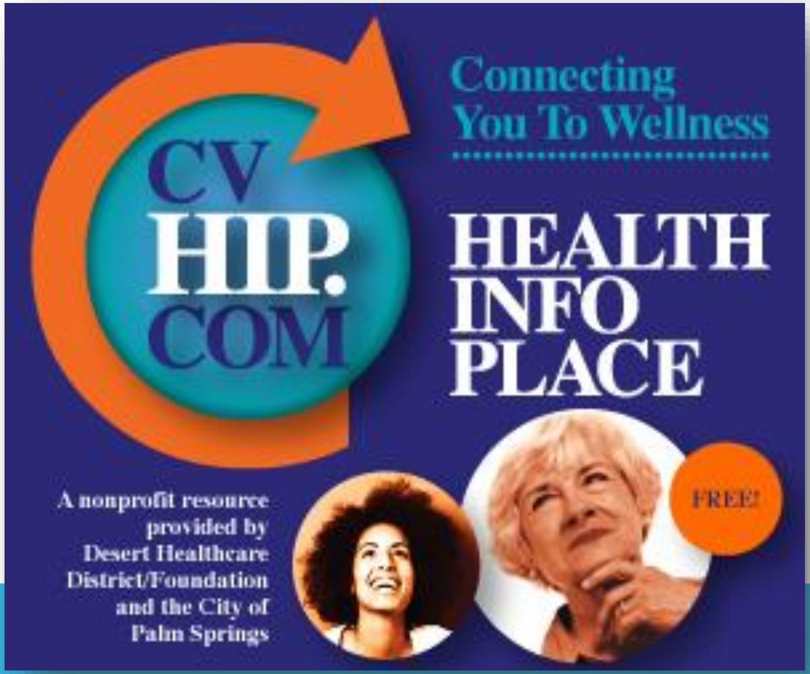
- 300 pixels wide X 250 Pixels tall
- This is a bit larger than the small 'ear' print ads in The Desert Sun, Health section.



DIGITAL ADVERTISING (ALTERNATE)

This is a sample digital ad.

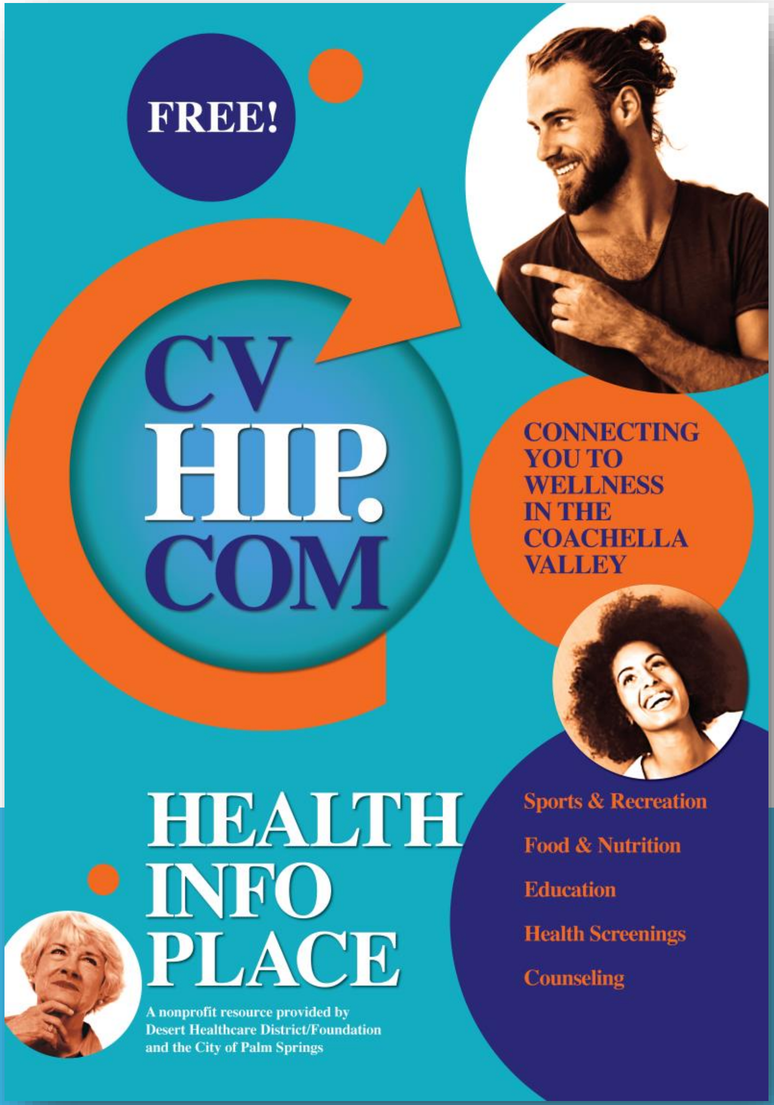
- 300 pixels wide X 250 Pixels tall
- This is a bit larger than the small 'ear' print ads in The Desert Sun, Health section.



OUTDOOR ADVERTISING

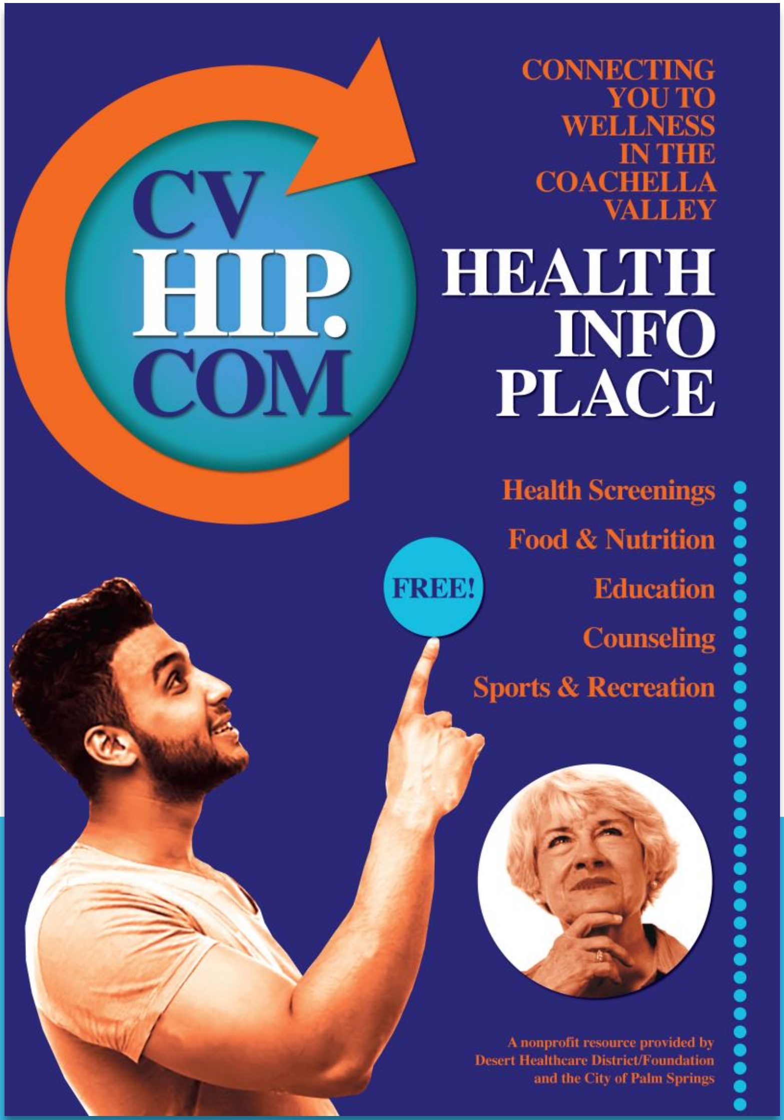
This is a sample Bus Shelter poster.

- 48” wide X 69” tall



OUTDOOR ADVERTISING

Alternate layout



RADIO ADVERTISING

30-second radio spot on U92.7 FM, which targets adults 18-49. We envision a lively backing musical track with a young female voiceover:

Hey, check out CV HIP dot COM. It's a site that has all kinds of great info like where to go for health screenings, counseling, healthcare, food and nutrition… and it also has stuff like where the best hiking trails are.

Get around, get fed, get fit, get a job…

It's all there at CV HIP dot COM. The health info place for the Coachella Valley.

CV HIP dot com

Provided by Desert Healthcare District & Foundation.

SPANISH LANGUAGE ADVERTISING

A 30-second radio spot will also be prepared for Spanish-language radio in Phase I.

- We will ensure that the translation conveys the same youthful vibe and is culturally appropriate.
- We use the double-translation method, translating first from English to Spanish, and then back to English (using a different translator) to ensure that our meaning is consistent.
- We are currently looking at local TV and Radio advertising in Spanish during the World Cup in June.

Additional Spanish language advertising will be included in Phase II.

ADDITIONAL ADVERTISING

30-second TV spot

- will likely feature celebrity spokespersons
- Will be augmented by digital ads on their sites

Facebook ads and Facebook Post boosts

Billboards

NEW HOME PAGE

- In consultation with Purple Binder, we found it necessary to create a new one-page site that is our new ‘landing page.’
- It will be designed to clearly articulate what CV HIP is and guide the user.
- *Responsive* web site designs (designs that adapt to the width of the viewport) work with ranges of widths. Each adapts the website to the screen width of the device.
- We recommend Imagine It! Media (local, preferred provider) or Graphtek.

CV HIP. COM

FREE!

A nonprofit resource provided by Desert Healthcare District/Foundation and the City of Palm Springs

Connecting You To Wellness In The Coachella Valley

- Health Screenings
- Food & Nutrition
- Education
- Counseling
- Sports & Recreation

HEALTH INFO PLACE

WHAT ARE YOU LOOKING FOR?

Use the search bar or choose from binders of services on the directory page. On the search results page, you can click on a program in the list, or filter the information using the toolbar above. Information can be printed or emailed.

HAGA CLIC AQUI PARA ESPAÑOL

FREE!

CV HIP.COM

CONNECTING YOU TO WELLNESS IN THE COACHELLA VALLEY

HEALTH INFO PLACE

- Health Screenings
- Food & Nutrition
- Education
- Counseling
- Sports & Recreation

WHAT ARE YOU LOOKING FOR?

Use the search bar or choose from binders of services on the directory page.
On the search results page, you can click on a program in the list, or filter the information using the toolbar to the lower left. Information can be printed or emailed.

HAGA CLIC AQUI PARA ESPAÑOL

A nonprofit resource provided by Desert Healthcare District/Foundation and the City of Palm Springs

PUBLIC RELATIONS PLAN ELEMENTS

One-page Summary

News Release

Media Alert and an announcement event @ Wellness Park accompanied by a proclamation from the City of Palm Springs (late May)

On-site media relations at announcement event

Involvement of one or more ‘celebrity’ spokespersons

Media follow up to book interviews, pitch stories to reporters/editors

The Desert Sun Valley Voice (Editorial page submission)

Continued engagement with the media as milestones reached, enhancements made

COLLATERAL PLAN ELEMENTS

Bookmark sized promotional cards will be created for most uses. Others to be developed as needed.

THANK YOU

O'BAYLEY COMMUNICATIONS
PUBLIC RELATIONS • ADVERTISING • DESIGN

DESERT HEALTHCARE DISTRICT

Date: March 27, 2018

To: Board of Directors

Subject: Expansion Initiative

Board of Supervisors/LAFCO Update:

- The County Board of Supervisors will consider an expansion-related resolution next Tuesday, March 27 (see attached) that addresses two topics.
- Staff continues to work and coordinate directly with Fourth District Supervisor Manny Perez and his staff, County CEO George Johnson and Deputy Brian Nestande to ensure its enactment.
- Staff has also met with three additional supervisors and their chiefs of staff, including Supervisors Jeffries, Ashley, and Washington. A meeting with Supervisor Tavaglione and his staff is set for next Tuesday before the Board of Supervisor's meeting.
- Further, staff continues to contact major leaders and organizations in the East Valley to formally join this effort by sending email letters to members of the Board of Supervisors to request a "yes" vote on the resolution.
- The proposed resolution comes with a recommendation of SUPPORT by the County CEO.
- Enactment of the proposed recommendation would put the County on record in support of the annexation/expansion of the Eastern Coachella Valley into the Desert Healthcare District.
- The proposal also states that the County will not provide property tax increment revenue to help fund East Valley Expansion. This does not preclude future negotiations.
- Previously, the County CEO's Office communicated with DHCD by telephone on June 2, 2017 that the County was opposed to providing funding, so the resolution solely memorializes this earlier decision.
- Although not the result we wanted, it was expected, and in order for the LAFCO hearing process to proceed, the Board of Supervisors must pass this kind of resolution and send it to LAFCO.
- If it passes, Staff expects our expansion hearing at LAFCO to be on April 26.

Funding Update

- Staff continues to examine potential funding for East Valley activities post a successful East Valley Expansion Vote.
- Staff is continuing to work the state Natural Resources Agency and the Salton Sea Authority on the possibility of a "Health Partnership" in the East Valley.
- Staff has met with community leaders to talk broadly about needs related to the negative health effects associated with the Salton Sea.
- A brief summary of this potential partnership is attached for your information and ongoing feedback.
- In the next few months, Staff's goal is to bring a fully developed proposal and MOU forward for the Board's consideration.

East Valley Polling

- In January, Staff brought forward an outline of recommended outreach and education and other activities to be undertaken in support of expansion.
- Since then, Staff has begun working on several, and the first has come to fruition.
- The first priority is the completion of focus groups followed by polling of East Valley voters. Information gleaned from this polling will assist in potential message development, media, and communications.
- As you will remember, the Board undertook polling of the East Valley in March 2017 via Probolsky Research) and the need exists to do both focus groups and more current opinion research.
- Staff is requesting support of a professional services agreement for Lake Research Partners to undertake this work.
- Founder and Managing Partner Celinda Lake and her team have significant experience in polling the Coachella Valley.

  Fiscal Impact
  $75,210

AGENDA
TUESDAY, MARCH 27, 2018
BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE
COUNTY ADMINISTRATIVE CENTER
1st Floor Board Chambers
4080 Lemon Street, Riverside, CA
(Clerk 951-955-1060)
cob@rivco.org

Kevin Jeffries	John F. Tavaglione	Chuck Washington	V. Manuel Perez	Marion Ashley
1st. District	2nd. District	3rd. District	4th. District	5th. District
Vice-Chairman		Chairman		

The County of Riverside is committed to making its public meetings accessible to persons with disabilities. In compliance with the Americans with Disabilities Act (ADA), all County public meetings are conducted in accessible locations. In addition, the County will provide auxiliary aids or services (such as American Sign Language interpreters, assistive listening devices and materials in alternate formats) upon request and at no cost, so that persons with disabilities may participate in the meetings. To request these services, please contact the Clerk of the Board office at least 72 hours prior to the meeting at or (951) 486-4470 from 8:00 a.m. to 5:00 p.m. Monday through Friday. Later requests will be accommodated to the extent feasible.

9:00 AM

CALL TO ORDER

ROLL CALL

INVOCATION BY PAM TORRES, PRINCIPAL ACCOUNTANT, PROBATION DEPARTMENT

PLEDGE OF ALLEGIANCE

PRESENTATION - PUBLIC HEALTH: COMMUNITY CHAMPION AWARDS

PRESENTATION - EDA: 2018 RIVERSIDE COUNTY INNOVATION MONTH

OPENING COMMENTS

BOARD MEMBERS

MEMORIALS / ADJOURNMENTS

EXECUTIVE OFFICER

STATE BUDGET UPDATE

CLERK OF THE BOARD UPDATE

1 ADMINISTRATIVE ACTION

1.1 6533 CLERK OF THE BOARD: Proof of Publication. [$0]

1.2 6579 TRANSPORTATION & LAND MANAGEMENT AGENCY/PLANNING: RECEIVE AND FILE THE PLANNING COMMISSION'S DECISION TO APPROVE THE SECOND EXTENSION OF TIME for TENTATIVE TRACT MAP NO. 31842 – Applicant: Tabletop Mountain Partners, LLC c/o Andy Bodewin – First Supervisorial District – Woodcrest Zoning District – Lake Mathews/Woodcrest Area Plan: Rural Community: Very Low Density Residential (RC:VLDR) (1 acre min.) – Location: North of Nandina Ave., south of Mariposa Ave., east of Washington St., and west of Frankland Lane – 73.13 Acres – Zoning: Light Agricultural (A-1-1) – APPROVED PROJECT DESCRIPTION: Schedule B subdivision of 73.13 acres into 52 residential lots, one (1) open space lot, and a 10-foot wide community trail along the westerly edge of the project site – REQUEST: SECOND EXTENSION OF TIME REQUEST for TENTATIVE TRACT MAP NO. 31842, extending the expiration date to January 23, 2021. [Applicant Fees 100%.]

1.3 6580 TRANSPORTATION & LAND MANAGEMENT AGENCY/PLANNING: RECEIVE AND FILE THE PLANNING COMMISSION'S DECISION TO APPROVE THE SECOND EXTENSION OF TIME for TENTATIVE TRACT MAP NO. 31607 – Applicant: Lansing Companies – First Supervisorial District – Mead Valley Zoning District – Lake Mathews/Woodcrest Area Plan: Rural Community: Low Density Residential (RC:LDR) – Location: Southerly of Cajalco Road, Northerly of Rider Street and Westerly of Starglow Drive – 56.5 Acres – Zoning: SP Zone (H.B. Ranches #229) – APPROVED PROJECT DESCRIPTION: Schedule B - tract map subdivision of 56.5 gross acres into 78 residential lots (with a minimum lot size of 20,000 square feet net) and two (2) natural open space lots within Planning Area 9 for conservation. The proposal will include a trail system for equestrian, bike and pedestrian uses as part of a network of trails proposed for this map – REQUEST: SECOND EXTENSION OF TIME REQUEST for TENTATIVE TRACT MAP NO. 31607, extending the expiration date to January 9, 2021. [Applicant Fees 100%.]

1.4 6581 TRANSPORTATION & LAND MANAGEMENT AGENCY/PLANNING: RECEIVE AND FILE THE PLANNING COMMISSION'S DECISION TO APPROVE THE SECOND EXTENSION OF TIME for TENTATIVE TRACT MAP NO. 31608 – Applicant: Lansing Companies – First Supervisorial District – Mead Valley Zoning District – Lake Mathews/Woodcrest Area Plan: Rural Community: Low Density Residential (RC:LDR) – Location: Southerly of Cajalco Road, westerly of Wood Drive and easterly of Dreamglo Lane – 44.8 Acres – Zoning: SP Zone (H.B. Ranches #229) – APPROVED PROJECT DESCRIPTION: Schedule B - subdivision of 44.8 acres into 68 residential lots (with a minimum lot size of 20,000 square feet) and one (1) natural open space lot within Planning Area 9 – REQUEST: SECOND EXTENSION OF TIME REQUEST for TENTATIVE TRACT MAP NO. 31608, extending the expiration date to January 9, 2021. [Applicant Fees 100%.]

1.5 6582 TRANSPORTATION & LAND MANAGEMENT AGENCY/PLANNING: RECEIVE AND FILE THE PLANNING COMMISSION'S DECISION TO APPROVE THE SECOND EXTENSION OF TIME for TENTATIVE TRACT MAP NO. 31609 – Applicant: Lansing Companies – First Supervisorial District – Cajalco Zoning District – Lake Mathews/Woodcrest Area Plan: Rural Community: Low Density Residential (RC:LDR) – Location: Southerly of Rider Street, westerly of Starglow Drive and easterly of Wood Road – 47.3 Acres – Zoning: SP Zone (H.B. Ranches #229) – APPROVED PROJECT DESCRIPTION: Schedule "B" subdivision of 47.3 gross acres into 72 residential lots (with a minimum lot size of 20,000 square feet net), and one (1) open space lot – REQUEST: SECOND EXTENSION OF TIME REQUEST for TENTATIVE TRACT MAP NO. 31609, extending the expiration date to January 9, 2021. [Applicant Fees 100%.]

1.6 6583 TRANSPORTATION & LAND MANAGEMENT AGENCY/PLANNING: RECEIVE AND FILE THE PLANNING COMMISSION'S DECISION TO APPROVE THE SECOND EXTENSION OF TIME for TENTATIVE TRACT MAP NO. 31610 – Applicant: Lansing Companies – First Supervisorial District – Mead Valley Zoning District – Lake Mathews/Woodcrest Area Plan: Rural Community: Low Density Residential (RC:LDR) – Location: Northerly of Rider Street, southerly of Cajalco Road, easterly of Starglow Drive and westerly of Barton Street – 70.1 Acres – Zoning: SP Zone (H.B. Ranches #229) – APPROVED PROJECT DESCRIPTION: Schedule A - subdivision of 70.1 acres into 165 residential lots (with a minimum lot size of 12,000 square feet net) and three (3) natural open space lots within Planning Area 9 – REQUEST: SECOND EXTENSION OF TIME REQUEST for TENTATIVE TRACT MAP NO. 31610, extending the expiration date to January 9, 2021. [Applicant Fees 100%.]

1.7 6585 TRANSPORTATION & LAND MANAGEMENT AGENCY/PLANNING: RECEIVE AND FILE THE PLANNING COMMISSION'S DECISION TO APPROVE THE SECOND EXTENSION OF TIME for TENTATIVE TRACT MAP NO. 31611 – Applicant: Lansing Companies – First Supervisorial District – Mead Valley Zoning District – Lake Mathews/Woodcrest Area Plan: Rural Community: Low Density Residential (RC:LDR) and Open Space: Conservation (OS:C) – Location: Southerly of Cajalco Road and westerly of Barton Street – 98 Acres – Zoning: SP Zone (H.B. Ranches #229) – APPROVED PROJECT DESCRIPTION: Schedule "A" - subdivision of 98 acres into 186 residential lots (with a minimum lot size of 12,000 square feet net) and seven (7) natural open space lots – REQUEST: SECOND EXTENSION OF TIME REQUEST for TENTATIVE TRACT MAP NO. 31611, extending the expiration date to January 9, 2021.[Applicant Fees 100%.]

1.8 6586 TRANSPORTATION & LAND MANAGEMENT AGENCY/PLANNING: RECEIVE AND FILE THE PLANNING COMMISSION'S DECISION TO APPROVE THE SECOND EXTENSION OF TIME for TENTATIVE TRACT MAP NO. 31612 – Applicant: Lansing Companies – First Supervisorial District – Mead Valley Zoning District – Lake Mathews/Woodcrest Area Plan: Rural Community: Low Density Residential (RC:LDR); Open Space: Conservation (OS:C) and Recreation (OS:R) – Location: Southerly of Cajalco Road and westerly of Barton Street – 36.7 Acres – Zoning: SP Zone (H.B. Ranches #229) – APPROVED PROJECT DESCRIPTION: Schedule A - subdivision of 36.7 acres into 64 residential lots, with a minimum lot size of 12,000 square feet (net), a 9.7 acre park site, and two (2) natural open space lots within Planning areas 8, 9, and 12 of Specific Plan No. 229 Amendment 1 – REQUEST: SECOND EXTENSION OF TIME REQUEST for TENTATIVE TRACT MAP NO. 31612, extending the expiration date to January 9, 2021. [Applicant Fees 100%.]

1.9 6578 TRANSPORTATION & LAND MANAGEMENT AGENCY/PLANNING: FIRST EXTENSION OF TIME for TENTATIVE TRACT MAP NO. 36288 - Applicant: Dave Jacinto - Third Supervisorial District – Winchester Zoning Area - Harvest Valley/Winchester Area Plan: Community Development: Medium Density Residential (CD:MDR) (2 – 5 du/ac) - Location: North of Domenigoni Parkway, south of Winchester Hill Drive, west of Leon Road, and east of La Ventana Road – 10 Acres - Zoning: SP Zone (Winchester Hills #293) - APPROVED PROJECT DESCRIPTION: a Schedule "A" subdivision of 10 Gross Acres into 72 single family residential lots with lot sizes ranging from 3,600 to 8,190 square feet, and two (2) water quality basin lots - REQUEST: FIRST EXTENSION OF TIME REQUEST for TENTATIVE TRACT MAP NO. 36288, extending the expiration date to November 7, 2020. [Applicant Fees 100%.]

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2 CONSENT CALENDAR

2.1 6630 SUPERVISOR JOHN F. TAVAGLIONE: Reappointment of Steve Lech to the Historical Commission. Second District [$0]

2.2 6534 SUPERVISOR CHUCK WASHINGTON: Renewal of the Revised Local Emergency Declaration for Riverside County due to the epidemic infestation of bark beetles in the Mountain Communities of Idyllwild and Pine Cove, and the positive find of the Golden Spotted Oak Borer (GSOB) in the community of Idyllwild. [$0]

2.3 6299 ECONOMIC DEVELOPMENT AGENCY (EDA)/ WORKFORCE DEVELOPMENT DEPARTMENT AND SUPERVISOR WASHINGTON: Riverside County Workforce Development Board Appointment of Rosibel Ochoa; All Districts; [$0]

2.4 6308 ECONOMIC DEVELOPMENT AGENCY (EDA)/ WORKFORCE DEVELOPMENT DEPARTMENT AND SUPERVISOR WASHINGTON: Riverside County Workforce Development Board Appointment of Wolde-Ab Isaac; All Districts; [$0]

2.5 6331 ECONOMIC DEVELOPMENT AGENCY (EDA)/ WORKFORCE DEVELOPMENT DEPARTMENT AND SUPERVISOR WASHINGTON: Riverside County Workforce Development Board Reappointment of Robert Loeun; All Districts; [$0]

2.6 6557 AGRICULTURAL COMMISSIONER: Renewal of Local Emergency in Riverside County due to the discovery of citrus greening disease, or huanglongbing. All Districts [$0]

2.7 6558 AGRICULTURAL COMMISSIONER: Renewal of the Local Emergency Declaration for Riverside County due to the spread of Pierce's Disease in the Local Vineyards, 3rd District. [$0]

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3 POLICY CALENDAR

3.1 6664 BOS DISTRICT 1: First District use of Community Improvement Designation (CID) Funds for Mary. S Roberts Pet Adoption Center; and Approval of Budget Adjustments. [$1,000 – General Fund 100%} (4/5 vote required) **(4/5 Vote Required)**

3.2 6672 BOS DISTRICT 2: Second District Use of Community Improvement Designation (CID) Funds to the Jurupa Area Recreation and Park District, Community Connect, Riverside Art Museum and Jurupa Unified School District-Parent Involvement. [$9,500.00 - General Fund 100%] (4/5 vote required)

3.3 6655 BOS DISTRICT 3: Third District Use of Community Improvement Designation (CID) Funds for The Diamond Valley Arts Council, Riverside County Sheriff's Department, Voices / Joey's Pals. [$0 - General Fund 100%] (4/5 vote required) **(4/5 Vote Required)**

3.4 6654 BOS DISTRICT 4: Fourth District Use of Community Improvement Designation (CID) Funds for the Boys and Girls Club of Palm Springs, Galilee Center, Inc. [$5,000 - General Fund 100%] (4/5 vote required) **(4/5 Vote Required)**

3.5 6662 Supervisor V. Manuel Perez: Equal Pay for Equal Work, Initiation of Amendment of County Ordinance 440, dated January 5, 2016

3.6 6599 EXECUTIVE OFFICE: Approval of the Third Amendment and Restatement of the Joint Powers Agreement of the Coachella Valley Association of Governments. [All Districts] [$0]

3.7 6652 EXECUTIVE OFFICE: Legislative Bills to Support, All Districts. [$0]

3.8 6628 EXECUTIVE OFFICE: Agreement by and between the Desert Healthcare District and the County of Riverside relating to LAFCO 2017-01-04 (Eastern Coachella Valley Annexation), 4th District. [$0]

3.9 6584 AUDITOR-CONTROLLER: Authorization to Reissue County Stale Dated Warrants #2018 – 5, All Districts. [$57,413 - Stale Dated Warrants Funds 69008 and 69011]

3.10 6229 ECONOMIC DEVELOPMENT AGENCY (EDA): Jacqueline Cochran Regional Airport, Hemet-Ryan Airport and French Valley Airport - Wildlife Hazard Management Plan - Planning Services, District 3 and District 4 [$60,082] Federal Aviation Administration Airport Improvement Project Grant Funds 90%, Special Aviation Budget Fund (22350) 10%

3.11 6458 ECONOMIC DEVELOPMENT AGENCY (EDA): French Valley Airport So. Apron Pavement Rehabilitation Project - Amendment No. 1, District 3 [$131,315] Federal Aviation Administration Airport Improvement Grant Funds 90%, Special Aviation Budget Fund [22350] 10%

3.12 6525 ECONOMIC DEVELOPMENT AGENCY (EDA): Approve the First Amendment to the Second Amended and Restated Ground Lease Agreement Jacqueline Cochran Regional Airport Between the County of Riverside and TRM CA Holdings, LLC, Jacqueline Cochran Regional Airport, Thermal, District 4 [$0], CEQA Exempt

3.13 6510 Economic Development Agency (EDA): Ratification and approval of the Second Amendment to Lease with Riverside County Transportation Commission, Riverside, Ten Year Lease, CEQA Exempt, District 2, [$176,972] (Clerk to File Notice of Exemption)

3.14 6472 ECONOMIC DEVELOPMENT AGENCY (EDA) AND TRANSPORTATION LAND MANAGEMENT AGENCY –TRANSPORTATION DEPTMENT: Approval of the Right of Way Acquisition and Temporary Construction Access Agreements for a portion of Assessor's Parcel Numbers 282,140-021, 282-121-009, 282-121-008, 282-121-002 and 283-150-050, for the Temescal Canyon Road Widening Project Dos Lagos and Dawson Canyon segment, in the unincorporated area of Temescal Canyon, CEQA, District 1; [Total Cost - $357,171] RCTC Measure A Discretionary -100%

3.15 6313 ECONOMIC DEVELOPMENT AGENCY (EDA) / WORKFORCE DEVELOPMENT DEPARTMENT: Approval of Memorandum of Understanding (MOU) for the Inland Empire Regional Planning Unit (IERPU) between the County of Riverside and County of San Bernardino, Program Years 2017-2020, All Districts, [$2,303,650] Workforce Innovation and Opportunity Act (WIOA) Funds 100%; CEQA Exempt

3.16 6283 EMERGENCY MANAGEMENT DEPARTMENT: Ratification and Approval of State of California Short Form Contract #17-10615 for Storage of California Department of Public Health Emergency Response Trailer at a secure location. [District: All] [$0]

3.17 6570 RIVERSIDE UNIVERSITY HEALTH SYSTEM-PUBLIC HEALTH: Ratify and approve Grant Agreement # 20181901 between The California Endowment (TCE) and the County of Riverside, Department of Public Health for the performance period of November 15, 2017 through November 14, 2019. All Districts [$149,955 - 100% funded by TCE] (4/5 vote required) **(4/5 Vote Required)**

3.18 6633 SHERIFF-CORONER-PA: Approval of Agreement to Purchase with Motor Coach Industries (MCI) for One (1) Inmate Security Bus for the Sheriff's Department for FY17/18, [District All]; [Total Cost $650,656]; 100% Booking Fee Recovery Fund; 4/5 Vote. **(4/5 Vote Required)**

3.19 6518 TRANSPORTATION AND LAND MANAGEMENT AGENCY - TRANSPORTATION DEPARTMENT: Approval of the Service Agreement by and between the County of Riverside and the City of Beaumont for the Brookside Avenue Slurry Seal Improvements. 4th and 5th District. [$115,380 – Total Cost]; Local Funds 100%; 4/5 vote required (Companion Item to MT Item 6516) **(4/5 Vote Required)**

3.20 6516 TRANSPORTATION AND LAND MANAGEMENT AGENCY - TRANSPORTATION DEPARTMENT: Approve Addenda to Plans and Specifications; Accept the Low Bid and Award the Contract for the Construction of Slurry Seal Project at various locations, FY 2017/18 Part 2, 4th and 5th Districts; [$2,953,539 total]; Local Funds 100%.(Companion Item to MT Item 6518)

3.21 3625 TRANSPORTATION AND LAND MANAGEMENT AGENCY/ TRANSPORTATION: Adoption of Resolution Number 2018-042, Summarily Vacating the northerly 20 feet of a portion of Hunter Street in the Mead Valley Area. This vacation is exempt pursuant to the California Environmental Quality Act (CEQA). 1st District; [$1,000] Local Funds 100%

3.22 6322 TRANSPORTATION AND LAND MANAGEMENT AGENCY/ TRANSPORTATION: Approval of the 4th Amendment in the amount of $100,000 to Agreement 13-11-010 with AEI-CASC Consulting for On-Call Water Quality Management Plan Review Services. All Districts; [$100,000 Current FY; $775,000 - Total Cost]; Deposit Based Fees 100%

3.23 6485 TRANSPORTATION AND LAND MANAGEMENT AGENCY-TRANSPORTATION: Approval of the Engineering Services Agreement by and between the County of Riverside and DHS Consulting, Inc. to Perform Construction Management Services for the Scott Road Interchange Project. 3rd and 5th Districts; [$5,122,087 Total]; Local Funds 100%

3.24 6695 BOS DISTRICT 5: Fifth District Use of Community Improvement Designation (CID) for Mt. San Jacinto College Foundation and Rancho Damacitas Children and Family Services. [$11,500 General Fund 100%] (4/5 vote required) **(4/5 Vote Required)**

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4 SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY MEETING

(NO BUSINESS)

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5 PUBLIC FINANCING AUTHORITY MEETING

(NO BUSINESS)

5. RIVERSIDE DISTRICT COURT FINANCING CORPORATION MEETING

(NO BUSINESS)

5. RIVERSIDE COUNTY INFRASTRUCTURE FINANCING AUTHORITY MEETING

(NO BUSINESS)

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6 INDUSTRIAL DEVELOPMENT AUTHORITY MEETING

(NO BUSINESS)

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7 IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY MEETING

(NO BUSINESS)

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8 COMMUNITY FACILITIES DISTRICT LEGISLATIVE BODY MEETING

(NO BUSINESS)

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9 PUBLIC HEARINGS

9.1 6649 SUBJECT: COUNTY COUNSEL AND AGRICULTURAL COMMISSIONER: Public Hearing On Ordinance No. 449.249, An Ordinance Of The County Of Riverside Extending Urgency Interim Ordinance No. 449.248 Declaring A Temporary Moratorium On The Cultivation Of Industrial Hemp By "Established Agricultural Research Institutions" Within The Unincorporated Areas Of The County Of Riverside - CEQA Exempt – All Districts [$0] (4/5 Vote Required)

10 HOUSING AUTHORITY MEETING

10.1 6410 HOUSING AUTHORITY: Approval of the Housing Authority of the County of Riverside's Annual Public Housing Agency Plan and Supporting Documents, All Districts [$0]; Not a Project under CEQA

10.2 6469 HOUSING AUTHORITY: Approve the Fiscal Year 2017-18 Housing Opportunity for Persons with AIDS (HOPWA) Agreement between the Housing Authority of the County of Riverside and the City of Riverside; Approve HOPWA Contracts between the Housing Authority and Contractors; All Districts [$1,301,927], U.S. Department of Housing and Urban Development 100%; CEQA Exempt

11 FLOOD CONTROL AND WATER CONSERVATION DISTRICT MEETING

(NO BUSINESS)

12 COUNTY BOARD AND WASTE RESOURCES MANAGEMENT DISTRICT MEETING

C. COUNTY

12.1 6699 DEPARTMENT OF WASTE RESOURCES: 2016 El Sobrante Landfill Annual Report, District 1. [$0 – Waste Resources Enterprise Fund]

12.2 6519 DEPARTMENT OF WASTE RESOURCES: Contract Change Order Numbers 1 and 2 for the Southeast Drainage Channel Improvement Project at the Corona Landfill, District 2. [$262,623.10 – Department of Waste Resources Enterprise Funds] (Nothing Further Required under CEQA)

D. DISTRICT

(NO BUSINESS)

13 COUNTY BOARD AND REGIONAL PARK AND OPEN SPACE DISTRICT MEETING

C. COUNTY

(NO BUSINESS)

D. DISTRICT

(NO BUSINESS)

14 RIVERSIDE COMMUNITY HOUSING CORP. MEETING

(NO BUSINESS)

15 PUBLIC COMMENT

In accordance with Board Policy A-2, section 14, the Chair requests that all present refrain from any action that might disrupt the orderly course of the meeting. Coarse, crude, profane, or vulgar language, or unsolicited comments from the audience, which disrupts or disturbs the Board meeting, may result in exclusion from the meeting. Board members are not allowed to take formal action on items not on the published agenda. As a result, immediate response to public comments may be limited.

16 RIVERSIDE COUNTY LIBRARY SYSTEM FOUNDATION MEETING

(NO BUSINESS)

17 10:30 A.M. COUNTY GENERAL PLAN AMENDMENT INITIATION PROCEEDINGS MEETING

(NO BUSINESS)

18 10:30 A.M. COUNTY LAND USE PUBLIC HEARINGS MEETING

18.1 6565 TRANSPORTATION AND LAND MANAGEMENT AGENCY/PLANNING: Public Hearing on NEGATIVE DECLARATION for ENVIRONMENTAL ASSESSMENT NO. 42887, CHANGE OF ZONE NO. 7905, ORDINANCE NO. 348.4867 and TENTATIVE TRACT MAP NO. 36963. Applicant: Paulino Rodriguez – Engineer/Representative: Albert A. Webb Associates – First Supervisorial District – Lake Mathews Zoning District – Lake Mathews/Woodcrest Area Plan: Rural Community: Estate Density Residential (RC:EDR) (2-acre minimum) – Location: Northerly of Big Sky Circle, southerly of El Mineral Road, westerly of Spencer Butte Drive and easterly of Olive Street – 79.67 Acres - Zoning: Residential Agricultural 2½-acre minimum (R-A-2½) - REQUEST: Change of Zone No. 7905 proposes to change the project site's zoning classification from Residential Agricultural 2½-acre minimum (R-A-2½) to Residential Agricultural 2-acre minimum (R-A-2). Tentative Tract Map No. 36963 proposes a Schedule 'C' subdivision of approximately 79.67 gross acres into 31 2-acre minimum, single family residential lots and four (4) letter lots for water quality basins. [Applicant fees 100%]

18.2 6337 TRANSPORTATION AND LAND MANAGEMENT AGENCY/PLANNING: PUBLIC HEARING ON CONDITIONAL USE PERMIT NO. 3757 and CHANGE OF ZONE NO. 7921, ORDINANCE NO. 348.4882 – CEQA Exempt Section 15301 and No New Environmental Document Required – Applicant: Linda R. Davis Family Trust – Third Supervisorial District – Rancho California Zoning Area – Southwest Area Plan: Rural: Rural Residential, in the Temecula Valley Wine Country Policy Area – Equestrian District – Location: North of De Portola Road, and both south and west of Paseo Del Traza, more specifically at 36500 De Portola Road – 10.41 Acres – Zoning: Rural Residential (R-R) - REQUEST: Conditional Use Permit No. 3757 proposes to convert an existing six (6) bed residential drug and alcohol treatment facility to a 16 bed residential drug and alcohol treatment facility within an existing 7,384 square foot home on a 10.41 acre lot. The facility will operate in three shifts and have 23 full time staff, consisting of 4 licensed therapists, 3 certified addiction counselors, 12 behavioral health technicians, 2 housekeeping staff and 2 facility directors. The maximum number of staff at one time is 12 people at the facility. Change of Zone No. 7921 and associated Ordinance No. 348.4882 is required to make the subject property's zoning classification consistent with the County's General Plan as amended by General Plan Amendment No. 1077. It will change the site's zoning classification from Rural-Residential to Wine Country-Equestrian – APN: 927-100-053. [Applicant Fees 100%] **(Set for Hearing)**

18.3 6511 TRANSPORTATION & LAND MANAGEMENT AGENCY/PLANNING: PUBLIC HEARING ON SPECIFIC PLAN NO. 303, AMENDMENT NO. 4 (SP303A4), Change of Zone No. 7952 (CZ7952) AND ALUC's INCONSISTENCY DETERMINATION – EA 43068 – Applicant/Owner: Thermal Operating Company – Engineer/Representative: Webb Associates – Fourth Supervisorial District – Lower Coachella Valley Zoning District – Eastern Coachella Valley Community Area Plan: Community Development: Heavy Industrial (CD: HI), and Open Space-Conservation (OS-C) as reflected on the Land Use Plan for Specific Plan No. 303 – Location: Northerly of Avenue 62, southerly of Avenue 60, easterly of Tyler Street, westerly of Polk Street, located in Thermal, CA – 149 Acres – Zoning: Specific Plan (S-P) REQUEST: Amend the Kohl Ranch Specific Plan (SP No. 303) to allow "Overnight Occupancy" within Racetrack Recreational units ("Founders Lots") in Planning Area E2 – APN's: Portion of 759-180.010, Portion of 759-180-014, Portion of 759-190-014, 759-180-013, 759-190-011, 759-190-013, 759-240-009 thru -018, 759-250-001 thru -29, 759-250-032 thru -040, 759-260-001 thru -038, and 759-270-001 thru -027. [Applicant Fees 100%.] 4/5 vote required. **(4/5 Vote Required)**

18.4 6642 TRANSPORTATION AND LAND MANAGEMENT AGENCY/PLANNING: PUBLIC HEARING ON CHANGE OF ZONE NO. 7922, ORDINANCE NO. 348.4878, CONDITIONAL USE PERMIT NO. 3758, and NEGATIVE DECLARATION for ENVIRONMENTAL ASSESSMENT NO. 42949 – Owner/Applicant: BLP Desert, LP/Polk Meadows, LP – Representative: Greg Beaver – 4th Supervisorial District – Bermuda Dunes Zoning District – Western Coachella Valley Area Plan – Commercial Retail (C-R) – Location: North of Avenue 42, east of Washington Street, and west of Yucca Lane – 5.06 Gross Acres – Zoning: C-P-S & C-1/C-P – REQUEST: Change of Zone No. 7922 proposes to modify existing zoning from General Commercial (C-1/C-P) and Scenic Highway Commercial (C-P-S) to General Commercial (C-1/C-P) on a 5.06-acre property to accommodate a proposed mini-warehouse project. Conditional Use Permit No. 3758 proposes the construction and operation of a mini-warehouse project of approximately 91,125 square feet with eight (8) mini-storage buildings up to 13 feet in height. Typical mini-warehouse units are sized approximately 5 feet by 10 feet, 10 feet by 10 feet, 10 feet by 20 feet, and 10 feet by 25 feet with approximately 938 total mini-storage units. The project also includes a 634-square-foot office with 12 customer parking spaces and a 1,322 square-foot caretaker's residence with a 600 square-foot garage up to 24 feet in height. Total square footage of the proposed mini-warehouse project and related buildings is approximately 93,658 square feet. The proposed project includes a monument sign and wall signage of approximately 30 square feet each. Hours of operation for the office will be from 8:00 a.m. to 6:00 p.m. with customer access into the secured storage area restricted between 9:00 p.m. and 6:00 a.m., seven days a week. APN 607-130-010. [Applicant fees 100%]

CONCURRENT EXECUTIVE SESSION-COUNTY OF RIVERSIDE, SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY, REGIONAL PARK AND OPEN SPACE DISTRICT, FLOOD CONTROL AND WATER CONSERVATION DISTRICT, WASTE RESOURCES MANAGEMENT DISTRICT, HOUSING AUTHORITY, RIVERSIDE COMMUNITY HOUSING CORP., IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY AND COMMUNITY FACILITIES DISTRICTS

A. WITH RESPECT TO EVERY ITEM OF BUSINESS TO BE DISCUSSED IN CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.9: CONFERENCE WITH LEGAL COUNSEL-EXISTING LITIGATION (SUBDIVISION (D)(1) OF GOVERNMENT CODE SECTION 54946.9)

6676 A.1 Dr. Andrius Baskys, M.D., Ph.D., an individual v. Riverside County Department of Mental Health, a county within the state of California, and DOES 1 through 100, inclusive. Case No. RIC1409138

B. CONFERENCE WITH LEGAL COUNSEL-ANTICIPATED LITIGATION: SIGNIFICANT EXPOSURE TO LITIGATION PURSUANT TO SUBDIVISION (D)(2) OF GOVERNMENT CODE SECTION 54956.9

6677 B.1 One potential case

6684 B.2 One potential case

C. CONFERENCE WITH LEGAL COUNSEL-ANTICIPATED LITIGATION: INITIATION OF LITIGATION PURSUANT TO SUBDIVISION (D)(4) OF GOVERNMENT CODE SECTION 54956.9

6678 C.1 One potential case

6679 C.2 One potential case

D. WITH RESPECT TO EVERY ITEM OF BUSINESS TO BE DISCUSSED IN CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54957.6

6680 D.1 Conference with labor negotiator: Agency Negotiator – Michael Bowers Employee organizations – Management/Confidential, Unrepresented, RCDDAA, RSA, SEIU, LIUNA, UDW and LEMU

RECESS TO LUNCH

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19 ACTION ITEMS

SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

ITEM
3.8
(ID # 6628)

MEETING DATE:
Tuesday, March 27, 2018

FROM : EXECUTIVE OFFICE:

SUBJECT: EXECUTIVE OFFICE: Agreement by and between the Desert Healthcare District and the County of Riverside relating to LAFCO 2017-01-04 (Eastern Coachella Valley Annexation), 4th District. [$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Support the annexation of the Eastern Coachella Valley into the boundaries of the Desert Healthcare District with no exchange of property tax revenue.
2. Direct the Clerk of the Board to certify the passage of the resolution and to send a certified copy along with the Minute Order to the Executive Officer of the Local Area Formation Commission (LAFCO).

