AGENDA
REGULAR MEETING OF THE
EL CAMINO HEALTHCARE DISTRICT
BOARD OF DIRECTORS
Tuesday, October 18, 2016 – 5:30 pm

El Camino Hospital | Conference Rooms E, F & G (ground floor)
2500 Grant Road, Mountain View, CA 94040

Dave Reeder will be participating via teleconference from Napili Kai, 5900 Lower Honapiilani Road, Lahaina, HI 96761

PURPOSE: The purpose of the District shall be (i) to establish, maintain and operate, or provide assistance in the operation of, one or more health facilities (as that term is defined in California Health and Safety Code Section 1250) or health services at any location within or without the territorial limits of the District, for the benefit of the District and the people served by the District; (ii) to acquire, maintain and operate ambulances or ambulance services within or without the District; (iii) to establish, maintain and operate, or provide assistance in the operation of free clinics, diagnostic and testing centers, health education programs, wellness and prevention programs, rehabilitation, aftercare, and such other health care services provider, groups, and organizations that are necessary for the maintenance of good physical and mental health in the communities served by the District; and (iv) to do any and all other acts and things necessary to carry out the provisions of the District's Bylaws and the Local Health District Law.

	AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
1.	**CALL TO ORDER**	Peter Fung, MD, Chair		**5:30 – 5:31 pm**
2.	**SALUTE TO THE FLAG**	Peter Fung, MD, Chair		**5:31 – 5:34**
3.	**ROLL CALL**	Peter Fung, MD, Chair		**5:34 – 5:35**
4.	**POTENTIAL CONFLICT OF INTEREST DISCLOSURES**	Peter Fung, MD, Chair		**5:35 – 5:36**
5.	**PUBLIC COMMUNICATION** a. Oral Comments *This opportunity is provided for persons in the audience to make a brief statement, not to exceed 3 minutes on issues or concerns not covered by the agenda.* b. Written Correspondence	Peter Fung, MD, Chair		**information** **5:36 – 5:39**
6.	**CONSENT CALENDAR ITEMS:** *Any Board Member or member of the public may remove an item for discussion before a motion is made.*	Peter Fung, MD, Chair	*public comment*	**motion required** **5:39 – 5:42**
	Approval a. Minutes of the Open Session of the District Board Meeting (June 14, 2016) b. Minutes of the Open Session of the District Board Meeting (August 10, 2016) c. Resolution 2016-09: Setting Regular Meeting Dates for FY17 d. FY16 Year-End Consolidated and Standalone Financials			
7.	**COMMUNITY BENEFIT SPOTLIGHT: VALLEY HEALTH CENTER** *Resolution 2016-10* **ATTACHMENT 7**	Barbara Avery, Director of Community Benefit	*public comment*	**motion required** **5:42 – 5:52**

A copy of the agenda for the Regular Meeting will be posted and distributed at least seventy-two (72) hours prior to the meeting. In observance of the Americans with Disabilities Act, please notify us at 650-988-7504 prior to the meeting so that we may provide the agenda in alternative formats or make disability-related modifications and accommodations.

	AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
8.	**FINANCIAL REPORT** a. FY17 ECHD Financials Year-to-Date b. Proposed Revision to FY17 Budget	Iftikhar Hussain, CFO	*public comment*	**motion required 5:52 – 5:57**
9.	**FINANCIAL AUDIT PRESENTATION** **ATTACHMENT 9**	Brian Conner, Moss Adams		**discussion 5:57 – 6:07**
10.	**ECH BOARD MEMBER ELECTION AD HOC COMMITTEE REPORT** **ATTACHMENT 10**	David Reeder, Ad Hoc Committee Chair	*public comment*	**possible motion 6:07 – 6:22**
11.	**DRIVEWAY EASEMENT** **ATTACHMENT 11**	Ken King, CASO	*public comment*	**motion required 6:22 – 6:32**
12.	**RESOLUTION 2016-11** Authorizing redemption of the Series 2006 General Obligation Bonds issued on December 13, 2006 in accordance with the terms of the 2006 General Obligation Bonds, the sale of not to exceed a total amount of $115,000,000 aggregate principal amount of the 2016 General Obligation Refunding Bonds, the payment of the costs of issuance and the irrevocable deposit of a portion of the proceeds of the 2016 General Obligation Refunding Bonds to an escrow fund established pursuant to an escrow agreement. **ATTACHMENT 12**	Iftikhar Hussain, CFO; Chad Kenan, Citigroup Global Markets; Jennifer Brown, Ponder & Co.	*public comment*	**motion required 6:32 – 6:42**
13.	**FY16 COMMUNITY BENEFIT PLAN REPORT** **ATTACHMENT 13**	Barbara Avery, Director of Community Benefit	*public comment*	**motion required 6:42 – 7:02**
14.	**FY17 PACING PLAN** **ATTACHMENT 14**	Peter Fung, MD, Chair	*public comment*	**motion required 7:02 – 7:07**
15.	**BOARD COMMENTS**	Peter Fung, MD, Chair		**information 7:07 – 7:12**
16.	**ASSOCIATION OF CALIFORNIA HEALTHCARE DISTRICTS REPORT** **ATTACHMENT 16**	Julia Miller, ECHD and ACHD Board Member		**information 7:12 – 7:17**
17.	**ADJOURN TO CLOSED SESSION**	Peter Fung, MD, Chair		**motion required 7:17 – 7:18**
18.	**POTENTIAL CONFLICT OF INTEREST DISCLOSURES**	Peter Fung, MD, Chair		**7:18 – 7:19**

	AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
19.	**CONSENT CALENDAR** *Any Board Member may remove an item for discussion before a motion is made.* *Gov't Code Section 54957.2.* a. Minutes of the Closed Session of the District Board Meeting (June 14, 2016)			**motion required** **7:19 – 7:20**
20.	*Gov't Code Section 54956.9(d)(2)* for a report involving conference with legal counsel – pending or threatened litigation: - FY16 Financial Audit	Brian Conner, Moss Adams		**discussion** **7:20 – 7:25**
	FY16 FINANCIAL AUDIT			
21.	*Health and Safety Code 32106(b)* for a report involving health care facility trade secrets: - El Camino Hospital Governance	Peter Fung, MD, Chair		**discussion** **7:25 – 7:45**
	EL CAMINO HOSPITAL GOVERNANCE			
22.	Report involving *Gov't Code Section 54957* for discussion and report on personnel performance matters: - Executive Session	Peter Fung, MD, Chair		**discussion** **7:45 – 7:50**
	EXECUTIVE SESSION			
23.	**ADJOURN TO OPEN SESSION**	Peter Fung, MD, Chair		**motion required** **7:50 – 7:51**
24.	**RECONVENE OPEN SESSION / REPORT OUT**			**7:51 – 7:52**
	To report any required disclosures regarding permissible actions taken during Closed Session.			
25.	**APPROVAL OF FY16 ECHD AUDIT**	Brian Conner, Moss Adams	*public comment*	**motion required** **7:52 – 7:54**
26.	**ADJOURNMENT**	Peter Fung, MD, Chair		**motion required** **7:54 – 7:55 pm**

Upcoming Meetings

- December 6, 2016
- January 17, 2017
- March 14, 2017
- June 20, 2017

a. Minutes of the Open Session of the District Board Meeting (June 14, 2016)

Minutes of the Open Session of the Regular Meeting of the El Camino Healthcare District Board of Directors
Tuesday, June 14, 2016
El Camino Hospital, Conference Rooms E, F & G
2500 Grant Road, Mountain View, CA 94040

Board Members Present	Board Members Absent	Members Excused
Dennis Chiu Peter Fung, MD Julia Miller David Reeder John Zoglin	None	None

