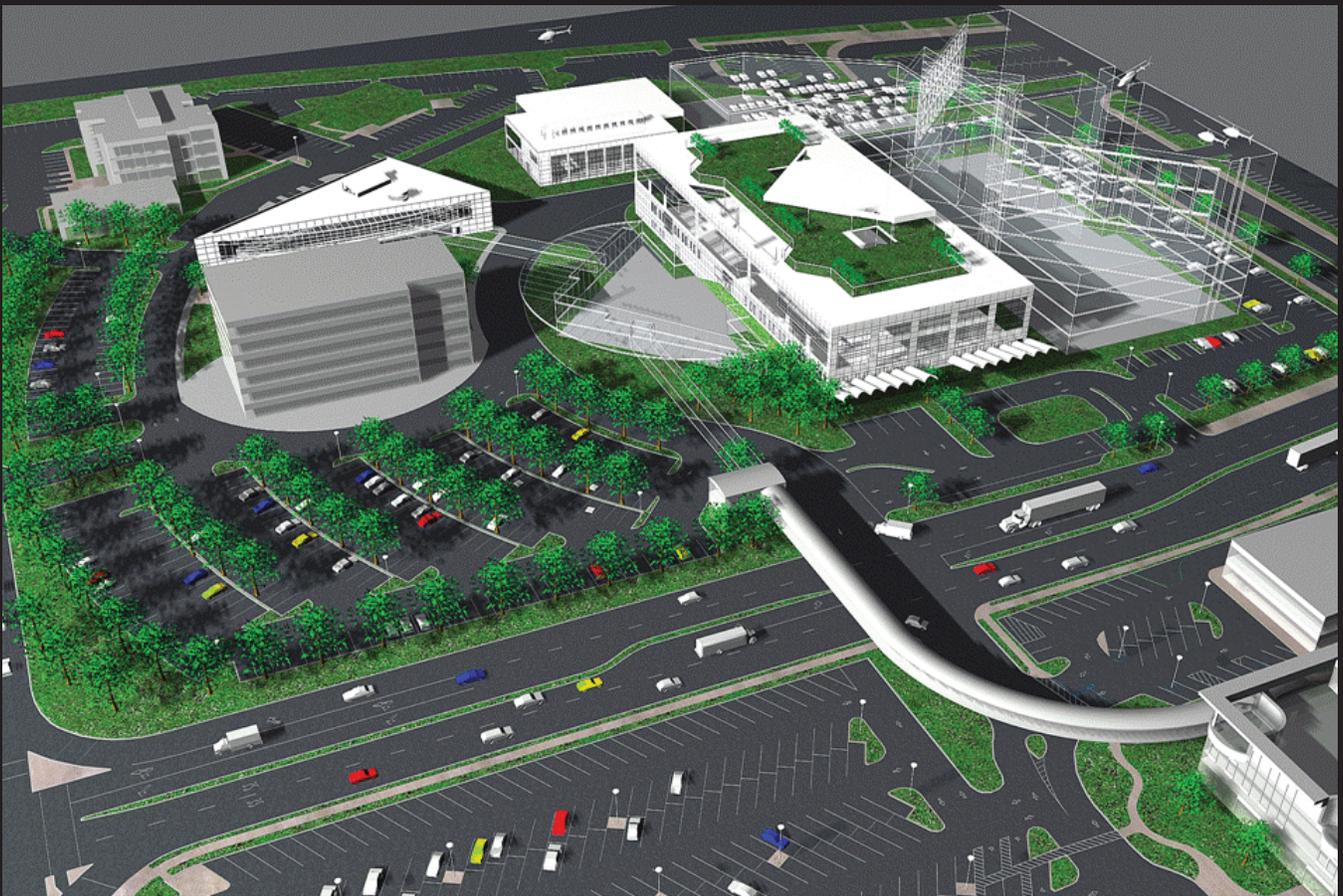


**WASHINGTON TOWNSHIP  
HEALTH CARE DISTRICT**

**MEASURE FF**

**INDEPENDENT CITIZENS' BOND  
OVERSIGHT COMMITTEE**



**2nd Annual Report to the Board of Directors  
of the Washington Township Health  
Care District and to the Public**

*(for Period Ended June 30, 2008)*

# INTRODUCTION

## MEASURE FF AND HISTORY

On November 2, 2004, voters of the Washington Township Health Care District (District) approved a local facilities bond measure, which authorizes the rehabilitation, expansion and improvement of hospital facilities at Washington Hospital. Measure FF provides for only essential repairs and upgrades, including:

- State required upgrades for earthquake safety (California Senate Bill 1953)
- Upgrade and expand the Hospital's Emergency Room facilities
- Upgrade and expand Washington's Intensive Care Unit to increase our capacity to provide life-saving medical services to the most critically ill patients
- Expand rapid state-of-the-art cardiac care facilities, including operating rooms and patient beds for those who are at risk of or who have suffered heart attacks
- Add patient beds and operating rooms to serve our growing community
- Expand up-to-date laboratory and x-ray facilities
- Improve building systems and capacity, to increase the operational performance and reliability of electrical, technology, energy efficiency and other building systems
- Upgrade walkways, pick-up and drop-off zones and parking lots for improved safety

Measure FF authorized the issuance of up to \$190 million of General Obligation (G.O.) bonds which may only be used to reimburse expenditures as outlined above.

The \$190 million of G.O. Bonds will only partially pay for the cost of the needed repairs and upgrades. Revenue bonds, future Hospital operations, reserves and philanthropy will pay for the remainder.

The Board of Directors of the District maintains responsibility of expending Measure FF bond proceeds for qualified construction and development projects. The Independent Citizen's Bond Oversight Committee has the responsibility to report back to the community that Measure FF funds are being expended appropriately.





## **OVERSIGHT COMMITTEE MEMBERSHIP**

Members of the Oversight Committee have been appointed by the District Board of Directors and have been chosen for their strengths in construction, planning, management and accounting.

The original members of the Oversight Committee were appointed in March, 2005. They included: Jack W. Balch, owner of Balch Enterprises; Bill Norwalk, CPA, Ireland San Filippo, LLP; Ken Rankin, Superintendent of Fremont Christian School; Paul Tong, former Newark City Manager; and Susanna Wong, Union City restaurateur and former director of the District Board.

In the March 2008, Bill Norwalk, CPA of Ireland San Filippo, LLP tendered his resignation as a Committee Member. Alan Olsen, CPA, MBA who is the managing partner at Greenstein, Rogoff, Olsen & Co., LLP was appointed by the Board of Directors as his replacement.

Two Committee Members, Al Huezo and Ken Rankin had agreed to two year terms. In September of 2008, the Washington Township Healthcare District re-appointed Mr. Huezo and Mr. Rankin for additional four year terms.

## **OVERSIGHT COMMITTEE MEETINGS**

The Independent Citizen's Bond Oversight Committee meets on a quarterly basis. All meetings are open to the public. The meetings are held in the Anderson Auditoriums, 2500 Mowry Avenue, in Fremont, which is located on the first floor of Washington West. Meeting Notices and Agendas are posted on the Washington Hospital web site ([www.whhs.com](http://www.whhs.com)). In addition, Committee meetings are recorded on a tape delayed basis and are shown on InHealth, the Washington Hospital Comcast Cable Channel 78.

# Summary of Oversight Committee Activities

The second full year of the Oversight Committee meetings dealt mostly with status updates. Construction did not commence on the main Central Plant and related projects. A summary of meeting activities include:

- On August 16, 2007, the Committee was informed that all existing Hospital buildings that are to remain in operation once the Central Plant and CJR Projects have been constructed have achieved a Structural Performance Rating of 2. This indicates that the existing campus of acute care buildings will not need to be replaced until January 1, 2030. It was estimated that the Central Plant Project would be re-bid by the end of the first quarter of 2008. The annual report for the year ending June 30, 2007 was reviewed and approved by the Committee.
- On November 7, 2007, the bidding calendar was updated and it was re-iterated that the results of the second bid should be available at the end of the first quarter of 2008. A detailed analysis of the utilization of funds that were to be reimbursed by the proceeds from the G.O. Bond issuance was reviewed by the Committee.
- On February 20, 2008, it was reported that Central Plant project was combined with the Center for Joint Replacement project in order to get economies of scale and more widespread general contractor interest. At the time of the meeting, the projects were out for bid, and bids were due on March 2, 2008.
- On June 24, 2008, it was reported that Swinerton Builders had been selected as the general contractor for the combined Central Plant & Center for Joint Replacement Center project. It was projected that a construction start date would occur in September of 2008. Committee members requested that a cost tracking system be established so that construction costs could be monitored as the project progresses. This was addressed when the Hospital purchased the McKesson Pathways Financial Management Fixed Asset and Project Accounting System in mid-2008.
- As of June 30, 2008, \$58,089,341.00 (including interest accrued) of the \$60,000,000.00 General Obligation Bond procurement is available for construction funding.

The Oversight Committee will continue to receive and review quarterly financial information, including General Obligation Fund disbursement and the status of Measure FF authorized construction projects.



# CONSTRUCTION PROJECT ACTIVITY

## CENTRAL UTILITY PLANT PROJECT

The Board of Directors of Washington Township Healthcare District approved Resolution #1060 at its meeting of October 10, 2007 which authorized a budget for the Central Plant and related projects and also authorized a re-bid of these projects.

The Power Plant and Center of Joint Replacement Center project went out to bid for a second time on January 2, 2008.

Twenty-three construction firms were solicited to provide bids for this project; three stated an interest in submitting bids. Approximately one month before the bid deadline, all three of the interested firms dropped out of the bidding, each for their own reason.

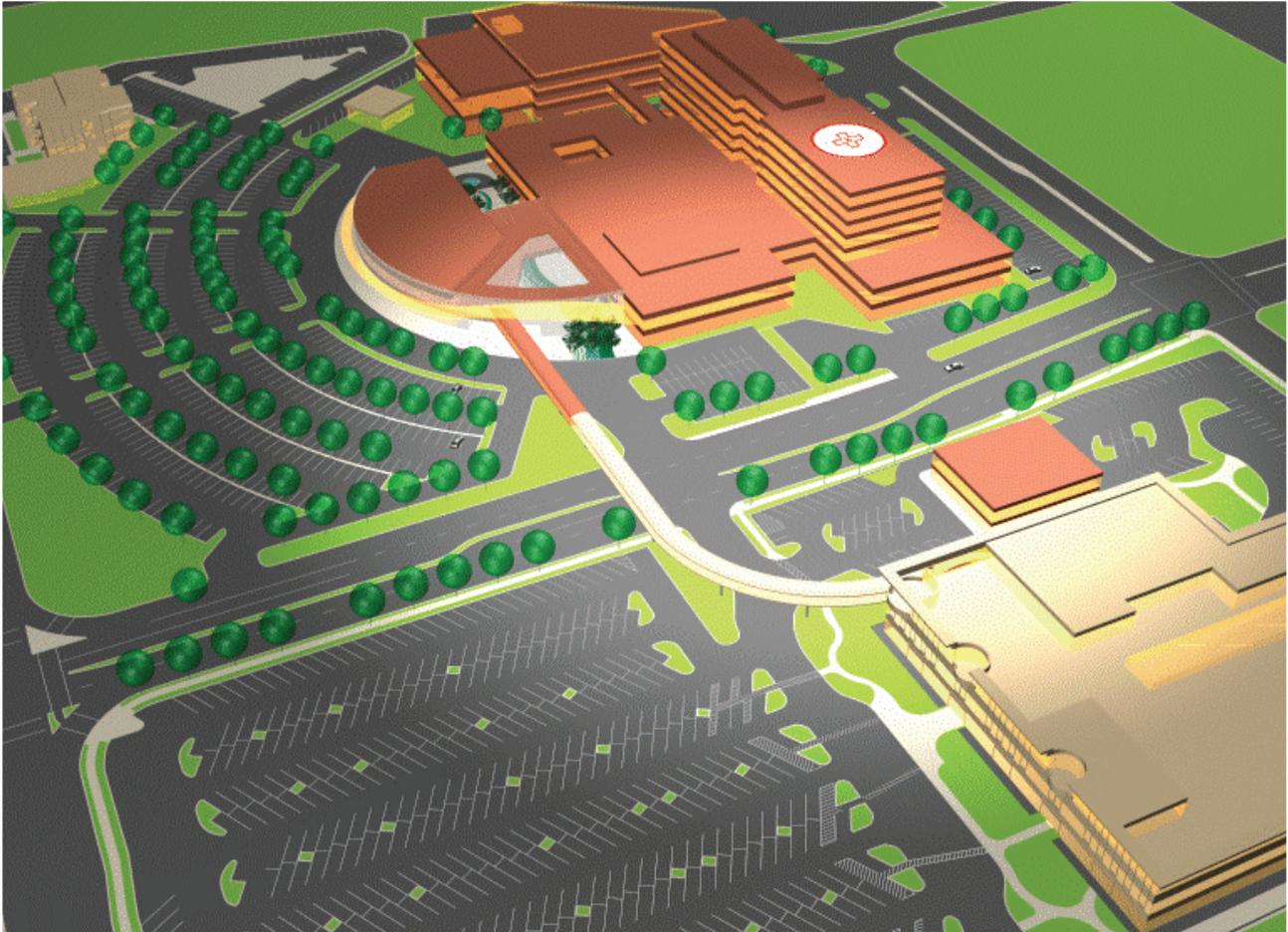
Because of the lack of a competitive market for OSHPD projects at the time, the traditional “low bid” procurement methodology was determined not to be able to achieve a competitive bidding environment. Hospital construction legal counsel recommended a different method of soliciting and engaging a general contractor which would meet the intent of the public bidding laws. This method is called the “Construction Manager/General Contractor” procurement methodology. The process allowed Washington Hospital to approach OSHPD-experienced, general contractors with the intent to negotiate a contract. The process of selecting a contractor would be criteria based and competitive. Once the contractor was selected, they would review and comment on all project design documents and then bid the project to a wide variety of sub-contractors using an “open book” process (in other words, the Hospital would review all sub-contractor bids). Via this method, the Washington Hospital Healthcare District would solicit competitive proposals from general contractors for general conditions, overhead and profit and then competitively bid all sub-contractor work.