ACTION: Policy

Brian Nestande 3/16/2018

MINUTES OF THE BOARD OF SUPERVISORS

SUBMITTAL TO THE BOARD OF SUPERVISORS COUNTY OF RIVERSIDE, STATE OF CALIFORNIA

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost
COST	$0	$0	$0	$0
NET COUNTY COST	$0	$0	$0	$0
SOURCE OF FUNDS:			Budget Adjustment: NO	
			For Fiscal Year:	

C.E.O. RECOMMENDATION: Approve

BACKGROUND:

Summary

Assembly Bill 2414, authored by Assembly member Eduardo Garcia and signed by the Governor in September 2016, requires Desert Healthcare District to file an application to expand its service area into the Eastern Coachella Valley.

Revenue and Taxation Code Section 99(b) provides that upon filing of an application of a jurisdictional change, the local agencies must first attempt to negotiate a mutually acceptable exchange of property tax revenues by entering into negotiations.

On January 5, 2017, the District submitted the application and proposed plan of service to the Riverside Local Agency Formation Commission (LAFCO) for the annexation of the Eastern Coachella Valley into the boundaries of the District, LAFCO 2017-01-04 (Eastern Coachella Valley Annexation.) Once the application is certified by LAFCO the County is required to place the application on the next general election, November 8, 2018. Per AB 2414, LAFCO cannot reject the application so long as it is a completed application.

On May 8, 2017, good faith negotiations commenced between representatives of the County and representatives of the District. After negotiations, representatives of the County determined that there would be no exchange of property tax revenues. By adoption of the attached ordinance, the negotiations will be finalized confirming there will be no property tax exchange between the County of Riverside and the Desert Healthcare District. The Desert Healthcare District is currently funded with property tax revenue diverted from the County. Therefore, the application submitted to LAFCO was subject to the County Master Property Tax Agreement negotiation. Under State Revenue and Taxation Code Section 99 the District allowed the County Board of Supervisors to negotiate a property tax exchange on behalf of the District. The attached resolution is the completion of those negotiations.

An annexation would expand the District's service area, which now encompasses the cities of Palm Springs, Desert Hot Springs, Cathedral City, Rancho Mirage, part of the 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.

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.

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 became a subsidiary of Desert Hospital Corporation and was governed by a community board.

In 1997, 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. The District provides grants to various non-profits and government entities in the Coachella Valley with property tax revenue (approximately $5 million per year) and proceeds from the Tenet lease (approximately $4 million per year)

Healthcare is delivered in the Coachella Valley through various means; private insurance, Medicare insurance and Medicaid (Medi-Cal) insurance. Riverside County is, by law, the healthcare provider of last resort. This includes providing healthcare for the indigent and accepting Medi-Cal. While Medi-Cal covers the majority of persons for whom the County is responsible for, county general fund revenues pay for the approximately 9% of residents with no insurance. The county general fund pays for mental health services not provided by Medi-Cal as well as medical services for the incarcerated.

Desert Regional Hospital, JFK Hospital (both operated by Tenet) and Eisenhower Hospital along with numerous healthcare clinics, urgent care facilities and private medical businesses provide healthcare services in the Coachella Valley.

Riverside County through Riverside University Health System (RUHS) currently provides over 20 different services and contracts with 19 providers in the proposed annex area. The RUHS clinic in Indio is the largest provider for indigent and Medical services. Examples of services include; preventive and primary health care, breast cancer screening, immunization and flu shots, TB screening and treatment, HIV/AIDS testing and treatment, behavioral health needs, chronic disease management, public health nursing programs. RUHS also has partnerships with Borrego Clinic and Clinicas De Salud Del Pueblo to provide services to the east valley.

RUHS is planning expanded services and facilities in the eastern Coachella Valley. One concern of RUHS is that partnerships with the Desert Healthcare District are subject to a non-compete clause (see attached) included in the Tenet lease. If the district expansion is completed the non-compete clause will cover the entire Coachella valley.

Additional Fiscal Information

There are no costs to the County associated with the resolution.

Gregory P. Priamos, Director County Counsel 3/19/2018

RESOLUTION NO. _____

RESOLUTION OF THE COUNTY OF RIVERSIDE DETERMINING THAT NO PROPERTY TAX REVENUES SHALL BE EXCHANGED BETWEEN THE COUNTY AND THE DESERT HEALTHCARE DISTRICT RELATING TO THE EAST COACHELLA VALLEY ANNEXATION

WHEREAS, on September 21, 2016, Governor Jerry Brown signed AB 2414 (Garcia) into law which added §32499 et seq., to the California Health & Safety Code; and

WHEREAS, AB 2414 provides for the annexation of approximately 1,760 square miles of the Eastern Coachella Valley into the boundaries of the Desert Healthcare District (District); and

WHEREAS, on January 5, 2017, the District submitted the Application and Proposed Plan of Service to the Riverside Local Agency Formation Commission (LAFCO) for the annexation of the Eastern Coachella Valley into the boundaries of the District, LAFCO 2017-01-04 (Eastern Coachella Valley Annexation); and

WHEREAS, After review, on April 19, 2017, the County of Riverside (County) determined that Revenue & Taxation Code section 99 and its applicable procedures apply to the Eastern Coachella Valley Annexation; and

WHEREAS, Revenue & Taxation Code section 99(b) provides that upon the filing of an application of a jurisdictional change, but prior to the issuance of a certificate of filing by LAFCO, the local agencies must first attempt to negotiate a mutually acceptable exchange of property tax revenues; and

WHEREAS, on May 8, 2017, good faith negotiations commenced between representatives of the County and representatives of the District. After negotiations, representatives of the County determined that there would be no exchange of property tax revenues; and

NOW, THEREFORE, BE IT RESOLVED that the Board of Supervisors of the County of Riverside, as follows:

1. The County supports the annexation of the Eastern Coachella Valley into the boundaries of the District, with no exchange of property tax revenue.

2. The Clerk of the Board of Supervisors is hereby directed to certify the passage of this resolution and to cause a certified copy to be sent to the Executive Officer of the LAFCO for the County of Riverside.

PASSED AND ADOPTED by the Board of Supervisors of the County of Riverside, State of California, by the following vote:

AYES: SUPERVISORS_______________________________________

NOES: SUPERVISORS_______________________________________

ABSENT: SUPERVISORS_______________________________________

LAW OFFICES

SCOTT & JACKSON

16935 WEST BERNARDO DRIVE, SUITE 170
SAN DIEGO, CA 92127

(858) 675-9896

JEFFREY G. SCOTT
BLAISE J. JACKSON
JAMES R. DODSON

FAX (858) 675-9897

Date: April 21, 2017

To: Desert Healthcare District Board of Directors
Herb K. Schultz, CEO
Chris Christensen, CFO

From: Jeff Scott, General Counsel

Re: Will the Provisions of the 1997 Lease with Tenet Healthcare apply to the annexation of the Eastern Coachella Valley if approved by the voters?

AB 2414 was passed in 2016 and provides statutory authority for the expansion of approximately 1,760 square-miles of the boundaries of the Desert Healthcare District (District) into the Eastern Coachella Valley, to include 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. Among other requirements, of the bill, once approved by LAFCO, an election is to be scheduled in November 2018, for the voters in the area to be annexed to consider approval of the annexation. If a majority of the voters approve the annexation, the area will become part of the District boundaries.

Question:

A legal question has been raised as to whether the terms and conditions of the May 30, 1997 Lease Agreement (1997 Lease) between Tenet Health Systems Inc., (Tenet) and the District, will be binding on the new territory if it is annexed into the District?

Conclusion:

Yes, the provisions of the 1997 Lease Agreement between Tenet and the District, and its terms and conditions will be binding on the new territory if it is annexed into the District.

Analysis:

In May of 1997, after a lengthy public review process, the District Board of Directors voted unanimously to enter into the 1997 Lease of Desert Regional Hospital (Hospital) with Tenet. The 30-year Lease included the lease of all of the real property and improvements related to the Hospital and the transfer of all the personal property and equipment in the Hospital to Tenet for the term of the Lease.

In entering into the 1997 Lease, the District made a number of representations and warranties including that: (i) the District is a political subdivision of the State of California, (ii) duly and validly exists under the laws of the State of California, (iii) is authorized to exercise its powers, rights and privileges in accordance with State law, and (iv) has the full power and authority to execute and perform its obligations and covenants set forth in the 1997 Lease. There is no legal authority, or any provision in the 1997 Lease, which would suggest that these representations and warranties or the legal obligations under the terms and conditions of the 1997 Lease, would in any way change or be altered by the expansion of the District boundaries.

More specific to the issue, is whether Article XIII which restricts the District and its Affiliates from managing, operating or supporting a competing hospital within the District boundaries would also apply to the expanded boundaries. The answer is an unequivocal yes.

Article XIII (p.32) of the 1997 Lease is clear: "... neither the Lessor [District] nor any Affiliate (including the Desert Hospital Foundation ... will directly or indirectly own any interest in, manage or operate (i) any hospital or other health care facility, provider or business within the geographical boundaries of the District or which may otherwise at any time be competitive with any present or future Desert Business ... without Lessee's [Tenet's] prior written consent. (emphasis added). The term "within the geographical boundaries of the District" is not qualified by "current" or "existing" boundaries. Consequently, the competition restrictions in Article XIII would apply to the expanded District boundaries.

It should also be noted that in the event the boundaries are expanded, with the exception of the competition restrictions, the 1997 Lease would also allow the District to support health care related programs and services in the new area. Section D of the RECITALS of the 1997 Lease (p.2) provides that: "Except as expressly provided herein, nothing herein shall prohibit the District from exercising its powers to engage in any of the activities allowed by the Local Health Care District Law as presently written or hereinafter amended." (emphasis added).

DESERT HEALTHCARE DISTRICT

Date: March 27, 2018

To: Board of Directors

Subject: Health Partnership between the Desert Healthcare District, California Resources Agency and the Salton Sea Authority

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Introduction

The Desert Healthcare District/Foundation (DHCD/F) appreciates the opportunity to present in writing and highlight a health partnership with the California Natural Resources Agency (CNRA) and Salton Sea Authority (SSA) focused on improving air quality and health outcomes arising from the Salton Sea.

Goal

The development of a health partnership to collaborate with the CNRA and SSA to help alleviate the negative health impacts of the Salton Sea, and develop a strategic outreach campaign to inform the public of the on-going restoration efforts of the Salton Sea.

Background

The restoration of the Salton Sea has been an on-going concern to the residents of the Coachella Valley, specifically, those living in the Eastern Coachella Valley who are and will be the most impacted by the receding shoreline of the sea. Although the restoration of the Salton Sea is the primary focus, the health impact of residents should also be a focus of the restoration process. A partnership between the CNRA, SSA, and the DHCD/F would be beneficial in informing Coachella Valley residents on the on-going Salton Sea restoration projects through a public campaign; and serve as the lead organization in creating broad-based coalitions, providing analysis and research, programmatic and financial assistance, and evaluation on the various health issues impacting the communities around the Salton Sea.

Community Leadership

The DHCD/F has a proven track record of leveraging existing partnerships with trusted community non-profit and public agencies to identify and address public health concerns. A great example of these efforts can be highlighted in the enrollment of well over 45,000 Coachella Valley residents under the Affordable Care

Act. The DHCD/F was able to secure over $1 million dollars in matching funds to support six community-based organizations, federally qualified health centers, and faith-based organizations to provide Coachella Valley residents, culturally competent education, outreach and enrollment activities.

Another great example was the development of a Homelessness Initiative, where the DHCD/F was able to provide $2 million dollars of collective funds in partnership with local city governments to support wrap around services and a rapid rehousing model for the homeless in the Coachella Valley. These two examples demonstrate the capacity and expertise the DHCD/F has in creating broad-based coalitions of organizations and agencies to assist in the dissemination of crucial information, and partner with local stakeholders and community members to develop strategies aimed at improving air quality and improve health outcomes.

Previous Work Examples

Aside from the two community leadership examples on the capacity and expertise of the DHCD/F to identify and address community health problems; the DHCD/F has worked and funded other types of health-related services and programs throughout the Coachella Valley. The DHCD/F has funded programs and services in partnership with community-based organizations around the areas of workforce development, access to healthy food, youth and senior programs, transportation, HIV/AIDS, and other chronic conditions. Tens of thousands of Coachella Valley residents have benefited and have been impacted directly from these DHCD/F funded programs and services and will continue to do so for years to come.

Examples of Potential Programs and Services

In recent weeks, the DHCD/F staff have met with California Secretary for Natural Resources John Laird, local stakeholders, and attended several community meetings to discuss the Salton Sea. Through these meetings the DHCD/F has identified several evidence-based programs and interventions to address the health impact of the Salton Sea.

Some of those programs include:

- The Community Healthcare for Asthma Management and Prevention of Symptoms (CHAMPS) program. This program currently implemented by Clinicas de Salud del Pueblo, which combines a clinical and in-home asthma intervention plan using community health workers and primary care physicians.
- School-based interventions; including the school flag warning system, which trains and empowers school personnel on how to identify poor air quality days and the proper steps necessary to protect children with respiratory problems. Also, the installation of quality indoor air filtration systems that improves indoor air quality, which studies have shown is as toxic as the outdoor air quality.

- IVAN Air Monitoring system which monitors and provides up-to-date data on air quality. Currently, there are only two air monitoring stations in the Coachella Valley.
- Childhood obesity programs; numerous studies have demonstrated a direct correlation between childhood obesity and asthma, which is partly due to a lack of physical activity because of fear of an asthma attack. The lack of physical activity greatly increases the chances of a child with asthma becoming overweight and/or obese.

Along with these programs and interventions, community residents expressed the need for a culturally-appropriate outreach and information campaign to inform them of the on-going Salton Sea management process, and new proposed projects such as the North Lake concept proposed by Riverside County Supervisor V. Manuel Perez. The DHCD/F in partnership with the CNRA and SSA can collaboratively organize and host a series of community forums and facilitated discussions with community members and key stakeholders to inform and receive their valuable feedback.

Closing

We firmly believe a health partnership between the Desert Healthcare District/Foundation, the Salton Sea Authority, and the California Natural Resources Agency can be beneficial in establishing a health-centered coalition, which can establish additional support and drive a public awareness campaign focused on the management efforts by the CNRA and SSA, while addressing the health-related problems of the Salton Sea.

CONSULTING SERVICES AGREEMENT

This Professional Services Agreement (Agreement) is entered into by and between Desert Health District (District), a public agency organized and operating pursuant to California Health and Safety Code sections 32000 et seq., and Lake Research Partners, ("LRP" or "Consultant") , as follows:

R-E-C-I-T-A-L-S

1. The District would like to retain the professional services of a public opinion consultant to develop polling and survey data for its contemplated expansion initiative to coincide with the general election in November, 2018;

2. Consultant is a public opinion research firm which is qualified and possesses the knowledge, skill, expertise, and other resources necessary to provide the professional services ("Services") outlined in Exhibit A, attached hereto; and,

3. The District has relied on LRP's representations in selecting Consultant to perform the Services, and Consultant desires to provide District with such Services, in accordance with the terms and conditions of this Agreement.

C-O-V-E-N-A-N-T-S

1. CONSULTANT'S SERVICES AND SCHEDULE

1.1 Services. Consultant shall provide all labor, materials, equipment, and incidental and customary work necessary to fully and adequately provide District and the Foundation with professional services as more fully described in Exhibit A attached hereto and incorporated herein by this reference (Consultant "Research Plan"). Consultant shall provide District with such Services in accordance with the terms and conditions of this Agreement. All Services shall be performed by Consultant to the reasonable satisfaction of District.

1.2 Nondiscrimination. In performing pursuant to this Agreement the Consultant agrees not to discriminate against any worker, employee, applicant for employment, or any member of the public, because of race, religion, national origin, ancestry, sex, age, sexual orientation, disability, marital status, domestic partner status, or medical condition, or otherwise commit an unfair labor practice.

1.3 Compliance with Laws. In performing the Services, Consultant shall, and shall at all times comply with all applicable laws, rules, regulations, codes, ordinances, and orders of every kind whatsoever issued, adopted, or enacted by any federal, state, or local governmental body having jurisdiction over the the Services. The research LRP conducts for the District and Foundation will be part of a civic and public education program designed to enhance awareeness of the issues surrounding boundary expansion. LLP specifically represents and warrants that it's work will not be to develop a campaign to implement a strategy for building support for the ballot measure (both in terms of building coalitions and financial support for a campaign). Consultant's Services will terminate the earlier of August 10, 2018, or when the Riverside County Board of Supervisors takes action to place an annexation expansion measure on the November 6, 2018 ballot.

1.4 Performance Standard. Consultant shall perform the Services with efficiency and diligence and shall execute the Services in accordance with the standards of Consultant's profession, generally described as that degree of skill and care ordinarily exercised by accountants performing public opinion polling and research services of a scope, purpose, magnitude, and location comparable with the Services to be provided under this Agreement.

1.5 District's Representative. District's Representative. For purposes of the Agreement, the District's Representative shall be the District's Chief Executive Officer, Herb Schultz, located at 1140 N. Indian Canyon Drive, Palm Springs, CA 92262. All amendments to this Agreement shall be approved and signed by the District's Representative.

2. FEES AND PAYMENTS.

2.1 Compensation for Services. For the full and satisfactory performance of the Services, District shall compensate Consultant as noted on Exhibit A (Research Plan).

2.2 Invoices. Consultant shall deliver an invoice to District no later than the 10th day of each month for Services.

2.3 Payment. The District shall remit payment for all amounts due to Consultant within thirty (30) days after receipt of invoices; provided, however, in the event District disputes any portion of Consultant's invoice, it shall timely pay any undisputed amounts invoiced and notify Consultant within thirty (30) days of its receipt of the invoice of the specifics of any disputed amounts. The parties shall expeditiously resolve the subject of any disputed amounts by way of negotiation or, if necessary, mediation. Any such dispute shall not relieve Consultant of its obligation to continue diligently performing the Services.

3. TERM. The term of this Agreement shall run from the date this Agreement is fully executed until August 10, 2018, subject to Section 1.3 above or the District's right to sooner terminate for convenience.

3.1. Termination for Convenience. District may at any time, in the exercise of its sole discretion, terminate this Agreement in whole or in part, with or without cause, by providing notice to Consultant of its intention to terminate the Agreement for convenience. So long as the Consultant is not in default under this Agreement at the time of such termination, District shall pay Consultant for all Services incurred to the date of termination.

4. INDEPENDENT CONTRACTOR. District has retained Consultant to provide, and Consultant shall perform, the Services as an independent contractor maintaining exclusive direction and control over its employees; and, no personnel utilized by Consultant to perform the Services are employees of District.

5. OWNERSHIP OF DOCUMENTS. All Deliverables and other documents generated by Consultant in the performance of the Services, including all work papers, work-in-progress, designs, documents, data, ledgers, journals and reports prepared by Consultant as a part of the Services (Consultant Work Product) shall belong to and be subject to the sole ownership and use of District. The provisions of this Paragraph 5 shall survive any termination of this Agreement.

6. INDEMNIFICATION. Consultant agrees to indemnify and hold the District, its governing body, officers, employees, representatives, agents, successors and assigns (collectively the District Indemnities), harmless from and against any and all losses, liabilities, claims, causes of action or costs and expenses of whatever nature or kind, incurred or suffered by the District or the District Indeminities including indemnity claims arising by reason of any personal injury of any person or property loss, loss of use, or damage, to the extent the same arise out of or in connection with the negligent act(s) or omission(s), recklessness, or willful misconduct of Consultant, its officers, employees, subcontractors, or representatives, relating to the performance of this Agreement.

9. NOTICE. All notices to be given under this Agreement shall be in writing and shall be deemed effective upon receipt when personally served or two days after mailing by certified, return receipt requested, to the following addresses:

To: District
Desert Healthcare District
Attention: Herb Schultz, Chief Executive Officer
1140 N. Indian Canyon Drive
Palm Springs, California 92262

To: Consultant
Lake Research Partners
1936 University Avenue, Suite 330
Berkeley, CA 94704

10. CONSEQUENTIAL DAMAGES. In no event shall either party or its contractors, subcontractors, or representatives be liable in contract, tort, strict liability, warranty, or otherwise, for any special, indirect, incidental, or consequential damages, such as, but not limited to, loss of product, loss of anticipated profits or revenue, loss of use of equipment or system, non-operation or increase expense of operation of other equipment or systems, or cost of capital.

12. MISCELLANEOUS PROVISIONS.

12.1 Venue. Venue shall lie only in the federal or state courts nearest to the City of Palm Springs, in the County of Riverside, State of California.

12.2 Modification. This Agreement may not be altered in whole or in part except by a modification, in writing, executed by all the parties to this Agreement.

12.3 Entire Agreement. This Agreement, together with all Schedules attached, contains all representations and the entire understanding between the parties with respect to the subject matter of this Agreement. Any prior correspondence, memoranda, or agreements, whether or not such correspondence, memoranda, or agreements are in conflict with this Agreement, are intended to be replaced in total by this Agreement and its Schedules.

12.4 Assignment. Consultant shall not be entitled to assign all or any portion of its rights or obligations contained in this Agreement without obtaining the prior written consent of the District. Nothing in this Agreement shall obligate the District to give such consent. Any purported assignment without the District's consent shall be void.

12.5 Binding Effect. This Agreement shall inure to the benefit of and be binding upon the parties and their respective purchasers, successors, heirs, and assigns.

12.6 Unenforceable Provisions. The terms, conditions, and covenants of this Agreement shall be construed whenever possible as consistent with all applicable laws and regulations. To the extent that any provision of this Agreement, as so interpreted, is held to violate any applicable law or regulation, the remaining provisions shall nevertheless be carried into full force and effect and remain enforceable.

This Agreement is entered into in Riverside County, California.

Desert Healthcare District	Consultant
By: ____________________ Herb Schultz, Chief Executive Officer	By: ____________________ Authorized Representative.
Dated: ____________________	Dated: ____________________

EXHIBIT A

Research Plan

To best meet your needs, we recommend a multi-phased research design, including a focus group series and telephone baseline survey.

Focus Groups

We propose starting with a series of four (4) focus groups in Indio, California. The groups will explore knowledge of the District, how voters view the plan to expand the Desert Healthcare District, how they are affected by the current district boundaries, how they connect with issues regarding the current lines, what they believe should be done and how, and ensure we find the right language that moves voters to support the expansion. Participants would be likely voters who are residents of the newly created healthcare district and they would be stratified by gender and ethnicity in order to get a mix of targeted audiences.

Focus groups will allow for deep exploration of the perceptions and values driving attitudes on healthcare and healthcare access, and to look for openings on how to frame the issue. By engaging voters in a discussion, and through exercises such as mind-mapping and scenarios, we will analyze how and when shifts in thinking occur. We will explore and refine the language that connects voters' aspirations and values to policy changes.

Pricing for these focus groups is laid out below. Please note these are initial recommendations that can be adapted with your input.

Focus Group Pricing		
Description	**Location**	**Price**
Latino, mixed gender and age (Spanish)	Indio, CA	$10,650
Latino, mixed gender and age (English)		$9,250
White/Anglo men, mixed age		$8,000
White/Anglo women, mixed age		$8,000
Analysis Fee		$4,500

Focus group prices include recruitment, reminder letters, confirmation calls, incentive payments, guideline development, moderators, audiotaping, transcripts, and reporting. The only additional charges are for the travel of LRP employees to each focus group facility. This will be billed at cost. We reserve the right to pass on additional recruitment charges up to $1,000 per group if the recruitment becomes unusually difficult. We will notify you of the progress made in recruitment before additional charges are likely.

Telephone Baseline Survey

Following the focus group phase, we will move on to a survey, to measure and quantify the new insights generated by the qualitative research phase. This survey will serve as a blueprint for the campaign and help us build a narrative for a successful healthcare district expansion proposal. A baseline survey allows us to:

- Accurately test voters' knowledge of the role of the District and current views of healthcare access
- Measure voters' initial support for one or more versions of a proposed ballot measure

EXHIBIT A

- Gain a complete view of the top messages (positive and negative) and language to which voters respond and how to frame those messages
- Test attacks to the proposal and responses to mitigate their effect on support for the proposal
- Identify key messengers and endorsers that voters trust and to whom they will listen.
- Identify target groups and how to define and deliver to those targets the most informative messages on the value of boundary expansion
- A demographic section which asks a variety of questions about the respondent's political and demographic characteristics (for example: gender, age, region, party identification, race, education level, and marital status). Responses to this section are then cross-tabulated against all the other questions, so we can identify differences, and define a comprehensive targeting strategy for the information campaign.

We recommend a sample of 500 likely November 2018 voters who will be eligible to vote on the expansion initiative and a survey length of 18 minutes. Our sample will be randomly generated to ensure the survey results and demographic information represent the district's population. A 500-sample size will enable you to break out statistically significant results among critical groups of voters. It will also give us the opportunity to identify key target groups and messaging recommendations for them.

Survey Pricing		
Sample	**Length**	**Price**
500 likely voters (English and Spanish)	18 minutes	$34,810

Survey pricing is a function of two main factors: the number of respondents and length of the survey. Survey prices include questionnaire development, data entry, programming, analysis and presentation of findings, and ongoing strategic consultation. A final report of the survey research is provided. Pricing does not include sample/cell phone matching (estimated at $1,000). There is a one-time administrative fee equal to 2% of the total research budget in lieu of recovery of direct out-of-pocket costs to cover communication, express mail, and printing charges. The only additional charges are for any project-related travel.

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The research design and prices listed above are recommendations and can be amended according to your goals and budget. We are happy to work with you to revise this proposal to meet your needs.

Please do not hesitate to contact David Mermin (dmermin@lakeresearch.com) at 510-379-5180 or Bob Meadow (bmeadow@lakeresearch.com) at 202-470-4426 should you have any questions or comments about this memo.

DESERT HEALTHCARE DISTRICT
FINANCE, ADMINISTRATION, REAL ESTATE AND LEGAL COMMITTEE
MEETING MINUTES
March 13, 2018

Meeting of the Finance, Administration, Real Estate and Legal Committee of the Desert Healthcare District was held in the Desert Healthcare District Conference Room, 2nd Floor, Palm Springs, CA

Attendance:

Members
Mark Matthews, Chairman/Treasurer
Les Zendle, MD, President

Absent
Jennifer Wortham, DrPH, Director
Sid Rubenstein, Community Member
Donna Craig, Senior Program Officer
Alejandro Espinoza, Program Officer and Outreach Director

Staff
Herb K. Schultz, CEO
Lisa Houston, COO
Chris Christensen, CFO
Mary Pannoni, Accounting/Admin Support
Andrea S. Hayles, Clerk to the Board

Community Members
Arthur Shorr, Community Member

CALL TO ORDER
The meeting was called to order at 3:00 p.m. by Chair Matthews.

APPROVAL OF AGENDA
It was moved and seconded (President Zendle, Community Member Shorr) to approve the agenda.

PUBLIC COMMENT
None

APPROVAL OF MINUTES
Submitted for approval:

1. Minutes – January 9, 2018

It was moved and seconded (Chair Matthews, Community Member Shorr) to approve the minutes of January 9, 2018. Motion passed unanimously.

CEO REPORT – Herb K. Schultz, CEO, explained the budgeted items for a communications and marketing brochure and Spanish translation services.

CHIEF FINANCIAL OFFICER'S REPORT - LPMP Leasing Update
Chris Christensen, CFO, provided an overview of the Chief Financial Officer Report that included the LPMP lease update that contains 3 vacancies and Mr. Christensen is researching agencies to assist with the occupancies. Mr. Christensen also explained that Palmtree Clinical has commenced its tenant improvements.

FINANCIAL REPORTS

1. Financial Statements – The District's and LPMP Financial Statements for January and February 2018 was reviewed.
2. Accounts Receivable Aging Summary – The January and February 2018 accounts receivable detail was reviewed.
3. Deposits – District – The District's January and February 2018 deposits detail was reviewed.
4. Property Tax Receipts – District - The property tax receipts were reviewed.
5. Deposits – LPMP – The LPMP's January and February 2018 deposit detail was reviewed.
6. Check Register – District - The January and February 2018 check register were reviewed.
7. LPMP Check Register – The January and February 2018 LPMP check register was re-viewed.
8. Credit Card – Detail of Expenditures – The January and February 2018 credit card expenditures were reviewed.
9. Retirement Protection Plan (RPP) Update – The RPP update was reviewed.
10. Grants Payment Schedule - The grants payment schedule was reviewed.

    It was moved and seconded (Chair Matthews, President Zendle) to approve the January and February 2018 District Financial Reports - Items 1-10 and to forward to the Board for approval.
    Motion passed unanimously.

PUBLIC COMMENT
There were no public comments.

OTHER MATTERS

1. Highmark Capital Investment Reports - Bob Adams

    Chair Matthews introduced Bob Adams, CFA, Highmark Capital Investment Reports. Mr. Adams gave an overview of the Desert Healthcare District Hospital Retirement Plan Investment Review from November 30, 2017 to December 30, 2017.

Chris Christensen, CFO stated that the value of the Retirement Plan is $5.4M. The participant balance is $4.8M.

2. Park Imperial Ground Sublease Sale Proposal - Brad Yochum

   Chris Christensen, CFO explained that the District was bequeathed a land lease for 98-years of a 51-unit condo complex located at Vista Chino and Via Miraleste. The sublease is currently owned by Mr. Brad Yochum – purchased in 2002 and the income received is $300 per year per homeowner with a $750 per month payment from Mr. Yochum to the District totaling $9k. Mr. Yochum currently has an outstanding balance of $8k – 11 months in arrears.

   Brad Yochum, the current owner of the sub-lease, presented his offer to sell the sublease stating that he would like to sell the complex to assist with his son's college education and move forward on other business ventures.

   Community Member Shorr inquired if there are any units in arrears with Mr. Yochum explaining that all units are paid-to-date except for three.

   Mr. Christensen explained that in 2008 a proposal of $100k was presented to the F&A Committee and Board of Directors that was rejected by the District.

   Chair Matthews described his concerns of purchasing the sublease and the District potentially dealing with homeowners wanting to buy the land. Chair Matthews also requested the purchase terms of the original sublease that was purchased.

   It was moved and seconded (Chair Matthews, President Zendle) to deny the Park Imperial Ground Sublease Sale Proposal and if the sublease sale proposal is brought forward again, the Committee requests a review of the original purchase terms of the sublease.

3. LPMP Lease Terms – Suite 1W 101 – Pathway Pharmaceuticals, Inc.

   Chris Christensen, CFO, explained that the lease was approved in December 2017 and Pathways Pharmaceuticals requested tenant improvements. Five years ago, during the lease renewal, there was a fixed rate for the first three years and an increase for years four and five. The current terms of Pathway Pharmaceuticals, Inc. 5-year lease at $1.56 per square foot.

   It was moved and seconded (Chair Matthews, Community Member Shorr) to approve the Tenant Improvements of $10,640 and disapprove the request for the first 3 years fixed for Suite 1W 101 – Pathway Pharmaceuticals, Inc.

4. LPMP Lease Terms – Suite 1E 201-203 – Palmtree Clinical Research

Chris Christensen, CFO, described the commencement date of February 1, 2018 but due to construction delays with the tenant improvements, Palmtree Clinical Research is requesting an extension to May 1.

It was moved and seconded (President Zendle, Chair Matthews) to approve the LPMP Lease Terms – Suite 1E 201-203 – Palmtree Clinical Research.

5. Truss Repair – Suite 1E 201-203

   Chris Christensen, CFO, explained the truss repair requirements for suite 1E 201-203 is a function of the landlord versus the tenant with estimated costs of $5,800 to repair.

   It was moved and seconded (President Zendle, Community Member Shorr) to approve the Truss Repair – Suite 1E 201-203

6. NEOPB, Ready, Set, Swim, and Ready, Set, Swim Jr. Programs Update

   Lisa Houston, COO, provided an update on the NEOPB, Ready, Set, Swim, and Ready, Set Swim Jr. Programs as it relates to the Strategic Plan personnel changes. Mrs. Houston further explained that the current employee Vanessa Smith will move forward as the coordinator of the program replacing Alejandro Espinoza as he fulfills his role as Program Officer and Outreach Director. There are no impacts to the budget.

   It was moved and seconded (President Zendle, Chair Matthews) to approve the NEOPB, Ready, Set, Swim, and Ready, Set, Swim Jr. Programs

7. District Audit Reports – FY15 & FY16 (Restated)

   Chris Christensen, CFO, explained that the statement of cash flows requires adjusting due to the accrual incorrectly reflected in Cash Payments to Employees for Services on the Statement of Cash Flows that was reclassified accordingly – noting that District Resident Ezra Kaufman brought the line item to the attention of the District. Chair Matthews inquired whether the auditors have been notified. The matter has been presented to the District auditors. Chair Matthews thanked Mr. Kaufman for his due diligence.

   Public Comment
   Ezra Kaufman, District Resident, explained that Mr. Christensen answered his questions on what appeared to be year to year differences in the cash flow statements, but the other operating revenues of $3.1M in 2013 is much higher than the previous years. Mr. Christensen explained via email to Mr. Kaufman's public records request that other

operating revenues can be more or less from year to year and other revenues in 2013 included $1M received from the Avery Trust for Pulmonary support. Mr. Kaufman stated that he was not confident that the item is other operating revenue, and from what operation would the Avery Trust funds derive. Each time monies are received from a grantor the monies are booked and received from a grantor with Mr. Christensen explaining that the Avery Trust is not a grantor, but inherited and received from an individual.

District Staff will review the matter and bring back to the next Committee meeting.

8. Ticket Distribution Policy

Herb K. Schultz, CEO, described the Ticket Distribution Policy as it relates to various events with representation from the District.

President Zendle explained that the donation of tickets is to the District and not the individual Board Member.

Chairman Matthews stated that if a Board Member wanted to participate and attend for example the Film Festival, the tickets would be expensive and the appropriate disclosures are necessary such as publications to the website.

It was moved and seconded (President Zendle, Community Member Short) to approve the Ticket Distribution Policy and forward to the Board for approval.

9. Expansion Funding

Herb K. Schultz, CEO, explained the Expansion and LAFCO Process concerning Special Board Meetings, Addendum to the Application forwarded to LAFCO, and other details of the District expansion with a LAFCO hearing date of April 26.

President Zendle inquired at what point the District would make the expansion monies a liability with Chris Christensen, CFO explaining that the commitment is to the Foundation. Mr. Christensen asked if the monies would be booked now or at the time the expansion occurs – a matter for the Board to determine. Chair Matthews supports the expansion but feels there is not enough money and the funding is being diluted from the west. Seismic issues for 2030 is a concern as the District expands and any seismic issues may be solved in the east. Chair Matthews is also concerned about bankrupting the District.

PUBLIC COMMENT

Ezra Kaufman, District Resident, explained that he determined the expansion is 7.5 cents to the dollar of $4M to fund the District Expansion after 2 years of searching for funding. What are the implications to the District if the Expansion moves forward with only 7.5 cents to the dollar year after year?

ADJOURNMENT TO DESERT HEALTHCARE DISTRICT FINANCE & ADMINISTRATION FOUNDATION COMMITTEE MEETING AT 4:42 P.M.

ADJOURNMENT TO CLOSED SESSION 4:48 P.M.

CONVENE TO CLOSED SESSION OF THE DESERT HEALTHCARE DISTRICT FINANCE & ADMINISTRATION COMMITTEE

1. CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.8 Property: Commercial Property located at 1080 N. Indian Canyon Drive, Palm Springs Parties: District and To Be Determined. Under Negotiation: Price and Terms

REPORT AFTER CLOSED SESSION

The F&A Committee in closed session discussed the Commercial Property located at 1080 N. Indian Canyon Drive, Palm Springs, and took no action.

ADJOURNMENT

The meeting was adjourned at 5:30 p.m.

ATTEST: ____

Mark Matthews, Chairman Finance and Administration Committee/Treasurer
Desert Healthcare District Board of Directors

DESERT HEALTHCARE DISTRICT

Date:	March 27, 2018
To:	Board of Directors
Subject:	Lease Renewal Agreement (REVISED) – Pathway Pharmaceuticals, Inc. - Las Palmas Medical Plaza Suite #1W-101

Staff recommendation: Consideration to approve Tenant Improvements for Pathway Pharmaceuticals, Inc. at the Las Palmas Medical Plaza.

Background:

- F&A committee reviewed and approved the lease agreement at the December 2017 meeting and later approved at the Board of Directors meeting, which did not include Tenant Improvements.
- Pathway Pharmaceuticals, Inc. has since requested $10/sf ($10,640) for Tenant Improvement Allowance reimbursement.
- Pathway Pharmaceuticals, Inc. has also requested the rent schedule to be fixed at the same base rate during years 1-3, then to add on the yearly 3% increase for years 4-5.
- Draft lease agreement is attached for your review.
- **At the March 13, 2018 F&A Committee meeting, the Committee:**
  - **Approved the Tenant Improvement of $10,640.**
  - **Disapproved the request for revising the rent schedule.**
- **The Committee recommended forwarding to the Board of Directors for approval.**

Fiscal Impact:

Estimated revenue from Rent and CAMs for life of the lease - ~~$136,595~~ $133,862

Estimated cost of Tenant Improvement Allowance ($10/sf) - $10,640

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OFFICE BUILDING LEASE

This Lease between Desert Healthcare District, doing business as Las Palmas Medical Plaza hereinafter referred to as "Landlord", and Pathway Pharmaceuticals, Inc., referred to as "Tenant", and is dated January 1, 2018.

1. LEASE OF PREMISES.

In consideration of the Rent (as defined at Section 5.4) and the provisions of this Lease, Landlord leases to Tenant and Tenant leases from Landlord the Premises described in Section 2L. The Premises are located within the Building and Project described in Section 2m. Tenant shall have the non-exclusive right (unless otherwise provided herein) in common with Landlord, other tenants, subtenants, and invitees, to use of the Common Areas (as defined at Section 2e).

2. DEFINITIONS.

As used in this Lease, the following terms shall have the following meanings:

a. *Base Rent (Initial)*: **$ Eighteen Thousand, Five Hundred Thirteen Dollars and 60/100 ($18,513.60)** per year.

b. *Base Year*: The calendar year of **January 1 to December 31** ____________________.

c. *Broker(s)*:

Landlord's: **N/A** ____________________.

Tenant's: **N/A** ____________________.

In the event that N/A __________ represents both Landlord and Tenant, Landlord and Tenant hereby confirm that they were timely advised of the dual representation and that they consent to the same, and that they do not expect said broker to disclose to either of them the confidential information of the other party.

d. *Commencement Date*: **January 1st, 2018** ____________________.

e. *Common Areas*: The building lobbies, common corridors and hallways, restrooms, parking areas, stairways, elevators and other generally understood public or common areas. Landlord shall have the right to regulate or restrict the use of the Common Areas.

f. *Expiration Date*: **December 31st, 2022**, unless otherwise sooner terminated in accordance with the provisions of this Lease.

g. *Landlord's Mailing Address*: **1140 N. Indian Canyon Dr., Palm Springs, CA 92262** __________.

Tenant's Mailing Address: **555 E. Tachevah Dr. 1W-101, Palm Springs, CA 92262** __________.

h. *Monthly Installments of Base Rent (initial)*: **One Thousand, Five Hundred Forty-Two and 80/100 Dollars ($1,542.80)** per month.

i. *Project Operating Costs (CAMS)*: Currently **Sixty-two Cents ($.6~~0~~2)** per square foot per month.

j. *Tenant Improvement Allowance (TI)*: **$~~0~~10 per sq/ft or Ten Thousand, Six Hundred Forty and 00/100 Dollars ($10,640.00).**

k. *Parking*: Tenant shall be permitted, to park **5** cars on a non-exclusive basis in the area(s) designated by Landlord for parking (for Staff - generally in the back of the parking area, perimeter streets, and Wellness Park parking lot). Tenant shall abide by any and all parking regulations and rules established from time to time by Landlord or Landlord's parking operator.

l. *Premises*: That portion of the Building containing approximately **1064** square feet of Rentable Area, located in Building **1W** and known as Suite **101**.

m. *Project*: The building of which the Premises are a part (the "Building") and any other buildings or improvements on the real property (the "Property") located at **555 E. Tachevah Drive, Palm Springs, California 92262**. The Project is known as **The Las Palmas Medical Plaza**.

n. *Rentable Area*: As to both the Premises and the Project, the respective measurements of floor area as may from time to time be subject to lease by Tenant and all tenants of the Project, respectively, as determined by Landlord and applied on a consistent basis throughout the Project.

o. *Security Deposit (Section 7): $* Tenant will carry over from previous lease in the amount of **One Thousand Six Hundred and Seventeen Dollars and 28/100 ($1,617.28)**.

p. *State:* the State of California.

q. *Tenant's First Adjustment Date (Section 5)*: The first day of the calendar month following the Commencement Date plus 12 months.

r. *Tenant's Proportionate Share*: **2.16** %. Such share is a fraction, the numerator of which is the Rentable Area of the Premises and the denominator of which is the Rentable Area of the Project, as determined by Landlord from time to time. The Project consists of **six** building(s) containing a total Rentable Area of **49,356** square feet.

s. *Tenant's Use Clause (*Article 8): General office use consistent with and use the City may allow under the City of Palm Springs zoning, subject to Landlord's reasonable approval.

t. *Term*: The period commencing on the Commencement Date and expiring at midnight on the Expiration Date.

3. EXHIBITS AND ADDENDA.

The exhibits and addenda listed below (unless lined out) are incorporated by reference in this Lease:
a. Exhibit "A" Rules and Regulations.
b. Addenda*

***See Addendum attached hereto and by this reference made a part hereof.**

4. DELIVERY OF POSSESSION.

If for any reason Landlord does not deliver possession of the Premises to Tenant on the commencement Date, Landlord shall not be subject to any liability for such failure, the Expiration Date shall not change and the validity of this Lease shall not be impaired, but Rent shall be abated until delivery of possession, "Delivery of possession" shall be deemed to occur on the date Landlord completes Landlord's Work as defined in Addendum. If Landlord permits Tenant to enter into possession of the Premises before the Commencement Date, such possession shall be subject to the provisions of this Lease, including, without limitation, the payment of Rent.

5. RENT.

5.1 *Payment of Base Rent:* Tenant agrees to pay the base rent for the premises. Monthly installments of Base Rent shall be payable in advance on the first day of each calendar month of the term. If the term begins (or ends) on other than the first (or last) day of a calendar month, the Base Rent for the partial month shall be prorated on a per diem basis. Tenant shall pay Landlord the first Monthly Installment of Base Rent when Tenant executes the Lease.

5.2 *Adjusted Base Rent*:
a. The Base Rent (and the corresponding monthly installments of Base Rent) set forth at Section 2a shall be adjusted annually (the "Adjustment Date"), commencing on Tenant's First Adjustment Date.
b. Such adjustment shall be the greater of 3% over the preceding year or Consumer Price Index.

5.3 *Project Operating Costs (CAMs):*
a. In order that the Rent payable during the Term reflect Project Operating Costs, Tenant agrees to pay to Landlord as Rent, Tenant's Proportionate Share of all costs, expenses and obligations attributable to the Project and its operation as set forth in 2i, all as provided below.
b. If, during any calendar year during the Term, Project Operating Costs exceed the Project Operating Costs for the Base Year, Tenant shall pay to Landlord, in addition to the Base Rent and all other payments due under this lease, an amount equal to Tenant's Proportionate Share of such excess Project Operating Costs in accordance with the provisions of this Section 5.3b.

(1.) The term "Project Operating Costs" shall include all those items described in the following subparagraphs (a) and (b).

(a.) All taxes, assessments, water and sewer charges and other similar governmental charges levied on or attributable to the Building or Project or their operation, including without limitation, (i) real property taxes or assessments levied or assessed against the Building or Project, (ii) assessments or charges levied or assessed against the Building or Project by any redevelopment agency, (iii) any tax measured by gross rentals received from the leasing of the Premises, Building or Project, excluding any net income, franchise, capital stock, estate or inheritance taxes imposed by the State or federal government or their agencies, branches or departments; provided that if at any time during the Term any governmental entity levies, assesses or imposes on Landlord any (1) general or special, ad valorem or specific, excise, capital levy or other tax, assessment, levy or charge directly on the Rent received under this lease or on the rent received under any other leases of space in the Building or Project, or (2) and license fee, excise or franchise tax, assessment, levy or charge measured by or based, in whole or in part, upon such rent, or (3) any transfer, transactions, or similar tax, assessment, levy or charge based directly or indirectly upon the transaction represented by this Lease or such other leases, or (4) any occupancy, use, per capita or other tax, assessment, levy or charge based directly or indirectly upon the use or occupancy of the Premises or other premises within the Building or Project, then any such taxes, assessments, levies and charges shall be deemed to be included in the term Project Operation Costs. If at any time during the Term the assessed valuation of, or taxes on, the Project are not based on a completed Project having at least eighty-five percent (85%) of the Rentable Area occupied, then the "taxes" component of Project Operating Costs shall be adjusted by Landlord to reasonably Approximate the taxes, which would have been payable if the Project were completed and at least eighty-five percent (85%) occupied.

(b.) Operating costs incurred by Landlord in maintaining and operating the Building and Project, including without limitation the following: costs of (1) utilities; (2) supplies; (3) insurance (including public liability, property damage, earthquake, and fire and extended coverage insurance for the full replacement cost of the Building and Project as required by Landlord or its lenders for the Project; (4) services of independent contractors; (5) compensation (including employment taxes and fringe benefits) of all persons who perform duties connected with the operation, maintenance, repair or overhaul of the Building or Project, and equipment, improvements and facilities located within the Project, including without limitation engineers, janitors, painters, floor waxers, window washers, security and parking personnel and gardeners (but excluding persons performing services not uniformly available to or performed for substantially all Building or Project tenant); (6) operation and maintenance of a room for delivery and distribution of mail to tenants of the Building or Project as required by the U.S. Postal Service (including, without limitation, an amount equal to the fair market rental value of the mail room premises); (7) management of the Building or Project, whether managed by Landlord or an independent contractor (including, without limitation, an amount equal to the fair market value of any on-site manager's office); (8) rental expenses for (or a reasonable depreciation allowance on) personal property used in the maintenance, operation or repair of the Building or Project; (9) costs, expenditures or charges (whether capitalized or not) required by any governmental or quasi-governmental authority; (10) amortization of capital expenses (including financing costs) (i) required by a governmental entity for energy conservation or life safety purposes, or (ii) made by landlord to reduce Project Operating Costs; and (11) any other costs or expenses incurred by Landlord under this Lease and not otherwise reimbursed by tenants of the Project. If at any time during the Term, less than eighty-five percent (85%) of the Rentable Area of the Project is occupied, the "operating costs" component of Project Operating Costs shall be adjusted by Landlord to reasonably approximate the operating costs which would have been incurred if the Project had been at least eighty-five percent (85%) occupied.

(2.) Tenant's Proportionate Share of Project Operating Costs shall be payable by Tenant to Landlord as follows:

(a.) Beginning with the calendar year following the Base Year and for each calendar year thereafter ("comparison Year"), Tenant shall pay Landlord an amount equal to Tenant's Proportionate Share of the Project Operating Costs incurred by Landlord in the Comparison Year which exceeds the total amount of Project Operating Costs payable by Landlord for the Base Year. This excess is referred to as the "Excess Expenses."

(b.) To provide for current payments of Excess Expenses, Tenant shall, at Landlord's request, pay as additional rent during each Comparison Year, an amount equal to Tenant's Proportionate Share of the Excess Expenses payable during such Comparison Year, as estimated by Landlord from time to time. Such payments shall be made in monthly installments, commencing on the first day of the month following the month in which Landlord notifies Tenant of the amount it is to pay hereunder and continuing until the first day of the month following the month in which Landlord gives Tenant a new notice of estimated Excess Expenses. It is the intention hereunder to estimate from time to time the amount of the Excess Expense for each Comparison Year and Tenant's Proportionate Share thereof, and then to make an adjustment in the following year based on the actual Excess Expenses incurred for that Comparison Year.

(c.) On or before April 1 of each Comparison Year after the first Comparison Year (or as soon thereafter as is practical), Landlord shall deliver to Tenant a statement setting forth Tenant's Proportionate Share of the Excess Expenses for the preceding Comparison Year. If Tenant's Proportionate Share of the actual Excess Expenses for the previous Comparison Year exceeds the total of the estimated monthly payments made by Tenant for such year, Tenant shall pay Landlord the amount of the deficiency within ten (10) days of the receipt of the statement. If such total exceeds Tenant's Proportionate Share of the actual Excess Expenses for such Comparison Year, then Landlord shall credit against Tenant's next ensuing monthly installment(s) of additional rent an amount equal to the difference until the credit is exhausted. If the credit is due from Landlord on the Expiration Date, Landlord shall pay Tenant the amount of the credit. The obligations of Tenant and Landlord to make payments required under this Section 5.3 shall survive the Expiration Date.

(d.) Tenant's Proportionate Share of Excess Expenses in any Comparison Year having less than 365 days shall be appropriately prorated.

(e.) If any dispute arises as to the amount of any additional rent due hereunder, Tenant shall have the right after reasonable notice and at reasonable times to inspect Landlord's accounting records at Landlord's accounting office and, if after such inspection Tenant still disputes the amount of additional rent owed, a certification as to the proper amount shall be made by Landlord's certified public accountant, which certification shall be final and conclusive. Tenant agrees to pay the cost of such certification unless it is determined that Landlord's original statement overstated Project Operating Costs by more than five percent (5%).

(f.) If this Lease sets forth an Expense Stop at Section 2f, then during the Term, Tenant shall be liable for Tenant's Proportionare Share of any actual Project Operating Costs which exceed the amount of the Expense Stop. Tenant shall make current payments of such excess costs during the Term in the same manner as is provided for payment of Excess Expenses under the applicable provisions of Section 5.3(2)(b) and (c) above.

5.4 *Definition of Rent*: The Rent shall be paid to the Building manager (or other person) and at such place, as Landlord may from time to time designate in writing, without any prior demand therefore and without deduction or offset, in lawful money of the United States of America.

5.5 *Rent Control*: If the amount of Rent or any other payment due under this Lease violates the terms of any governmental restrictions on such Rent or payment, then the Rent or payment due during the period of such restrictions shall be the maximum amount allowable under those restrictions. Upon termination of the restrictions, Landlord shall, to the extent it is legally permitted, recover from Tenant the difference between the amounts received during the period of the restrictions and the amounts Landlord would have received had there been no restrictions.

5.6 *Taxes Payable by Tenant*: In addition to the Rent and any other charges to be paid by Tenant hereunder, Tenant shall reimburse Landlord upon demand for any and all taxes payable by Landlord (other than net income taxes) which are not otherwise reimbursable under this Lease, whether or not now customary or within the contemplation of the parties, where such taxes are upon, measured by or reasonably attributable to (a) the cost or value of Tenant's equipment, furniture, fixtures and other personal property located in the Premises, or the cost or value of any leasehold improvements made in or to the Premises by or for Tenant, other than Building Standard Work made by Landlord, regardless of whether title to such improvements is held by Tenant or Landlord; (b) the gross or net Rent payable under this Lease, including, without limitation, any rental or gross receipts tax levied by any taxing authority with respect to the receipt of the Rent hereunder; (c) the possession, leasing , operation, management, maintenance, alteration, repair, use or occupancy by Tenant of the Premises or any portion thereof; or (d) this transaction or any document to which Tenant is a party creating or transferring an interest or an estate in the Premises. If it becomes unlawful for Tenant to reimburse Landlord for any costs as required under this Lease, the Base Rent shall be revised to net Landlord the same net Rent after imposition of any tax or other charge upon Landlord as would have been payable to Landlord but for the reimbursement being unlawful.

5.7 *Tenant Improvement Allowance*: In recognition for Tenant completing all improvements, including fire sprinklers, if necessary, to the premises as mutually agreed by Landlord and Tenant, Landlord shall provide Tenant with a total Tenant improvement allowance not to exceed that set forth in Section 2j upon completion of agreed tenant improvements. This allowance will be reimbursed to tenant upon satisfactory receipt of paid invoices and inspection by Property Management that work has been satisfactorily completed. Any additional tenant improvements will be at the sole expense of the Tenant. Improvements shall conform to a high quality of design approved by Landlord prior to commencement of work, and shall be performed by a licensed General Contractor approved by Landlord in advance. Tenant shall submit plans and specifications for any and all improvements to Landlord, and where necessary, the City of Palm Springs and other applicable government agencies for their required approval (if any) prior to commencement of work. Tenant and the General Contractor shall indemnify and hold Landlord and it officers, agents and employees harmless from any liability resulting from the tenant improvement work and shall be named as an additional insured on the insurance policy of both the Tenant and the General Contractor. All costs shall be subject to prevailing wages and if construction costs exceed $25,000, then the tenant improvements shall also be subject to California competitive bid statutes.

6. INTEREST AND LATE CHARGES.

If Tenant fails to pay when due any Rent or other amounts or charges which Tenant is obligated to pay under the terms of this Lease, the unpaid amounts shall bear interest at the maximum rate then allowed by law. Tenant acknowledges that the late payment of any Monthly Installment of Base Rent will cause Landlord to lose the use of that money and incur costs and expenses not contemplated under this Lease, including without limitation, administrative and collection costs and processing and accounting expenses, the exact amount of which is extremely difficult to ascertain. Therefore, in addition to interest, if any such installment is not received by Landlord within five (5) days from the date it is due, Tenant shall pay Landlord a late charge equal to ten percent (10%) of such installment. Landlord and Tenant agree that this late charge represents a reasonable estimate of such costs and expenses and is fair compensation to Landlord for the loss suffered from such nonpayment by Tenant. Acceptance of any interest or late charge shall not constitute a waiver of Tenant's default with respect to such nonpayment by Tenant nor prevent Landlord from exercising any other rights or remedies available to Landlord under this Lease.

7. SECURITY DEPOSIT.

Tenant agrees to deposit with Landlord the Security Deposit set forth at Section 2.0 upon execution of this Lease, as security for Tenant's faithful performance of its obligations under this Lease. Landlord and Tenant agree that the Security Deposit may be commingled with funds of Landlord and Landlord shall have no obligation or liability for payment of interest on such deposit. Tenant shall not mortgage, assign, transfer or encumber the Security Deposit without the prior written consent of Landlord and any attempt by Tenant to do so shall be void, without force or effect and shall not be binding upon Landlord.

If Tenant fails to pay Rent or other amount when due and payable under this Lease, or fails to perform any of the terms hereof, Landlord may appropriate and apply or use all or any portion of the Security Deposit for Rent payments or any other amount then due and unpaid, for payment of any amount for which Landlord has become obligated as a result of Tenant's default or breech, and for any loss or damage sustained by Landlord as a result of Tenant's default or breach, and Landlord may so apply or use this deposit without prejudice to any other remedy Landlord may have by reason of Tenant's default or breach. If Landlord so uses any of the Security Deposit, Tenant shall, within ten (10) days after written demand therefore, restore the Security Deposit to the full amount originally deposited; Tenant's failure to do so shall constitute an act of default hereunder and Landlord shall have the right to exercise any remedy provided for at Article 27 hereof. Within fifteen (15) days after the Term (or any extension thereof) has expired or Tenant has vacated the Premises, whichever shall last occur, and provided Tenant is not then in default on any of its obligations hereunder, Landlord shall return the Security Deposit to Tenant, or, if Tenant has assigned its interest under this Lease, to the last assignee of Tenant. If Landlord sells its interest in the Premises, Landlord may deliver this deposit to the purchaser of Landlord's interest and thereupon be relieved of any further liability or obligation with respect to the Security Deposit.

8. TENANT'S USE OF THE PREMISES

Tenant shall use the Premises solely for the purposes set forth in Tenant's Use Clause. Tenant shall not use or occupy the Premises in violation of law or any covenant, condition or restriction affecting the Building or Project or the certificate of occupancy issued for the Building or Project, and shall, upon notice from Landlord, immediately discontinue any use of the Premises which is declared by any governmental authority having jurisdiction to be a violation of law or the certificate of occupancy. Tenant, at Tenant's own cost and expense, shall comply with all laws, ordinances, regulations, rules and/or any directions of any governmental agencies or authorities having jurisdiction which shall, by reason of the nature of Tenant's use or occupancy of the Premises, impose any duty upon Tenant or Landlord with respect to the Premises or its use or occupation. A judgment of any court of competent jurisdiction or the admission by Tenant in any action or proceeding against Tenant that Tenant has violated any such laws, ordinances, regulations, rules and/or directions in the use of the Premises shall be deemed to be a conclusive determination of that fact as between Landlord and Tenant. Tenant shall not do or permit to be done anything, which will invalidate or increase the cost of any fire, extended coverage or other insurance policy covering the Building or Project and/or property located therein, and shall comply with all rules, orders, regulations, requirements and recommendations of the Insurance Services Office or any other organization performing a similar function. Tenant shall promptly upon demand reimburse Landlord for any additional premium charged for such policy by reason of Tenant's failure to comply with the provisions of this Article. Tenant shall not do or permit anything to be done in or about the Premises which will in any way obstruct or interfere with the rights of other tenants or occupants of the Building or Project, or injure or annoy them, or use or allow the Premises to be used for any improper, immoral, unlawful or objectionable purpose, nor shall Tenant cause, maintain or permit any nuisance in, on or about the Premises. Tenant shall not commit or suffer to be committed any waste in or upon the Premises.

9. SERVICES AND UTILITIES.

Provided that Tenant is not in default hereunder, Landlord agrees to furnish to the Premises during generally recognized business days, and during hours determined by Landlord in its sole discretion, and subject to the Rules and Regulations of the Building or Project, electricity for normal desk top office equipment and normal copying equipment, and heating, ventilation and air conditioning ("HVAC") as required in Landlord's judgment for the comfortable use and occupancy of the Premises. If Tenant desires HVAC at any other time, Landlord shall use reasonable efforts to furnish such service upon reasonable notice from Tenant and Tenant shall pay Landlord's charges therefore on demand. Landlord shall also maintain and keep lighted the common stairs, common entries and restrooms in the Building. Landlord shall not be in default hereunder or be liable for any damages directly or indirectly resulting from, nor shall the Rent be abated by reason of (I) the installation, use or interruption of use of any equipment in connection with the furnishing of any of the foregoing services, (ii) failure to furnish or delay in furnishing any such services where such failure or delay is caused by accident or any condition or event beyond the reasonable control of Landlord, or by the making of necessary repairs or improvements to the Premises, Building or Project, or (iii) the limitation, curtailment or rationing of, or restrictions on, use of water, electricity, gas or any other form of energy serving the Premises, Building or Project. Landlord shall not be liable under any circumstances for a loss of or injury to property or business, however occurring, through or in connection with or incidental to failure to furnish any such services. If Tenant uses heat generating machines or equipment in the Premises which affect the temperature otherwise maintained by the HVAC system, Landlord reserves the right to install supplementary air conditioning units in the Premises and the cost thereof, including the cost of installation, operation and maintenance thereof, shall be paid by Tenant to Landlord upon demand by Landlord.

Tenant shall not, without the written consent of Landlord, use any apparatus or devise in the Premises, including without limitation, electronic data processing machines, punch card machines or machines using in excess of 120 volts, which consumes more electricity than is usually furnished or supplied for the use of premises as general office space, as determined by Landlord. Tenant shall not connect any apparatus with electric current except through existing electrical outlets in the Premises. Tenant shall not consume water or electric current in excess of that usually furnished or supplied for the use of premises as general office space (as determined by Landlord), without first procuring the written consent of Landlord, which Landlord may refuse, and in the event of consent, Landlord may have installed a water meter or electrical current meter in the Premises to measure the amount of water or electric current consumed. The cost of any such meter and of its installation, maintenance and repair shall be paid for by the Tenant and Tenant agrees to pay to Landlord Promptly upon demand for all such water and electric current consumed as shown by said meters, at the rates charged for such services by the local public utility plus any additional expense incurred in keeping account of the water and electric current so consumed. If a separate meter is not installed, the excess cost for such water and electric current shall be established by an estimate made by a utility company or electrical engineer hired by Landlord at Tenant's expense.

Nothing contained in this Article shall restrict Landlord's right to require at any time separate metering of utilities furnished to the Premises. In the event utilities are separately metered, Tenant shall pay promptly upon demand for all utilities consumed at utility rates charged by the local public utility plus any additional expense incurred by Landlord in keeping account of the utilities so consumed. Tenant shall be responsible for the maintenance and repair of any such meters at it sole cost.

Landlord shall furnish elevator service, lighting replacement for building standard lights, restroom supplies, window washing and janitor services of common area in a manner that such services are customarily furnished to comparable office buildings in the area.

10. CONDITION OF THE PREMISES.

Tenant's taking possession of the Premises shall be deemed conclusive evidence that as of the date of taking possession of the Premises are in good order and satisfactory condition, except for such matters as to which Tenant gave Landlord notice on or before the Commencement Date. No promise of Landlord to alter, remodel, repair or improve the Premises, the Building or the Project and no representation, express or implied, respecting any matter or thing relating to the Premises, Building, Project or this Lease (including, without limitation, the condition of the Premises, the Building or the Project) have been made to Tenant by Landlord or its Broker or Sales Agent, other than as may be contained herein or in a separate exhibit or addendum signed by Landlord and Tenant.

11. CONSTRUCTION, REPAIRS AND MAINTENANCE.

a. *Landlord's Obligations*: Landlord shall maintain in good order, condition and repair the Building and all other portions of the Premises not the obligation of Tenant or of any other tenant in the Building.

b. *Tenant's Obligations*:

(1.) Tenant shall perform Tenant's Work to the Premises as described in an exhibit specific to Tenant Improvements, if applicable."

(2.) Tenant at Tenant's sole expense shall, except for services furnished by Landlord pursuant to Article 9 hereof, maintain the Premises in good order, condition and repair, including the interior surfaces of the ceilings, walls and floors, all doors, all interior windows, all plumbing, pipes and fixtures, electrical wiring, switches and fixtures, Building Standard furnishings and special items and equipment installed by or at the expense of Tenant.

(3.) Tenant shall be responsible for all repairs and alterations in and to the Premises, Building and Project and the facilities and systems thereof, the need for which arises out of (i) Tenant's use or occupancy of the Premises, (ii) the installation, removal, use or operation of Tenant's Property (as defined in Article 13) in the Premises, (iii) the moving of Tenant's Property into or out of the Building, or (iv) the act, omission, misuse or negligence of Tenant, its agents, contractors, employees or invitees.

(4.) If Tenant fails to maintain the Premises in good order, condition and repair, Landlord shall give Tenant notice to do such acts as are reasonably required to so maintain the Premises. If Tenant fails to promptly commence such work and diligently prosecute it to completion, then Landlord shall have the right to do such acts and expend such funds at the expense of Tenant as are reasonably required to perform such work. Any amount so expended by Landlord shall be paid by Tenant promptly after demand with interest at the prime commercial rate then being charged by Bank of America NT & SA plus two percent (2%) per annum, from the date of such work, but not to exceed the maximum rate then allowed by law. Landlord shall have no liability to Tenant for any damage, inconvenience, or interference with the use of the Premises by Tenant as a result of performing any such work.

c. *Compliance with Law*: Landlord and Tenant shall each do all acts required to comply with all applicable laws, ordinances, and rules of any public authority relating to their respective maintenance obligations as set forth herein.

d. *Waiver by Tenant*: Tenant expressly waives the benefits of any statute now or hereafter in effect which would otherwise afford the Tenant the right to make repairs at Landlord's expense or to terminate this Lease because of Landlord's failure to keep the Premises in good order, condition and repair.

e. *Load and Equipment Limits*: Tenant shall not place a load upon any floor of the Premises which exceeds the load per square foot which such floor was designed to carry, as determined by Landlord or Landlord's structural engineer.

The cost of any such determination made by Landlord's structural engineer shall be paid for by Tenant upon demand. Tenant shall not install business machines or mechanical equipment which cause noise or vibration to such a degree as to be objectionable to Landlord or other Building tenants.

f. Except as otherwise expressly provided in this Lease, Landlord shall have no liability to Tenant nor shall Tenant's obligations under this Lease be reduced or abated in any manner whatsoever by reason of any inconvenience, annoyance, interruption or injury to business arising from Landlord's making any repairs or changes which Landlord is required or permitted by this Lease or by any other tenant's lease or required by law to make in or to any portion of the Project, Building or the Premises. Landlord shall nevertheless use reasonable efforts to minimize any interference with Tenant's business in the Premises.

g. Tenant shall give Landlord prompt notice of any damage to or defective condition in any part or appurtenance of the Building's mechanical, electrical, plumbing, HVAC or other systems serving, located in, or passing through the Premises.

h. Upon the expiration or earlier termination of this Lease, Tenant shall return the Premises to Landlord clean and in the same condition as on the date Tenant took possession, except for normal wear and tear. Any damage to the Premises, including any structural damage, resulting from Tenant's use or from the removal of Tenant's fixtures, furnishings and equipment pursuant to Section 13b shall be repaired by Tenant at Tenant's expense.

12. ALTERATIONS AND ADDITIONS.

a. Tenant shall not make any additions, alterations or improvements to the Premises without obtaining the prior written consent of Landlord. Landlord's consent may be conditioned on Tenant's removing any such additions, alterations or improvements upon the expiration of the term and restoring the Premises to the same condition as on the date Tenant took possession. All work with respect to any addition, alteration or improvement shall be done in a good and workmanlike manner by properly qualified and licensed personnel approved by Landlord, and such work shall be diligently prosecuted to completion. Landlord may, at Landlord's option, require that any such work be performed by Landlord's contractor in which case the cost of such work shall be paid for before commencement of the work. Tenant shall pay to Landlord upon completion of any such work by Landlord's contractor, an administrative fee of fifteen percent (15%) of the cost of the work.

b. Tenant shall pay the costs of any work done on the Premises pursuant to Section 12a, and shall keep the Premises, Building and Project free and clear of liens of any kind. Tenant shall indemnify, defend against and keep Landlord free and harmless from all liability, loss, damage, costs, attorneys' fees and any other expense incurred on account of claims by any person performing work or furnishing materials or supplies for Tenant or any person claiming under Tenant.

Tenant shall keep Tenant's leasehold interest, and any additions or improvements which are or become the property of Landlord under this Lease, free and clear of all attachment or judgment liens. Before the actual commencement of any work for which a claim or lien may be filed, Tenant shall give Landlord notice of the intended commencement date a sufficient time before that date to enable Landlord to post notices of non-responsibility or any other notices which Landlord deems necessary for the proper protection of Landlord's interest in the Premises, Building or the Project, and Landlord shall have the right to enter the Premises and post such notice at any reasonable time.

c. Landlord may require, at Landlord's sole option, that Tenant provide to Landlord, at Tenant's expense, a lien and completion bond in an amount equal to at least one and one-half (1.5) times the total estimated cost of any additions, alterations or improvements to be made in or to the Premises, to protect Landlord against any liability for mechanic's and material men's liens and to insure timely completion of the work. Nothing contained in this Section 12c shall relieve Tenant of its obligations under Section 12b to keep the Premises, Building and Project free of all liens.

d. Unless their removal is required by Landlord as provided in Section 12a, all additions, alterations and improvements made to the Premises shall become the property of Landlord and be surrendered with the Premises upon the expiration of the Term; provided, however, Tenant's equipment, machinery and trade fixtures which can be removed without damage to the Premises shall remain the property of Tenant and may be removed, subject to the provisions of Section 13b.

13. LEASEHOLD IMPROVEMENTS; TENANT'S PROPERTY.

a. All fixtures, equipment, improvements and appurtenances attached to or built into the Premises at the commencement of or during the Term, whether or not by or at the expense of Tenant ("Leasehold Improvements"), shall be and remain a part of the Premises, shall be the property of Landlord and shall not be removed by Tenant, except as expressly provided in Section 13b.

b. All movable partitions, business and trade fixtures, machinery and equipment, communications equipment and office equipment located in the Premises and acquired by or for the account of Tenant, without expense to Landlord, which can be removed without structural damage to the Building, and all furniture, furnishings and other articles of movable personal property owned by Tenant and located in the Premises (collectively "Tenant's

Property") shall be and shall remain the property of Tenant and may be removed by Tenant at any time during the Term; provided that if any of Tenant's Property is removed, Tenant shall promptly repair any damage to the Premises or to the Building resulting from such removal.

14. RULES AND REGULATIONS.

Tenant agrees to comply with (and cause its agents, contractors, employees and invitees to comply with) the rules and regulations attached hereto as Exhibit "D" and with such reasonable modifications thereof and additions thereto as Landlord may from time to time make. Landlord shall not be responsible for any violation of said rules and regulations by other tenants or occupants of the Building of Project.

15. CERTAIN RIGHTS RESERVED BY LANDLORD.

Landlord reserves the following rights, exercisable without liability to Tenant for (a) damage or injury to property, person or business, (b) causing an actual or constructive eviction from the Premises, or (c) disturbing Tenant's use or possession of the Premises:

a. To name the Building and Project and to change the name or street address of the Building or Project;

b. To install and maintain all signs on the exterior and interior of the Building and Project;

c. To have pass keys to the Premises and all doors within the Premises, eluding Tenant's vaults and safes;

d. At any time during the Term, and on reasonable prior notice to Tenant, to inspect the Premises, and to show the Premises to any prospective purchaser or mortgagee of the Project, or to any assignee of any mortgage on the Project, or to others having an interest in the Project or Landlord, and during the last six months of the Term, to show the Premises to prospective tenants thereof; and

e. To enter the Premises for the purpose of making inspections, repairs, alterations, additions or improvements to the Premises or the Building (including, without limitation, checking, calibrating, adjusting or balancing controls and other parts of the HVAC system), and to take all steps as may be necessary or desirable for the safety, protection, maintenance or preservation of the Premises or the Building or Landlord's interest therein, or as may be necessary or desirable for the operation or improvement of the Building or in order to comply with laws, orders or requirements of governmental or other authority. Landlord agrees to use its best efforts (except in an emergency) to minimize interference with Tenant's business in the Premises in the course of any such entry.

16. ASSIGNMENT AND SUBLETTING.

No assignment of this Lease or sublease of all or any part of the Premises shall be permitted, except as provided in this Article 16.

a. Tenant shall not, without the prior written consent of Landlord, assign or hypothecate this Lease or any interest herein or sublet the Premises or any part thereof, or permit the use of the Premises by any party other than Tenant. Any of the foregoing acts without such consent shall be void and shall, at the option of Landlord, terminate this Lease. This Lease shall not, nor shall any interest of Tenant herein, be assignable by operation of law without the written consent of Landlord.

b. If at any time or from time to time during the Term Tenant desires to assign this Lease or sublet all or any part of the Premises, Tenant shall give notice to Landlord setting forth the terms and provisions of the proposed assignment or sublease, and the identity of the proposed assignee or subtenant. Tenant shall promptly supply Landlord with such information concerning the business background and financial condition of such proposed assignee or subtenant as Landlord may reasonably request. Landlord shall have the option, exercisable by notice given to Tenant within twenty (20) days after Tenant's notice is given, either to sublet such space from Tenant at the rental and on the other terms set forth in this Lease for the term set forth in Tenant's notice, or, in the case of an assignment, to terminate this Lease. If Landlord does not exercise such option, Tenant may assign the Lease or sublet such space to such proposed assignee or subtenant on the following further conditions:

(1.) Landlord shall have the right to approve such proposed assignee or subtenant, which approval shall not be unreasonably withheld;

(2.) The assignment or sublease shall be on the same terms set forth in the notice given to Landlord;

(3.) No assignment or sublease shall be valid and no assignee or sub lessee shall take possession of the Premises until an executed counterpart of such assignment or sublease has been delivered to Landlord;

(4.) No assignee or sub lessee shall have a further right to assign or sublet except on the terms herein contained; and

(5.) Any sums or other economic consideration received by Tenant as a result of such assignment or subletting, however denominated under the assignment or sublease, which exceed, in the aggregate, (i) the total sums which Tenant is obligated to pay Landlord under this Lease (prorated to reflect obligations allocable to any portion of the Premises subleased), plus (ii) any real estate brokerage commissions or fees payable in connection with such assignment or subletting, shall be paid to Landlord as additional rent under this Lease without affecting or reducing any other obligations of Tenant hereunder.

c. Notwithstanding the provisions of paragraphs a and b above, Tenant may assign this Lease or sublet the Premises or any portion thereof, without Landlord's consent and without extending any recapture or termination option to Landlord, to any corporation which controls, is controlled by or is under common control with Tenant, or to any corporation resulting from a merger or consolidation with Tenant, or to any person or entity which acquires all the assets of Tenant's business as a going concern, provided that (i) the assignee or sub lessee assumes, in full, the obligations of Tenant under this Lease, (ii) Tenant remains fully liable under this Lease, and (iii) the use of the Premises under Article 8 remains unchanged.

d. No subletting or assignment shall release Tenant of Tenant's obligations under this Lease or alter the primary liability of Tenant to pay the Rent and to perform all other obligations to be performed by Tenant hereunder. The acceptance of Rent by landlord from any other person shall not be deemed to be a waiver by Landlord of any provision hereof. Consent to one assignment or subletting shall not be deemed consent to any subsequent assignment or subletting. In the event of default by an assignee or subtenant or any successor of Tenant in the performance of any of the terms hereof, Landlord may proceed directly against Tenant without the necessity of exhausting remedies against such assignee, subtenant or successor. Landlord may consent to subsequent assignments of the Lease or sub lettings or amendments or modifications to the Lease with assignees of tenant, without notifying Tenant, or any successor of Tenant, and without obtaining its or their consent thereof and any such actions shall not relieve Tenant of liability under this Lease.

e. If Tenant assigns the Lease or sublets the Premises or requests the consent of Landlord to any assignment or subletting or if Tenant requests the consent of Landlord for any act that Tenant proposes to do, then Tenant shall, upon demand, pay Landlord an administrative fee of One Hundred Fifty and No/100 Dollars ($150.00) plus any attorney's fees reasonably incurred by Landlord in connection with such act or request.

17. HOLDING OVER.

If after expiration of the Term, Tenant remains in possession of the Premises with Landlord's permission (express or implied), Tenant shall become a tenant from month to month only, upon all the provisions of this Lease (except as to term and Base Rent), but the "Monthly Installments of Base Rent" payable by Tenant shall be increased to one hundred fifty percent (150%) of the Monthly Installments of Base Rent payable by Tenant at the expiration of the Term. Such monthly rent shall be payable in advance on or before the first day of each month. If either party desires to terminate such month-to-month tenancy, it shall give the other party not less than thirty (30) days advance written notice of the date of termination.

18. SURRENDER OF PREMISES.

a. Tenant shall peaceably surrender the Premises to Landlord on the Expiration Date, in broom-clean condition and in as good condition as when Tenant took possession, except for (i) reasonable wear and tear, (ii) loss by fire or other casualty, and (iii) loss by condemnation. Tenant shall, on Landlord's request, remove Tenant's Property on or before the Expiration Date and promptly repair all damage to the Premises or Building caused by such removal.

b. If Tenant abandons or surrenders the Premises, or is dispossessed by process of law or otherwise, any of Tenant's Property left on the Premises shall be deemed to be abandoned, and, at Landlord's option, title shall pass to Landlord under this Lease as by a bill of sale. If Landlord elects to remove all or any part of such Tenant's Property, the cost of removal, including repairing any damage to the Premises or Building caused by such removal, shall be paid by Tenant. On the Expiration Date Tenant shall surrender all keys to the Premises.

19. DESTRUCTION OR DAMAGE.

a. If the Premises or the portion of the Building necessary for Tenant's occupancy is damaged by fire, earthquake, act of God, the elements, or other casualty, Landlord shall, subject to the provisions of this Article, promptly repair the damage, if such repairs can, in Landlord's opinion, be completed within ninety (90) days. If Landlord determines that repairs can be completed with ninety (90) days, this Lease shall remain in full force and effect, except that if such damage is not the result of the negligence or willful misconduct of Tenant or Tenant's agents, employees, contractors, licensees, or invitees, the Base Rent shall be abated to the extent Tenant's use of the Premises is impaired, commencing with the date of damage and continuing until completion of the repairs required of Landlord under Section 19d.

b. If in Landlord's opinion, such repairs to the Premises or portion of the Building necessary for Tenant's occupancy cannot be completed within ninety (90) days, Landlord may elect, upon notice to Tenant given within thirty (30) days after the date of such fire or other casualty, to repair such damage, in which event this Lease shall continue in full force and effect, but the Base Rent shall be partially abated as provided in Section 19a. If Landlord does not so elect to make such repairs, this Lease shall terminate as of the date of such fire or other casualty.

c. If any other portion of the Building or Project is totally destroyed or damaged to the extent that in Landlord's opinion repair thereof cannot be completed within ninety (90) days, Landlord may elect upon notice to Tenant given within thirty (30) days after the date of such fire or other casualty, to repair such damage, in which event this Lease shall continue in full force and effect, but the Base Rent shall be partially abated as provided in Section 19a. If Landlord does not so elect to make such repairs, this Lease shall terminate as of the date of such fire or other casualty.

d. If the Premises are to be repaired under this Article, Landlord shall repair at its cost any injury or damage to the Building and Building Standard Work in the Premises. Tenant shall be responsible at its sole cost and expense for the repair, restoration, and replacement of any other Leasehold Improvements and Tenant's Property. Landlord shall not be liable for any loss of business, inconvenience or annoyance arising from any repair or restoration of any portion of the Premises, Building, or Project as a result of any damage from fire or other casualty.

e. This Lease shall be considered an express agreement governing any case of damage to or destruction of the Premises, Building, or Project by fire or other casualty, and any present or future law which purports to govern the rights of Landlord and Tenant in such circumstances in the absent of express agreement, shall have no application.

20. EMINENT DOMAIN.

a. If the whole of the Building or Premises is lawfully taken by condemnation or in any other manner for any public or quasi-public purpose, this Lease shall terminate as of the date of such taking, and Rent shall be prorated to such date. If less than the whole of the Building or Premises is so taken, this Lease shall be unaffected by such taking, provided that (i) Tenant shall have the right to terminate this Lease by notice to Landlord given within ninety (90) days after the date of such taking if twenty percent (20%) or more of the Premises is taken and the remaining area of the Premises is not reasonably sufficient for Tenant to continue operation of its business, and (ii) Landlord shall have the right to terminate this Lease by notice to Tenant given within ninety (90) days after the date of such taking. If either Landlord or Tenant so elects to terminate this Lease, the Lease shall terminate on the thirtieth (30th) day after either such notice. The Rent shall be prorated to the date of termination. If this Lease continues in force upon such partial taking, the Base Rent and Tenant's Proportionate Share shall be equitably adjusted according to the remaining Rentable Area of the Premises and Project.

b. In the event of any taking, partial or whole, all of the proceeds of any award, judgment, or settlement payable by the condemning authority shall be the exclusive property of Landlord, and Tenant hereby assigns to Landlord all of its right, title, and interest in any award, judgment, or settlement from the condemning authority. Tenant, however, shall have the right, to the extent that Landlord's award is not reduced or prejudiced, to claim from the condemning authority (but not from Landlord) such compensation as may be recoverable by Tenant in its own right for relocation expenses and damage to Tenant's personal property.

c. In the event of a partial taking of the Premises which does not result in a termination of this Lease, Landlord shall restore the remaining portion of the Premises as nearly as practicable to its condition prior to the condemnation or taking, but only to the extent of Building Standard Work. Tenant shall be responsible at its sole cost and expenses for the repair, restoration, and replacement of any other Leasehold improvements and Tenant's Property.

21. INDEMNIFICATION.

a. Tenant shall indemnify and hold Landlord harmless against and from liability and claims of any kind for loss or damage to property of Tenant or any other person, or for any injury to or death of any person, arising out of: (1) Tenant's use and occupancy of the Premises, or any work, activity, or other things allowed or suffered by Tenant to be done in, on, or about the Premises; (2) any breach or default by Tenant of any of the Tenant's obligations under this Lease; or (3) any negligent or otherwise tortuous act or omission of Tenant, its agents, employees, invitees, or contractors. Tenant shall at Tenant's expense and by counsel satisfactory to Landlord, defend Landlord in any action or proceeding arising from any such claim and shall indemnify Landlord against all costs, attorneys' fees, expert witness fees, and any other expenses incurred in such action or proceeding. As a material part of the consideration for Landlord's execution of this Lease, Tenant hereby assumes all risk of damage or injury to any person or property in, on, or about the Premises from any cause.

b. Landlord shall not be liable for injury or damage which may be sustained by the person or property of Tenant, its employees, invitees, or customers or any other person in or about the Premises, caused by or resulting from fire, steam, electricity, gas, water, or rain which may leak or flow from or into any part of the Premises, or from the breakage, leakage, obstruction, or other defects of pipes, sprinklers, wires, appliances, plumbing, air conditioning, or lighting fixtures, whether such damage or injury results from conditions arising upon the Premises or upon other portions of the Building or Project or from other sources. Landlord shall not be liable for any damages arising from any act or omission of any other tenant of the Building or Project.

22. TENANT'S INSURANCE.

a. All insurance required to be carried by Tenant hereunder shall be issued by responsible insurance companies acceptable to Landlord and Landlord's lender and qualified to do business in the State. Each policy shall name Landlord, and at Landlord's request any mortgagee of Landlord, as an additional insured, as their respective interests may appear. Each policy shall contain (i) a cross-liability endorsement, (ii) a provision that such policy and the coverage evidenced thereby shall be primary and non-contributing with respect to any policies carried by Landlord and that any coverage carried by Landlord shall be excess insurance, and (iii) a waiver by the insurer of any right of subrogation against Landlord, its agents, employees, and representatives, which arises or might arise by reason of any payment under such policy or by reason of any act or omission of Landlord, its agents, employees, or representatives. A copy of each paid up policy (authenticated by the insurer) or certificate of the insurer evidencing the existence and amount of each insurance policy required hereunder shall be delivered to Landlord before the date Tenant is first given the right of possession of the Premises, and thereafter within thirty (30) days after any demand by Landlord therefore. Landlord may, at any time and from time to time, inspect and/or copy any insurance policies required to be maintained by Tenant hereunder. No such policy shall be cancelable except after twenty (20) days written notice to Landlord and Landlord's lender. Tenant shall furnish Landlord with renewals or "binders" of any such policy at least ten (10) days prior to the expiration th4ereof. Tenant agrees that if Tenant does not take out and maintain such insurance, Landlord may (but shall not be required to) procure said insurance on Tenant's behalf and charge the Tenant the premiums together with a twenty-five percent (25%) handling charge, payable upon demand. Tenant shall have the right to provide such insurance coverage pursuant to blanket policies obtained by the Tenant, provided such blanket policies expressly afford coverage to the Premises, Landlord, Landlord's mortgagee, and Tenant as required by this Lease.

b. Beginning on the date Tenant is given access to the Premises for any purpose and continuing until expiration of the Term, Tenant shall procure, pay for and maintain in effect policies of casualty insurance covering (i) all Leasehold Improvements (including any alterations, additions, or improvements as may be made by Tenant pursuant to the provisions of Article 12 hereof), and (ii) trade fixtures, merchandise, and other personal property from time to time in, on, or about the Premises, in an amount not less than one hundred percent (100%) of their actual replacement cost from time to time, providing protection against any peril included within the classification "Fire and Extended Coverage" together with insurance against sprinkler damage, vandalism, and malicious mischief. The proceeds of such insurance shall be used for the repair or replacement of the property so insured. Upon termination of this Lease following a casualty as set forth herein, the proceeds under (i) above be paid to Landlord, and the proceeds under (ii) above be paid to Tenant.

c. Beginning on the date Tenant is given access to the Premises for any purpose and continuing until expiration of the Term, Tenant shall procure, pay for, and maintain in effect worker's compensation insurance as required by law and comprehensive public liability and property damage insurance with respect to the construction of improvements on the Premises, the use, operation, or condition of the Premises, and the operations of Tenant in, on, or about the Premises, providing broad form property damage coverage for not less than Five Hundred Thousand Dollars ($500,000) per person and One Million Dollars ($1,000,000) each occurrence, and property damage liability insurance with a limit of not less than Two Hundred Fifty Thousand Dollars ($250,000) each accident.

d. Not less than every three (3) years during the Term, Landlord and Tenant shall mutually agree to increases in all of Tenant's insurance policy limits for all insurance to be carried by Tenant as set forth in this Article. In the event Landlord and Tenant cannot mutually agree upon the amounts of said increases, then Tenant agrees that all insurance policy limits as set forth in this Article shall be adjusted for increases in the cost of living in the same manner as is set forth in Section 5.2 hereof for the adjustment of the Base Rent.