Washington Township Healthcare District requested and received letters of intent from five general contractors to move forward in good faith negotiations for the Power Plant and Center for Joint Replacement project on a “Construction Manager/General Contractor” procurement methodology. These firms included: Swinerton Builders, the Boldt Company; Hunt Construction Group; Otto Construction and Unger Construction Company. Only Swinerton Builders and Hunt Construction Group submitted completed applications and pricing information. Based on the completed applications, interviews, reference checks and general conditions, overhead, and profit submittals, Swinerton Builders were chosen as the most responsive, responsible general contractor.

Pre-construction services began immediately and were completed by the end of the summer of 2008.



# EMERGENCY ROOM/CRITICAL CARE PROJECT



Following the completion of the Central Utility Plant Project, construction will begin on the Emergency Room/Critical Care Project. Included in this new three story structure will be: an expanded and upgraded Emergency Room (approximately four times its current size); an expanded and upgraded Intensive Care Unit/Critical Care Unit; expanded Cardiac Care facilities; additional patient beds and operating rooms.

The new building is being designed to provide a welcoming and warm environment for public, patients and staff. All patient rooms will be single occupancy, private rooms. The structural design will feature state-of-the-art, base isolation seismic technology.

The Emergency Room/Critical Care Building will be a “green” building in that it will include many design features required in buildings that incorporate Environmental and Energy Design. These include: use of storm water runoff, reduction of water consumption, incorporation of natural light and reduction of energy consumption.