23. WAIVER OF SUBROGATION.

Landlord and Tenant each hereby waive all rights or recovery against the other and against the officers, employees, agents, and representatives of the other, on account of loss by or damage to the waiving party of its property or the property of others under its control, to the extent that such loss or damage is insured against under any fire and extended overage insurance policy which either may have in force at the time of the loss or damage. Tenant shall, upon obtaining the policies of insurance required under this Lease, give notice to its insurance carrier or carriers that the foregoing mutual waiver of subrogation is contained in this Lease.

24. SUBORDINATION AND ATTORNMENT.

Upon written request of Landlord, or any first mortgagee or first deed of trust beneficiary of Landlord, or ground lessor of Landlord, Tenant shall, in writing, subordinate its rights under this Lease to the lien of any first mortgage or first deed of trust, or to the interest of any lease in which Landlord is lessee, and to all advances made or thereafter to be made thereunder. However, before signing any subordination agreement, Tenant shall have the right to obtain from any lender or lessor or Landlord requesting such subordination, an agreement in writing providing that, as long as Tenant is not in default hereunder, this Lease shall remain in effect for the full Term. The holder of any security interest may, upon written notice to Tenant, elect to have this Lease prior to its security interest regardless of the time of the granting or recording of such security interest.

In the event of any foreclosure sale, transfer in lieu of foreclosure, or termination of the lease in which Landlord is lessee, Tenant shall attorn to the purchaser, transferee, or lessor, as the case may be, and recognize that party as Landlord under this Lease provided such party acquires and accepts the Premises subject to this Lease.

25. TENANT ESTOPPEL CERTIFICATE.

Within ten (10) days after written request from Landlord, Tenant shall execute and deliver to Landlord or Landlord's designee, a written statement certifying (a) that this lease is unmodified and in full force and effect, or is in full force and effect as modified and stating the modifications; (b) the amount of Base Rent and the date to which Base Rent and additional rent have been paid in advance; (c) the amount of any security deposited with Landlord; and (d) that Landlord is not in default hereunder or, if Landlord is claimed to be in default, stating the nature lf any claimed default. Any such statement may be relied upon by a purchaser, assignee, or lender. Tenant's failure to execute and deliver such statement within the time required shall at Landlord's election be a default under this Lease and shall also be conclusive upon Tenant that: (1) this Lease is in full force and effect and has not been modified except as represented by Landlord; (2) there are no uncured defaults in Landlord's performance and that Tenant has not right of offset, counter-claim, or deduction against Rent; and (3) not more than one month's Rent has been paid in advance.

26. TRANSFER OF LANDLORD'S INTEREST.

In the event of any sale or transfer by Landlord of the Premises, Building, or Project, and assignment of this Lease by Landlord, Landlord shall be and is hereby entirely freed and relieved of any and all liability and obligations contained in or derived from this Lease arising out of any act, occurrence, or omission relating to the Premises, Building, Project, or Lease occurring after the consummation of such sale or transfer, providing the purchaser shall expressly assume all of the covenants and obligations of Landlord under this Lease. If any security deposit or prepaid Rent has been paid by Tenant, Landlord may transfer the security deposit or prepaid Rent to Landlord's successor and upon such transfer, Landlord shall be relieved of any and all further liability with respect thereto.

27. DEFAULT.

27.1. *Tenant's Default*. The occurrence of any one or more of the following events shall constitute a default and breach of this Lease by Tenant:

a. If Tenant abandons or vacates the Premises; or

b. If Tenant fails to pay any Rent or any other charges required to be paid by Tenant under this Lease and such failure continues for five (5) days after such payment is due and payable; or

c. If Tenant fails to promptly and fully perform any other covenant, condition, or agreement contained in this lease and such failure continues for thirty (30) days after written notice thereof from Landlord to Tenant; or

d. If a writ of attachment or execution is levied on this Lease or on any of Tenant's Property; or

e. If Tenant makes a general assignment for the benefit of creditors, or provides for an arrangement, composition, extension or adjustment with its creditors; or

f. If Tenant files a voluntary petition for relief or if a petition against Tenant in a proceeding under the federal bankruptcy laws or other insolvency laws is filed and not withdrawn or dismissed within forty-five (45) days thereafter, or if under the provisions of any law providing for reorganization or winding up of corporations, any court of competent jurisdiction assumes jurisdiction, custody, or control of Tenant or any substantial part of its property and such jurisdiction, custody, or control remains in force unrelinquished, unstayed, or unterminated for a period of forty-five (45) days; or

g. If in any proceeding or action in which Tenant is not a party, a trustee, receiver, agent, or custodian is appointed to take charge of the Premises or Tenant's Property (or has the authority to do so) for the purpose of enforcing a lien against the Premises or Tenant's Property; or

h. If Tenant is a partnership or consists of more than one (1) person or entity, if any partner of the partnership or other person or entity is involved in any of the acts or events described in subparagraphs d through g above.

27.2. *Remedies*. In the event of Tenant's default hereunder, then, in addition to any other rights or remedies Landlord may have under any law, Landlord shall have the right, at Landlord's option, without further notice or demand of any kind to do the following:

a. Terminate this Lease and Tenant's right to possession of the Premises and re-enter the Premises and take possession thereof, and Tenant shall have no further claim to the Premises or under this Lease; or

b. Continue this Lease in effect, re-enter and occupy the Premises for the account of Tenant, and collect any unpaid Rent or other charges which have or thereafter become due and payable; or

c. Re-enter the Premises under the provisions of subparagraph b and thereafter elect to terminate this Lease and Tenant's right to possession of the Premises.

If Landlord re-enters the Premises under the provisions of subparagraph b or c above, Landlord shall not be deemed to have terminated this Lease or the obligation of Tenant to pay any Rent or other charges thereafter accruing, unless Landlord notifies Tenant in writing of Landlord's election to terminate this Lease. In the event of any re-entry or retaking of possession by Landlord, Landlord shall have the right, but not the obligation, to remove all or any part of Tenant's Property in the Premises and to place such property in storage at a public warehouse at the expense and risk of Tenant. If Landlord elects to relet the Premises for the account of Tenant, the rent received by Landlord from such reletting shall be applied as follows: first, to the payment of any indebtedness other than Rent due hereunder from Tenant to Landlord; second, to the payment of any costs of such reletting; third, to the payment of the cost of any alterations or repairs to the Premises; fourth, to the payment of Rent due and unpaid hereunder; and the balance, if any, shall be held by Landlord and applied in payment of future Rent as it becomes due. If that portion of rent received from the reletting, which is applied against, the Rent due hereunder is less than the amount of the Rent due, Tenant shall pay the deficiency to Landlord promptly upon demand by Landlord. Such deficiency shall be calculated and paid monthly. Tenant shall also pay to Landlord, as soon as determined, any costs and expenses incurred by Landlord in connection with such reletting or in making alterations and repairs to the Premises, which are not covered by the rent received from the reletting.

Should Landlord elect to terminate this Lease under the provisions of subparagraph a or c above, Landlord may recover as damages from Tenant the following:

(1.) *Past Rent*. The worth at the time of the award of any unpaid Rent which had been earned at the time of termination; plus

(2.) *Rent Prior to Award*. The worth at the time of the award of the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus

(3.) *Rent After Award*. The worth at the time of the award of the amount by which the unpaid Rent for the balance of the Term after the time of award exceeds the amount of the rental loss that Tenant provides could be reasonably avoided; plus

(4.) *Proximately Caused Damages*. Any other amount necessary to compensate Landlord for all detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom including, but not limited to, any costs or expenses (including attorneys' fees) incurred by Landlord in (a) retaking possession of the Premises, (b) maintaining the Premises after Tenant's default, (c) preparing the Premises for reletting to a new tenant, including any repairs or alterations, and (d) reletting the Premises, including broker's commissions.

"The worth at the time of the award@ as used in subparagraphs 1 and 2 above is to be computed by allowing interest at the rate of ten percent (10%) per annum." The worth at the time of the award@ as used in subparagraph 3 above is to be computed by discounting the amount at the discount rate of the Federal Reserve Bank situated nearest to the Premises at the time of the award plus one percent (1%).

The waiver by Landlord of any breach of any term, covenant, or condition of this Lease shall not be deemed a waiver of such term, covenant, or condition or of any subsequent breach of the same or any other term, covenant, or condition. Acceptance of Rent by Landlord subsequent to any breach hereof shall not be deemed a waiver of any preceding breach other than the failure to pay the particular Rent so accepted, regardless of Landlord's knowledge of any breach at the time of such acceptance of Rent. Landlord shall not be deemed to have waived any term, covenant, or condition unless Landlord gives Tenant written notice of such waiver.

27.3 *Landlord's Default*. If Landlord fails to perform any covenant, condition, or agreement contained in this Lease within thirty (30) days after receipt of written notice from Tenant specifying such default, or if such default cannot reasonably be cured within thirty (30) days, if Landlord fails to commence to cure within that thirty (30) day period, then Landlord shall be liable to Tenant for any damages sustained by Tenant as a result of Landlord's breach; provided, however, it is expressly understood and agreed that if Tenant obtains a money judgment against Landlord resulting from any default or other claim arising under this Lease, that judgment shall be satisfied only out of the rents, issues, profits, and other income actually received on account of Landlord's right, title, and interest in the Premises, Building, or Project, and no other real, personal, or mixed property of Landlord (or of any of the partners which comprise Landlord, if any) wherever situated, shall be subject to levy to satisfy such judgment. If, after notice to Landlord of default, Landlord (or any first mortgagee or first deed of trust beneficiary of Landlord) fails to cure the default as provided herein, then Tenant shall have the right to cure that default at Landlord's expense. Tenant shall not have the right to terminate this Lease or to withhold, reduce, or offset any amount against any payments of Rent or any other charges due and payable under this Lease, except as otherwise specifically provided herein.

28. BROKERAGE FEES.

Tenant warrants and represents that it has not dealt with any real estate broker or agent in connection with this Lease or its negotiation except those noted in Section 2.c. Tenant shall indemnify and hold Landlord harmless from any cost, expenses, or liability (including costs of suit and reasonable attorneys' fees) for any compensation, commission, or fees claimed by any other real estate broker or agent in connection with this Lease or its negotiation by reason of any act of Tenant.

29. NOTICES.

All notices, approvals, and demands permitted or required to be given under this Lease shall be in writing and deemed duly served or given if personally delivered or sent by certified or registered U.S. mail, postage prepaid, and addressed as follows: (a) if to Landlord, to Landlord's Mailing Address and to the Building manager, and (b) if to Tenant, to Tenant's Mailing Address; provided, however, notices to Tenant shall be deemed duly served or given if delivered or mailed to Tenant at the Premises. Landlord and Tenant may from time to time by notice to the other designate another place for receipt of future notices.

30. GOVERNMENT ENERGY OR UTILITY CONTROLS.

In the event of imposition of federal, state, or local government controls, rules, regulations, or restrictions on the use or consumption of energy or other utilities during the Term, both Landlord and Tenant shall be bound thereby. In the event of a difference in interpretation by Landlord and Tenant of any such controls, the interpretation of Landlord shall prevail, and Landlord shall have the right to enforce compliance therewith, including the right of entry into the Premises to effect compliance.

31. RELOCATION OF PREMISES.

Landlord shall have the right to relocate the Premises to another part of the Building in accordance with the following:

a. The new premises shall be substantially the same in size, dimension, configuration, decor and nature as the Premises described in this Lease, and if the relocation occurs after the Commencement Date, shall be placed in that condition by Landlord at its cost.

b. Landlord shall give Tenant at least thirty (30) days written notice of Landlord's intention to relocate the Premises.

c. As nearly as practicable, the physical relocation of the Premises shall take place on a weekend and shall be completed before the following Monday. If the physical relocation has not been completed in that time, Base Rent shall abate in full from the time the physical relocation commences to the time it is completed. Upon completion of such relocation, the new premises shall become the "Premises" under this Lease.

d. All reasonable costs incurred by Tenant as a result of the relocation shall be paid by Landlord.

e. If the new premises are smaller than the Premises as it existed before the relocation, Base Rent shall be reduced proportionately.

f. The parties hereto shall immediately execute an amendment to this Lease setting forth the relocation of the Premises and the reduction of Base Rent, if any.

32. QUIET ENJOYMENT.

Tenant, upon paying the Rent and performing all of its obligations under this Lease, shall peaceably and quietly enjoy the Premises, subject to the terms of this Lease and to any mortgage, lease, or other agreement to which this Lease may be subordinate.

33. OBSERVANCE OF LAW.

Tenant shall not use the Premises or permit anything to be done in or about the Premises which will in any way conflict with any law, statute, ordinance or governmental rule or regulation now in force or which may hereafter be enacted or promulgated. Tenant shall, at its sole cost and expense, promptly comply with all laws, statutes, ordinances and governmental rules, regulations or requirements now in force or which may hereafter be in force, and with the requirements of any board of fire insurance underwriters or other similar bodies now or hereafter constituted, relating to, or affecting the condition, use or occupancy of the Premises, excluding structural changes not related to or affected by Tenant's improvements or acts. The judgment of any court of competent jurisdiction or the admission of Tenant in any action against Tenant, whether Landlord is a party thereto or not, that Tenant has violated any law, ordinance or governmental rule, regulation or requirement, shall be conclusive of that fact as between Landlord and Tenant.

34. FORCE MAJEURE.

Any prevention, delay or stoppage of work to be performed by Landlord or Tenant which is due to strikes, labor disputes, inability to obtain labor, materials, equipment or reasonable substitutes therefore, acts of God, governmental restrictions or regulations or controls, judicial orders, enemy or hostile government actions, civil commotion, fire or other casualty, or other causes beyond the reasonable control of the party obligated to perform hereunder, shall excuse performance of the work by that party for a period equal to the duration of that prevention, delay or stoppage. Nothing in this Article 34 shall excuse or delay Tenant's obligation to pay Rent or other charges under this Lease.

35. CURING TENANT'S DEFAULTS.

If Tenant defaults in the performance of any of its obligations under this Lease, Landlord may (but shall not be obligated to) without waiving such default, perform the same for the account at the expense of Tenant. Tenant shall pay Landlord all costs of such performance promptly upon receipt of a bill therefore.

36. SIGN CONTROL.

Tenant shall not affix, paint, erect or inscribe any sign, projection, awning, signal or advertisement of any kind to any part of the Premises, Building or Project, including without limitation, the inside or outside of windows or doors, without the written consent of Landlord. Landlord shall have the right to remove any signs or other matter, installed without Landlord's permission, without being liable to Tenant by reason of such removal, and to charge the cost of removal to Tenant as additional rent hereunder, payable within ten (10) days of written demand by Landlord.

37. MISCELLANEOUS.

a. *Accord and Satisfaction; Allocation of Payments*: No payment by Tenant or receipt by Landlord of a lesser amount than the Rent provided for in this Lease shall be deemed to be other than on account of the earliest due Rent, nor shall any endorsement or statement on any check or letter accompanying any check or payment as Rent be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of the Rent or pursue any other remedy provided for in this Lease. In connection with the foregoing, Landlord shall have the absolute right in its sole discretion to apply any payment received from Tenant to any account or other payment of Tenant then not current and due or delinquent.

b. *Addenda*: If any provision contained in an addendum to this Lease is inconsistent with any other provision herein, the provision contained in the addendum shall control, unless otherwise provided in the addendum.

c. *Attorneys' Fees:* If any action or proceeding is brought by either party against the other pertaining to or arising out of this Lease, the finally prevailing party shall be entitled to recover all costs and expenses, including reasonable attorneys' fees, incurred on account of such action or proceeding.

d. *Captions, Articles and Section Numbers*: The captions appearing within the body of this Lease have been inserted as a matter of convenience and for reference only and in no way define, limit or enlarge the scope or meaning of this Lease. All references to Article and Section numbers refer to Articles and Sections in this Lease.

e. *Changes Requested by Lender*: Neither Landlord or Tenant shall unreasonably withhold its consent to changes or amendments to this Lease requested by the lender on Landlord's interest, so long as these changes do not alter the basic business terms of this Lease or otherwise materially diminish any rights or materially increase any obligations of the party from whom consent to such charge or amendment is requested.

f. *Choice of Law*: This Lease shall be construed and enforced in accordance with the laws of the State of California.

g. *Consent*: Notwithstanding anything contained in this Lease to the contrary, Tenant shall have no claim, and hereby waives the right to any claim against Landlord for money damages by reason of any refusal, withholding or delaying by Landlord of any consent, approval or statement of satisfaction, and in such event, Tenant's only remedies therefore shall be an action for specific performance, injunction or declaratory judgment to enforce any right to such consent, etc.

h. *Corporate Authority*: If Tenant is a corporation, each individual signing this Lease on behalf of Tenant represents and warrants that he is duly authorized to execute and deliver this lease on behalf of the corporation, and that this Lease is binding on Tenant in accordance with its terms. Tenant shall, at Landlord's request, deliver a certified copy of a resolution of its board of directors authorizing such execution.

i. *Counterparts*: This Lease may be executed in multiple counterparts, all of which shall constitute one and the same Lease.

j. *Execution of Lease; No Option*: The submission of this Lease to Tenant shall be for examination purposes only, and does not and shall not constitute a reservation of or option for Tenant to lease, or otherwise create any interest of Tenant in the Premises or any other premises within the Building or Project. Execution of this Lease by Tenant and its return to Landlord shall not be binding on Landlord notwithstanding any time interval, until Landlord has in fact signed and delivered this Lease to Tenant.

k. *Furnishing of Financial Statements; Tenant's Representations*: In order to induce Landlord to enter into this Lease, Tenant agrees that it shall promptly furnish Landlord, from time to time, upon Landlord's written request, with financial statements reflecting Tenant's current financial condition. Tenant represents and warrants that all financial statements, records and information furnished by Tenant to Landlord in connection with this Lease are true, correct and complete in all respects.

l. *Further Assurances*: The parties agree to promptly sign all documents reasonably requested to give effect to the provisions of this Lease.

m. *Mortgagee Protection*: Tenant agrees to send by certified or registered mail to any first mortgagee or first deed of trust beneficiary of Landlord whose address has been furnished to Tenant, a copy of any notice of default served by Tenant on Landlord. If Landlord fails to cure such default within the time provided for in this Lease, such mortgagee or beneficiary shall have an additional thirty (30) days to cure such default; provided that if such default cannot reasonably be cured within that thirty (30) day period, then such mortgagee or beneficiary shall have such additional time to cure the default as is reasonably necessary under the circumstances.

n. *Prior Agreements; Amendments*: This Lease contains all of the agreements of the parties with respect to any matter covered or mentioned in this Lease, and no prior agreement or understanding pertaining to any such matter shall be effective for any purpose. No provisions of this Lease may be amended or added to except by an agreement in writing signed by the parties or their respective successors in interest.

o. *Recording*: Tenant shall not record this Lease without the prior written consent of Landlord. Tenant, upon the request of Landlord, shall execute and acknowledge a "short form" memorandum of this Lease for recording purposes.

p. *Severability*: A final determination by a court of competent jurisdiction that any provision of this Lease is invalid shall not affect the validity of any other provision, and any provision so determined to be invalid shall, to the extent possible, be construed to accomplish its intended effect.

q. *Successors and Assigns*: This Lease shall apply to and bind the heirs, personal representatives, and permitted successors and assigns of the parties.

r. *Time of the Essence:* Time is of the essence of this Lease.

s. *Waiver*: No delay or omission in the exercise of any right or remedy of Landlord upon any default by Tenant shall impair such right or remedy or be construed as a waiver of such default.

t. *Compliance*: The parties hereto agree to comply with all applicable federal, state and local laws, regulations, codes, ordinances and administrative orders having jurisdiction over the parties, property or the subject matter of this Agreement, including, but not limited to, the 1964 Civil Rights Act and all amendments thereto, the Foreign Investment In Real Property Tax Act, the Comprehensive Environmental Response Compensation and Liability Act, and The Americans With Disabilities Act.

The receipt and acceptance by Landlord of delinquent Rent shall not constitute a waiver of any other default; it shall constitute only a waiver of timely payment for the particular Rent payment involved.

No act or conduct of Landlord, including, without limitation, the acceptance of keys to the Premises, shall constitute an acceptance of the surrender of the Premises by Tenant before the expiration of the Term. Only a written notice from Landlord to Tenant shall constitute acceptance of the surrender of the Premises and accomplish a termination of the Lease.

Landlord's consent to or approval of any act by Tenant requiring Landlord's consent or approval shall not be deemed to waive or render unnecessary Landlord's consent to or approval of any subsequent act by Tenant.

Any waiver by Landlord of any default must be in writing and shall not be a waiver of any other default concerning the same or other provision of the Lease.

The parties hereto have executed this Lease as of the dates set forth below.

Date:		Date:	
Landlord:	Desert Healthcare District	Tenant:	
	dba: Las Palmas Medical Plaza		
By:	Herb K. Schultz	By:	
Signature:		Signature:	
Title:	CEO	Title:	

CONSULT YOUR ADVISORS This document has been prepared for approval by your attorney. No representation or recommendation is made as to the legal sufficiency or tax consequences of this document or the transaction to which it relates. These are questions for your attorney.

In any real estate transaction, it is recommended that you consult with a professional, such as a civil engineer, industrial hygienist or other person, with experience in evaluating the condition of the property, including the possible presence of asbestos, hazardous materials and underground storage tanks.

EXHIBIT "A"

RULES AND REGULATIONS

1. No sign, placard, pictures, advertisement, name or notice shall be inscribed, displayed or printed or affixed on or to any part of the outside or inside of the Building without the written consent of Landlord first had and obtained and Landlord shall have the right to remove any such sign, placard, picture, advertisement, name or notice without notice to and at the expense of Tenant.

   All approved signs or lettering on doors shall be printed, painted, affixed, or inscribed at the expense of Tenant by a person approved by Landlord outside the Premises; provided, however, that Landlord may furnish and install a Building standard window covering at all exterior windows. Tenant shall not, without prior written consent of Landlord, cause or otherwise sunscreen any window.

2. The sidewalks, halls, passages, exits, entrances, elevators and stairways shall not be obstructed by any of the tenants or used by them for any purpose other than for ingress and egress from their respective Premises.

3. Tenant shall not alter any lock or install any new or additional locks or any bolts on any doors or windows of the Premises.

4. The toilet rooms, urinals, wash bowls and other apparatus shall not be used for any purpose other than that for which they were constructed and no foreign substance of any kind whatsoever shall be thrown therein and the expense of any breakage, stoppage or damage resulting from the violation of the rule shall be borne by the Tenant who, or whose employees or invitees, shall have caused it.

5. Tenant shall not overload the floor of the Premises or in any way deface the Premises or any part thereof.

6. No furniture, freight or equipment of any kind shall be brought into the Building without the prior notice to Landlord and all moving of the same into or out of the Building shall be done at such time and in such manner as Landlord shall designate. Landlord shall have the right to prescribe the weight, size and position of all safes and other heavy equipment brought into the Building and also the times and manner of moving the same in and out of the Building. Safes or other heavy objects shall, if considered necessary by Landlord, stand on supports of such thickness as is necessary to properly distribute the weight. Landlord will not be responsible for loss of or damage to any such safe or property from any cause and all damage done to the Building by moving or maintaining any such safe or other property shall be repaired at the expense of Tenant.

7. Tenant shall not use, keep or permit to be used or kept any foul or noxious gas or substances in the Premises, or permit or suffer the Premises to be occupied or used in a manner offensive or objectionable to the Landlord or other occupants of the Building by reason of noise, odors and/or vibrations, or interfere in any way with other tenants or those having business therein, nor shall any animals or birds be brought in or kept in or about the Premises of the Building.

8. No cooking shall be done or permitted by any Tenant on the Premises, nor shall the Premises be used for storage of merchandise, for washing clothes, for lodging or for any improper, objectionable or immoral purposes.

9. Tenant shall not use or keep in the Premises or the Building any kerosene, gasoline or inflammable or combustible fluid or material, or use any method of heating or air conditioning other than that supplied by Landlord.

10. Landlord will direct electricians as to where and how telephone and telegraph wires are to be introduced. No boring or cutting for wires will be allowed without the consent of the Landlord. The location of telephones, call boxes and other office equipment affixed to the Premises shall be subject to the approval of Landlord.

11. On Saturdays, Sundays and legal holidays, and on other days between the hours of 6:00 p.m. and 8:00 a.m. the following day, access to the Building or to the halls, corridors, elevators or stairways in the Building, or to the Premises may be refused unless the person seeking access is known to the person or employee of the Building in charge and has a pass or is properly identified. The Landlord shall in no case be liable for damages for any error with regard to the admission to or exclusion from the Building of any person. In case of invasion, mob, riot, public excitement, or other commotion, the Landlord reserves the right to prevent access to the Building during the continuance of the same by closing of the doors or otherwise, for the safety of the tenants and protection of property in the Building and the Building.

12. Landlord reserves the right to exclude or expel from the Building any person who, in the judgment of Landlord, is intoxicated or under the influence of liquor or drugs, or who shall in any manner do any act in violation of any of the rules and regulations of the Building.

13. No vending machine or machines of any description shall be installed, maintained or operated upon the Premises without the written consent of the Landlord.

14. Landlord shall have the right, exercisable without notice and without liability to Tenant, to change the name and street address of the Building of which the Premises are a part.

______ District ______ Recipient

15. Tenant shall not disturb, solicit, or canvass any occupant of the Building and shall cooperate to prevent same.

16. Without the written consent of Landlord, Tenant shall not use the name of the Building in connection with or in promoting or advertising the business of Tenant except as Tenant's address.

17. Landlord shall have the right to control and operate the public portions of the Building, and the public facilities, and heating and air conditioning, as well as facilities furnished for the common use of the tenants, in such manner as it deems best for the benefit of the tenants generally.

18. All entrance doors in the Premises shall be left locked when the Premises are not in use, and all doors opening to public corridors shall be kept closed except for normal ingress and egress from the Premises.

________________ Landlord's Initials

________________ Tenant's Initials

ADDENDUM

Addendum to that certain Office Building Lease dated January 1, 2018 by and between Desert Healthcare District doing business as the Las Palmas Medical Plaza, as Landlord and Pathway Pharamceuticals, Inc., as Tenant for the property commonly known as Las Palmas Medical Plaza located at 555 E. Tachevah Drive, Palm Springs, CA 92262.

In the event of any inconsistency between the Addendum language and the body of the Lease, the Addendum language shall prevail.

1. **Commencement Date:** January 1, 2018

2. **Expiration Date:** December 31, 2022

3. **Rent Schedule:**

1/1/2018 – 12/31/2018	$1,542.80	
1/1/2019 – 12/31/2019	$~~1,589.08~~ 1,542.80	~~Greater of 3% or CPI~~
1/1/2020 – 12/31/2020	$~~1,636.76~~ 1,542.80	~~Greater of 3% or CPI~~
1/1/2021 – 12/31/2021	$~~1,685.86~~ 1,589.08	Greater of 3% or CPI
1/1/2022 – 12/31/2022	$~~1,736.43~~ 1,636.76	Greater of 3% or CPI

4. **CAMs:** $.62~~0~~ per square foot.

5. **Security Deposit:** Carry over from previous lease in the amount of One Thousand Six Hundred and Seventeen Dollars and 28/100 ($1,617.28).

The foregoing is hereby agreed to and accepted:

Date:	____________	Date:	____________
Landlord:	Desert Healthcare District	Tenant:	____________
	dba: Las Palmas Medical Plaza		
By:	Herb K. Schultz	By:	____________
Signature:	____________	Signature:	____________
Title:	CEO	Title:	____________

DESERT HEALTHCARE DISTRICT

Date: March 27, 2018

To: Board of Directors

Subject: Revised Commencement Date – Palmtree Clinical Research Inc (PCR) - Las Palmas Medical Plaza Suite #1E 201-203

Staff recommendation: Consideration to approve Addendum #2 to revise Commencement Date for Palmtree Clinical Research Inc at the Las Palmas Medical Plaza.

Background:

- PCR is currently performing the tenant improvements (TI) necessary before occupying the suite.
- The TI process has taken longer than anticipated with the RFP process, permitting and construction.
- Tenant requests the Commencement Date be revised to reflect "The Earlier of Certificate of Occupancy or May 1, 2018" instead of February 1, 2018.
- **At the March 13, 2018 F&A Committee meeting, the Committee approved the request for revising the Commencement Date and forwarding to the Board of Directors for approval.**

Fiscal Impact:

None.

ADDENDUM #2

Addendum to that certain Office Building Lease dated September 1, 2017 by and between Desert Healthcare District doing business as the Las Palmas Medical Plaza, as Landlord and Palmtree Clinical Research Inc, as Tenant for the property commonly known as Las Palmas Medical Plaza located 555 E. Tachevah Drive, Palm Springs, California 92262.

In the event of any inconsistency between the Addendum language and the body of the Lease, the Addendum language shall prevail.

1. **Commencement Date:** Revised Commencement Date to read "The earlier of Certificate of Occupancy or ~~February~~ May 1, 2018".

The foregoing is hereby agreed to and accepted:

Date:		Date:	
Landlord:	Desert Healthcare District	Tenant:	
	dba: Las Palmas Medical Plaza		
By:	Herb K. Schultz	By:	
Signature:		Signature:	
Title:	CEO	Title:	

DESERT HEALTHCARE DISTRICT

Date: March 27, 2018

To: Board of Directors

Subject: Truss Repair – Las Palmas Medical Plaza – Suite #1E 201-203

Staff Recommendation: Consideration to approve the engineering and construction cost of truss repair at Las Palmas Medical Plaza Suite #1E 201-203.

Background:

- Tenant Improvements are in process by the tenant, Palmtree Clinical Research, Inc., in suite #1E 201-203 on the second floor of Building 1E.
- During demolition, several roof trusses were observed to be in need of repair.
- Chris Mills, Prest Vuksic Architects, has provided an engineering estimate and an estimate to repair the trusts.
- Staff recommends approval of the repair of the trusts as a District expense since the trusses are a part of the structure separate from the Tenant Improvements.
- Estimates of the architectural services and the cost to repair the trusses (California Crafted) are provide for review.
- **At the March 13, 2018 F&A Committee meeting, the Committee approved the engineering and construction costs for truss repair and recommended forwarding to the Board of Directors for approval.**

Fiscal Impact:

Estimated total cost: $5,800

- Prest Vuksic Architects - $2,800
- California Crafed - $3,000

PREST • VUKSIC
ARCHITECTS

March 7, 2018

Mr. Chris Christensen
c/o Desert Healthcare District
1140 N. Indian Canyon Drive
Palm Springs, CA 92262

Re: **Proposal for Architectural Services**
Las Palmas Medical Plaza Truss Repair at Suite E201
PVA Project No.: 218033

Dear Mr. Christensen:

Thank you for the opportunity to work with you again. Following is our proposal for the repair of the damaged or failed existing roof trusses discovered during the performance of the T.I. work in Suite E201 project for Las Palmas Medical Plaza (LPMP).

1.0 Project Description

1.1 Provide Architectural and Engineering Services necessary to repair all damaged trusses in the Suite area.

2.0 Scope of Project

2.1 Review the site and evaluate the existing conditions.

2.2 Prepare a detailed plan and necessary drawings to identify the scope of the project.

2.3 Prepare the necessary drawings and calculations to obtain a City of Palm Springs Building Permit.

2.4 Obtain a cost to perform the work from the General Contractor currently providing the T.I. at the E201. This work will be performed at prevailing wage.

2.5 Observe the work and review for compliance with approved drawings.

2.6 Represent the project as may be required.

3.0 Exclusions

3.1 Any consultant work other than Structural Engineering.

4.0 Fee

4.1 We propose to provide the services described in Section 2.0 for a fixed fee of **Two Thousand Eight Hundred Fifty Dollars ($2,850).**

4.2 Reimbursable Expenses, including agency fees, reproduction of plans, specifications and other related materials, plotting, are included in the fee.

5.0 Additional Services

5.1 Any additional architectural services, engineering services or studies that may be required.

5.2 Any revisions to approved documents.

5.3 Additional Services, if required, will be provided on an hourly basis at our current hourly rates:

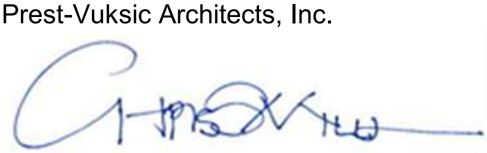
Principal/Project Architect	$235
Project Manager	$195
Job Captain	$145
Interior Designer	$135
Senior CAD Draftsperson	$105
Intermediate CAD Draftsperson	$95
Junior CAD Draftsperson	$85
Secretary	$65

The above fee represents our understanding of the project at this time. If this proposal meets with your approval, please sign and return one copy at your earliest convenience. We will then immediately schedule your project.

Chris, thank you for the opportunity to continue working with you and the District. If you should have any questions, please do not hesitate to give me a call.

Sincerely,

Prest-Vuksic Architects, Inc.



Chris S. Mills

Approved and Accepted,

____
Desert Healthcare District

____
Date

California Crafted Construction
78-206 Varner Rd Ste. D-20
Palm Desert, CA 92211
(760)834-1142
CaliforniaCrafted@gmail.com
www.californiacraftedconstruction.com

ESTIMATE

ADDRESS
Desert Healthcare District
Attn: Mary Pannoni
1140 N. Indian Canyon Drive
Palm Springs, CA 92262

ESTIMATE # 15154
DATE 02/01/2018
EXPIRATION DATE 02/15/2018

LIC # 1003986

JOB SITE ADDRESS
555 Tachevah Dr Unit E201

ACTIVITY	QTY	RATE	AMOUNT
Repair Repair of 5 damaged trusses throughout the building per architects drawings	1	2,500.00	2,500.00
Profit/Overhead 20%	1	500.00	500.00

Any alterations or deviations from the above specification involving extra cost of material or labor will only be executed upon written orders for the same, and will become an extra change over the sum mentioned in this contract. All agreements must be made in writing. Price includes all necessary material, labor, and tax to complete the above mentioned work. Price is subject to change pending lapse of written proposal. Owner has three day right of rescission in which owner may choose to terminate contract 3 days after signing. These prices are based off of prevailing wage.

TOTAL **$3,000.00**

Accepted By

Accepted Date

DESERT HEALTHCARE DISTRICT

Date: March 27, 2018

To: Board of Directors

Subject: Enactment of a District/Foundation Ticket Distribution Policy

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Staff Recommendation: Consideration to incorporate current practice and process into a Board-level ticket distribution policy for the Desert Healthcare District/Foundation.

Background:

- Currently, the District/Foundation CEO, in coordination with the Board President, oversees the receipt and distribution of event tickets and/or passes from public and private entities and individuals. This includes distribution to Board Members, significant others, and Staff members.

- Under current practice, tickets/passes are not purchased with District/Foundation Funds. Typically, passes/tickets are provided to the District/Foundation, on a complimentary basis, for Board Member or Staff use.

- Board Members and Staff have no FPPC Form 700 reporting requirement if tickets/passes are provided by a non-profit organization. Under current law, these are not considered gifts.

- Tickets/passes from private entities and individuals are permitted to be received and used, but are considered gifts under FPPC rules, must be reported on FPPC Form 700, and are subject to limits.

- An increasing number of non-profit organizations, mostly grantees of the District/Foundation, provide complimentary tickets/passes to fundraising events given previous District/Foundation support for an organization's programs and services.

- **At the March 27, 2018 F&A Committee meeting, the Committee approved the proposed Ticket Distribution Policy and recommended forwarding to the Board of Directors for approval.**

Fiscal Impact:

None

RESOLUTION NO.18-03

RESOLUTION OF THE BOARD OF DIRECTORS OF THE DESERT HEALTHCARE DISTRICT & FOUNDATION ADOPTING A TICKET DISTRIBUTION POLICY

WHEREAS, from time to time the Desert Healthcare District & Foundation ("District") receives event tickets and/or passes from private and public entities and individuals; and

WHEREAS, the District desires to use such tickets and/or passes to further governmental and public purposes of the District, and to avail the District and its officials, as defined in Government Code Section 82048 and Fair Political Practices Commission Regulation 18701 (Title 2, Division 6, California Code of Regulations referred to herein as "FPPC Regulation"), of the ability to distribute tickets and/or passes pursuant to FPPC Regulation 18944.1(c); and

WHEREAS, as provided in FPPC Regulation 18944.1(c), such tickets and/or passes distributed in accordance with a duly adopted policy are not considered gifts to public officials; and

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Desert Healthcare District as follows:

Section 1: **Definitions**.

a. "District Official" shall mean and refer to a District "public official" as that term is defined by Government Code section 82048 and FPPC Regulation 18701.

b. "Ticket" shall mean and refer to a "ticket or pass" as that term is defined in FPPC Regulation 18944.1, as amended, and as of this date means admission to a facility, event, show, or performance for entertainment, amusement, recreation, or similar purpose.

Section 2: **Limitation and Purpose of the Policy**. This policy shall only apply to the District's distribution of tickets to, or at the behest of, the District CEO. The purpose of this policy is to ensure that all tickets received by the District from public and private entities and individuals are distributed in furtherance of a public purpose of the District and are not utilized for any election related purposes.

Section 3: **Public Purposes for Ticket Distribution.** The following list is illustrative of the public purposes the Desert Healthcare District may accomplish by the distribution of tickets to, or at the behest of, a District Official:

a. Representation of the District at events on federal, state, and regional levels.
b. Representation and promotion of the Desert Healthcare District at District sponsored or supported community events and programs.
c. Increasing public exposure to, and awareness of, District sponsorships, grants, initiatives projects and facilities related to promoting the Mission and Vision of the District.
d. Promotion of District issues and representation at events sponsored by other governmental entities or government-related industry groups and non-profit organizations.
e. Recognizing or rewarding meritorious service by any District Officials and employees and recognizing contributions made by current and former District Officials and employees.

Section 3: **Ticket Transfer Prohibition**. The transfer by any District Official of any ticket distributed pursuant to this policy to any other person, except to Officials and Staff members of the District, is prohibited. For tickets unable to be used by the original recipient, the District CEO or Board President will redistribute to other Officials, Significant Others, Staff members or identified Stakeholders.

Section 4: **Posting Form 802 on Website**. Within 30 days of distributing a ticket, the District shall post a completed FPPC Form 802 on the District's website.

Section 5: **Designation of Agency Head.** For purposes of implementing this policy and completing and posting the FPPC Form 802, the District Chief Executive Officer or his/her designee shall be the "Agency Head."

Section 6: **Non-Use of Funds**. The District shall not purchase tickets nor use District or Foundation funds for the purchase of tickets.

PASSED, APPROVED AND ADOPTED by the Board of Directors of the Desert Healthcare District at a regular meeting held on this ____ day of _________, 2018, by the following roll call vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

____
Les Zendle MD, President
Board of Directors
Desert Healthcare District

ATTEST:

____
Carole Rogers RN, MPH, Vice-President/Secretary

DESERT HEALTHCARE DISTRICT

Date: March 27, 2018

To: Board of Directors

Subject: District Audit Reports FY15 & FY16 (Restated) – Page 11 only

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Staff Recommendation: Consideration to approve restated District audit reports for FY15 & FY16.

Background:

- Recently a community member brought to the District's attention that the Statement of Cash Flows did not correctly reflect the accrual for the actuarial valuation that increased the Net Unfunded Pension liability by $3.6M.
- The accrual was classified as "Cash Payments to Employees for Services" on the Statement of Cash Flows and was reclassified accordingly.
- The restatement did not result in a change to the Net Increase (Decrease) in Cash.
- Restated Audit Reports are included for your review. Please see page 11 of both reports for the revisions.
- **At the March 13, 2018 F&A Committee meeting, the Committee reviewed and approved the restated Audit Reports for FY15 and FY16.**

Fiscal Impact:

None

DESERT HEALTHCARE DISTRICT

PALM SPRINGS, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

JUNE 30, 2015

DESERT HEALTHCARE DISTRICT

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MOSS, LEVY & HARTZHEIM LLP
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Directors
of the Desert Healthcare District
Palm Springs, California

Report on Financial Statements

We have audited the accompanying financial statements of the business type activities and the fiduciary fund financial statements of the Desert Healthcare District (District) as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Report on Comparative Summarized Information

We have previously audited the District's 2014 financial statements, and our report dated October 8, 2014 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities and the fiduciary fund financial statements of the District as of June 30, 2015, and the respective changes in financial position and cash flows where applicable thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to these matters.

Emphasis of Matter

As discussed in Note 1 of the notes to the basic financial statements, effective July 1, 2014, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, Statement No. 69, *Government Combinations and Disposals of Government Operations*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.*

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated September 25, 2015, on our consideration of Desert Healthcare District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Desert Healthcare District's internal control over financial reporting and compliance.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
September 25, 2015

The Desert Healthcare District (the District) has issued its financial statements for the fiscal years ended June 30, 2015 and June 30, 2014 in conformity with the format prescribed by the provisions of Government Accounting Standards Board Statement 34 (GASB 34). This report, Management's Discussion and Analysis, is an overview of the financial activities for the fiscal years and is an integral part of the accompanying Basic Financial Statements.

ACCOUNTING METHOD

The District's revenues and expenses are recognized on a full accrual basis; revenues are recognized in the period incurred. All assets and liabilities associated with the activity of the District are included on the Statement of Net Position.

THE BASIC FINANCIAL STATEMENTS

The Basic Financial Statements reflect the activities of two funds. The Financial Statements include the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position (Income Statement) and Statement of Cash Flows, and the Agency Fund, which is the Desert Healthcare Foundation's Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. Together with this report, these Financial Statements provide information about the significant events, assumptions and decisions which resulted in the financial performance reflected in those statements.

The Statement of Net Position provides information regarding the financial position of the District, including its capital assets and debts.

The Statement of Revenues, Expenses and Changes in Net Position (Income Statement) provide information regarding the revenues received by the District, and the expenses incurred in carrying out the District's programs.

The Statement of Cash Flows provides information regarding the sources and uses of the cash which flowed into and out of the District as a result of its operations and financing decisions.

FINANCIAL ACTIVITIES & FISCAL YEAR 2015 HIGHLIGHTS

Desert Healthcare District ("the District") is a government entity operating under the Local Health Care District Law. The District was created by the state of California in 1948 for the purpose of providing hospital services to the residents of the District. The District was responsible for building Desert Hospital, now known as Desert Regional Medical Center. In 1997, the Board of Directors voted to lease the hospital to Tenet Health System Desert, Inc. for 30 years.

The Statement of Net Position

A condensed version of the Statements of Net Position is presented in Table A below and the changes which occurred between Fiscal Year 2015 and 2014.