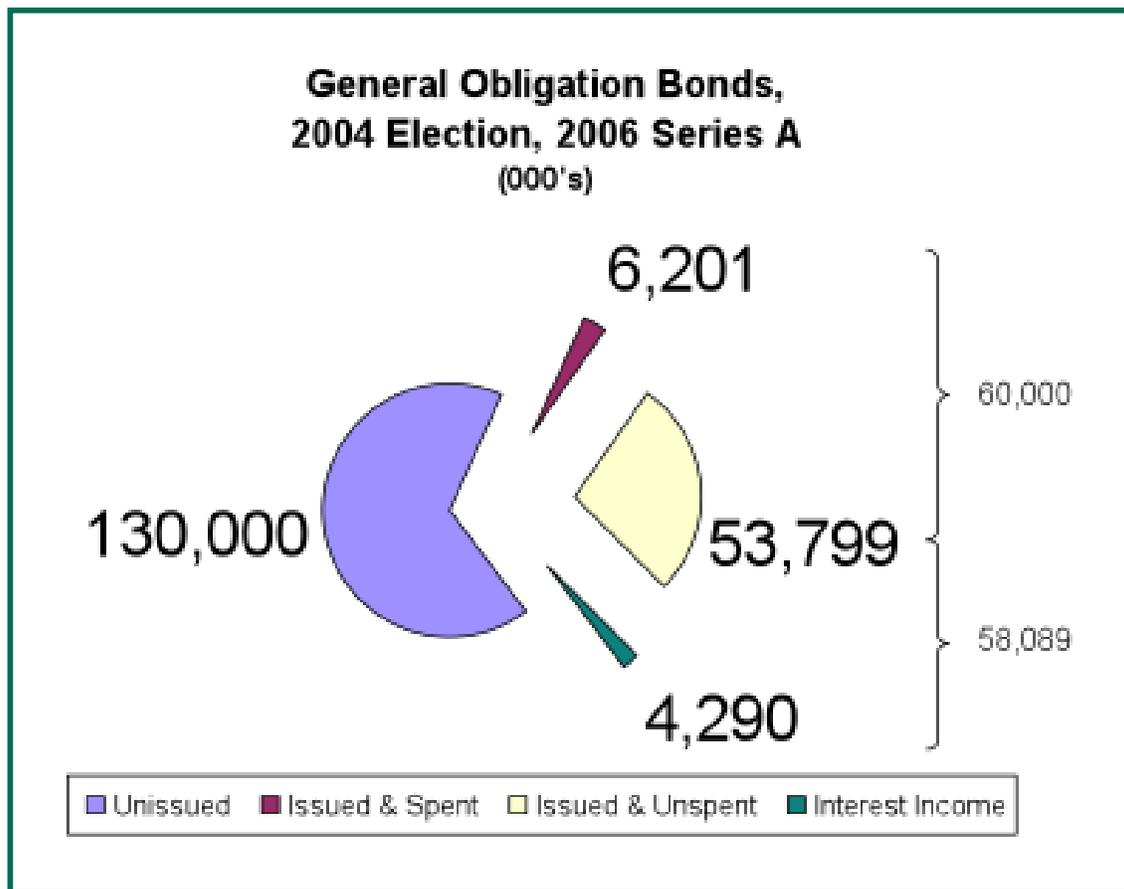
As of June 30, 2008, construction documents were at a 95 percent completion level with submittal for approval to the Office of Statewide Health Planning & Development (OSHPD) anticipated at the first half of 2009.

# FINANCIALS AT-A-GLANCE

The District's financial statements for the fiscal year ending June 30, 2008 were audited by independent auditors (PricewaterhouseCoopers). The auditors issued an unqualified opinion — no accounting issues identified.

On December 5, 2006, the District sold \$60 million dollars of the Measure FF General Obligation Bonds. With tax exempt interest rates at historically low levels, the bonds were sold at a net interest rate of 4.34 percent. The G.O. Bond funds are invested in accordance with the provisions of California law and earned \$4,290,681 in interest, a total return of 4.67 percent as of June 30, 2008.

Following is a summary of the Measure FF bond position as of June 30, 2008.



Total cash funds available at June 30, 2008 are \$58,089,341 and include unspent bond proceeds of \$53,798,660 and interest earnings of \$4,290,681.