Table A

Assets:	06/30/15	06/30/14	Change
Cash and cash equivalents	$ 1,226,679	$ 5,120,962	$ (3,894,283)
Investments	54,904,210	51,497,981	3,406,229
Capital assets, net	13,985,550	14,413,932	(428,382)
All Other Assets	475,525	426,013	49,512
Total Assets	$ 70,591,964	$ 71,458,888	$ (866,924)
Liabilities:			
Grants payable	$ 15,512,550	$ 16,230,342	$ (717,792)
Net Pension Liability	7,773,949	7,946,405	(172,456)
All other Liabilities	1,123,726	1,786,392	(662,666)
Total Liabilities	$ 24,410,225	$ 25,963,139	$ (1,552,914)
Net Assets:			
Net investment in capital assets	$ 13,985,550	$ 14,413,932	$ (428,382)
Unrestricted	31,196,189	30,081,817	1,114,372
Restricted	1,000,000	1,000,000	-
Total Net Position	$ 46,181,739	$ 45,495,749	$ 685,990

The $685,990 increase in Total Net Position is due to the net income of $685,990 for the current fiscal year ended June 30, 2015. This compares to a net loss of $13,054,548 for the fiscal year ended June 30, 2014. The decrease is primarily due to less grant expenses of $9,582,225 and less pension expense of $3,660,425. The $3,894,283 decrease in Cash and cash equivalents is due primarily to the $3,406,229 increase in Investments. The $428,382 decrease in Capital Assets is due primarily to depreciation of capital assets. The $49,513 increase in All Other Assets is primarily due to an outstanding NEOPB Grant Receivable. The $717,792 decrease in Grants Payable is due primarily to Grant payments exceeding total new Grants.

In April 2015, the Governmental Accounting Standards Board issued Statement No. 68 entitled "Accounting and Financial Reporting for Pensions". Previously, the pension obligation disclosure has been limited to the Footnotes to the financial statements. GASB 68 now requires governmental agencies to record the "Net Pension Liability" on the Statement of Net Position. An actuarial valuation was required to determine the Net Pension Liability for the Retirement Protection Plan established in 1997 for participants of record of the Desert Hospital. The Net Pension Liability for the District is $7,773,949 and $7,946,405 for 2015 and 2014 respectively. GASB 68 required a prior period adjustment of $3,660,425 for 6/30/14. The adjustment is reflected in the Statement of Net Position and Statement of Revenues. The $172,456 decrease in Net Pension Liability is due primarily to a reduction of the amount due retirement plan participants.

The $662,665 decrease in All Other Liabilities is primarily due to a reduction of a liability paid for tenant improvements to the District's medical office building.

The Statements of Revenues, Expenses, and Change in Net Position

The District's business is comprised of two major segments:

- Revenues – The District receives from the County of Riverside an apportionment of the property taxes paid by the residents of the District. Additional revenues include the investment income the District receives from the Facility Replacement Fund, which was established to provide working capital in the event that the lease with Tenet Health System Desert, Inc. is terminated prematurely and rental income from the Las Palmas Medical Plaza which is owned and managed by the District.

- Grant Program – The District administers a grant and preventative health initiatives programs that donate a significant portion of the District's annual property tax revenues to health-related programs serving residents of Desert Hot Springs, Thousand Palms, Palm Springs, Cathedral City, Rancho Mirage and Palm Desert (West of Cook Street) and unincorporated areas of the County that are within the District's boundaries.

Table B, below, is a condensed version of the Statements of Revenues, Expenses and Changes in Net Position; it summarizes the District's revenue and expenses, and compares Fiscal Year 2015 results to Fiscal Year 2014.

Table B

	6/30/15	6/30/14	Change
Revenue:			
Property Tax Revenue	$ 5,673,166	$ 5,548,351	$ 124,815
Rental income	1,059,827	1,062,108	(2,280)
All other income	780,047	657,078	122,969
Total Revenue	$ 7,513,040	$ 7,267,537	$ 245,503
Expenses:			
Grants program	$ 4,170,904	$ 13,753,129	$ (9,582,225)
Administrative Expense	2,656,145	6,568,956	(3,912,810)
Total Expense	$ 6,827,050	$ 20,322,085	$ (13,495,035)
Net Income (Loss)	$ 685,990	$ (13,054,548)	$ 13,740,538

Revenue

Property taxes are the District's primary source of operating revenues. The property tax revenue for the fiscal year ended June 30, 2015 was $5,673,166, which was an increase of $124,815 from the fiscal year ended June 30, 2014.

Rental income of $1,059,827 for the fiscal year ended June 30, 2015 was $2,280 lower from the fiscal year ended June 30, 2014.

All other income for the fiscal year ended June 30, 2015 increased $122,969 compared to the fiscal year ended June 30, 2014. In addition during fiscal year ended June 30, 2015, NEOPB Grant income increased by $118,766, interest income on investments decreased $48,182 and unrealized investment loss decreased by $31,457.

Expenses

Grant Program expense for the fiscal year ended June 30, 2015 decreased by $9,582,225 compared to the fiscal year ended June 30, 2014. This is due primarily to a $10,000,000 grant made during the fiscal year ended June 30, 2014. Grants are recorded in the fiscal year that they are approved by the District's Board of Directors.

Administrative expenses for the fiscal year ended June 30, 2015 decreased $3,912,812 from the fiscal year ended June 30, 2014. The decrease is due to various expenses including higher election fees of $163,037 due to an election held during the fiscal year; lower wage expense of $69,441, primarily due to one lower headcount; higher professional fees expense of $91,850 at Las Palmas Medical Plaza due to contracted property maintenance offset by lower internal property management expense of $30,542; lower pension expense of $4,283,514 due to the GASB 68 Net Pension Liability 6/30/14 prior period adjustment; higher professional fees expense of $52,402, higher legal expense of $77,107, and cost of the District's Annual Report of $47,219. These expense reductions are offset by $39,070 due to various higher expense items.

CAPITAL ASSETS

At June 30, 2015, the District had $21,982,396 in capital assets and $7,996,846 accumulated depreciation, resulting in $13,985,550 net capital assets. At June 30, 2014, the District had $21,774,911 in capital assets and $7,360,979 in accumulated depreciation, resulting in $14,413,932 net capital assets.

A summary of the activity and balances in capital assets is presented in Table C:

Table C

	Balance June 30, 2013	Net Additions	Net Retirements	Balance June 30, 2014	Net Additions	Net Retirements	Balance June 30, 2015
Cost	$19,733,236	$2,096,067	$(54,392)	$ 21,774,911	$ 215,942	$(8,457)	$21,982,396
Acc. Depreciation	(6,839,188)	(572,483)	50,692	(7,360,979)	(644,324)	8,457	(7,996,846)
Capital Assets, net	$12,894,048	$1,523,583	$ (3,700)	$ 14,413,932	$(428,382)	$ 0	$13,985,550

DEBT ADMINISTRATION

The District has no outstanding debt.

ECONOMIC OUTLOOK AND MAJOR INITIATIVES

The Fiscal Year 2016 budget reflects revenues of $9,311,855 and operating expenses of $8,811,742. Capital expenditures are budgeted at $424,000.

During the fiscal year ended June 30, 2015, the District awarded $4,170,904 in new grants and distributed grants in the amount of $4,732,301. Projected new grants to be awarded for the fiscal year 2015–2016 amount to $4,115,000 and distributions for grants could possibly total $19,665,050 due to the existing grant liability as of June 30, 2015 and the projected grant awards.

The District has also established a reserve fund of approximately $54,500,000 to cover grant liabilities and hospital operating expenses for a short period should the lease with Tenet Health System Desert, Inc. terminate prior to May 30, 2027.

CONTACTING THE DISTRICT'S MANAGEMENT

Desert Healthcare District
1140 N. Indian Canyon Drive
Palm Springs, CA 92262
(760) 323-6113 Office
(760) 323-6825 Fax
www.dhcd.org Website

DESERT HEALTHCARE DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2015

WITH COMPARATIVE TOTALS AS OF JUNE 30, 2014

	2015	2014
CURRENT ASSETS		
Cash and cash equivalents	$ 1,226,679	$ 5,120,962
Accounts receivable - net	414,579	29,297
Prepaid items and deposits	37,447	56,716
Total current assets	1,678,705	5,206,975
NON-CURRENT ASSETS		
Investments	54,904,210	51,497,981
Capital assets, net	13,985,550	14,413,932
Total non-current assets	68,889,760	65,911,913
Deferred Outflows of Resources:		
GASB 68 Reporting for Pension Plans	23,499	
Total deferred outflows of resources	23,499	
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	70,591,964	71,118,888
CURRENT LIABILITIES		
Current liabilities:		
Accounts payable and accrual liabilities	318,265	1,388,074
Grants payable	3,415,140	4,288,900
Compensated absences	71,935	94,181
Disability claims reserve, current portion	16,161	35,000
Retired directors medical benefits	33,000	25,000
Total current liabilities	3,854,501	5,831,155
Deferred Inflows of Resources:		
GASB 68 Reporting for Pension Plans	430,062	
Total deferred inflows of resources	430,062	
NON-CURRENT LIABLILITIES		
Grants payable	12,132,121	11,941,442
Long-term disability claims reserve	84,979	93,250
Retired directors medical benefits	82,551	94,875
Retirement Protection Plan accrued contributions	7,773,949	4,285,980
Deposits payable	52,062	56,012
Total non-current liabilities	20,125,662	16,471,559
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	24,410,225	22,302,714
NET POSITION		
Net investment in capital assets	13,985,550	14,413,932
Unrestricted	31,196,189	33,402,242
Restricted	1,000,000	1,000,000
TOTAL NET POSITION	$ 46,181,739	$ 48,816,174

The accompanying notes are an integral part of these financial statements

DESERT HEALTHCARE DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	2015	2014
OPERATING REVENUES		
Property taxes	$ 5,673,166	$ 5,208,351
Rental income	1,058,835	1,062,108
Other income	249,055	95,589
Total revenues	6,981,056	6,366,048
OPERATING EXPENSES		
Grant allocations	4,170,904	13,753,129
General expenses	416,908	132,593
Salaries and benefits	666,682	693,681
Legal fees	125,186	64,389
Depreciation	644,324	572,483
Other	314,949	340,875
Property taxes	60,892	58,910
Security	70,860	74,904
Total expenditures	6,470,705	15,690,964
Income (loss) from operations	510,351	(9,324,916)
NONOPERATING INCOME (EXPENSES)		
Investment income	531,224	547,948
Bad debt (expense) recoveries	761	13,541
Investment expenses	(122,239)	(113,500)
Retirement Protection Plan contributions	(234,107)	(857,196)
Total nonoperating income (loss)	175,639	(409,207)
Increase (decrease) in net position	685,990	(9,734,123)
NET POSITION		
Beginning of fiscal year, as previously reported	48,816,174	58,550,297
Prior period adjustments	(3,320,425)	
Net position at beginning of fiscal year, restated	45,495,749	58,550,297
End of fiscal year	$ 46,181,739	$ 48,816,174

The accompanying notes are an intergral part of these financial statements

DESERT HEALTHCARE DISTRICT

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from County	$ 5,673,166	$ 5,208,351
Cash received from Grantor	47,187	
Cash payments to suppliers for goods and services	(2,039,334)	(724,524)
Cash payments to employees for services	(720,362)	(702,261)
Cash payments to grantee	(4,853,985)	(4,410,379)
Other operating revenues	1,211,471	1,144,531
Net cash provided (used) by operating activities	(681,857)	515,718
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions in capital assets - net	(215,943)	(782,209)
Collections recoveries (used) by capital and related financing activities	761	13,541
Net cash provided (used) by capital and related financing activities	(215,182)	(768,668)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings	467	354
Net investment sales (purchases)	(2,997,711)	1,881,450
Net cash provided by investing activities	(2,997,244)	1,881,804
Net increase (decrease) in cash	(3,894,283)	1,628,854
CASH, CASH EQUIVALENTS AND INVESTMENTS AT BEGINNING OF FISCAL YEAR	5,120,962	3,492,108
CASH, CASH EQUIVALENTS AND INVESTMENTS AT END OF FISCAL YEAR	$ 1,226,679	$ 5,120,962
RECONCILIATION OF CASH, CASH EQUIVALENTS AND INVESTMENTS TO THE STATEMENT OF NET POSITION		
Cash and cash equivalents	$ 1,226,679	$ 5,120,962

The accompanying notes are an integral part of these financial statements

DESERT HEALTHCARE DISTRICT

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

	2015	2014
Income (loss) from operations	$ 510,351	$ (9,324,916)
Adjustments to reconciliation of income from operations to net cash used by operating activities:		
Depreciation	644,324	572,483
Changes in assets and liabilities:		
Accounts receivable	(45,282)	(18,813)
Prepaid items and deposits	19,270	(16,014)
Accounts payable and accrued liabilities	(1,069,809)	(26,073)
Grants payable	(683,081)	9,343,792
Deposits payable	(3,950)	5,647
Compensated absences	(22,246)	17,132
Long-term disability claims reserve	(27,110)	(11,808)
Retired directors medical liability	(4,324)	(25,712)
Net cash provided (used) by operating activities	$ (681,857)	$ 515,718

The accompanying notes are an integral part of these financial statements

DESERT HEALTHCARE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
DESERT HEALTHCARE FOUNDATION
JUNE 30, 2015

WITH COMPARATIVE TOTALS AS OF JUNE 30, 2014

			Totals	
	Unrestricted	Temporarily Restricted	2015	2014 (Memorandum Only)
CURRENT ASSETS				
Cash and cash equivalents	$ 75,841	$ -	$ 75,841	$ 203,947
Grants receivable	435,000		435,000	1,139,274
Prepaid expenditures	2,500		2,500	2,277
Total current assets	513,341		513,341	1,345,498
OTHER ASSETS				
Contributions receivable - charitable remainder trusts		193,008	193,008	196,946
Assets held in charitable remainder trusts		77,410	77,410	90,410
Investments	2,641,514		2,641,514	2,587,493
Total other assets	2,641,514	270,418	2,911,932	2,874,849
TOTAL ASSETS	$3,154,855	$ 270,418	$ 3,425,273	$ 4,220,347
LIABILITIES AND NET POSITION				
LIABILITIES				
Current liabilities:				
Accounts payable	$ 34,536	$ -	$ 34,536	$ 43,384
Liability under unitrusts				7,970
Grants Payable - ACA Covered CA	431,961		431,961	720,947
Grants payable - current portion	874,779		874,779	962,739
Total current liabilities	1,341,276		1,341,276	1,735,040
Long-term liabilities:				
Grants payable - long-term	227,816		227,816	586,948
Total long-term liabilities	227,816		227,816	586,948
Total liabilities	1,569,092		1,569,092	2,321,988
NET POSITION	1,585,763	270,418	1,856,181	1,898,359
TOTAL LIABILITIES AND NET POSITION	$3,154,855	$ 270,418	$ 3,425,273	$ 4,220,347

The accompanying notes are an integral part of these financial statements

DESERT HEALTHCARE DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
DESERT HEALTHCARE FOUNDATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Unrestricted	Temporarily Restricted	Totals 2015	Totals 2014 (Memorandum Only)
SUPPORT AND REVENUE				
Contributions	$ 205,080	$ -	$ 205,080	$ 307,793
Grants	241,378		241,378	1,684,924
Interest and dividends	69,101		69,101	69,086
Investment gains	9,045		9,045	131,196
Change in value - charitable trusts		(8,968)	(8,968)	20,982
Total support and revenue	524,604	(8,968)	515,636	2,213,981
EXPENSES				
Grants and services	448,889		448,889	2,328,457
Management and general	108,925		108,925	79,846
Total expenses	557,814		557,814	2,408,303
DECREASE IN NET POSITION	(33,210)	(8,968)	(42,178)	(194,322)
NET POSITION, BEGINNING OF FISCAL YEAR	1,618,973	279,386	1,898,359	2,092,681
NET POSITION, END OF FISCAL YEAR	$ 1,585,763	$ 270,418	$ 1,856,181	$ 1,898,359

The accompanying notes are an integral part of these financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Desert Healthcare District (District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Boards (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Financial Reporting Entity

The District was organized on December 14, 1948, by a Resolution adopted by the Board of Supervisors, County of Riverside, under the provisions of The Local Hospital District Law (Sections 32000-32314 of the California Health and Safety Code) to provide and operate health care facilities within the area known as the Western Coachella Valley.

Each of the five members of the District's Board of Directors holds office for a four-year term, which is staggered against the other terms. Elections are by popular vote of the constituents within the District's boundaries.

Effective June 29, 1986, the District transferred control of Desert Hospital and all related assets and liabilities to Desert Health Systems, Inc. (System) under the terms of a master lease agreement. The purpose of the transfer was to permit the hospital to operate more competitively and efficiently by becoming a private not-for-profit entity. On December 8, 1988, the System merged with Desert Hospital Corporation (Corporation), the surviving entity. This transaction had no impact with respect to the District.

Until June 1, 1997, the District served as a pass-through entity between the Corporation and the trustee of Hospital Revenue Certificates of Participation issued in 1990 and 1992 and as a recipient of District tax revenues. The District annually pledged the tax revenues it received to the Corporation to be utilized for general corporate purposes. Historically, tax revenues were used to support capital improvement programs.

Effective May 30, 1997, the District entered into a 30-year lease of Desert Hospital with Tenet Health System Desert, Inc. (Tenet). Terms of the lease included payment by Tenet of the Hospital Revenue Certificates of Participation issued in 1990 and 1992 (approximately $80,000,000) as prepaid rent. Tenet also paid the District $15,400,000 cash, representing additional prepaid rent. (See Note 2)

The District has and continues to assess the healthcare needs of the Western Coachella Valley. The District makes grants to healthcare providers who provide needed healthcare services.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Financial Reporting Entity — Continued
As required by U.S. GAAP, these financial statements present the District and its component unit entity for which the District is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the District's operations and so data from these units are combined with data of the District. Component units should be included in the reporting entity financial statement using blending method if either of the following criteria are met:

- The component unit's governing body is the same as the governing body of the District
- The component unit provides services entirely, or almost entirely, to the District or otherwise exclusively, or almost exclusively, benefits the District even though it does not provide services directly to it.
-

Included within the reporting entity as a blended component unit is the following:

Desert Healthcare Foundation (Foundation)

The Foundation is a health and welfare organization created to identify the health care needs of the Desert Healthcare District and to work toward alleviating those needs through various programs and services. The Foundation operates primarily in the Coachella Valley area of Southern California and, as such, is subject to market conditions, which could affect charitable giving and the realization of recorded assets values at various times.

Complete financial statements of the Foundation can be requested from the District, 1140 North Indian Canyon Drive, Palm Springs, California 92262.

Basis of Accounting and Measurement Focus

Business-Type Activities

The basic financial statements include a Statement of Net Position, Statement of Revenues, Expenditures, and Changes in Net Position, and a Statement of Cash Flows. These statements present summaries of business-type activities for the District.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Accounting and Measurement Focus – Continued

These basic financial statements are presented on an *"economic resources"* measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets and liabilities, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents changes in net position for the year. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. All proprietary funds are accounted for on a cost of services of *"economic resources"* measurement focus. This means that all assets and liabilities (whether current or noncurrent) associated with the activity are included on the Statement of Net Position. Their reported fund equity presents total net position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. The Statement of Cash Flows is presented with cash, cash equivalents and investments.

Fiduciary Fund Financial Statements

Fiduciary Fund Financial Statements include a Statement of Net Position and a Statement of Changes in Fiduciary Net Position. The District's Fiduciary fund includes Private Purpose Trust Funds, which account for resources that are being held for the benefit of the District. The Fiduciary fund is accounted for using the accrual basis of accounting.

Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Foundation's policy is to apply restricted net assets first.

Cash, Cash Equivalent and Investments

All cash and cash equivalents are considered to be demand deposits, money market funds and short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at fair value.

Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

Prepaid Items and Deposits

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Capital Assets

Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Buildings and Improvements	40 – 50 years
Furniture and Equipment	3 – 7 years

Compensated Absences

Employees have vested interests in varying levels of vacation and sick leave based on their length of employment. Sick leave is payable only when an employee is unable to work due to personal or family illness. Unused sick leave does not vest and is forfeited upon termination.

Property Tax

The County of Riverside (the County) bills and collects property taxes on behalf of numerous special districts and incorporated cities, including the District. The District's collections of current year's taxes are received through periodic apportionments from the County.

The County's tax calendar is from July 1 to June 30. Property taxes attach as a lien on property on January 1. Taxes are levied on July 1 and are payable in two equal installments on November 1 and February 1, and become delinquent after December 10 and April 10, respectively.

Since the passage of California's Proposition 13, beginning with fiscal year 1978-79 general property taxes are based either on a flat 1% rate applied to the 1975-1976 full value of the property or on 1% of the sales price of any property sold or of the cost of any new construction after the 1975-1976 valuation. Taxable values on properties (exclusive of increases related to sales and new construction) can rise at a maximum of 2% per year.

The Proposition 13 limitation on general property taxes does not apply to taxes levied to pay the debt service on any indebtedness approved by the voters prior to June 6, 1978 (the date of passage of Proposition 13).

Property tax revenue is recognized in the fiscal year for which the taxes have been levied. Property taxes received after this date are subject to accrual and considered available as a resource that can be used to finance the current year operations of the District.

Income Taxes

The District is a political subdivision of the State of California and, as such, is exempt from federal and state income taxes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value Measurement

The District and Foundation apply Generally Accepted Accounting Principles (U.S. GAAP) for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis in accordance with GASB Statement Nos. 31 and 40.

Net Assets

Net Investment in Capital Assets — this amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Assets — This amount is restricted by external creditors, grantors, contributors, or laws of regulations of other governments.

Unrestricted Net Assets — This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets."

New Accounting Pronouncements

Governmental Accounting Standards Board Statement No. 68

For the fiscal year ended June 30, 2015, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement is effective for periods beginning after June 15, 2014. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* as well as the requirements of Statement No. 50, *Pension Disclosures*. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to pensions. Implementation of GASB Statement No. 68 did have an impact on the Desert Health Care District and Desert Hospital Retirement Plan financial statements for the fiscal year ended June 30, 2015.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Governmental Accounting Standards Board Statement No. 69

For the fiscal year ended June 30, 2015, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 69, *Government Combinations and Disposals of Government Operations.* This Statement is effective for periods beginning after December 15, 2013. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, *and transfers of operations.* Implementation of the GASB Statement No. 69 did not have an impact on the Desert Health Care District and Desert Hospital Retirement Plan financial statements for the fiscal year ended June 30, 2015.

Governmental Accounting Standards Board Statement No. 71

For the fiscal year ended June 30, 2015, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. This Statement is effective for periods beginning after June 15, 2014. The objective of this Statement is to address an issue regarding application of the transition of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This statement will eliminate the source of potential significant understatement of restated beginning net position and expense in the first year of implementation of GASB Statement No. 68 in the accrual-basis financial statements of employers and non-employer contributing entities. Implementation of the GASB Statement No. 71 did have an impact on the Desert Health Care District and Desert Hospital Retirement Plan financial statements for the fiscal year ended June 30, 2015.

2. LEASE AGREEMENT — TENET HEALTH SYSTEM DESERT, INC.

The District, as described in the Summary of Significant Accounting Policies, entered into a thirty (30) year lease agreement for Desert Regional Medical Center (Hospital) with Tenet Health System Desert, Inc. (Tenet). In the event that Tenet or the District decide to terminate the lease, the District would be responsible for operating the Hospital, which would require upfront operating capital of approximately $47,000,000 to maintain the operations without interruption during the transition period. The District, recognizing this obligation, established an investment fund, with a net value of $55,543,889 as of June 30, 2015, identified as the Facility Replacement Fund. The lease agreement contains provisions in the event the lease terminates prior to May 30, 2021. If the lease terminates for reasons such as default by the lessor to perform obligations within a sixty day period or the premises are totally destroyed and repairs are not feasible between the dates of June 1, 2014 and May 30, 2021, the District may be obligated to repay Tenet beginning June 1, 2015 the unamortized prepaid rent as defined in the lease agreement which decreases annually through May 2021. However, the District does not expect these conditions to occur during the term of the lease and therefore, recorded the full amount of the payments received to income in fiscal year ended June 30, 1997. The lease agreement was recently amended to allow the District to provide the funding for the cost of preapproved capital improvements that will reduce the amount of the prepaid rent schedule by a ratio of $3 for each $1 spent, and in some cases a ratio of $3.50 for each $1 spent.

2. LEASE AGREEMENT — TENET HEALTH SYSTEM DESERT, INC. – Continued

The $4,577,000 construction cost and credit received from Desert Regional Medical Center for lower electrical costs of the hospital parking lot provided for a $3 for $1 reduction amounting to $13,732,000 to the prepaid rent schedule. An additional $4,589,000 reduction to the prepaid lease schedule was due to a $3.50 for $1 reduction per a 10 year facility lease agreement between the District and Hospital for facility space at the District's medical office building to be occupied by the Hospital.

As of June 30, 2015, the prepaid lease balance is $18,478,402. This amount will decrease annually by $3,100,000 plus approximately $210,000 for the value of the electricity provided through May 2018 per terms of the lease agreement. The prepaid lease repayment may be made in full upon lease termination or over a period of five years.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS - DISTRICT

BUSINESS – TYPE ACTIVITIES – DESERT HEALTHCARE DISTRICT

The cash and investments are classified in the financial statements as shown below:

	June 30, 2015	June 30, 2014
District's Statement of Net Position:		
Cash and cash equivalents	$ 1,226,679	$ 5,120,962
Investments	54,904,210	51,497,981
Fiduciary Statement of Net Position:		
Cash and cash equivalents	75,841	203,947
Investments	2,641,514	2,587,493
Total Cash and Investments	$ 58,848,244	$ 59,410,383

Cash and Investments consist of the following:		
Cash on Hand	$ 700	$ 400
Cash in Bank-District	1,226,179	5,120,762
Cash in Bank-Foundation	75,641	203,747
Investments	57,545,724	54,085,474
Total Cash and Investments	$ 58,848,244	$ 59,410,383

3. CASH, CASH EQUIVALENTS AND INVESTMENTS — DISTRICT - Continued

BUSINESS — TYPE ACTIVITIES — DESERT HEALTHCARE DISTRICT – Continued

Investments

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in the market interest rates. One of the ways that the Plan manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming closer to maturity evenly over time as necessary to provide the cash flow and liquidity needed for distributions.

Information about the sensitivity of the fair values of the Plan's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Plan's investments by maturity:

As of June 30, 2015

		Remaining Maturity (in Months)				
Investment Type	Carrying Amount	12 Months Or Less	13 to 24 Months	25-36 Months	37-48 Months	More than 49 Months
Money Market Funds	$ 72,094	$ 72,094	$ -	$ -	$ -	$ -
Corporate Bonds	955,069	1,927	20,302	57,760	97,180	777,900
U.S. Government Agencies	27,736,983	6,269,025	5,541,104	9,870,540	3,218,460	2,837,854
U.S. Treasury Note	26,671,228	8,003,390	8,621,399	5,451,940	2,199,659	2,394,840
Municipal Bonds	1,504,461	400,976	1,035,060			68,425
Domestic Common Stock	605,889	605,889				
Total	$ 57,545,724	$ 15,353,301	$15,217,865	$15,380,240	$5,515,299	$6,079,019

3. CASH, CASH EQUIVALENTS AND INVESTMENTS — DISTRICT - Continued

BUSINESS — TYPE ACTIVITIES — DESERT HEALTHCARE DISTRICT – Continued

As of June 30, 2014

Investment Type	Carrying Amount	Remaining Maturity (in Months) 12 Months Or Less	13 to 24 Months	25-36 Months	37-48 Months	More than 49 Months
Money Market Funds	$ 48,072	$ 48,072	$ -	$ -	$ -	$ -
Corporate Bonds	948,395	64,468	20,803	78,505	91,809	692,810
U.S. Government Agencies	26,346,732	8,191,610	6,665,046	4,600,478	6,763,211	126,387
U.S. Treasury Note	23,630,975	2,552,939	8,504,928	7,694,470	4,447,960	430,678
Municipal Bonds	2,538,149	1,010,000	414,192	1,064,740		49,217
Domestic Common Stock	573,151	573,151				
Total	$ 54,085,474	$ 12,440,240	$ 15,604,969	$ 13,438,193	$ 11,302,980	$ 1,299,092

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code and the Plan's investment policy, and the actual rating as of fiscal year end for each investment type.

As of June 30, 2015:

Investment Type	Carrying Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End AAA	AA	A/BBB	Not Ratec
Money Market Funds	$ 72,094	N/A	$ -	$ -	$ -	$ -	$ 72,09
Corporate Bonds	955,069	A			78,542	876,527	
U.S. Government Agencies	27,736,983	A		27,736,983			
U.S. Treasury Note	26,671,228	N/A	26,671,228				
Municipal Bonds	1,504,461	N/A		11,042	1,493,419		
Domestic Common Stock	605,889	N/A					605,88
Total	$ 57,545,724		$ 26,671,228	$ 27,748,025	$ 1,571,961	$ 876,527	$ 677,98

3. CASH, CASH EQUIVALENTS AND INVESTMENTS — DISTRICT - Continued

BUSINESS — TYPE ACTIVITIES — DESERT HEALTHCARE DISTRICT – Continued

As of June 30, 2014:

Investment Type	Carrying Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End AAA	AA	A/BBB	Not Rated
Equity Based Mutual Funds	$ -	N/A	$ -	$ -	$ -	$ -	$ -
Money Market Funds	48,072	N/A					48,072
Corporate Bonds	948,395	BBB			38,619	909,776	
U.S. Government Agencies	26,346,732	A		26,346,732			
U.S. Treasury Note	23,630,975	N/A	23,630,975				
Municipal Bonds	2,538,149	N/A		11,153	1,516,996	1,010,000	
Domestic Common Stock	573,151	N/A					573,151
Total	$ 54,085,474		$ 23,630,975	$ 26,357,885	$ 1,555,615	$ 1,919,776	$ 621,223

Concentration of Credit Risk

The investment policy of the Plan contains limitations on the amount that can be invested in any one issuer. There are three investments at June 30, 2015 that represent 5% or more of total Plan investments These investments are:

Federal Home Loan Banks of $8,180,160 with various maturity dates through June 30, 2019 and interest rates of 3.370-5.375%.
Federal Home Loan Mortgage Corporation of $11,761,005 with various maturity dates through June 30, 2020 and interest rates of 1.25-5.50%.
Federal National Mortgage Association of $6,790,938 with various maturity dates through June 30, 2020 and interest rates of 1.875-5.375%.

There are three investments at June 30, 2014 that represent 5% or more of total Plan investments These investments are:

Federal Home Loan Banks of $6,389,700 with various maturity dates through June 30, 2018 and interest rates of 4.75-5.5%.
Federal Home Loan Mortgage Corporation of $10,924,107 with various maturity dates through June 30, 2020 and interest rates of 2.000-5.125%.
Federal National Mortgage Association of $7,983,453 with various maturity dates through June 30, 2018 and interest rates of 4.377-5.375%.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS — DISTRICT - Continued

BUSINESS — TYPE ACTIVITIES — DESERT HEALTHCARE DISTRICT – Continued

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2015 and 2014, there were no District deposits with financial institutions in excess of federal depository insurance limits.

4. CAPITAL ASSETS — DESERT HEALTHCARE DISTRICT

Business-Type Activities

At June 30, 2015 and 2014, the capital assets of the business-type activities consisted of the following:

June 30, 2015

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Non-depreciable assets				
Land	$ 3,859,100	$ 129,550	$ -	$ 3,988,650
Total non-depreciable assets	3,859,100	129,550		3,988,650
Depreciable assets:				
Buildings and improvements	17,753,232	82,182		17,835,414
Furniture and equipment	162,578	4,211	(8,457)	158,332
Total	17,915,810	86,393	(8,457)	17,993,746
Less accumulated depreciation	(7,360,978)	(644,324)	(8,457)	(7,996,845)
Total depreciable assets, net	10,554,832	(557,931)		9,996,901
Total Capital Assets, Net	$ 14,413,932	$ (428,381)	$ -	$ 13,985,551

4. CAPITAL ASSETS – Continued

June 30, 2014

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Non-depreciable assets				
Land	$ 3,859,100	$ -	$ -	$ 3,859,100
Total non-depreciable assets	3,859,100			3,859,100
Depreciable assets:				
Buildings and improvements	15,718,797	2,079,976	(45,541)	$ 17,753,232
Furniture and equipment	155,339	16,090	(8,851)	162,578
Total depreciable assets	15,874,136	2,096,066	(54,392)	17,915,810
Less accumulated depreciation	(6,839,188)	(572,482)	(50,692)	(7,360,978)
Total depreciable assets, net	9,034,948	1,523,584	(3,700)	10,554,832
Total capital assets, net	$ 12,894,048	$ 1,523,584	$ (3,700)	$ 14,413,932

5. RESTRICTED NET POSITION

The District has $1,000,000 of restricted net position at June 30, 2015 consisting of a contribution received during the June 30, 2012 year restricted to pulmonary research and rehabilitation and/or for the purchase and/or construction of facilities used for these purposes.

The Foundation has $270,418 and $279,386 of temporarily restricted net position at June 30, 2015 and 2014, respectively, consisting primarily of charitable remainder trusts.

6. SPLIT INTEREST AGREEMENTS – FOUNDATION

At June 30, 2015 and 2014, the split interest agreements of the fiduciary fund consisted of the following:

	2015	2014
Charitable Remainder Trusts	$ 270,418	$ 287,356

6. SPLIT INTEREST AGREEMENTS – FOUNDATION – Continued

Charitable Reminder Trusts

The Foundation was named trustee in one charitable remainder unitrust in which the trustee has a fiduciary responsibility to maintain and invest the trust assets prudently.

Trust 1 (dated April 12, 1989): Upon the death of the donor, 100% of the principal and income of the trust that is not required to have been distributed to the life beneficiary shall become the property of the Foundation. The donor passed away on May 30, 2015. The Foundation may use these assets for general purposes, as outlined in the trust agreement.

At June 30, 2015 and 2014, the estimated fair market value of the trust was approximately $77,410 and $90,410, respectively.

The Foundation was named beneficiary to two additional charitable remainder unitrusts (whose trustees are someone other than the Foundation), all of which are recorded at fair market value. The general terms of the two trusts are as follows:

Trust 4 (dated October 3, 1989): The lesser of the trust income or 8% of the net fair market value of trust assets is to be distributed to the life beneficiary annually. Upon the death of the life beneficiary, 50% of the principal and income not required to have been distributed to the life beneficiary shall become the property of the Foundation, to be used for cancer treatment, or for general purposes if a cure for cancer has been found. At December 31, 2015 and 2014, which is the most current information available, the estimated present value of future cash flows was $127,324 and $124,804, respectively.

Trust 7 (dated May 17, 1990): 8.5% of the net fair market value of trust assets is to be distributed to the life beneficiary annually. Upon the death of the life beneficiary, all of the principal and income not required to have been distributed to the life beneficiary shall become the property of the Foundation, to be used for general purposes. The estimated present value of future cash flows at June 30, 2015 and 2014 was $65,684 and $72,142, respectively.

7. GRANTS

The District has granted awards to various healthcare providers that provide needed healthcare services. Awards not fully funded in the current fiscal year are carried over to the subsequent fiscal year. At June 30, 2015 and 2014, the total grant awards payable were $15,512,550 and $16,230,342, respectively. Total grant expense for the fiscal years ended June 30, 2015 and 2014 amounted to $4,170,904 and $13,753,129, respectively.

The Foundation has granted awards to various healthcare providers that provide needed healthcare services. At June 30, 2015 and 2014, the total grant awards payable were $1,534,556 and $2,270,634, respectively. Total grants and services expense for the years ended June 30, 2015 and 2014 amounted to $448,889 and $2,328,457, respectively.

8. LONG-TERM DISABILITY CLAIMS RESERVE

Long-term disability claims were self-insured by the Corporation. Claimants' payments are administered by a third party administrator who processes payments made pursuant to the plan. Claimants are paid either to age 65 or until they return to work. At June 30, 2015 and 2014, the long-term disability claims reserves were as follows:

	2015	2014
Current	$ 16,161	$ 25,000
Long-term	84,979	93,250
	$ 101,140	$ 118,250

9. RETIRED DIRECTORS MEDICAL BENEFITS

The District has a liability for any post-employment benefits to be paid to employees or Board of Directors. The only post-employment benefits applicable to the District are the payments of lifetime medical benefits to six former members of the Board of Directors. The initial actuarially calculated obligation recorded by the District during the fiscal year ended June 30, 2010 amounted to $287,862. The remaining outstanding obligation at June 30, 2015 and 2014 were as follows:

	2015	2014
Current	$ 33,000	$ 35,000
Long-term	82,551	94,875
	$ 115,551	$ 129,875

10. INSURANCE

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; error and omissions; and natural disasters for which the District carries commercial insurance. The District purchases commercial insurance to cover the risk of loss for property, business liability, and medical payments.

11. RENTAL INCOME

The District rents commercial office suites subject to lease terms ranging from three to five years. Rental income includes the base monthly rental payments plus the common area maintenance fee. Rental income consisted of the following for the years ended June 30, 2015 and 2014:

	2015	2014
Base rent	$ 777,148	$ 795,667
Common area maintenance	281,687	266,441
	$ 1,058,835	$ 1,062,108

The five year minimum rental schedule follows:

2016	2017	2018	2019	2020
$ 1,053,491	$ 938,273	$ 701,798	$ 554,643	$ 419,630

12. COMMITMENT AND CONTINGENCIES

Earthquake Retrofit

Senate Bill 1953 imposes certain requirements that acute care hospitals would be required to meet within a specified time. These requirements include conducting seismic evaluations. The deadline was extended to January 1, 2030. After January 1, 2030, all hospitals must be determined to be in compliance.

13. DESERT HOSPITAL RETIREMENT PROTECTION PLAN

Effective July 1, 1971, Desert Hospital Corporation (Corporation) established a defined benefit pension plan (Plan) covering eligible employees of Desert Hospital. The Corporation was dissolved as of May 31, 1997 and the Plan has been frozen as of that date. The Desert Healthcare District (the "District") has assumed sponsorship of the Plan. Refer to the Plan's separate financial statements for more detailed information.

Vesting

All participants of the Plan have been 100% vested since May 31, 1997.

Account Balances

All participants of the Plan are eligible to request a distribution or rollover of their account balance upon retirement or termination of their employment from Desert Regional Medical Center.

Contributions

There have been no contribution requirements by the District since May 31, 1997. Participant contributions to the Plan are not permitted. The most recent actuarial valuation as of June 30, 2015, the Plan's independent actuary determined that the actuarial value of the Plan's net pension liability was $7,773,949 at June 30, 2015 and $7,946,405 at June 30, 2014 and recommended to the District that an actuarially determined contribution of $928,460 as of June 30, 2015 and $1,631,186 as of June 30, 2014.

13. DESERT HOSPITAL RETIREMENT PROTECTION PLAN – Continued

Contributions – Continued

The District's board of directors has elected not to fund any additional amounts to the Plan at this time as a result of having sufficient asset reserves available at the District if needed.

Administration and Trustee

The Plan is administered by the District's Finance and Administrative Committee (the Committee). The Committee is selected by the District's board of directors. All administrative expenses are paid by the Plan or at the discretion of the District.

Pursuant to the terms of the Plan, the District entered into a trust agreement with US Bank N.A. to provide for the investment, reinvestment, administration and distribution of contributions made under the Plan.

Schedule of Funding Progress

Actuarial Valuation Date (1)	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
06/30/06	$ 5,236,383	$ 9,566,663	$ (4,330,280)	55%	N/A	N/A
06/30/07	N/A	N/A	N/A	N/A	N/A	N/A
06/30/08	4,552,074	9,312,581	(4,760,507)	49%	N/A	N/A
06/30/09	3,351,366	9,141,403	(5,790,037)	37%	N/A	N/A
06/30/10	N/A	N/A	N/A	N/A	N/A	N/A
06/30/11	3,522,125	7,921,342	(4,399,217)	45%	N/A	N/A
06/30/12	N/A	N/A	N/A	N/A	N/A	N/A
06/30/13	2,797,614	7,357,700	(4,560,086)	38%	N/A	N/A

No actuarial report or estimation using actuarial methodology were prepared for June 30, 2014, 2010, and 2007.

13. DESERT HOSPITAL RETIREMENT PROTECTION PLAN – Continued

Actuarial Valuation Date	Actuarial Value of Assets	Net Pension Liability	Net Pension Liability	Net Position as a % of Total Pension Liability	Covered Payroll	UAAL as a % of Covered Payroll
*						
06/30/14	$ 2,656,607	$ 10,603,012	$ 7,946,405	25.06%	N/A	N/A
06/30/15	2,405,256	10,149,205	7,743,949	23.63%	N/A	N/A

14. 401(K) RETIREMENT PLAN

The District converted from a 401(k) retirement plan to a 457(B) and 401(A) retirement plans. A 457(B) (employee contribution) and 401(A) (employer contribution) retirement plans were determined to be more appropriate for a governmental agency. The 401(K) plan was terminated during the fiscal year and the 457(B) and 401(A) retirement plans became effective October 1, 2014.

The District contributes a dollar for dollar match for the first 4% of employee salary deferral and two dollars match for each additional dollar of the next 2% of employee salary deferral. The District's match contribution for the fiscal years ended June 30, 2015 and 2014 were $43,418 and $36,864, respectively.

15. NET POSITION RESTATEMENT – JUNE 30, 2014

Property Tax Receivable – Subsequent to publishing the June 30, 2014 Financial Statements, review of property tax receipts received subsequent to June 30, 2014 revealed an estimated $340,000 received for fiscal year 2014. An accrual is being recorded as a prior period adjustment to restate the Property Tax Receivable and the Net Position.

Net Pension Liability – In April 2015, the Governmental Accounting Standards Board issued Statement No. 68 titled "Accounting and Financial Reporting for Pensions". Previously, the pension obligation disclosure has been limited to the Footnotes to the financial statements. GASB 68 now requires governmental agencies to record the "Net Pension Liability" on the Statement of Net Position.

An actuarial valuation is required to determine the Net Pension Liability, which was recently performed by Nyhart actuarial firm. A prior period adjustment is required per GASB 68 to restate the Net Pension Liability as of June 30, 2014. The Net Pension Liability for the fiscal years ended June 30, 2015 and 2014 were $7,773,949 and $7,946,405, respectively.

15. NET POSITION RESTATEMENT – JUNE 30, 2014 – Continued

The table below reflects the prior period adjustments for the Property Tax Receivable accrual and the GASB 68 Net Pension Liability along with the restated Net Position balance.

	Property Tax Receivable	Net Pension Liability	Net Position
Unadjusted Balance 06/30/14	$ -	$ 4,285,980	$ 48,816,174
Adjustment for Property Tax Accrual	340,000		340,000
Adjustment for GASB 68 Net Pension Liability		3,660,425	(3,660,425)
Restated Balance 06/30/14	$ 340,000	$ 7,946,405	$ 45,495,749

DESERT HEALTHCARE DISTRICT

PALM SPRINGS, CALIFORNIA

INDEPENDENT AUDITOR’S REPORT AND FINANCIAL STATEMENTS

JUNE 30, 2016

DESERT HEALTHCARE DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Board of Directors
of the Desert Healthcare District
Palm Springs, California

Report on Financial Statements

We have audited the accompanying financial statements of the business type activities and the fiduciary fund financial statements of the Desert Healthcare District (District) as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessments of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness on the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities and the fiduciary fund financial statements of the District as of June 30, 2016, and the respective changes in financial position and cash flows where applicable thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated October 5, 2016, on our consideration of Desert Healthcare District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Desert Healthcare District's internal control over financial reporting and compliance.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 8 and the Schedule of Changes in the Net Pension Liability and Related Ratios on page 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Comparative Summarized Information

We have previously audited the District’s 2015 financial statements, and our report dated September 25, 2015 expressed unmodified opinions on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2015, is consistent, in all material respects, with the audited financial from which it has been derived.

Emphasis of Matter

As discussed in Note 1 of the notes to the basic financial statements, effective July 1, 2015, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Applications.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Culver City, California
October 5, 2016

The Desert Healthcare District (the District) has issued its financial statements for the fiscal years ended June 30, 2016 and June 30, 2015 in conformity with the format prescribed by the provisions of Government Accounting Standards Board Statement 34 (GASB 34). This report, Management's Discussion and Analysis, is an overview of the financial activities for the fiscal years and is an integral part of the accompanying Basic Financial Statements.

ACCOUNTING METHOD

The District's revenues and expenses are recognized on a full accrual basis; revenues are recognized in the period incurred. All assets and liabilities associated with the activity of the District are included on the Statement of Net Position.

THE BASIC FINANCIAL STATEMENTS

The Basic Financial Statements reflect the activities of two funds. The Financial Statements include the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position (Income Statement) and Statement of Cash Flows, and the Agency Fund, which is the Desert Healthcare Foundation's Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. Together with this report, these Financial Statements provide information about the significant events, assumptions and decisions which resulted in the financial performance reflected in those statements.

The Statement of Net Position provides information regarding the financial position of the District, including its capital assets and debts.

The Statement of Revenues, Expenses and Changes in Net Position (Income Statement) provide information regarding the revenues received by the District, and the expenses incurred in carrying out the District's programs.

The Statement of Cash Flows provides information regarding the sources and uses of the cash which flowed into and out of the District as a result of its operations and financing decisions.

FINANCIAL ACTIVITIES & FISCAL YEAR 2016 HIGHLIGHTS

Desert Healthcare District ("the District") is a government entity operating under the Local Health Care District Law. The District was created by the state of California in 1948 for the purpose of providing hospital services to the residents of the District. The District was responsible for building Desert Hospital, now known as Desert Regional Medical Center. In 1997, the Board of Directors voted to lease the hospital to Tenet Health System Desert, Inc. for 30 years.

DESERT HEALTHCARE DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 2016 AND 2015

The Statement of Net Position

A condensed version of the Statements of Net Position is presented in Table A below and the changes which occurred between Fiscal Year 2016 and 2015.

Table A

Assets:	6/30/2016	6/30/2015	Change
Cash and cash equivalents	$ 1,330,982	$ 1,226,679	$ 104,303
Investments	57,516,417	54,904,210	2,612,207
Capital assets, net	13,421,481	13,985,550	(564,069)
All Other Assets	710,478	452,026	258,452
Total Assets	$ 72,979,358	$ 70,568,465	$ 2,410,893
Deferred Outflows:			
GASB 68 Reporting for Pension Plans	$ 1,647,999	$ 23,499	$ 1,624,500
Total Deferred Outflows	$ 1,647,999	$ 23,499	$ 1,624,500
Liabilities:			
Grants payable	$ 14,011,642	$ 15,512,550	$ (1,500,908)
Net Pension Liability	9,644,702	7,773,949	1,870,753
All Other Liabilities	731,420	693,664	37,756
Total Liabilities	$ 24,387,764	$ 23,980,163	$ 407,601
Deferred Inflows:			
GASB 68 Reporting for Pension Plans	$ 717,310	$ 430,062	$ 287,248
Total Deferred Inflows	$ 717,310	$ 430,062	$ 287,248
Net Assets:			
Net investment in capital assets	$ 13,421,481	$ 13,985,550	$ (564,069)
Unrestricted	35,100,802	31,196,189	3,904,613
Restricted	1,000,000	1,000,000	-
Total Net Position	$ 49,522,283	$ 46,181,739	$ 3,340,544

The $3,340,544 increase in Total Net Position is due to the net income of $3,340,544 for the current fiscal year ended June 30, 2016. This compares to a net income of $685,990 for the fiscal year ended June 30, 2015. The increase is primarily due to less grant expenses of $2,092,775 and less unrealized loss on investments of $629,100. The $2,612,207 increase in Investments is due primarily to increased return on investment and less unrealized loss. The $564,069 decrease in Capital Assets is due primarily to depreciation of capital assets. The $258,452 increase in All Other Assets is due to a temporary receivable for unexpended grant funds of $368,359, offset by a decrease in Property Tax Receivable of $130,000. The $1,624,500 increase in Deferred Outflows is due to a timing difference in the actuarial valuation for GASB 68 reporting for the Retirement Protection Plan. The $1,500,908 decrease in Grants Payable is due primarily to $1,661,313 unexpended previously accrued grants. The $1,870,753 increase in Net Pension Liability is due primarily to a reduction of the discount rate from 4.00% to 2.83%. The $287,248 increase in Deferred Inflows is due to a timing difference in the actuarial valuation for GASB 68 reporting for the Retirement Protection Plan.

The Statements of Revenues, Expenses, and Change in Net Position

The District's business is comprised of two major segments:

- Revenues – The District receives from the County of Riverside an apportionment of the property taxes paid by the residents of the District. Additional revenues include, the investment income the District receives from the Facility Replacement Fund, which was established to provide working capital in the event that the lease with Tenet Health System Desert, Inc. is terminated prematurely; and rental income from the Las Palmas Medical Plaza which is owned and managed by the District.

The Statements of Revenues, Expenses, and Change in Net Position (Continued)

The District's business is comprised of two major segments (Continued):

- Grant Program – The District administers a grant and preventative health initiatives programs that donate a significant portion of the District's annual property tax revenues to health-related programs serving residents of Desert Hot Springs, Thousand Palms, Palm Springs, Cathedral City, Rancho Mirage and Palm Desert (West of Cook Street) and unincorporated areas of the County that are within the District's boundaries.

Table B, below, is a condensed version of the Statements of Revenues, Expenses and Changes in Net Position; it summarizes the District's revenue and expenses, and compares Fiscal Year 2016 results to Fiscal Year 2015.

Table B

	6/30/16	6/30/15	Change
Revenue:			
Property Tax Revenue	$ 5,794,197	$ 5,673,166	$ 121,031
Rental income	1,141,312	1,059,827	81,485
All other income	1,270,339	780,048	490,291
Total Revenue	$ 8,205,848	$ 7,513,041	$ 692,807
Expenses:			
Grants program	$ 2,078,129	$ 4,170,904	$ (2,092,775)
Administrative Expenses	2,787,175	2,656,147	131,028
Total Expense	$ 4,865,304	$ 6,827,051	$ (1,961,747)
Net Income (Loss)	$ 3,340,544	$ 685,990	$ 2,654,554

The Statements of Revenues, Expenses, and Change in Net Position (Continued)

Revenue
Property taxes are the District's primary source of operating revenues. The property tax revenue for the fiscal year ended June 30, 2016 was $5,794,197, which was an increase of $121,031 from the fiscal year ended June 30, 2015.

Rental income of $1,141,312 for the fiscal year ended June 30, 2016 was $81,485 higher than the fiscal year ended June 30, 2015.

All other income for the fiscal year ended June 30, 2016 increased $490,291 compared to the fiscal year ended June 30, 2015. The increase was due primarily to an increase in investment income.

Expenses
Grant Program expense for the fiscal year ended June 30, 2016 decreased by $2,092,775 compared to the fiscal year ended June 30, 2015. This is due primarily to unexpended funds of $1,368,359 for the UCR School of Medicine Residents grant and $168,744 for the ACA/Covered California grant accrued in prior fiscal years. Grants are recorded in the fiscal year that they are approved by the District's Board of Directors.

Administrative expenses for the fiscal year ended June 30, 2016 increased $131,028 from the fiscal year ended June 30, 2015. The increase is due to various expenses including higher pension plan expense of $299,394 for the GASB 68 Net Pension Liability; higher general and administrative expenses of $97,448, primarily due to prior CEO severance compensation of $88,000; higher wage expense of $28,173, primarily due to one higher headcount; lower election fees of $163,037 due to an election held in the previous fiscal year; lower expense of $58,487 at Las Palmas Medical Plaza, primarily due to lower maintenance expense; lower professional fees expense of $64,547, including lower legal expense of $49,163; and various lower expense items of $7,912.

CAPITAL ASSETS

At June 30, 2016, the District had $21,936,462 in capital assets and $8,514,981 accumulated depreciation, resulting in $13,421,481 net capital assets. At June 30, 2015, the District had $21,982,396 in capital assets and $7,996,846 in accumulated depreciation, resulting in $13,985,550 net capital assets.

A summary of the activity and balances in capital assets is presented in Table C:

Table C

	Balance 6/30/14	Net Additions	Net Retirements	Balance 6/30/15	Net Additions	Net Retirements	Balance 6/30/16
Cost	$ 21,774,911	$ 215,942	$ (8,457)	$ 21,982,396	$ 68,043	$ (113,977)	$ 21,936,462
Acc. Depreciation	(7,360,979)	(644,324)	8,457	(7,996,846)	(632,112)	113,977	(8,514,981)
Capital Assets, Net	$ 14,413,932	$ (428,382)	$ -	$ 13,985,550	$ (564,069)	$ -	$ 13,421,481

DEBT ADMINISTRATION

The District has no outstanding debt.

ECONOMIC OUTLOOK AND MAJOR INITIATIVES

The Fiscal Year 2017 budget reflects revenues of $9,293,344 and operating expenses of $8,778,241. Capital expenditures are budgeted at $594,000.

During the fiscal year ended June 30, 2015, the District awarded $3,739,442 (minus $1,661,313 unexpended previous grants) in new grants and distributed grants in the amount of $3,921,489. Projected new grants to be awarded for the fiscal year 2016–2017 amount to $4,500,000 and distributions for grants could possibly total $18,511,643 due to the existing grant liability as of June 30, 2016 and the projected grant awards.

The District has also established a reserve fund of approximately $58,000,000 to cover grant liabilities and hospital operating expenses for a short period should the lease with Tenet Health System Desert, Inc. terminate prior to May 30, 2027

CONTACTING THE DISTRICT'S MANAGEMENT

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DESERT HEALTHCARE DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2016

WITH COMPARATIVE TOTALS AS OF JUNE 30, 2015

	2016	2015
CURRENT ASSETS		
Cash and cash equivalents	$ 1,330,982	$ 1,226,679
Investments	16,191,150	15,734,641
Accounts receivable - net	642,045	414,579
Prepaid items and deposits	68,433	37,447
Total current assets	18,232,610	17,413,346
NON-CURRENT ASSETS		
Investments	41,325,267	39,169,569
Capital assets, net	13,421,481	13,985,550
Total non-current assets	54,746,748	53,155,119
DEFERRED OUTFLOWS		
Deferred Outflows of Resources:		
GASB 68 Reporting for Pension Plans	1,647,999	23,499
Total deferred outflows of resources	1,647,999	23,499
TOTAL ASSETS AND DEFERRED OUTFLOWS	74,627,357	70,591,964
CURRENT LIABILITIES		
Current liabilities:		
Accounts payable and accrual liabilities	384,267	318,265
Grants payable	2,707,889	3,415,140
Compensated absences	80,808	71,935
Disability claims reserve, current portion	14,803	16,161
Retired directors medical benefits	29,000	33,000
Total current liabilities	3,216,767	3,854,501
NON-CURRENT LIABLILITIES		
Grants payable	11,318,022	12,132,121
Long-term disability claims reserve	72,078	84,979
Retired directors medical benefits	76,125	82,551
Net pension liability	9,644,702	7,773,949
Deposits payable	60,070	52,062
Total non-current liabilities	21,170,997	20,125,662
DEFERRED INFLOWS		
Deferred Inflows of Resources:		
GASB 68 Reporting for Pension Plans	717,310	430,062
Total deferred inflows of resources	717,310	430,062
TOTAL LIABILITIES AND DEFERRED INFLOWS	25,105,074	24,410,225
NET POSITION		
Net investment in capital assets	13,421,481	13,985,550
Unrestricted	35,100,802	31,196,189
Restricted	1,000,000	1,000,000
TOTAL NET POSITION	$ 49,522,283	$ 46,181,739

The accompanying notes are an integral part of these financial statements

DESERT HEALTHCARE DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	2016	2015
OPERATING REVENUES		
Property taxes	$ 5,794,197	$ 5,673,166
Rental income	1,141,312	1,058,835
Other income	278,566	249,055
Total revenues	7,214,075	6,981,056
OPERATING EXPENSES		
Grant allocations	2,078,129	4,170,904
General expenses	226,053	416,908
Salaries and benefits	1,219,507	900,789
Legal fees	70,222	125,186
Depreciation	632,112	644,324
Other	389,334	314,949
Property taxes	52,069	60,892
Security	72,433	70,860
Total expenditures	4,739,859	6,704,812
Income (loss) from operations	2,474,216	276,244
NONOPERATING INCOME (EXPENSES)		
Investment income	991,773	531,224
Bad debt (expense) recoveries		761
Investment expenses	(125,445)	(122,239)
Total nonoperating income (loss)	866,328	409,746
Increase (decrease) in net position	3,340,544	685,990
NET POSITION		
Beginning of fiscal year, as previously reported	46,181,739	48,816,174
Prior period adjustments		(3,320,425)
Net position at beginning of fiscal year, restated	46,181,739	45,495,749
End of fiscal year	$ 49,522,283	$ 46,181,739

The accompanying notes are an intergral part of these financial statements

DESERT HEALTHCARE DISTRICT

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from County	$ 5,924,197	$ 5,673,166
Cash received from Grantor	200,497	47,187
Cash payments to suppliers for goods and services	(785,521)	(2,039,334)
Cash payments to employees for services and benefits	(691,392)	(720,362)
Cash payments to grantee	(3,599,479)	(4,853,985)
Rental and other operating revenues	869,923	1,211,471
Net cash provided (used) by operating activities	1,918,225	(681,857)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(68,043)	(215,943)
Collections recoveries (used) by capital and related financing activities		761
Net cash provided (used) by capital and related financing activities	(68,043)	(215,182)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings	858	467
Net investment sales (purchases)	(1,746,737)	(2,997,711)
Net cash provided (used) by investing activities	(1,745,879)	(2,997,244)
Net increase (decrease) in cash	104,303	(3,894,283)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FISCAL YEAR	1,226,679	5,120,962
CASH AND CASH EQUIVALENTS AT END OF FISCAL YEAR	$ 1,330,982	$ 1,226,679
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION		
Cash and cash equivalents	$ 1,330,982	$ 1,226,679

The accompanying notes are an integral part of these financial statements

DESERT HEALTHCARE DISTRICT

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

	2016	2015
Income (loss) from operations	$ 2,474,216	$ 276,244
Adjustments to reconciliation of income from operations to net cash used by operating activities:		
Depreciation	632,112	644,324
Changes in assets and liabilities:		
Accounts receivable	(227,466)	(45,282)
Prepaid items and deposits	(30,986)	19,270
Deferred outflow-pension	(1,624,500)	-
Pension liabilities	1,870,753	234,107
Accounts payable and accrued liabilities	66,002	(1,069,809)
Grants payable	(1,521,350)	(683,081)
Deposits payable	8,008	(3,950)
Compensated absences	8,873	(22,246)
Long-term disability claims reserve	(14,259)	(27,110)
Deferred inflow - pension	287,248	-
Retired directors medical liability	(10,426)	(4,324)
Net cash provided (used) by operating activities	$ 1,918,225	$ (681,857)

The accompanying notes are an integral part of these financial statements

DESERT HEALTHCARE DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
DESERT HEALTHCARE FOUNDATION
JUNE 30, 2016

WITH COMPARATIVE TOTALS AS OF JUNE 30, 2015

	Private- Purpose Trust Fund	
	2016	2015
CURRENT ASSETS		
Cash and cash equivalents	$ 223,812	$ 147,935
Grants receivable	102,047	435,000
Prepaid expenditures	2,800	2,500
Total current assets	328,659	585,435
OTHER ASSETS		
Contributions receivable - charitable remainder trusts	204,175	193,008
Assets held in charitable remainder trusts	78,576	77,410
Investments	2,335,923	2,569,420
Accrued interest and dividend receivable	9,781	
Total other assets	2,628,455	2,839,838
TOTAL ASSETS	2,957,114	3,425,273
LIABILITIES		
Current liabilities:		
Accounts payable	2,838	34,536
Grants Payable - ACA Covered CA		431,961
Grants payable - current portion	647,106	874,779
Total current liabilities	649,944	1,341,276
Long-term liabilities:		
Grants payable - long-term	200,000	227,816
Total long-term liabilities	200,000	227,816
Total liabilities	849,944	1,569,092
NET POSITION	$ 2,107,170	$ 1,856,181

The accompanying notes are an integral part of these financial statements

DESERT HEALTHCARE DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
DESERT HEALTHCARE FOUNDATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Private-Purpose Trust Fund	
	2016	2015
ADDITIONS		
Contributions	$ 105,305	$ 205,080
Grants	405,752	241,378
Interest and dividends	73,802	69,101
Investment gains	86,039	9,045
Change in value - charitable trusts	12,333	(8,968)
Total support and revenue	683,231	515,636
DEDUCTIONS		
Grants and services	368,233	448,889
Management and general	64,009	108,925
Total expenses	432,242	557,814
INCREASE (DECREASE) IN NET POSITION	250,989	(42,178)
NET POSITION, BEGINNING OF FISCAL YEAR	1,856,181	1,898,359
NET POSITION, END OF FISCAL YEAR	$ 2,107,170	$ 1,856,181

The accompanying notes are an integral part of these financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Desert Healthcare District (District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Boards (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

Financial Reporting Entity

The District was organized on December 14, 1948, by a Resolution adopted by the Board of Supervisors, County of Riverside, under the provisions of The Local Hospital District Law (Sections 32000-32314 of the California Health and Safety Code) to provide and operate health care facilities within the area known as the Western Coachella Valley.

Each of the five members of the District's Board of Directors holds office for a four-year term, which is staggered against the other terms. Elections are by popular vote of the constituents within the District's boundaries.

Effective June 29, 1986, the District transferred control of Desert Hospital and all related assets and liabilities to Desert Health Systems, Inc. (System) under the terms of a master lease agreement. The purpose of the transfer was to permit the hospital to operate more competitively and efficiently by becoming a private not-for-profit entity. On December 8, 1988, the System merged with Desert Hospital Corporation (Corporation), the surviving entity. This transaction had no impact with respect to the District.

Until June 1, 1997, the District served as a pass-through entity between the Corporation and the trustee of Hospital Revenue Certificates of Participation issued in 1990 and 1992 and as a recipient of District tax revenues. The District annually pledged the tax revenues it received to the Corporation to be utilized for general corporate purposes. Historically, tax revenues were used to support capital improvement programs.

Effective May 30, 1997, the District entered into a 30-year lease of Desert Hospital with Tenet Health System Desert, Inc. (Tenet). Terms of the lease included payment by Tenet of the Hospital Revenue Certificates of Participation issued in 1990 and 1992 (approximately $80,000,000) as prepaid rent. Tenet also paid the District $15,400,000 cash, representing additional prepaid rent. (See Note 2)

The District has and continues to assess the healthcare needs of the Western Coachella Valley. The District makes grants to healthcare providers who provide needed healthcare services.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Financial Reporting Entity — Continued
As required by U.S. GAAP, these financial statements present the District and its component unit entity for which the District is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the District's operations and so data from these units are combined with data of the District. Component units should be included in the reporting entity financial statement using blending method if either of the following criteria are met:

- The component unit's governing body is the same as the governing body of the District
- The component unit provides services entirely, or almost entirely, to the District or otherwise exclusively, or almost exclusively, benefits the District even though it does not provide services directly to it.

Included within the reporting entity as a blended component unit is the following:

Desert Healthcare Foundation (Foundation)

The Foundation is a health and welfare organization created to identify the health care needs of the Desert Healthcare District and to work toward alleviating those needs through various programs and services. The Foundation operates primarily in the Coachella Valley area of Southern California and, as such, is subject to market conditions, which could affect charitable giving and the realization of recorded assets values at various times.

Complete financial statements of the Foundation can be requested from the District, 1140 North Indian Canyon Drive, Palm Springs, California 92262.

Basis of Accounting and Measurement Focus

Business-Type Activities

The basic financial statements include a Statement of Net Position, Statement of Revenues, Expenditures, and Changes in Net Position, and a Statement of Cash Flows. These statements present summaries of business-type activities for the District.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Accounting and Measurement Focus – Continued

These basic financial statements are presented on an *"economic resources"* measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets and liabilities, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents changes in net position for the year. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. All proprietary funds are accounted for on a cost of services of *"economic resources"* measurement focus. This means that all assets and liabilities (whether current or noncurrent) associated with the activity are included on the Statement of Net Position. Their reported fund equity presents total net position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. The Statement of Cash Flows is presented with cash, cash equivalents and investments.

Fiduciary Fund Financial Statements

Fiduciary Fund Financial Statements include a Statement of Net Position and a Statement of Changes in Fiduciary Net Position. The District's Fiduciary fund includes Private Purpose Trust Funds, which account for resources that are being held for the benefit of the District. The Fiduciary fund is accounted for using the accrual basis of accounting.

Use of Restricted/Unrestricted Net Position
When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the Foundation's policy is to apply restricted net assets first.

Cash, Cash Equivalent and Investments
All cash and cash equivalents are considered to be demand deposits, money market funds and short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at fair value. Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

Prepaid Items and Deposits
Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Capital Assets

Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Donated fixed assets are valued at their estimated fair value on the date donated. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Buildings and Improvements	40 – 50 years
Furniture and Equipment	3 – 7 years

Compensated Absences

Employees have vested interests in varying levels of vacation and sick leave based on their length of employment. Sick leave is payable only when an employee is unable to work due to personal or family illness. Unused sick leave does not vest and is forfeited upon termination.

Property Tax

The County of Riverside (the County) bills and collects property taxes on behalf of numerous special districts and incorporated cities, including the District. The District's collections of current year's taxes are received through periodic apportionments from the County.

The County's tax calendar is from July 1 to June 30. Property taxes attach as a lien on property on January 1. Taxes are levied on July 1 and are payable in two equal installments on November 1 and February 1, and become delinquent after December 10 and April 10, respectively.

Since the passage of California's Proposition 13, beginning with fiscal year 1978-79 general property taxes are based either on a flat 1% rate applied to the 1975-1976 full value of the property or on 1% of the sales price of any property sold or of the cost of any new construction after the 1975-1976 valuation. Taxable values on properties (exclusive of increases related to sales and new construction) can rise at a maximum of 2% per year.

The Proposition 13 limitation on general property taxes does not apply to taxes levied to pay the debt service on any indebtedness approved by the voters prior to June 6, 1978 (the date of passage of Proposition 13).

Property tax revenue is recognized in the fiscal year for which the taxes have been levied. Property taxes received after this date are subject to accrual and considered available as a resource that can be used to finance the current year operations of the District.

Income Taxes

The District is a political subdivision of the State of California and, as such, is exempt from federal and state income taxes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value Measurement
The District and Foundation apply Generally Accepted Accounting Principles (U.S. GAAP) for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis in accordance with GASB Statement Nos. 31 and 40.

Net Assets
Net Investment in Capital Assets — this amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Assets — This amount is restricted by external creditors, grantors, contributors, or laws of regulations of other governments.

Unrestricted Net Assets — This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets."

New Accounting Pronouncements

Governmental Accounting Standards Board Statement No. 72

For the fiscal year ended June 30, 2016, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Applications*. This Statement is effective for periods beginning after June 15, 2015. The objective of this Statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. Implementation of GASB Statement No. 72 did have an impact on the Desert Health Care District, Desert Healthcare Foundation and Desert Hospital Retirement Plan financial statements for the fiscal year ended June 30, 2016, see Note 3.

Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 65, the District recognizes deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. Refer to Note 13 for a detailed listing of the deferred outflow of resources that the District has recognized.

Pursuant to GASB Statement No. 65, the District recognizes deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of fund balance by the government that is applicable to a future reporting period. Refer to Note 13 for a detailed listing of the deferred outflow of resources that the District has recognized.

2. LEASE AGREEMENT — TENET HEALTH SYSTEM DESERT, INC.

The District, as described in the Summary of Significant Accounting Policies, entered into a thirty (30) year lease agreement for Desert Regional Medical Center (Hospital) with Tenet Health System Desert, Inc. (Tenet). In the event that Tenet or the District decide to terminate the lease, the District would be responsible for operating the Hospital, which would require upfront operating capital of approximately $47,000,000 to maintain the operations without interruption during the transition period. The District, recognizing this obligation, established an investment fund, with a net value of $57,925,864 as of June 30, 2016, identified as the Facility Replacement Fund. The lease agreement contains provisions in the event the lease terminates prior to May 30, 2021. If the lease terminates for reasons such as default by the lessor to perform obligations within a sixty day period or the premises are totally destroyed and repairs are not feasible between the dates of June 1, 2014 and May 30, 2021, the District may be obligated to repay Tenet beginning June 1, 2016 the unamortized prepaid rent as defined in the lease agreement which decreases annually through May 2021. However, the District does not expect these conditions to occur during the term of the lease and therefore, recorded the full amount of the payments received to income in fiscal year ended June 30, 1997. The lease agreement was recently amended to allow the District to provide the funding for the cost of preapproved capital improvements that will reduce the amount of the prepaid rent schedule by a ratio of $3 for each $1 spent, and in some cases a ratio of $3.50 for each $1 spent.

The $4,577,000 construction cost and credit received from Desert Regional Medical Center for lower electrical costs of the hospital parking lot provided for a $3 for $1 reduction amounting to $13,856,448 to the prepaid rent schedule. An additional $4,589,000 reduction to the prepaid lease schedule was due to a $3.50 for $1 reduction per a 10 year facility lease agreement between the District and Hospital for facility space at the District's medical office building to be occupied by the Hospital.

As of June 30, 2016, the prepaid lease balance is $15,287,679. This amount will decrease annually by $3,100,000 plus approximately $210,000 for the value of the electricity provided through May 2018 per terms of the lease agreement. The prepaid lease repayment may be made in full upon lease termination or over a period of five years.

3. CASH AND INVESTMENTS

The cash and investments are classified in the financial statements as shown below:

	June 30, 2016	June 30, 2015
District's Statement of Net Position:		
Cash and cash equivalents	$ 1,330,982	$ 1,226,679
Investments	57,516,417	54,904,210
Fiduciary Statement of Net Position:		
Cash and cash equivalents	223,812	147,935
Investments	2,335,923	2,569,420
Total Cash and Investments	$ 61,407,134	$ 58,848,244

Cash and Investments consist of the following:		
Cash on Hand	$ 700	$ 700
Cash in Bank-District	921,035	587,000
Cash in Bank-Foundation	206,697	75,641
Money Market Funds	426,362	711,273
Investments	59,852,340	57,473,630
Total Cash and Investments	$ 61,407,134	$ 58,848,244

Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the Desert Healthcare District (District) by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

3. CASH, AND INVESTMENTS - Continued

Investments Authorized by the California Government Code and the District's Investment Policy (Continued)

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 years	None	None
Local Agency Investment Fund (State Pool)	N/A	None	$50 million
U.S. Treasury Obligations	5 years	None	None
U.S. Government Agency Issues	5 years	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Repurchase Agreements	1 year	None	None
Bankers' Acceptance (must be dollar denominated)	180 days	40%	30%
Commercial Paper - Pooled Funds	270 days	40%	10%
Commercial Paper - Non-Pooled Funds	270 days	25%	10%
Negotiable Time Certificates of Deposit	5 years	30%	None
Non-negotiable Time Certificates of Deposit	5 years	None	None
State of California and Local Agency Obligations	5 years	None	None
Placement Service Certificates of Deposit	5 years	30%	None
Medium-Term Notes	5 years	30%	None
Mutual Funds and Money Market Mutual Funds	N/A	20%	None
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Joint Powers Authority Pool	N/A	None	None
Voluntary Investment Program Fund	N/A	None	None
Supranational Obligations	5 years	30%	None

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in the market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming closer to maturity evenly over time as necessary to provide the cash flow and liquidity needed for distributions.

3. CASH, AND INVESTMENTS - Continued

Disclosures Relating to Interest Rate Risk (Continued)

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

As of June 30, 2016

		Remaining Maturity (in Months)				
Investment Type	Carrying Amount	12 Months Or Less	13 to 24 Months	25-36 Months	37-48 Months	More than 49 Months
Corporate Bonds	$ 768,473	$ 53,207	$ 60,109	$ 49,186	$ 15,821	$ 590,150
U.S. Government Agencies	29,841,811	6,371,482	9,586,350	4,235,780	6,768,860	2,879,339
U.S. Treasury Note	27,530,644	8,163,880	8,525,555	4,255,802	2,217,593	4,367,814
Municipal Bonds	1,075,749	1,003,210			20,590	51,949
Domestic Common Stock*	635,663	635,663				
Total	$ 59,852,340	$ 16,227,442	$ 18,172,014	$ 8,540,768	$ 9,022,864	$ 7,889,252

* Held by Foundation

As of June 30, 2015

		Remaining Maturity (in Months)				
Investment Type	Carrying Amount	12 Months Or Less	13 to 24 Months	25-36 Months	37-48 Months	More than 49 Months
Corporate Bonds	$ 955,069	$ 1,927	$ 20,302	$ 57,760	$ 97,180	$ 777,900
U.S. Government Agencies	27,736,983	6,269,025	5,541,104	9,870,540	3,218,460	2,837,854
U.S. Treasury Note	26,671,228	8,003,390	8,621,399	5,451,940	2,199,659	2,394,840
Municipal Bonds	1,504,461	400,976	1,035,060			68,425
Domestic Common Stock*	605,889	605,889				
Total	$ 57,473,630	$ 15,281,207	$ 15,217,865	$ 15,380,240	$ 5,515,299	$ 6,079,019

* Held by Foundation

3. CASH AND INVESTMENTS - Continued

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code and the Plan's investment policy, and the actual rating as of fiscal year end for each investment type.

As of June 30, 2016:

				Rating as of Fiscal Year End			
Investment Type	Carrying Amount	Minimum Legal Rating	Exempt From Disclosure	AAA	AA	A/BBB	Not Rated
Corporate Bonds	$ 768,473	A	$ -	$ 18,042	$ 110,006	$ 640,425	$ -
U.S. Government Agencies	29,841,811	A		29,841,811			
U.S. Treasury Note	27,530,644	N/A	27,530,644				
Municipal Bonds	1,075,749	N/A		11,141	1,043,213	21395	
Domestic Common Stock*	635,663	N/A					635,663
Total	$ 59,852,340		$ 27,530,644	$ 29,870,994	$ 1,153,219	$ 661,820	$ 635,663

* Held by Foundation

As of June 30, 2015:

				Rating as of Fiscal Year End			
Investment Type	Carrying Amount	Minimum Legal Rating	Exempt From Disclosure	AAA	AA	A/BBB	Not Rated
Corporate Bonds	$ 955,069	A	$ -	$ -	$ 78,542	$ 876,527	$ -
U.S. Government Agencies	27,736,983	A		27,736,983			
U.S. Treasury Note	26,671,228	N/A	26,671,228				
Municipal Bonds	1,504,461	N/A		11,042	1,493,419		
Domestic Common Stock*	605,889	N/A					605,889
Total	$ 57,473,630		$ 26,671,228	$ 27,748,025	$ 1,571,961	$ 876,527	$ 605,889

* Held by Foundation

3. CASH AND INVESTMENTS - Continued

Concentration of Credit Risk

The investment policy of the District contains limitations on the amount that can be invested in any one issuer. There are three investments at June 30, 2016 that represent 5% or more of total District investments (other than U.S. Treasury Notes). These investments are:

Federal Home Loan Banks of $13,457,871 with various maturity dates through June 30, 2019 and interest rates of 1.250-5.375%.
Federal Home Loan Mortgage Corporation of $8,380,820 with various maturity dates through June 30, 2020 and interest rates of 1.250-5.500%.
Federal National Mortgage Association of $8,003,120 with various maturity dates through June 30, 2020 and interest rates of 1.375-5.500%.

There are three investments at June 30, 2015 that represent 5% or more of total District investments These investments are:

Federal Home Loan Banks of $8,180,160 with various maturity dates through June 30, 2019 and interest rates of 3.370-5.375%.
Federal Home Loan Mortgage Corporation of $11,761,005 with various maturity dates through June 30, 2020 and interest rates of 1.25-5.50%.
Federal National Mortgage Association of $6,790,938 with various maturity dates through June 30, 2020 and interest rates of 1.875-5.375%.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2016 and 2015, the District's deposits with financial institutions in excess of federal depository insurance limits are legally required by the California Government Code, to collateralize the District's deposits as noted above.

3. CASH AND INVESTMENTS – Continued

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. These principles recognize a three-tiered fair value hierarchy, as follows

- Level 1: Investments reflect prices quoted in active markets;
- Level 2: Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered active; and,
- Level 3: Investments reflect prices based upon unobservable sources.

The District has the following recurring fair value measurements as of June 30, 2016;

		Fair Value Measurement Using		
Investments by fair value	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities				
US Treasuries	$ 27,530,644	$ 27,530,644	$ -	$ -
Government agency bonds	29,841,811	29,841,811		
Corporate bonds	768,473	768,473		
Municipal bonds	1,075,749	1,075,749		
Domestic Stock	635,663	635,663		
	$ 59,852,340	$ 59,852,340	$ -	$ -

4. CAPITAL ASSETS

Business-Type Activities

At June 30, 2016 and 2015, the capital assets of the business-type activities consisted of the following:

June 30, 2016

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Non-depreciable assets				
Land	$ 3,988,650	$ -	$ -	$ 3,988,650
Total non-depreciable assets	3,988,650			3,988,650
Depreciable assets:				
Buildings and improvements	17,835,414	55,241	(113,032)	17,777,623
Furniture and equipment	158,332	12,802	(945)	170,189
Total	17,993,746	68,043	(113,977)	17,947,812
Less accumulated depreciation	(7,996,846)	(632,112)	(113,977)	(8,514,981)
Total depreciable assets, net	9,996,900	(564,069)		9,432,831
Total Capital Assets, Net	$ 13,985,550	$ (564,069)	$ -	$ 13,421,481

June 30, 2015

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Non-depreciable assets				
Land	$ 3,859,100	$ 129,550	$ -	$ 3,988,650
Total non-depreciable assets	3,859,100	129,550		3,988,650
Depreciable assets:				
Buildings and improvements	17,753,232	82,182		17,835,414
Furniture and equipment	162,578	4,211	(8,457)	158,332
Total	17,915,810	86,393	(8,457)	17,993,746
Less accumulated depreciation	(7,360,979)	(644,324)	(8,457)	(7,996,846)
Total depreciable assets, net	10,554,831	(557,931)		9,996,900
Total Capital Assets, Net	$ 14,413,931	$ (428,381)	$ -	$ 13,985,550

5. RESTRICTED NET POSITION

The District has $1,000,000 of restricted net position at June 30, 2016 consisting of a contribution received during the June 30, 2012 year restricted to pulmonary research and rehabilitation and/or for the purchase and/or construction of facilities used for these purposes.

6. SPLIT INTEREST AGREEMENTS – FOUNDATION

At June 30, 2016 and 2015, the split interest agreements of the fiduciary fund consisted of the following:

	2016	2015
Charitable Remainder Trusts	$ 282,751	$ 270,418

Charitable Reminder Trusts

The Foundation was named trustee in one charitable remainder unitrust in which the trustee has a fiduciary responsibility to maintain and invest the trust assets prudently.

Trust 1 (dated April 12, 1989): Upon the death of the donor, 100% of the principal and income of the trust that is not required to have been distributed to the life beneficiary shall become the property of the Foundation. The donor passed away on May 30, 2015. The Foundation may use these assets for general purposes, as outlined in the trust agreement.

At June 30, 2016 and 2015, the estimated fair value of the trust was approximately $78,576 and $77,410, respectively.

The Foundation was named beneficiary to two additional charitable remainder unitrusts (whose trustees are someone other than the Foundation), all of which are recorded at fair market value. The general terms of the two trusts are as follows:

Trust 4 (dated October 3, 1989): The lesser of the trust income or 8% of the net fair market value of trust assets is to be distributed to the life beneficiary annually. Upon the death of the life beneficiary, 50% of the principal and income not required to have been distributed to the life beneficiary shall become the property of the Foundation, to be used for cancer treatment, or for general purposes if a cure for cancer has been found. At December 31, 2015 and 2014, which is the most current information available, the estimated present value of future cash flows was $143,509 and $127,324, respectively.

Trust 7 (dated May 17, 1990): 8.5% of the net fair market value of trust assets is to be distributed to the life beneficiary annually. Upon the death of the life beneficiary, all of the principal and income not required to have been distributed to the life beneficiary shall become the property of the Foundation, to be used for general purposes. The estimated present value of future cash flows at June 30, 2016 and 2015 was $60,666 and $65,684, respectively.

7. GRANTS

The District has granted awards to various healthcare providers that provide needed healthcare services. Awards not fully funded in the current fiscal year are carried over to the subsequent fiscal year. At June 30, 2016 and 2015, the total grant awards payable were $14,025,911 and $15,547,261, respectively. Total grant expense for the fiscal years ended June 30, 2016 and 2015 amounted to $2,078,129 and $4,170,904, respectively.

The Foundation has granted awards to various healthcare providers that provide needed healthcare services. At June 30, 2016 and 2015, the total grant awards payable were $847,106 and $1,534,556, respectively. Total grants and services expense for the years ended June 30, 2016 and 2015 amounted to $368,233 and $448,889, respectively.

8. LONG-TERM DISABILITY CLAIMS RESERVE

Long-term disability claims were self-insured by the Corporation. Claimants' payments are administered by a third party administrator who processes payments made pursuant to the plan. Claimants are paid either to age 65 or until they return to work. At June 30, 2016 and 2015, the long-term disability claims reserves were as follows:

	Balance at July 1, 2014	Current Year Claims and Changes in Estimates	Claim Repayments	Balance at June 30, 2015	Due Within One Year
Claims payable	$ 118,250	$ (16,161)	$ (949)	$ 101,140	$ 16,161

	Balance at July 1, 2015	Current Year Claims and Changes in Estimates	Claim Repayments	Balance at June 30, 2016	Due Within One Year
Claims payable	$ 101,140	$ (11,439)	$ (2,820)	$ 86,881	$ 14,803

9. RETIRED DIRECTORS MEDICAL BENEFITS

The District has a liability for any post-employment benefits to be paid to employees or Board of Directors. The only post-employment benefits applicable to the District are the payments of lifetime medical benefits to six former members of the Board of Directors. The initial actuarially calculated obligation recorded by the District during the fiscal year ended June 30, 2010 amounted to $287,862. The remaining outstanding obligation at June 30, 2016 and 2015 were as follows:

	2016	2015
Current	$ 29,000	$ 33,000
Long-term	76,125	82,551
	$ 105,125	$ 115,551

10. INSURANCE

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; error and omissions; and natural disasters for which the District carries commercial insurance. The District purchases commercial insurance to cover the risk of loss for property, business liability, and medical payments.

11. RENTAL INCOME

The District rents commercial office suites subject to lease terms ranging from three to five years. Rental income includes the base monthly rental payments plus the common area maintenance fee. Rental income consisted of the following for the years ended June 30, 2016 and 2015:

	2016	2015
Base rent	$ 833,969	$ 777,148
Common area maintenance	307,343	281,687
	$ 1,141,312	$ 1,058,835

The five year minimum rental schedule follows:

2017	2018	2019	2020	2021
$ 1,186,061	$ 814,407	$ 644,332	$ 486,792	$ 471,951

12. COMMITMENT AND CONTINGENCIES

Earthquake Retrofit

Senate Bill 1953 imposes certain requirements that acute care hospitals would be required to meet within a specified time. These requirements include conducting seismic evaluations. The deadline was extended to January 1, 2030. After January 1, 2030, all hospitals must be determined to be in compliance.

13. DESERT HOSPITAL RETIREMENT PROTECTION PLAN

Effective July 1, 1971, Desert Hospital Corporation (Corporation) established a defined benefit pension plan (Plan) covering eligible employees of Desert Hospital. The Corporation was dissolved as of May 31, 1997 and the Plan has been frozen as of that date. The Desert Healthcare District (the "District") has assumed sponsorship of the Plan. Refer to the Plan's separate financial statements for more detailed information.

Vesting
All participants of the Plan have been 100% vested since May 31, 1997.

Account Balances
All participants of the Plan are eligible to request a distribution or rollover of their account balance upon retirement or termination of their employment from Desert Regional Medical Center.

Contributions
There have been no contribution requirements by the District since May 31, 1997. Participant contributions to the Plan are not permitted. The most recent actuarial valuation as of June 30, 2016, the Plan's independent actuary determined that the actuarial value of the Plan's net pension liability was $9,644,702 at June 30, 2016 and $7,773,949 at June 30, 2015 and recommended to the District that an actuarially determined contribution of $928,460 as of June 30, 2016 and $1,631,186 as of June 30, 2015. The District's board of directors has elected not to fund any additional amounts to the Plan at this time as a result of having sufficient asset reserves available at the District if needed.

Administration and Trustee
The Plan is administered by the District's Finance and Administrative Committee (the Committee). The Committee is selected by the District's board of directors. All administrative expenses are paid by the Plan or at the discretion of the District.

Pursuant to the terms of the Plan, the District entered into a trust agreement with US Bank N.A. to provide for the investment, reinvestment, administration and distribution of contributions made under the Plan.

13. DESERT HOSPITAL RETIREMENT PROTECTION PLAN – Continued

Schedule of Funding Progress

Actuarial Valuation Date (1)	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
6/30/2006	$ 5,236,383	$ 9,566,663	$ (4,330,280)	55%	N/A	N/A
6/30/2007	N/A	N/A	N/A	N/A	N/A	N/A
6/30/2008	4,552,074	9,312,581	(4,760,507)	49%	N/A	N/A
6/30/2009	3,351,366	9,141,403	(5,790,037)	37%	N/A	N/A
6/30/2010	N/A	N/A	N/A	N/A	N/A	N/A
6/30/2011	3,522,125	7,921,342	(4,399,217)	45%	N/A	N/A
6/30/2012	N/A	N/A	N/A	N/A	N/A	N/A
6/30/2013	2,797,614	7,357,700	(4,560,086)	38%	N/A	N/A
6/30/2014	2,656,607	10,603,012	(7,946,405)	25%	N/A	N/A
6/30/2015	2,405,256	10,179,205	(7,773,949)	24%	N/A	N/A
6/30/2016	1,924,238	11,568,940	(9,644,702)	17%	N/A	N/A

No actuarial report or estimation using actuarial methodology were prepared for June 30, 2012, 2010, and 2007.

14. 401(K) RETIREMENT PLAN

The District converted from a 401(k) retirement plan to a 457(B) and 401(A) retirement plans. A 457(B) (employee contribution) and 401(A) (employer contribution) retirement plans were determined to be more appropriate for a governmental agency. The 401(K) plan was terminated during the fiscal year and the 457(B) and 401(A) retirement plans became effective October 1, 2014.

The District contributes a dollar for dollar match for the first 4% of employee salary deferral and two dollars match for each additional dollar of the next 2% of employee salary deferral. The District's match contribution for the fiscal years ended June 30, 2016 and 2015 were $46,114 and $43,418, respectively.

15. PENSION PLAN

General Information about the Desert Hospital Retirement Protection Plan (Plan) Pension Plan

Plan Description

The Plan was originally established in 1971 as a defined benefit plan covering all eligible employees of Desert Hospital. The plan has been frozen since May 31, 1997.

Employees Covered

At June 30, 2016, the following employees were covered by the benefit terms for each Plan:

	Miscellaneous
Inactive employees or beneficiaries currently receiving benefits	23
Inactive employees entitled to but not yet receiving benefits	64
Active employees	167
Total	254

Contributions

There have been no contribution requirements by the District since May 31, 1997. Participant contributions to the Plan are not permitted.

Net Pension Liability

The District's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

15. PENSION PLAN (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

Inflation	2.75%
Discount rate	2.83%, net of pension plan investment expense, including inflation.
Measurement date	June 30, 2016, based on a valuation date of June 30, 2015 on a roll-forward basis
Ad hoc cost-of-living increases	Not applicable
Mortality	Pre-Retirement: None Post-Retirement: 2015 Annuitant Mortality Table
Experience study	Given the size of the plan, there is not enough data available to conduct a credible study. The assumptions are not anticipated to produce significant cumulative actuarial gains or losses over time. The liabilities and data are analyzed each year in order to identify any trends of experience deviating from the actuarial assumptions. The plan is frozen to new participants and benefit accruals.
Retirement	100% retirement at age 65.
Termination	Participants* are assumed to work for the Desert Regional Medical Center operated by Tenet Health System Desert, Inc. until Normal Retirement Age.
Other assumptions	See actuarial assumptions provided in the June 30, 2015 funding valuation for other relevant assumptions.

* Former Desert Hospital employees employed with Tenet Health System Desert, Inc.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2015 valuation were based on the results of a January 2016 actuarial experience study for the period 1997 to 2013. Further details of the Experience Study can found on the District's website.

15. PENSION PLAN (Continued)

Net Pension Liability

Discount Rate

The discount rate used to measure the total pension liability was 2.83 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, the Plan stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 2.83 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 2.83 percent is applied to all plans in the Plan. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at the Districts' website under the GASB 68 section.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 2.83 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 2.98 percent. Using this lower discount rate has resulted in a slightly higher total pension liability and net pension liability. The Plan checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

The Plan is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, the Plan expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. The Plan will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

15. PENSION PLAN (Continued)

Net Pension Liability (Continued)

Discount Rate (Continued)

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	Target Allocation	Long-term expected real rate of return
Domestic fixed income securities	38.0%	2.50%
Domestic equities	45.0	5.50
International equities	15.0	6.50
Cash	2.0	0.00

Changes in the Net Pension Liability

The changes in the Net Pension Liability for the Plan follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
Balance, June 30, 2015 (VD)	**$ 10,179,205**	**$ (2,405,256)**	**$ 7,773,949**
Changes in Recognized for the Measurement Period:			
Interest on the Total Pension Liability	397,980		397,980
Differences between Expected and Actual Experience	(493,455)		(493,455)
Changes of Assumptions	1,944,607		1,944,607
Net Investment Income [2]		6,638	6,638
Benefit Payments, including Refunds of Employee Contributions	(459,397)	459,397	
Benefit Payments, including Refunds		14,983	14,983
Net Changes during 2015-16	**1,389,735**	**481,018**	**1,870,753**
Balance, June 30, 2016 (MD) [1]	**$ 11,568,940**	**$ (1,924,238)**	**$ 9,644,702**

[1] The fiduciary net position includes receivables for employee service buybacks, deficiency reserves, fiduciary self-insurance and OPEB expense. This may differ from the plan assets reported in the funding actuarial valuation report.

[2] Net of administrative expenses.

15. PENSION PLAN (Continued)

Changes in the Plan's Net Pension Liability

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 2.83 percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (1.83 percent) or 1 percentage-point higher (3.83 percent) than the current rate:

	Discount Rate – 1% (1.83%)	Current Discount Rate (2.83%)	Discount Rate + 1% (3.83%)
Plan's Net Pension Liability/(Asset)	$ 12,005,407	$ 9,644,702	$ 8,340,705

Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports.

The Plan's Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the fiscal year ended June 30, 2016, the District recognized pension expense of $533,501. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ (717,310)
Net differences between projected and actual earnings on pension plan investments	1,555,686	
Changes in assumptions	92,313	
Total	$ 1,647,999	$ (717,310)

Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Fiscal Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2017	(207,261)
2018	(207,261)
2019	(207,261)
2020	(308,906)

REQUIRED SUPPLEMENTARY INFORMATION

DESERT HEALTHCARE DISTRICT

REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2016

Prepared for the Desert Healthcare District, an Single-Employer Defined Benefit Pension Plan As of June 30, 2016

Note 1 – Schedule of Changes in the Net Pension Liability and Related Ratios – Last 10 Years*

	2016	2015
Measurement Period	2014-2015[1]	2013-2014[1]
Total Pension Liability		
Interest on total pension liability	$ 397,980	$ 418,035
Differences between expected and actual experience	(493,455)	(537,276)
Changes in assumptions	1,944,607	
Benefit payments, including refunds of employee contributions	(459,397)	(304,566)
Net change in total pension liability	1,389,735	(423,807)
Total pension liability - beginning	10,179,205	10,603,012
Total pension liability - ending (a)	11,568,940	10,179,205
Plan fiduciary net position		
Net investment income	(6,638)	71,101
Benefit payments	(459,397)	(304,566)
Administrative expenses	(14,983)	(17,886)
Net change in plan fiduciary net position	(481,018)	(251,351)
Plan fiduciary net position - beginning	2,405,256	2,656,607
Plan fiduciary net position - ending (b)	1,924,238	2,405,256
Net pension liability - ending (a) - (b)	$ 9,644,702	$ 7,773,949
Plan fiduciary net position as a percentage of the total pension liability	16.63%	23.63%
Covered - employee payroll	N/A	N/A
Net pension liability as a percentage of covered - employee payroll	N/A	N/A

Notes to Schedule

Changes in Assumptions:

Investment rate of return, including inflation, and net of investment expense changed from 4.00% to 2.83%

*Fiscal year 2015 was the first year of implementation, therefore only two years are shown.

Desert Healthcare District
Portfolio Review

Fourth Quarter 2017

Presented by

Robert L. Adams, CFA

HIGHMARK®
CAPITAL MANAGEMENT

Economic and Market Perspectives
Q1 2018

Introduction

The saying that “records are made to be broken” had plenty of applicability last year in the U.S. equity market. Of course, setting new highs was nothing new for the S&P 500 Index since the bull market has been running for almost 10 years now. What made 2017 particularly noteworthy was the sheer consistency with which domestic stocks continued their ascent.

In fact, the S&P 500 broke records regularly in 2017 by a number of measures: the index posted a positive return for all twelve months of the year; the number of consecutive days without a 3% drawdown reached a high of 289 trading days at year-end; and historically low readings on expected volatility with the VIX[i] Index[i] dropping to a record low of 8.56 on November 24, 2017. After climbing 21.8% last year, the S&P 500’s return, including dividends, has delivered an annualized rate of 7.8% since the pre-crisis peak of October 9, 2007.

A host of positive circumstances fed bullish sentiment steadily throughout the year. The carrot that led the way came from tax reform legislation, which finally came to fruition as the year closed out. The GOP’s determined efforts to rollback regulations also kept equity investors optimistic. A friendly political climate for business, coinciding with a corporate earnings recovery, low interest rates and strengthening global economic growth, helped to sustain enthusiasm. This put concerns that more typically would have dampened market appetite -- climbing equity valuations, a hawkish central bank and geopolitical tensions -- on the back burner.

International equity markets, both developed and emerging, also enjoyed healthy returns as political stability prevailed and economic activity ramped up overseas. Aggressive quantitative easing has been bearing fruit in Europe and Japan, where concerns about deflation are beginning to subside and economic growth has surpassed expectations. A recovery in the demand for natural resources, partially driven by renewed growth prospects in China, led emerging market stocks to their highest return (37.3%[ii]) since 2009.

U.S. investors in foreign equities also benefited from a weakening dollar with the Bloomberg Dollar Index declining 10.4% in 2017. Despite last year’s strong performance, unlike domestic equity indices, foreign stock indices in U.S. dollar terms have yet to best pre-crisis peaks. Much of the relative underperformance versus U.S. stocks over the past decade stems from an expansionary economic cycle that has been far more robust domestically compared to elsewhere in the global economy. 2017 was the first year since 2012 that the MSCI EAFE or MSCI Emerging Markets indices outperformed the S&P 500. This may indicate a change in narrative as renewed growth prospects overseas and cheaper valuations are attracting investor attention.

Equity markets were not the only asset class that enjoyed such an extreme state of stability. Implied volatility in the U.S. bond market, as measured by the MOVE Index[iii], also reached historic lows despite a flattening of the yield curve[iv] as the Federal Reserve (Fed) began to unwind its balance sheet and hiked the Fed Funds Rate three times in 2017 as promised. Meanwhile, the yield on the bellwether 10-Year Treasury Note traded between a high of 2.64% and a low of 2.04% during the year, ultimately settling at 2.40%, just five basis points from where it ended 2016. However, the front end of the curve saw significant selling pressure that pushed the yield on the 2-Year Treasury Note up to a post-crisis high of 1.89%.

Fixed income credit spreads narrowed in line with the overarching risk on atmosphere in global financial markets. Despite a robust supply of new corporate bond issuance, option-adjusted spreads on investment grade corporate debt fell 30 basis points, while non-investment grade or high yield bonds declined by 66 basis points. Emblematic of just how thirsty investors have become for yield, Argentina, a serial defaulter on its sovereign debt, saw heavy demand for its $2.75 billion 100-year U.S. dollar denominated bonds issued in June.

Economic Highlights

U.S. Growth: The U.S. economy grew by an annualized 3.2%[v] in the third quarter, marking the second consecutive quarter in which domestic growth topped 3% — a feat not achieved since 2014. Acceleration in business spending offset the drag from a series of natural disasters. Early estimates for fourth quarter GDP growth indicate a continuation of the momentum.

Global Growth: After experiencing the weakest growth since the global financial crisis in 2016 (+3.2%), the International Monetary Fund (IMF) expects the global economy to grow by 3.6% in 2017 and 3.7% in 2018.[vi]

Employment: Unemployment remained at a 17-year low of 4.1%, adding an average of over 200,000 jobs per month during the fourth quarter. Despite a tight labor market, average hourly earnings grew by a relatively modest 2.5% in 2017[vii].

Inflation: Aided by rising energy prices, headline Consumer Price Index (CPI) rose 2.2% over the 12-month period through November. However, the Fed's preferred measure of inflation, which excludes food and energy, remains below its stated 2% target with a reading of 1.5% in November.

Energy: Oil prices continued to climb steadily during the fourth quarter after hitting a 12-month low in June. Spot West Texas Intermediate (WTI) traded at $59.55[viii] per barrel at the end of 2017. Despite higher crude prices, gasoline was slightly cheaper in the fourth quarter as refining capacity came back online following storm damage. AAA's national average gasoline price was $2.49 at year end, compared to $2.56 at the end of the third quarter.

Housing: U.S. home prices continued to appreciate amid shrinking inventory and mortgage rates still hovered near historic lows. The S&P CoreLogic Case-Shiller National Home Price Index rose 6.2% for the one-year period ending October 31, 2017.

Corporate Earnings: According to FactSet, S&P 500 earnings grew by 6.3% in the third quarter. For the full year, earnings are expected to grow by 9.6% in 2017 and 11.8% in 2018. If final results for the fourth quarter come in as expected or better, 2017 will be the strongest year for U.S corporate earnings growth since 2011.

2018 Year End Economic & Market Forecasts HighMark Asset Allocation Committee	
S&P 500 Year End Price Targets	
High	2925
Low	2825
S&P 500 Earnings ($ per share)	
High	155
Low	150
US GDP (Y/Y Real) (%)	
High	3.3
Low	2.6
Core PCE Inflation (Y/Y) (%)	
High	2.25
Low	1.85
Unemployment Rate (%)	3.8
Fed Funds Target (%)	
High	2.25
Low	1.75
10-year Treasury Yield (%)	
High	3.25
Low	2.75

Source: HighMark Asset Allocation Committee, Bloomberg

Market Performance

	% Total Return					
As of 12/31/2017	Q4 2017	YTD 2017	1-Year	3-Year	5-Year	10-Year
S&P 500	6.6	21.8	21.8	11.4	15.8	8.5
MSCI EAFE	4.2	25.0	25.0	7.8	7.9	1.9
MSCI Emerging Markets	7.4	37.3	37.3	9.1	4.4	1.7
Bloomberg Barclays US Aggregate Bond	0.4	3.5	3.5	2.2	2.1	4.0
ICE BofA ML US Treasury Bills	0.3	0.8	0.8	0.4	0.3	0.5
Bloomberg Commodity	4.7	1.7	1.7	-5.0	-8.5	-6.8

Source: Morningstar Direct
Periods greater than one year are annualized.

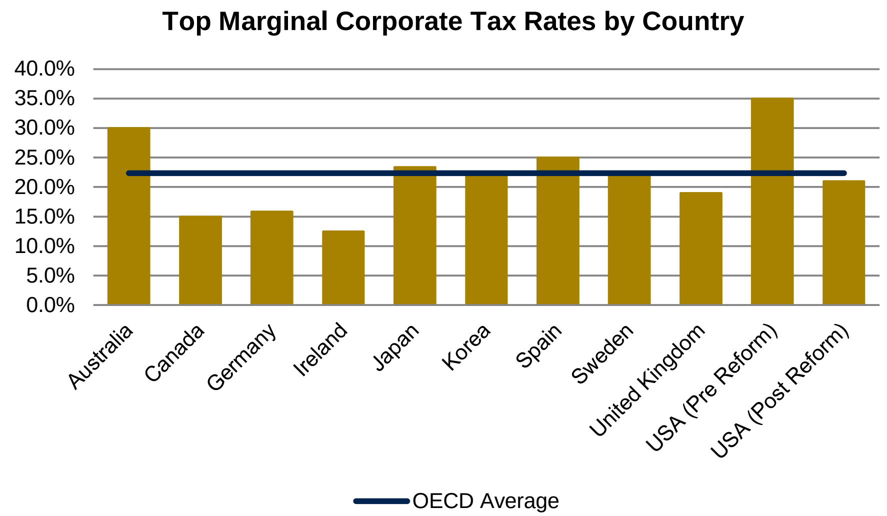
Tax Reform Arrives

Ever since Republicans attained their majorities in both houses of Congress in addition to securing control of the executive branch in the 2016 election, corporations and individuals alike eagerly awaited the passage of major tax reform legislation. Investors had reason to be skeptical amid swirling controversy in Washington and failure to repeal the Affordable Care Act, but ultimately kept the faith that fiscal stimulus would be delivered in the form of tax reform. As the end of the year drew near, the $1.5 trillion “Tax Cut and Jobs Act” was pushed across the finish line with last-minute compromises reached between the House and Senate versions of the legislation.

A reconciliation of the two bills was by no means a simple task. With so many interests in play and a defined ceiling for cuts, the devil lay in the details. When all was said and done, the final version of the legislation secured meaningful tax cuts for most businesses and individuals, while fixing some of the more arcane aspects of our nation’s tax laws. Now investors are left to ponder the financial market implications of the most significant rewrite of the U.S. tax code in over 30 years.

For many individuals, the new tax code will simplify the filing process by raising the standard deduction, thereby eliminating the need to itemize deductions. Lowering marginal tax rates and raising the alternative minimum tax (AMT) exemption were also among the key provisions that most positively impact American taxpayers. However, changes in allowable income deductions offset some of these benefits, in particular the limiting of deductibility for state and local income tax (or “SALT”). This results in a disproportionately negative impact on residents of higher tax states like California and New York. On balance, however, the vast majority of Americans will find themselves sending less money to Uncle Sam until most of the new provisions expire after 2025.

Corporations, meanwhile, saw their top marginal rate drop from 35% to 21% permanently, putting the U.S. more in line with other developed nations. A territorial tax system for foreign profits will replace a worldwide system that allowed for tax deferral pending repatriation of income. Any current unrepatriated earnings will be subject to a one-time tax of either 8% or 15.5%, depending on liquidity. Additionally, for the next five years, businesses will be able to deduct 100% of capital expenditures in the first year.



Source: OECD

As a result of the new provisions, after-tax corporate profits are expected to increase by an additional 10% to 12% next year. Correspondingly, we have raised our 2018 estimate for S&P 500 earnings to $150-$155 per share from $131-$139. While an earnings increase relieves some concerns over valuations, U.S. stocks are nowhere near cheap.

Altogether, tax cuts for next year are estimated to be $205 billion or more than 1% of GDP. The variable that will determine the true cost of the tax cuts is how much faster the economy will grow because of the income that will stay in private hands. Increased business and consumer spending is estimated to raise U.S. economic output by an additional 0.3% to 0.8% next year. If tax cuts can’t pay for themselves through economic growth, then federal debt as a percentage of GDP will grow more rapidly than originally projected. The non-partisan Tax Policy Center expects the new tax regime will add an incremental 5.5% to the nation’s debt-to-GDP ratio over the next 10 years.

Perhaps the most unusual aspect of this legislation is its timing. The last two major rewrites of the tax code, under Presidents Reagan and Kennedy, occurred when the

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economy was in much worse shape. Today, the U.S. economy is growing, albeit modestly, and unemployment sits at a cyclical low. In other words, injecting such a significant fiscal stimulus late in an expansionary cycle has no precedent.

Ultimately, how consumers and businesses spend their newfound wealth will be the key determinant for the economy's ability to sustainably break out of sub-par growth. Investments by businesses that drive productivity and wage gains will serve to achieve that objective, while more financial engineering (M&A and stock buybacks) are likely to deliver only short-term benefits.

Emerging Market Equities: Room to Run?

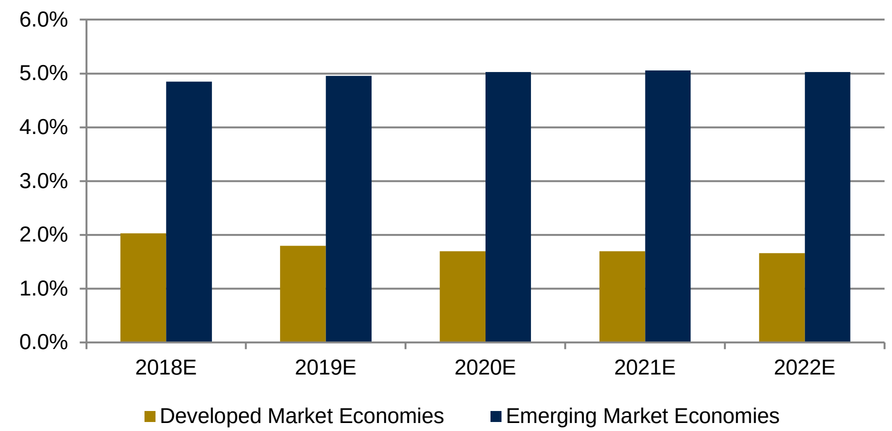
In 2017, emerging market equities outperformed developed market equities by a wide margin. This naturally leads to the question of whether this trend will continue in 2018.

We acknowledge that there are risks posed by emerging markets, primarily due to increasing leverage and ongoing structural reforms in China. China's transition to a consumption-led economy from an investment-led economy has been bumpy. However, we believe that China's risks are largely manageable due to the momentum behind their growing middle class.

We continue to favor emerging market stocks, including China, primarily because of the potential for continued above-trend economic growth momentum, a strong corporate earnings recovery underway, and valuations that are cheap relative both to historical levels and to developed markets. Moreover, emerging markets continue to benefit from cyclical tailwinds associated with a rebound in commodity prices, underappreciated structural growth drivers in technological innovations, and broadening internal consumption patterns as rising incomes expand the middle class.

Global economic growth began to pick up in 2017, providing a strong backdrop for emerging markets. Additionally, as shown in the chart below, emerging market economies are expected to grow by approximately 5% per year over the next five years. While this is lower than in past years, it is significantly higher than forecasted growth for developed markets, which hovers at or below 2% per year based on IMF estimates.

Developed Markets vs. Emerging Markets Estimated GDP Growth (%)



Source: IMF World Economic Outlook Database, October 2017

Emerging market equities also stand to benefit from improving corporate earnings and valuations that are attractive relative to both developed markets and historical patterns. Corporate earnings have suffered globally for several years, most especially in emerging markets. As shown in the chart on the next page, emerging market corporate earnings are strongly rebounding (at their highest level since 2014), supporting the appreciation in emerging market asset prices.

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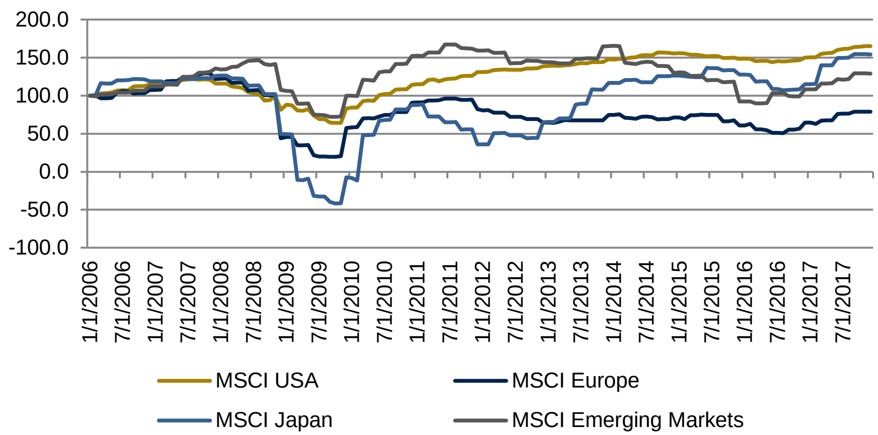
Global Earnings
EPS, U.S. Dollar, Trailing 12-months



Source: Bloomberg

While there are many aspects of the emerging markets story, each impacting the potential for continued outperformance versus domestic equities, China's role in determining the fate of emerging economies and their stock markets is perhaps the most pivotal.

China: Continued Engine of Growth, Though Muted

China has been the main engine of global economic growth over the last two decades, though it is now managing a growth deceleration process geared towards an emphasis on quality growth**.** While China's growth rate has been lower than in the past, it is still expected to remain strong relative to most other regions. China is now undergoing a similar shift to that of Japan and South Korea as those countries worked to transition their economies to more balanced business models. Effectively, China is trading less growth potential for reforms intended to broaden and de-risk their growth, while simultaneously making it more stable, less cyclical, and less prone to external shocks and internal corruption.

Managing a deceleration of growth presents a delicate balancing act for China as it seeks to generate enough growth to foster economic opportunity and maintain social cohesion while diminishing the potential for unhealthy credit-driven growth which can cause imbalances and may carry destabilizing risks. So far, China has been mainly successful in tamping down its unsustainably high growth rate and in tilting its growth model towards internal consumption and away from more volatile investment-driven growth.

Political leadership will play a key role in this transition. President Xi has cemented his position as party ruler after the conclusion of the recent 19th Party Congress. We believe his role as China's most powerful leader should promote political stability, be supportive of economic and political reforms, and drive increased innovation. China's leadership will be closely monitored for success in the following critical areas: rebalancing and reforming state-owned enterprises (which tend to be uncompetitive due to low returns and excess capacity), rationalizing credit growth, and maintaining stable exchange rates.

China's reliance on credit growth and ballooning debt levels are particularly concerning, as its non-financial debt has doubled over the past 10 years. Credit has been growing at twice the rate of economic growth, which is unsustainable and there have been diminishing returns to credit expansion as less productive investments have been funded. This investment and credit bubble needs to be addressed and rationalized. How China navigates this issue will determine if the ultimate economic growth landing will be hard or soft.

The good news is that China has successfully recapitalized many of its banks and possesses the foreign currency reserves required to expand recapitalization efforts. Most of China's debt is locally funded by massive personal savings rates and substantial current account and trade surpluses, thus eliminating currency mismatches and systemic risks from capital flight out of the country. However, an unfavorable credit cycle, and significant bad debt recognition, could threaten China's current economic stability.

China has successfully addressed imbalances in the past so there is good reason to believe they can manage them again. However, the sheer size of the economy makes these problems dwarf those faced in past cycles. Emerging market investors must acknowledge that future returns in the asset class will largely hinge on China's evolution. Those willing to accept the risk in pursuit of higher returns should carefully handicap and continuously re-calibrate the country's economic outlook to ensure that they will be adequately compensated for potential volatility in emerging markets.

Conclusion

At its core, the tranquility and prosperity of financial markets in 2017 was a manifestation of a market friendly policy acting as a tailwind to building momentum in the global economy. Entering 2018, the impact of outgoing monetary stimulus and incoming fiscal stimulus will remain in focus domestically. While no equivalent historical comparisons exist for this type of environment, we expect that a slow moving Fed, combined with tax cuts, will further extend what is already one of the longest expansion cycles in modern economic history. Meanwhile, many foreign economies find themselves in less mature stages of an expansion cycle, leaving even more room to grow, as accommodative monetary policy is perpetuated.

A new Fed Chair (Jerome Powel is set to replace Janet Yellen in February) will be closely scrutinized as monetary policy accommodation continues to be delicately weened. Central banks overseas will also keep the investor's attention as the European Central Bank and Bank of Japan consider backing away from unprecedented levels of quantitative easing, as their economies gain self-sustaining momentum. Although global monetary policy makers are seeing signs of economic strength as an opportunity to reign in their balance sheets, we do not foresee the need or motivation to turn aggressively hawkish with the caveat that an inflation flare up could hasten the pace of tightening.

An accelerating global economy is likely to remain supportive of asset prices and likely spur a rotation of capital into more cyclically sensitive areas of the equity market as economic data continues to improve. However, in calm and rising markets, a prudent investor should fight the temptation of complacency and always be conscious of what can go wrong. An emergence of runaway inflation expectations leading to significantly higher interest rates tops our list of potential threats to the status quo. Elevated valuations increase downside risk if and when the market's paradigm should reverse course regardless of the reason. While our overall market outlook remains optimistic heading into this year, we must acknowledge this is a consensus view in a market with underappreciated risk. For this reason, staying diversified and anchored to one's asset allocation policy should permeate all investment decisions.

[i] Bloomberg: The Chicago Board Options Exchange Volatility Index reflects a market estimate of future volatility, based on the weighted average of the implied volatilities for a wide range of strikes.

[ii] Measured by the MSCI Emerging Markets Index.

[iii] Bloomberg: Merrill Option Volatility Estimate. This is a yield curve weighted index of the normalized implied volatility on 1-month Treasury options. It is the weighted average of volatilities on the CT2, CT5, CT10, and CT30.

[iv] A "flattening yield curve" is defined as one where the yield on short-term treasuries increases at a faster rate than the yield on longer-term treasuries.

[v] BEA.gov

[vi] IMF: World Economic Outlook, October 2017

[vii] U.S. Bureau of Labor Statistics

[viii] www.EIA.gov

Economic and Market Perspectives
Q1 2018

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Investment Review through 12/31/2017

Investment Objective: DOCUMENT DIRECTED - IS

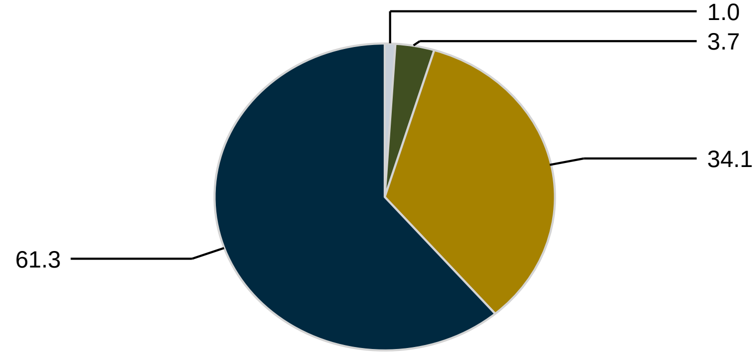
Investment Officer: ROBERT L. ADAMS

Inception Date: 05/01/1998

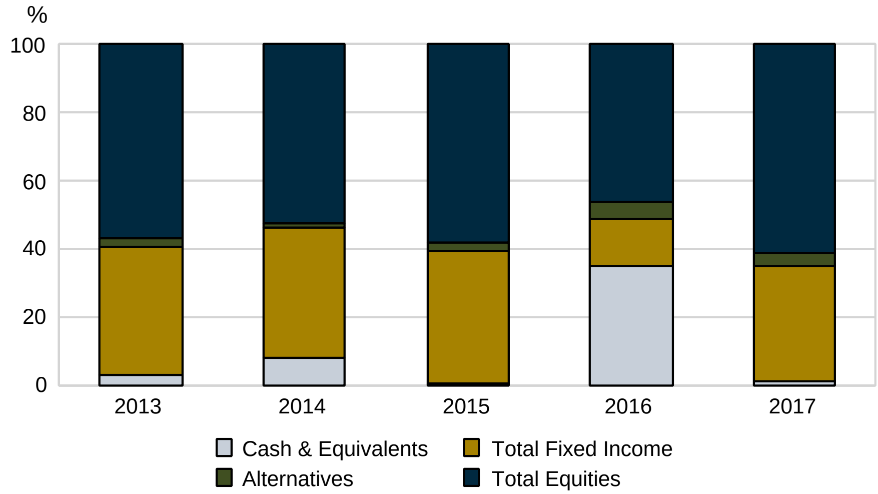
Asset Allocation Summary

Market Value by Asset Class

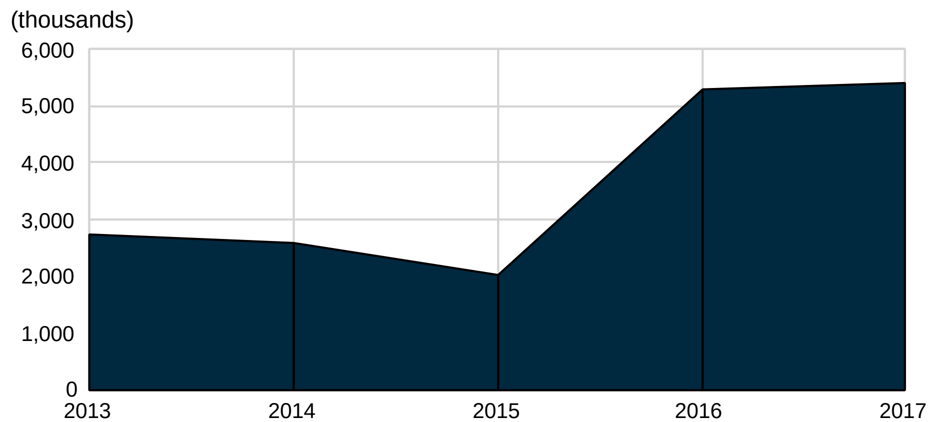
	Market Value	% of Mkt Val
Total Equities	3,316,317	61.3
Total Fixed Income	1,844,250	34.1
Alternatives	199,090	3.7
Cash & Equivalents	51,650	1.0
Total	**5,411,307**	**100.0**



Annual Allocation



Annual Ending Market Values



Account Name: DESERT HOSPITAL RETIREMENT PLAN **Investment Review**

Account ID: 6746128600 ***November 30, 2017 to December 31, 2017***

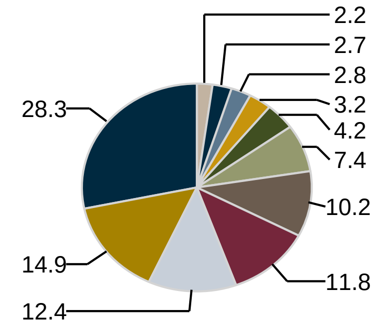
Portfolio Analytics

Largest 10 Holdings - YTD Return

	Market Value	% of Mkt Val	Return
ISHARES S&P 500 VALUE ETF	436,968	8.1	15.20
ISHARES MSCI EAFE ETF	372,643	6.9	25.08
ISHARES MSCI EAFE VALUE E	269,124	5.0	21.35
ISHARES S&P 500 GROWTH ET	244,432	4.5	27.52
ISHARES RUSSELL 2000 ETF	228,690	4.2	14.54
ISHARES MSCI EMERGING MKT	222,642	4.1	37.30
SCHWAB STRATEGIC TR	208,880	3.9	15.09
VANGUARD INDEX FUNDS S&P	208,497	3.9	15.11
ISHARES RUS MID-CAP VALUE	151,555	2.8	13.25
ISHARES MSCI EAFE GROWTH	137,258	2.5	28.90

Equity Holdings Analysis - Individual Holdings

	% of Mkt Val
Information Tech.	28.3
Financials	14.9
Health Care	12.4
Consumer Disc.	11.8
Industrials	10.2
Energy	7.4
Consumer Staples	4.2
Materials	3.2
Utilities	2.8
Real Estate	2.7
Telecom Services	2.2
Total	**100.0**



Top 10 Performers YTD

	Market Value	% of Mkt Val	Return
PIMCO HIGH YIELD,INSTL #1	0	.0	105.15
ADOBE SYS INC	4,381	.1	69.59
APPLIED MATLS INC	8,844	.2	58.44
FACEBOOK INC CL A	11,117	.2	53.84
PVH CORP	5,626	.1	51.90
APPLE INC COM	21,831	.4	48.08
ROCKWELL COLLINS	5,289	.1	47.54
MASTERCARD INC-A	6,811	.1	47.15
BAXTER INTL INC COM	4,666	.1	46.90
AETNA INC	2,706	.1	46.76

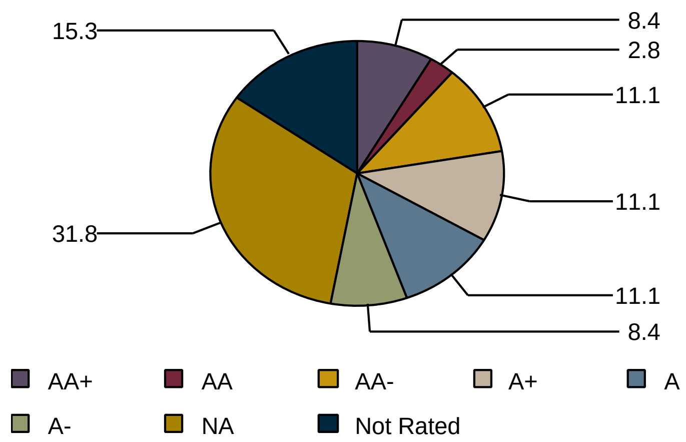
Bottom 10 Performers YTD

	Market Value	% of Mkt Val	Return
ALLERGAN PLC SHS	3,599	.1	-21.15
WALGREENS BOOTS ALLIANCE	2,469	.1	-10.38
CELGENE CORP	6,366	.1	-9.84
EDISON INTL	4,405	.1	-9.50
HALLIBURTON CO	5,913	.1	-8.55
AMERICAN INTL GROUP COM	4,886	.1	-6.90
MONDELEZ INTL INC CL A	3,786	.1	-1.56
DISNEY (WALT) COMPANY HOL	3,467	.1	-1.23
MERCK & CO COM COM	7,094	.1	-1.21
OUTFRONT MEDIA INC COM RE	3,202	.1	-1.12

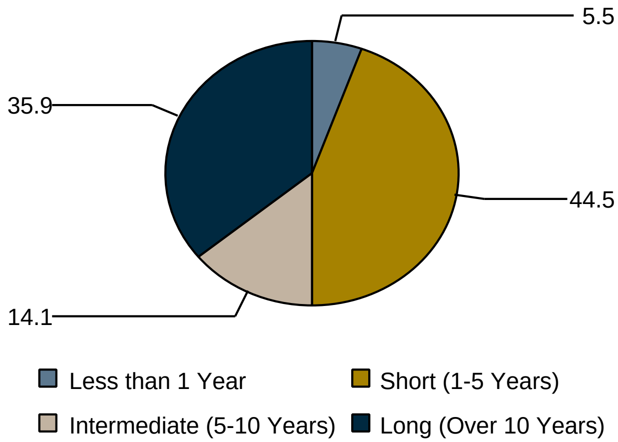
Fixed Income Analysis - Individual Holdings

	12/31/2017	09/30/2017	12/31/2016	12/31/2015	12/31/2014
Duration	8.33	7.42	5.89	5.42	4.62
Coupon	3.13	3.12	2.75	2.68	2.85
Yield to Maturity	2.69	2.47	2.32	2.44	2.11
Maturity	11.57	10.10	7.37	6.89	6.03
Current Yield	3.04	3.01	2.68	2.63	2.77
Face Amount	1,788,872	1,611,024	567,895	730,580	901,832
Market Value	1,832,668	1,663,816	577,343	737,647	920,920
Cost	1,846,409	1,664,997	586,681	751,683	930,289

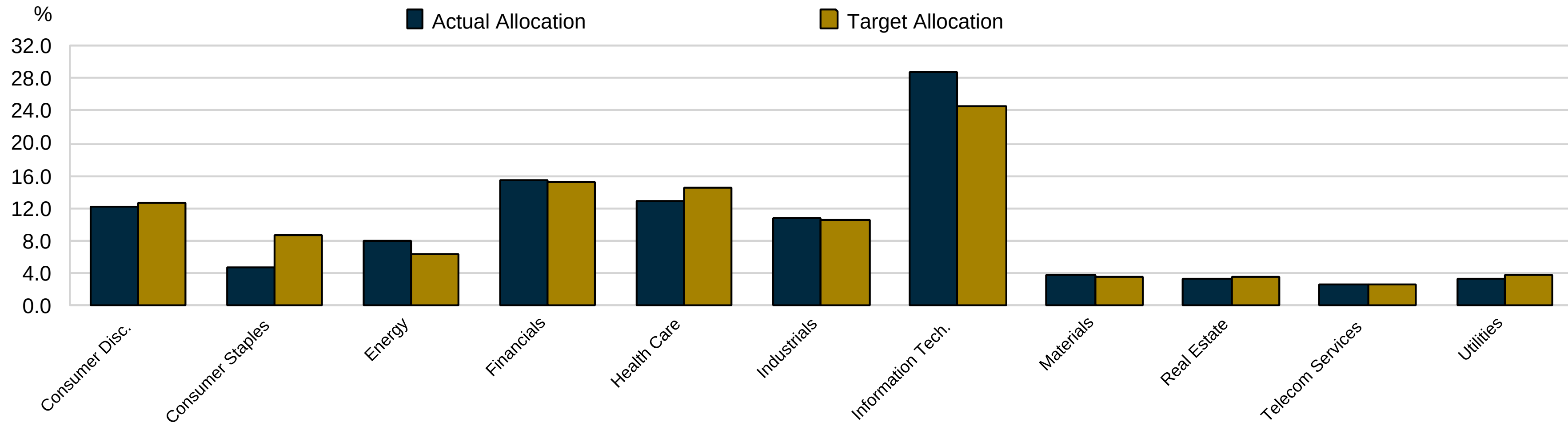
Quality Allocation by Market Value



Maturity Allocation by Market Value



Equity Sector Allocation vs. SP500 Target



	Market Value	Actual Allocation	Target Allocation	Variance
Consumer Disc.	45,332	11.8	12.1	-.3
Consumer Staples	15,975	4.2	8.1	-4.0
Energy	28,499	7.4	5.9	1.6
Financials	57,282	14.9	14.8	.1
Health Care	47,838	12.4	14.1	-1.6
Industrials	39,210	10.2	10.1	.1
Information Tech.	108,797	28.3	24.0	4.3
Materials	12,384	3.2	3.0	.3
Real Estate	10,513	2.7	2.9	-.2
Telecom Services	8,363	2.2	2.0	.2
Utilities	10,583	2.8	3.2	-.4
Total Common Stock	384,777	100.0	100.0	.0

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Summary Investment Performance

DESERT HOSPITAL RETIREMENT PLAN

Account 6746128600
Period: 05/01/1998 - 12/31/2017

Beginning Market Value	**12,016,944.00**
Beginning Accrued Income	**77,673.00**
Beginning Portfolio Value	**12,094,617.00**
Net Contributions and Withdrawals	-12,012,907.57
Income Earned	3,540,136.73
Gain/Loss	1,789,460.45
Ending Market Value	**5,398,700.46**
Ending Accrued Income	**12,606.15**
Ending Portfolio Value	**5,411,306.61**
Total Earnings	**5,329,597.18**

Performance

Cash Equivalents	1.93
Total Fixed Income	4.04
BC Intmdt US Aggregate Index	4.64
Total Equities	6.53
Russell 2000 Growth Index (USD)	6.20
Russell 2000 Index (USD)	7.48
Russell 2000 Value Index (USD)	8.30
S&P 500 Composite Index	6.56
S&P 500/Citigroup Growth Index	6.38
S&P 500/Citigroup Value Index	6.25
S&P MidCap 400 Index	10.08
Total Account Net of Fees	4.95

HIGHMARK® CAPITAL MANAGEMENT

Account Name: DESERT HOSPITAL RETIREMENT PLAN

Account ID: 6746128600 ***Reporting Period Ending: December 31, 2017***

Performance Report

Sector	Market Value	3 Months	1 Year	3 Years	5 Years	10 Years	15 Years	Inception to Date 05/01/1998
Cash & Equivalents	51,650	.24	.74	.34	.21	.70		
Lipper Money Market Funds Index		.22	.66	.27	.16	.34	1.11	1.81
Total Fixed Income	1,844,250	.01	2.62	1.75	1.48	2.94	3.19	4.04
BC Intmdt US Aggregate Index		-.07	2.27	1.82	1.70	3.53	3.76	4.64
Large Cap Blend Category	802,153	6.30	21.16	10.67	14.27	7.88		
S&P 500 Composite Index		6.64	21.83	11.41	15.79	8.50	9.92	6.56
Large-Cap Value Funds	436,968	6.44	15.20	9.34	14.04			
S&P 500/Citigroup Value Index		6.33	15.36	9.47	14.24	6.80	9.46	6.25
Large-Cap Growth Funds	244,432	6.90	27.52	12.88	16.97			
S&P 500/Citigroup Growth Index		6.80	27.44	12.86	17.00	9.99	10.24	6.38
Mid Cap Funds	266,163	6.29	19.01	9.85	15.03			
S&P MidCap 400 Index		6.25	16.24	11.14	15.01	9.97	12.00	10.08
Small-Cap Blended Funds	228,690	3.26	14.54	10.17				
Russell 2000 Index (USD)		3.34	14.65	9.96	14.12	8.71	11.17	7.48
Small-Cap Value Funds	119,463	2.04	7.67	9.83				
Russell 2000 Value Index (USD)		2.05	7.84	9.55	13.01	8.17	10.66	8.30
Small-Cap Growth Funds	70,013	4.47	22.49	10.88	15.83			
Russell 2000 Growth Index (USD)		4.59	22.17	10.28	15.21	9.19	11.57	6.20
International Equity Funds	1,125,397	4.26	26.10	7.60	5.49			
MSCI Eafe + EM Free(net) Index		5.06	28.05	8.20	7.08	1.82	8.63	
Total Equities	3,316,317	5.29	21.55	9.96	12.45	6.70	9.60	6.53
S&P 500 Composite Index		6.64	21.83	11.41	15.79	8.50	9.92	6.56
65% S&P 500/ 15% Russell 2000/ 20% MSCI EAFE		5.66	21.42	10.56	14.02	7.30	9.85	
Total Managed Portfolio	5,411,307	3.22	13.74	6.97	8.10	5.18	7.24	5.65
Total Account Net of Fees	5,411,307	3.05	12.98	6.23	7.35	4.45	6.51	4.95

Returns are gross of account level investment advisory fees and net of any fees including fees to manage mutual fund or exchange traded fund holdings. Returns for periods over one year are annualized. The information presented has been obtained fromsources believed to be accurate and reliable. Past performance is not indicative of future returns. Securities are not FDIC insured have no bank guarantee and may lose value.

HIGHMARK® CAPITAL MANAGEMENT

Account Name: DESERT HOSPITAL RETIREMENT PLAN

Account ID: 6746128600 ***Reporting Period Ending: December 31, 2017***

Holdings Report w/ Yield and Income

	Ticker	Units	Unit Cost	Total Cost	Price	Market Value	Weight	Unit Income	Annual Income	Current Yield
Cash										
Cash/Pending Trade		-2.200	1.00	-2.20	1.00	-2.20	.0	.00	.00	.0
Total for Cash				**-2.20**		**-2.20**	**.0**		**.00**	**.0**
Cash - Money Market										
FIRST AMERN GOVT OBLIG FD CL Z #3676	FGZXX	51,536.250	1.00	51,536.25	1.00	51,652.12	1.0	.01	557.31	1.1
Total for Cash - Money Market				**51,536.25**		**51,652.12**	**1.0**		**557.31**	**1.1**
Taxable Fixed - Corporates										
ALABAMA PWR NTS 3.375% 10/01/20	APN3320	50,000.000	105.92	52,960.50	102.48	51,659.88	1.0	3.38	1,687.50	3.3
ALPHABET INC 3.375% 2/25/24		100,000.000	103.68	103,675.00	104.25	105,431.25	1.9	3.38	3,375.00	3.2
BERKSHIRE HATH FIN 3.000% 5/15/22	BH33022	50,000.000	104.53	52,264.50	102.31	51,344.67	.9	3.00	1,500.00	2.9
CISCO SYS NTS 2.450% 6/15/20	CSN2420	100,000.000	101.52	101,522.00	100.65	100,762.89	1.9	2.45	2,450.00	2.4
COLGATE PALMOLIVE CO 2.950% 11/01/20	CL20	100,000.000	103.10	103,095.00	102.17	102,661.67	1.9	2.95	2,950.00	2.9
DISNEY WALT CO MTNS 2.300% 2/12/21	DWC2321	50,000.000	103.43	51,716.50	99.87	50,376.53	.9	2.30	1,150.00	2.3
DU PONT E I NTS 3.625% 1/15/21	DPE3621	100,000.000	104.06	104,062.00	103.35	105,018.53	1.9	3.63	3,625.00	3.5
HOME DEPOT INC NT 2.250% 9/10/18	HDI2218	50,000.000	102.28	51,139.50	100.29	50,489.88	.9	2.25	1,125.00	2.2
IBM CORP 3.375% 8/01/23	IC00323	100,000.000	103.56	103,559.00	103.51	104,919.25	1.9	3.38	3,375.00	3.3
MIDAMERICAN ENERGY 2.400% 3/15/19	BRK.B/19A	50,000.000	102.73	51,366.50	100.40	50,551.33	.9	2.40	1,200.00	2.4
PRAXAIR INC	PX23	50,000.000	101.99	50,994.00	100.46	50,719.50	.9	2.70	1,350.00	2.7
WELLS FARGO NTS 3.500% 3/08/22	WFN3512	100,000.000	102.96	102,964.00	103.26	104,354.61	1.9	3.50	3,500.00	3.4
Total for Taxable Fixed - Corporates				**929,318.50**		**928,289.99**	**17.2**		**27,287.50**	**3.0**
Taxable Fixed - Mortgages										
FGLMC G07029 4.000% 6/01/42	G07029F	86,783.180	106.20	92,166.45	105.74	91,763.67	1.7	4.00	3,471.33	3.8
FGLMC #C04305 3.000% 11/01/42	C04305F	62,755.550	104.36	65,491.31	100.56	63,261.36	1.2	3.00	1,882.67	3.0
FGLMC #C18024 5.500% 11/01/28	C18024F	1,403.000	103.75	1,455.61	109.23	1,538.94	.0	5.50	77.17	5.0
FHLMC #B13755 4.500% 4/01/19	B13755F	2,434.290	104.91	2,553.73	101.43	2,478.23	.0	4.50	109.54	4.4
FGLMC #Q19470 3.000% 6/01/43	Q19470F	95,848.250	100.64	96,462.28	100.58	96,647.62	1.8	3.00	2,875.45	3.0
FGLMC #G60344 4.000% 12/01/45	G60344F	90,160.680	105.63	95,232.22	105.66	95,566.12	1.8	4.00	3,606.43	3.8
FNMA #254721 5.000% 5/01/18	254721A	201.800	101.45	204.73	101.80	206.28	.0	5.00	10.09	4.9
FNMA AL7945 3.50000% 1/1/2046	AL7945A	100,038.980	103.67	103,712.28	103.41	103,447.31	1.9	3.50	3,501.36	3.4

Holdings Report w/ Yield and Income

	Ticker	Units	Unit Cost	Total Cost	Price	Market Value	Weight	Unit Income	Annual Income	Current Yield
FNMA AS6340 3.5000% 12/1/2045	AS6340A	84,547.990	102.63	86,773.98	103.19	87,242.53	1.6	3.50	2,959.18	3.4
FNMA AU3742 3.5000% 8/1/2043	AU3742A	86,513.350	102.45	88,635.64	103.19	89,275.72	1.6	3.50	3,027.97	3.4
FNMA 995672 4.500% 4/01/39	995672A	13,216.290	101.70	13,441.39	106.68	14,148.04	.3	4.50	594.73	4.2
GNMA II #2629 6.000% 8/20/28	002629M	3,635.270	99.69	3,623.93	112.92	4,123.05	.1	6.00	218.12	5.3
GNMA II #003389 5.000% 5/20/33	003389M	4,730.300	103.75	4,907.68	108.71	5,161.97	.1	5.00	236.52	4.6
GNMA #474804 6.500% 9/15/28	474804X	1,846.560	101.19	1,868.49	110.94	2,058.59	.0	6.50	120.03	5.9
GNMA #780912 6.500% 11/15/28	780912X	2,602.800	101.97	2,654.05	113.30	2,963.12	.1	6.50	169.18	5.7
GNMA #781057 5.500% 6/15/29	781057X	2,153.620	100.37	2,161.69	110.47	2,389.06	.0	5.50	118.45	5.0
Total for Taxable Fixed - Mortgages				**661,345.46**		**662,271.61**	**12.2**		**22,978.22**	**3.5**
Taxable FX- US Govt Agcy										
FHLMC NTS 2.375% 1/13/22	FN22322	50,000.000	105.66	52,830.60	100.90	51,003.67	.9	2.38	1,187.50	2.4
Total for Taxable FX- US Govt Agcy				**52,830.60**		**51,003.67**	**.9**		**1,187.50**	**2.4**
Taxable Fixed - US Treas										
US TREAS NTS 1.750% 9/30/19	UTN1719	50,000.000	100.89	50,445.31	99.77	50,110.06	.9	1.75	875.00	1.8
US TREAS NTS 2.250% 7/31/18	UTN2218	50,000.000	101.78	50,890.63	100.37	50,656.29	.9	2.25	1,125.00	2.2
US TREAS NTS 2.250% 4/30/21	UTN2221A	50,000.000	101.06	50,531.25	100.66	50,524.68	.9	2.25	1,125.00	2.2
US TREAS NTS 2.250% 7/31/21	UTN2221B	50,000.000	102.09	51,046.88	100.58	50,761.79	.9	2.25	1,125.00	2.2
Total for Taxable Fixed - US Treas				**202,914.07**		**202,052.82**	**3.7**		**4,250.00**	**2.1**
Taxable Funds - Bank Loan										
EATON VANCE FLTG RT & HI INCM I #904	EIFHX	71.330	8.84	630.46	8.86	631.95	.0	.36	25.82	4.1
Total for Taxable Funds - Bank Loan				**630.46**		**631.95**	**.0**		**25.82**	**4.1**
Taxable Funds - High Yield										
PIMCO HIGH YIELD,INSTL #108	PHIYX	.020	7.00	.14	7.00	.14	.0	.46	.01	6.5
Total for Taxable Funds - High Yield				**.14**		**.14**	**.0**		**.01**	**7.1**
Con Discretionary - Dom CS										
COMCAST CORP-CL A	CMCSA	243.000	33.52	8,145.40	40.05	9,732.15	.2	.63	153.09	1.6
DISNEY (WALT) COMPANY HOLDING CO	DIS	32.000	109.71	3,510.56	107.51	3,467.20	.1	1.68	53.76	1.6

HIGHMARK® CAPITAL MANAGEMENT

Account Name: DESERT HOSPITAL RETIREMENT PLAN

Account ID: 6746128600 ***Reporting Period Ending: December 31, 2017***

Holdings Report w/ Yield and Income

	Ticker	Units	Unit Cost	Total Cost	Price	Market Value	Weight	Unit Income	Annual Income	Current Yield
DOLLAR TREE STORES	DLTR	67.000	79.79	5,345.72	107.31	7,189.77	.1	.00	.00	.0
LOWES COS INC	LOW	59.000	66.58	3,928.40	92.94	5,483.46	.1	1.64	96.76	1.8
PVH CORP	PVH	41.000	88.20	3,616.04	137.21	5,625.61	.1	.15	6.15	.1
STARBUCKS CORP	SBUX	101.000	56.54	5,710.89	57.43	5,800.43	.1	1.20	121.20	2.1
TJX COS INC NEW	TJX	64.000	75.25	4,815.68	76.46	4,893.44	.1	1.25	80.00	1.6
TRACTOR SUPPLY CO	TSCO	42.000	77.90	3,271.60	74.75	3,139.50	.1	1.08	45.36	1.4
Total for Con Discretionary - Dom CS				**38,344.29**		**45,331.56**	**.8**		**556.32**	**1.2**
Con Staples - Dom CS										
COSTCO WHOLESALE CORP	COST	31.000	159.48	4,943.81	186.12	5,769.72	.1	2.00	62.00	1.1
MONDELEZ INTL INC CL A	MDLZ	88.000	41.16	3,621.99	42.80	3,785.76	.1	.88	77.44	2.1
PROCTER & GAMBLE CO	PG	43.000	91.67	3,941.60	91.88	3,950.84	.1	2.76	118.59	3.0
WALGREENS BOOTS ALLIANCE INC COM	WBA	34.000	82.24	2,796.29	72.62	2,469.08	.0	1.60	54.40	2.2
Total for Con Staples - Dom CS				**15,303.69**		**15,975.40**	**.3**		**312.43**	**2.0**
Energy - Dom CS										
CHEVRON CORP. COMMON STOCK	CVX	83.000	112.12	9,306.17	125.19	10,390.77	.2	4.32	358.56	3.5
CONCHO RES INC	CXO	14.000	131.36	1,838.98	150.22	2,103.08	.0	.00	.00	.0
EOG RES INC	EOG	68.000	92.73	6,305.61	107.91	7,337.88	.1	.67	45.56	.6
HALLIBURTON CO	HAL	121.000	48.59	5,879.23	48.87	5,913.27	.1	.72	87.12	1.5
OCCIDENTAL PETE CORP	OXY	37.000	74.62	2,761.11	73.66	2,753.91	.1	3.08	113.96	4.2
Total for Energy - Dom CS				**26,091.10**		**28,498.91**	**.5**		**605.20**	**2.1**
Financials - Domestic CS										
AFFILIATED MANAGERS GROUP INC	AMG	31.000	153.56	4,760.38	205.25	6,362.75	.1	.80	24.80	.4
AMERICAN INTL GROUP COM	AIG	82.000	62.18	5,098.37	59.58	4,885.56	.1	1.28	104.96	2.1
BK NEW YORK MELLON CORP COM	BK	74.000	45.26	3,348.88	53.86	3,985.64	.1	.96	71.04	1.8
CITIGROUP INC COM	C	137.000	53.28	7,298.83	74.41	10,194.17	.2	1.28	175.36	1.7
E TRADE FIN CORP COM	ETFC	74.000	41.52	3,072.11	49.57	3,668.18	.1	.00	.00	.0
INTERCONTINENTAL EXCHANGE INC	ICE	77.000	54.65	4,207.81	70.56	5,433.12	.1	.80	61.60	1.1
JPMORGAN CHASE & CO	JPM	117.000	92.48	10,820.74	106.94	12,511.98	.2	2.24	262.08	2.1
PNC FINANCIAL SERVICES GROUP	PNC	40.000	118.99	4,759.42	144.29	5,771.60	.1	3.00	120.00	2.1

Holdings Report w/ Yield and Income

	Ticker	Units	Unit Cost	Total Cost	Price	Market Value	Weight	Unit Income	Annual Income	Current Yield
SCHWAB CHARLES CORP NEW	SCHW	87.000	34.72	3,020.88	51.37	4,469.19	.1	.32	27.84	.6
Total for Financials - Domestic CS				**46,387.42**		**57,282.19**	**1.1**		**847.68**	**1.5**
Health Care - Dom CS										
ABBOTT LABS COM	ABT	107.000	45.38	4,855.98	57.07	6,106.49	.1	1.12	119.84	2.0
AETNA INC	AET	15.000	114.84	1,722.54	180.39	2,705.85	.1	2.00	30.00	1.1
BAXTER INTL INC COM	BAX	72.000	42.93	3,090.61	64.64	4,665.60	.1	.64	46.08	1.0
BRISTOL MYERS SQUIBB CO	BMY	94.000	59.02	5,548.11	61.28	5,760.32	.1	1.60	150.40	2.6
CELGENE CORP	CELG	61.000	114.38	6,977.46	104.36	6,365.96	.1	.00	.00	.0
GILEAD SCIENCES INC	GILD	70.000	81.33	5,692.96	71.64	5,014.80	.1	2.08	145.60	2.9
HOLOGIC INC	HOLX	72.000	40.00	2,880.15	42.75	3,078.00	.1	.00	.00	.0
LABORATORY CORP AMER HLDGS	LH	14.000	122.45	1,714.26	159.51	2,233.14	.0	.00	.00	.0
LILLY ELI & CO	LLY	57.000	83.68	4,769.72	84.46	4,814.22	.1	2.25	128.25	2.7
MERCK & CO COM COM	MRK	125.000	57.14	7,142.66	56.27	7,093.75	.1	1.92	240.00	3.4
Total for Health Care - Dom CS				**44,394.45**		**47,838.13**	**.9**		**860.17**	**1.8**
Industrials - Domestic CS										
EQUIFAX INC	EFX	35.000	115.73	4,050.58	117.92	4,127.20	.1	1.56	54.60	1.3
FORTIVE CORP COM	FTV	78.000	51.68	4,031.31	72.35	5,643.30	.1	.28	21.84	.4
HONEYWELL INTL INC	HON	46.000	137.14	6,308.21	153.36	7,054.56	.1	2.98	137.08	1.9
HUNT J B TRANS SVCS INC	JBHT	46.000	90.83	4,178.17	114.98	5,289.08	.1	.92	42.32	.8
NORTHROP GRUMMAN CORP	NOC	21.000	245.51	5,155.67	306.91	6,445.11	.1	4.00	84.00	1.3
ROCKWELL COLLINS	COL	39.000	91.63	3,573.46	135.62	5,289.18	.1	1.32	51.48	1.0
UNITED PARCEL SERVICE CL B	UPS	45.000	109.59	4,931.55	119.15	5,361.75	.1	3.32	149.40	2.8
Total for Industrials - Domestic CS				**32,228.95**		**39,210.18**	**.7**		**540.72**	**1.4**
Info Tech - Domestic CS										
ADOBE SYS INC	ADBE	25.000	94.72	2,368.12	175.24	4,381.00	.1	.00	.00	.0
ALPHABET INC CAP STK CL A	GOOGL	16.000	770.55	12,328.85	1,053.40	16,854.40	.3	.00	.00	.0
ANALOG DEVICES INC	ADI	61.000	70.48	4,299.42	89.03	5,430.83	.1	1.80	109.80	2.0
APPLE INC COM	AAPL	129.000	104.53	13,485.01	169.23	21,830.67	.4	2.52	325.08	1.5
APPLIED MATLS INC	AMAT	173.000	28.36	4,905.58	51.12	8,843.76	.2	.40	69.20	.8

Holdings Report w/ Yield and Income

	Ticker	Units	Unit Cost	Total Cost	Price	Market Value	Weight	Unit Income	Annual Income	Current Yield
CISCO SYS INC	CSCO	271.000	30.25	8,197.46	38.30	10,379.30	.2	1.16	314.36	3.0
FACEBOOK INC CL A	FB	63.000	117.53	7,404.15	176.46	11,116.98	.2	.00	.00	.0
MASTERCARD INC-A	MA	45.000	98.83	4,447.30	151.36	6,811.20	.1	1.00	45.00	.7
MICROSOFT CORP	MSFT	223.000	54.97	12,258.28	85.54	19,075.42	.4	1.68	374.64	2.0
TEXAS INSTRS INC	TXN	39.000	67.91	2,648.56	104.44	4,073.16	.1	2.48	96.72	2.4
Total for Info Tech - Domestic CS				**72,342.73**		**108,796.72**	**2.0**		**1,334.80**	**1.2**
Materials - Domestic CS										
ECOLAB INC	ECL	38.000	113.79	4,324.00	134.18	5,114.42	.1	1.64	62.32	1.2
PRAXAIR INC	PX	47.000	132.97	6,249.36	154.68	7,269.96	.1	3.15	148.05	2.0
Total for Materials - Domestic CS				**10,573.36**		**12,384.38**	**.2**		**210.37**	**1.7**
Real Estate - Dom CS										
AMERICAN TOWER CORP	AMT	51.000	101.75	5,189.18	142.67	7,311.87	.1	2.80	142.80	2.0
OUTFRONT MEDIA INC COM REIT	OUT	138.000	23.48	3,239.63	23.20	3,201.60	.1	1.44	198.72	6.2
Total for Real Estate - Dom CS				**8,428.81**		**10,513.47**	**.2**		**341.52**	**3.3**
Telecom Services - Dom CS										
VERIZON COMMUNICATIONS	VZ	158.000	52.52	8,298.71	52.93	8,362.94	.2	2.36	372.88	4.5
Total for Telecom Services - Dom CS				**8,298.71**		**8,362.94**	**.2**		**372.88**	**4.5**
Utilities-Dom Common Stock										
EDISON INTL	EIX	69.000	71.14	4,908.80	63.24	4,405.31	.1	2.42	166.98	3.8
WEC ENERGY GROUP INC COM	WEC	93.000	58.60	5,450.06	66.43	6,177.99	.1	2.08	193.44	3.1
Total for Utilities-Dom Common Stock				**10,358.86**		**10,583.30**	**.2**		**360.42**	**3.4**
Large-Cap Value Funds										
ISHARES S&P 500 VALUE ETF	IVE	3,825.000	93.76	358,623.82	114.24	436,968.00	8.1	2.42	9,256.50	2.1
Total for Large-Cap Value Funds				**358,623.82**		**436,968.00**	**8.1**		**9,256.50**	**2.1**
Mid-Cap Value Funds										
ISHARES RUS MID-CAP VALUE	IWS	1,700.000	72.82	123,797.56	89.15	151,555.00	2.8	1.75	2,968.20	2.0
Total for Mid-Cap Value Funds				**123,797.56**		**151,555.00**	**2.8**		**2,968.20**	**2.0**

Holdings Report w/ Yield and Income

	Ticker	Units	Unit Cost	Total Cost	Price	Market Value	Weight	Unit Income	Annual Income	Current Yield
Small-Cap Value Funds										
ISHARES RUSSELL 2000 VALUE ETF	IWN	950.000	112.98	107,332.33	125.75	119,462.50	2.2	2.24	2,124.20	1.8
Total for Small-Cap Value Funds				**107,332.33**		**119,462.50**	**2.2**		**2,124.20**	**1.8**
Large-Cap Growth Funds										
ISHARES S&P 500 GROWTH ETF	IVW	1,600.000	111.19	177,904.97	152.77	244,432.00	4.5	1.99	3,185.60	1.3
Total for Large-Cap Growth Funds				**177,904.97**		**244,432.00**	**4.5**		**3,185.60**	**1.3**
Mid-Cap Growth Funds										
ISHARES RUS MID-CAP GRW ETF	IWP	950.000	85.20	80,936.65	120.64	114,608.00	2.1	.94	894.90	.8
Total for Mid-Cap Growth Funds				**80,936.65**		**114,608.00**	**2.1**		**894.90**	**.8**
Small-Cap Growth Funds										
ISHARES RUSSELL 2000 GROWTH ETF	IWO	375.000	142.31	53,366.32	186.70	70,012.50	1.3	1.37	513.00	.7
Total for Small-Cap Growth Funds				**53,366.32**		**70,012.50**	**1.3**		**513.00**	**.7**
Large-Cap Blended Funds										
SCHWAB STRATEGIC TR	SCHX	3,275.000	56.82	186,093.82	63.78	208,879.50	3.9	1.09	3,556.65	1.7
VANGUARD INDEX FUNDS S&P 500 ETF SHS	VOO	850.000	218.88	186,051.75	245.29	208,496.50	3.9	4.37	3,712.80	1.8
Total for Large-Cap Blended Funds				**372,145.57**		**417,376.00**	**7.7**		**7,269.45**	**1.7**
Small-Cap Blended Funds										
ISHARES RUSSELL 2000 ETF	IWM	1,500.000	117.48	176,214.50	152.46	228,690.00	4.2	1.92	2,886.00	1.3
Total for Small-Cap Blended Funds				**176,214.50**		**228,690.00**	**4.2**		**2,886.00**	**1.3**
Emerging Market Funds										
ISHARES MSCI EMERGING MKT FD	EEM	4,725.000	36.99	174,790.79	47.12	222,642.00	4.1	.89	4,195.80	1.9
Total for Emerging Market Funds				**174,790.79**		**222,642.00**	**4.1**		**4,195.80**	**1.9**
Foreign Large Growth Funds										
ISHARES MSCI EAFE GROWTH ETF	EFG	1,700.000	66.43	112,933.23	80.74	137,258.00	2.5	1.28	2,174.30	1.6
Total for Foreign Large Growth Funds				**112,933.23**		**137,258.00**	**2.5**		**2,174.30**	**1.6**

Holdings Report w/ Yield and Income

	Ticker	Units	Unit Cost	Total Cost	Price	Market Value	Weight	Unit Income	Annual Income	Current Yield
Foreign Large Value Funds										
ISHARES MSCI EAFE VALUE ETF	EFV	4,875.000	50.60	246,666.10	55.21	269,124.37	5.0	1.97	9,584.25	3.6
Total for Foreign Large Value Funds				**246,666.10**		**269,124.37**	**5.0**		**9,584.25**	**3.6**
Foreign Large Blended Funds										
ISHARES MSCI EAFE ETF	EFA	5,300.000	61.08	323,711.97	70.31	372,643.00	6.9	1.80	9,561.20	2.6
ISHARES TR HDG MSCI EAFE	HEFA	4,125.000	26.06	107,486.64	29.69	123,729.67	2.3	.76	3,118.50	2.5
Total for Foreign Large Blended Funds				**431,198.61**		**496,372.67**	**9.2**		**12,679.70**	**2.6**
Intl CS - Non-ADRs										
ALLERGAN PLC SHS	AGN	22.000	227.88	5,013.40	163.58	3,598.76	.1	2.80	61.60	1.7
DELPHI TECHNOLOGIES	DLPH	17.000	.00	.00	52.47	891.99	.0	.00	.00	.0
MEDTRONIC PLC SHS	MDT	72.000	74.43	5,358.78	80.75	5,814.00	.1	1.84	132.48	2.3
APTIV PLC COM	APTV	51.000	81.15	4,138.89	84.83	4,326.33	.1	.88	44.88	1.0
CHUBB LIMITED COM	CB	28.000	128.66	3,602.60	146.13	4,091.64	.1	2.84	79.52	1.9
ROYAL CARIBBEAN CRUISES LTD	RCL	36.000	80.14	2,884.99	119.28	4,315.68	.1	2.40	86.40	2.0
Total for Intl CS - Non-ADRs				**20,998.66**		**23,038.40**	**.4**		**404.88**	**1.8**
Global Macro										
EATON VANCE GLBL MAC ABS RT AD I#208	EGRIX	9,305.570	10.00	93,020.88	10.36	96,405.73	1.8	.33	3,108.06	3.2
WESTERN ASSET MAC OPP IS FD #5102	LAOSX	8,944.610	10.48	93,745.88	11.48	102,684.16	1.9	.39	3,515.23	3.4
Total for Global Macro				**186,766.76**		**199,089.89**	**3.7**		**6,623.29**	**3.3**
Total				**4,835,001.52**		**5,411,306.61**	**100.0**		**127,388.94**	**2.4**

Investment Review through 12/31/2017

Investment Objective: FIXED INCOME MANAGEMENT

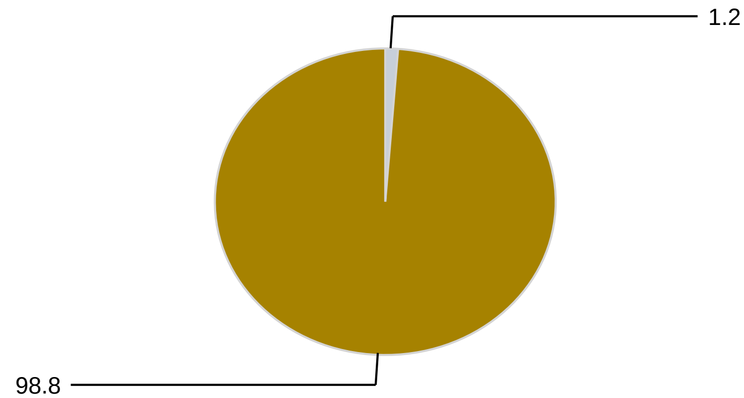
Investment Officer: ROBERT L. ADAMS

Inception Date: 07/01/1998

Asset Allocation Summary

Market Value by Asset Class

	Market Value	% of Mkt Val
Total Fixed Income	53,336,287	98.8
Cash & Equivalents	622,396	1.2
Total	**53,958,683**	**100.0**



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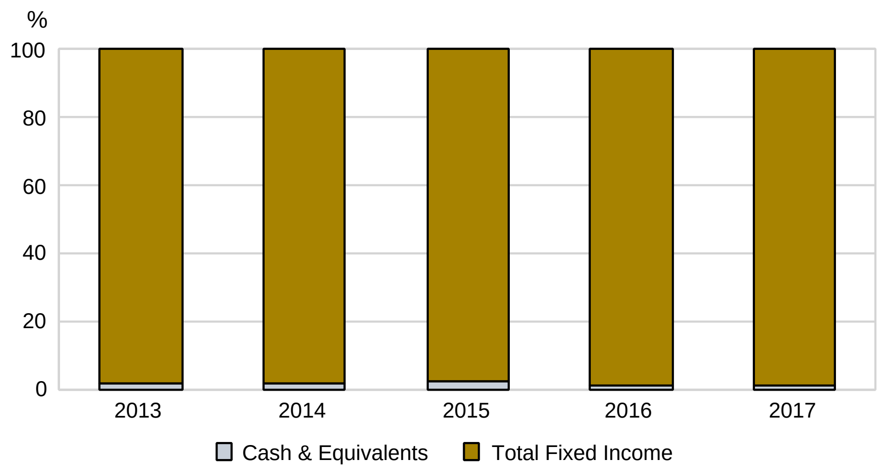
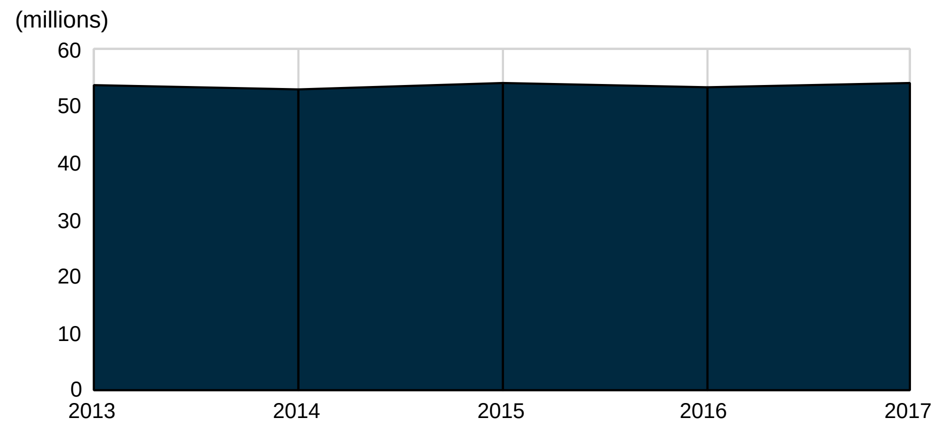
Annual Allocation



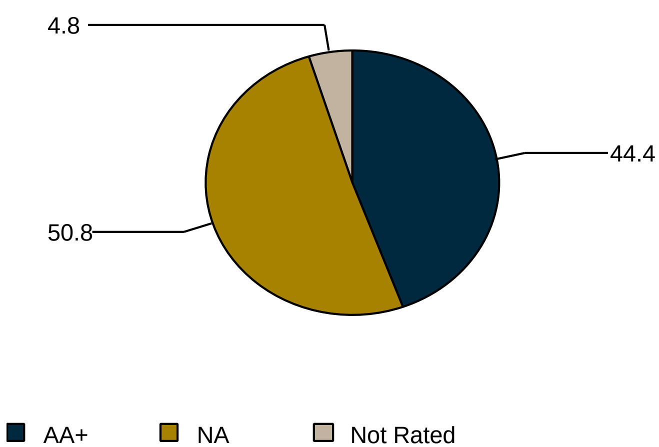
Annual Ending Market Values



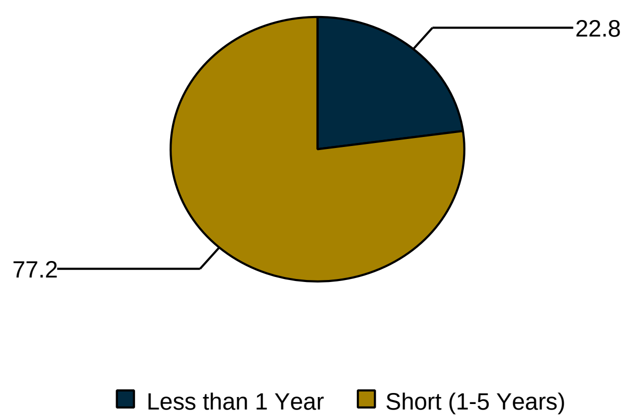
Fixed Income Analysis - Individual Holdings

	12/31/2017	09/30/2017	12/31/2016	12/31/2015	12/31/2014
Duration	2.17	2.17	1.87	1.83	1.88
Coupon	2.52	2.66	3.38	4.07	4.70
Yield to Maturity	2.04	1.73	1.45	1.40	1.06
Maturity	2.23	2.23	1.91	1.89	1.96
Current Yield	2.50	2.62	3.29	3.89	4.40
Face Amount	52,800,000	52,800,000	51,200,000	50,500,000	48,400,000
Market Value	52,995,800	53,462,787	52,362,702	52,589,370	51,613,416
Cost	53,883,391	54,568,150	54,179,909	55,281,952	54,262,555

Quality Allocation by Market Value



Maturity Allocation by Market Value



HighMark® CAPITAL MANAGEMENT

Summary Investment Performance

DESERT HEALTHCARE DISTRICT

Account 6736304730

Period: 07/01/1998 - 12/31/2017

Beginning Market Value	**4,867,756.00**
Beginning Accrued Income	**29,993.00**
Beginning Portfolio Value	**4,897,749.00**
Contributions	72,326,177.56
Withdrawals	-44,658,199.56
Income Earned	36,156,006.42
Gain/Loss	-14,763,050.55
Ending Market Value	**53,617,414.96**
Ending Accrued Income	**341,267.91**
Ending Portfolio Value	**53,958,682.87**
Total Earnings	**21,392,955.87**

Performance

Total Fixed Income	3.33
BC 1-3 Yr US Govt. Bd Index	3.09
Total Managed Portfolio	3.27
Total Account Net of Fees	3.06

HIGHMARK®
CAPITAL MANAGEMENT

Account Name: DESERT HEALTHCARE DISTRICT

Account ID: 6736304730 ***Reporting Period Ending: December 31, 2017***

Performance Report

	Market Value	3 Months	1 Year	3 Years	5 Years	10 Years	15 Years	Inception to Date 07/01/1998
Cash & Equivalents	**622,396**	**.25**	**.75**	**.38**	**.23**	**.24**		
Lipper Money Market Funds Index		.22	.66	.27	.16	.34	1.11	1.78
Total Fixed Income	**53,336,287**	**-.23**	**.71**	**.77**	**.68**	**1.74**	**2.26**	**3.33**
BC 1-3 Yr US Govt. Bd Index		-.27	.45	.63	.58	1.53	2.08	3.09
Total Managed Portfolio	**53,958,683**	**-.22**	**.71**	**.76**	**.68**	**1.71**	**2.24**	**3.27**
Total Account Net of Fees	**53,958,683**	**-.27**	**.51**	**.57**	**.48**	**1.51**	**2.05**	**3.06**

Returns are gross of account level investment advisory fees and net of any fees including fees to manage mutual fund or exchange traded fund holdings. Returns for periods over one year are annualized. The information presented has been obtained fromsources believed to be accurate and reliable. Past performance is not indicative of future returns. Securities are not FDIC insured have no bank guarantee and may lose value.

HighMark® CAPITAL MANAGEMENT

Account Name: DESERT HEALTHCARE DISTRICT

Account ID: 6736304730 ***Reporting Period Ending: December 31, 2017***

Holdings Report w/ Yield and Income

	Ticker	Units	Unit Cost	Total Cost	Price	Market Value	Weight	Unit Income	Annual Income	Current Yield
Cash - Money Market										
FIDELITY GOVT MMKT INST CL-I #57	FIDGOV	621,614.960	1.00	621,614.96	1.00	622,396.36	1.2	.01	7,241.81	1.2
Total for Cash - Money Market				**621,614.96**		**622,396.36**	**1.2**		**7,241.81**	**1.2**
Taxable FX- US Govt Agcy										
FHLB CONS BD 1.875% 11/29/21	FCB1821	1,000,000.000	99.56	995,643.00	99.17	993,316.67	1.8	1.88	18,750.00	1.9
FHLB BDS 3.370% 2/23/18	FB33318C	1,000,000.000	100.35	1,003,505.64	100.30	1,014,962.22	1.9	3.37	33,700.00	3.4
FHLB BDS 1.375% 6/12/20	FB11320F	1,000,000.000	100.13	1,001,274.72	98.23	983,025.69	1.8	1.38	13,750.00	1.4
FHLB BDS 4.750% 6/08/18	FB44718A	1,000,000.000	114.76	1,147,560.00	101.36	1,016,654.72	1.9	4.75	47,500.00	4.7
FHLB BDS 4.375% 6/14/19	FB44319	1,000,000.000	103.90	1,039,012.07	103.59	1,037,915.97	1.9	4.38	43,750.00	4.2
FHLB BDS 4.500% 9/13/19	FB44519B	1,500,000.000	105.24	1,578,547.21	104.26	1,584,075.00	2.9	4.50	67,500.00	4.3
FNMA NTS 4.600% 6/05/18	FN44618	1,000,000.000	101.41	1,014,129.52	101.26	1,015,952.22	1.9	4.60	46,000.00	4.5
FNMA BDS 1.500% 6/22/20	FB11520E	1,000,000.000	100.31	1,003,052.08	98.81	988,515.00	1.8	1.50	15,000.00	1.5
FNMA MTN 1.875% 12/28/20	FM11820D	2,000,000.000	100.83	2,016,504.40	99.46	1,989,552.50	3.7	1.88	37,500.00	1.9
FNMA NTS 1.250% 5/06/21	FN11221B	1,500,000.000	100.09	1,501,289.09	97.27	1,461,839.58	2.7	1.25	18,750.00	1.3
FNMA NTS 2.000% 1/05/22	FN22022D	1,000,000.000	100.05	1,000,526.64	99.34	1,003,187.78	1.9	2.00	20,000.00	2.0
FNMA NTS 1.875% 9/18/18		1,000,000.000	100.51	1,005,062.65	100.09	1,006,234.58	1.9	1.88	18,750.00	1.9
FNMA NTS 1.875% 2/19/19	FN11819C	1,000,000.000	100.77	1,007,672.80	100.03	1,007,135.00	1.9	1.88	18,750.00	1.9
FNMA NTS 1.750% 11/26/19	FN11719J	2,000,000.000	100.36	2,007,198.79	99.66	1,996,642.78	3.7	1.75	35,000.00	1.8
FNMA NT 2.000% 11/30/20	FN22020AC	1,000,000.000	101.13	1,011,311.79	99.86	1,000,272.22	1.9	2.00	20,000.00	2.0
FHLMC NTS 4.875% 6/13/18	FN44808E	2,000,000.000	108.47	2,169,470.58	101.45	2,033,895.00	3.8	4.88	97,500.00	4.8
FHLMC NTS 3.750% 3/27/19	FN33719	1,000,000.000	103.17	1,031,712.57	102.34	1,033,171.67	1.9	3.75	37,500.00	3.7
FHLMC NTS 2.375% 1/13/22	FN22322	2,000,000.000	101.76	2,035,223.60	100.90	2,040,146.67	3.8	2.38	47,500.00	2.4
FHLMC NT 1.250% 10/02/19	FN11219	1,000,000.000	98.48	984,760.00	98.81	991,180.28	1.8	1.25	12,500.00	1.3
FHLMC NTS 1.500% 1/17/20	FN11520AG	1,000,000.000	99.99	999,940.00	99.05	997,373.33	1.8	1.50	15,000.00	1.5
FNMA NTS 4.377% 1/23/18	FN44318	1,000,000.000	112.65	1,126,510.00	100.18	1,021,000.17	1.9	4.38	43,770.00	4.4
Total for Taxable FX- US Govt Agcy				**26,679,907.15**		**26,216,049.05**	**48.6**		**708,470.00**	**2.7**
Taxable Fixed - US Treas										
US TREAS NTS 1.875% 10/31/22	UTN0122B	1,000,000.000	99.78	997,812.50	99.13	994,715.41	1.8	2.00	20,000.00	2.0
US TREAS NTS 1.500% 12/31/18	UTN1518A	1,000,000.000	100.09	1,000,909.47	99.68	1,004,381.44	1.9	1.50	15,000.00	1.5
US TREAS NTS 2.125% 1/31/21	UTN2121	1,000,000.000	101.57	1,015,714.78	100.35	1,012,412.66	1.9	2.13	21,250.00	2.1

HIGHMARK® CAPITAL MANAGEMENT

Account Name: DESERT HEALTHCARE DISTRICT

Account ID: 6736304730 ***Reporting Period Ending: December 31, 2017***

Holdings Report w/ Yield and Income

	Ticker	Units	Unit Cost	Total Cost	Price	Market Value	Weight	Unit Income	Annual Income	Current Yield
US TREAS NTS 2.250% 3/31/21	UTN2221	1,000,000.000	101.37	1,013,681.62	100.66	1,012,348.63	1.9	2.25	22,500.00	2.2
US TREAS NTS 2.125% 9/30/21	UTN2121B	1,000,000.000	103.07	1,030,735.70	100.06	1,006,059.26	1.9	2.13	21,250.00	2.1
US TREAS NTS 1.750% 9/30/19	UTN1719	1,000,000.000	100.81	1,008,139.66	99.77	1,002,201.15	1.9	1.75	17,500.00	1.8
US TREAS NTS 2.000% 10/31/21	UTN2021D	1,000,000.000	100.46	1,004,589.27	99.57	999,125.41	1.9	2.00	20,000.00	2.0
US TREAS NTS 2.125% 12/31/21		1,800,000.000	101.40	1,825,267.30	100.02	1,819,590.66	3.4	2.13	38,250.00	2.1
US TREAS NTS 2.750% 2/15/19	UTN0019	2,000,000.000	101.85	2,036,933.30	101.00	2,040,694.46	3.8	2.75	55,000.00	2.7
US TREAS NTS 3.125% 5/15/19	UTN3119	1,000,000.000	102.65	1,026,455.69	101.71	1,021,167.32	1.9	3.13	31,250.00	3.1
US TREAS NTS 3.625% 2/15/20	UTN3620	1,000,000.000	104.83	1,048,277.76	103.58	1,049,512.26	1.9	3.63	36,250.00	3.5
US TREAS NTS 2.625% 8/15/20	UTN2620	1,000,000.000	103.13	1,031,333.07	101.75	1,027,375.08	1.9	2.63	26,250.00	2.6
US TREAS NTS 2.625% 11/15/20	UTN2620A	1,000,000.000	102.69	1,026,912.21	101.81	1,021,458.15	1.9	2.63	26,250.00	2.6
US TREAS NTS 2.750% 2/28/18	UTN2818	1,000,000.000	100.29	1,002,863.84	100.22	1,011,573.92	1.9	2.75	27,500.00	2.7
US TREAS NTS 2.875% 3/31/18	UTN0118	1,000,000.000	100.52	1,005,208.44	100.36	1,010,895.47	1.9	2.88	28,750.00	2.9
US TREAS NTS 2.375% 5/31/18	UTN2318	1,000,000.000	100.65	1,006,526.82	100.38	1,005,837.91	1.9	2.38	23,750.00	2.4
US TREAS NTS 2.250% 7/31/18	UTN2218	2,000,000.000	100.66	2,013,124.79	100.37	2,026,251.52	3.8	2.25	45,000.00	2.2
US TREAS NTS 2.000% 2/15/22	UTN2022	1,000,000.000	101.12	1,011,223.27	99.52	1,002,784.35	1.9	2.00	20,000.00	2.0
US TREAS NTS 2.000% 7/31/20	UTN2020	1,000,000.000	102.67	1,026,680.99	100.16	1,010,009.57	1.9	2.00	20,000.00	2.0
US TREAS NTS 2.000% 9/30/20	UTN2020A	1,000,000.000	101.85	1,018,505.12	100.14	1,006,479.89	1.9	2.00	20,000.00	2.0
US TREAS NTS 2.250% 4/30/21	UTN2221A	1,000,000.000	102.81	1,028,113.20	100.66	1,010,493.59	1.9	2.25	22,500.00	2.2
US TREAS NTS 2.250% 7/31/21	UTN2221B	1,000,000.000	101.68	1,016,777.09	100.58	1,015,235.76	1.9	2.25	22,500.00	2.2
US TREAS NTS 2.125% 6/30/22	UTN2122	1,000,000.000	100.44	1,004,423.46	99.82	1,008,843.70	1.9	2.13	21,250.00	2.1
US TREAS NTS 1.625% 6/30/20	UTN0020A	1,000,000.000	100.33	1,003,274.22	99.26	1,000,789.89	1.9	1.63	16,250.00	1.6
Total for Taxable Fixed - US Treas				**27,203,483.57**		**27,120,237.46**	**50.3**		**618,250.00**	**2.3**
Total				**54,505,005.68**		**53,958,682.87**	**100.0**		**1,333,961.81**	**2.5**

Disclosures

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