Agenda Item	Comments/Discussion	Approvals/Action
1. CALL TO ORDER/ ROLL CALL	The open session meeting of the El Camino Healthcare District Board of Directors (the "Board") was called to order at 5:39 pm by Chair Fung.	
2. SALUTE TO THE FLAG	Director Fung led the Board members, staff, and members of the public present in the Pledge of Allegiance.	
3. ROLL CALL	A silent roll call was taken. All Board members were present.	
4. PUBLIC COMMUNICATION	There were no comments from the public.	
5. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Chair Fung asked if any Board members may have a conflict of interest with any of the items on the agenda. No conflicts were noted.	
6. CONSENT CALENDAR	Chair Fung asked if any member of the Board or the public wished to remove an item from the consent calendar. Chair Fung requested that item 6b (*Resolution 2016-05*: To approve proposed amendments to ECH Bylaws Article IV, Section 4.3(c) and 4.7) be removed for discussion. **Motion:** To approve the consent calendar: Minutes of the Open Session of the District Board Meeting (March 15, 2016); *Resolution 2016-06*: To establish tax appropriation limit for FY17; and Draft Revised Process for Re-election and Election of Non-District Board Members to the El Camino Hospital Board of Directors. **Movant:** Miller **Second:** Chiu **Ayes:** Chiu, Fung, Miller, Reeder, Zoglin **Noes:** None **Abstentions:** None **Absent:** None **Recused:** None In response to Director Fung's question regarding the "2012 Directors", Mary Rotunno, General Counsel, explained that "2012 Directors" is defined in the bylaws as Hospital Board Directors who are not District Board members. This proposed amendment provides for consistent rules for the Directors	***Consent calendar approved***

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	who are District Board members and those who are not. She reviewed the *Gov't Code* and *Health and Safety Code* exceptions that allow for a District Board member to have a contract with the Hospital to provide professional services to Hospital patients, such as an ED On-Call Panel. She also explained that the 49% restriction on interested directors (any person being compensated by the Corporation or a relative of that person) is a California statutory requirement for non-profit corporations. **Motion:** To approve *Resolution 2016-05*. **Movant:** Reeder **Second**: Zoglin **Ayes**: Chiu, Fung, Miller, Reeder, Zoglin **Noes**: None **Abstentions**: None **Absent**: None **Recused**: None	
7. FINANCIAL REPORT	**a. <u>ECHD FY16 YTD (Period 10) Financials</u>** Iftikhar Hussain, Chief Financial Officer, reported that for all District entities, including the Hospital, the District is $2 million behind budget as of April. The $17 million negative variance in expenses is primarily due to go-live expenses related to Epic, but was offset somewhat by better revenues in part due to better collections and fewer denials. The District is behind budget by $33 million on non-operating expenses. Mr. Hussain explained that the budget provided for a 4% return on investments, but the there is a year to date loss of $7.8 million. Mr. Hussain also explained that revenues for the District are higher than budget due to increased property tax collections. In response to Director Fung's question, Mr. Hussain clarified the IGT Medi-Cal program, where the District, rather than the Hospital, must pay the State. In return, the State secures matching federal funding and pays the District back. In response to Director Chiu's question, Mr. Hussain confirmed that none of the tax revenues were used to purchase property or finance construction outside the District. In response to Director Zoglin's question, Matt Harris, Controller, stated that the District expected to receive another $1.1 million in tax revenues by the end of the fiscal year. **Motion:** To approve the ECHD FY16 Period 10 Financials. **Movant:** Chiu **Second:** Reeder **Ayes:** Chiu, Fung, Miller, Reeder, Zoglin **Noes:** None **Abstentions:** None **Absent:** None **Recused:** None **b. <u>Fiscal Year 17 El Camino Hospital Capital and Operating Budget</u>** Mr. Hussain noted that the FY17 El Camino Hospital Budget	***ECHD FY17 Period 10 Financials, FY17 El Camino Hospital Capital and Operating Budget, ECHD FY17 Standalone and Consolidated Budget, and Capital Appropriation Fund Request approved***

	had been discussed at the Hospital Board meeting and asked the Directors if there were any questions. No questions were asked. **Motion:** To approve the FY17 El Camino Hospital Capital and Operating Budget. **Movant:** Reeder **Second:** Chiu **Ayes:** Chiu, Fung, Miller, Reeder, Zoglin **Noes:** None **Abstentions:** None **Absent:** None **Recused:** None **c. <u>ECHD FY17 Standalone and Consolidated Budget</u>** Mr. Hussain reported that the District budget provides for similar tax revenues for FY17 and no other significant change. **Motion:** To approve ECHD FY17 Standalone and Consolidated Budget**.** **Movant:** Chiu **Second:** Reeder **Ayes:** Chiu, Fung, Miller, Reeder, Zoglin **Noes:** None **Abstentions:** None **Absent:** None **Recused:** None **d. <u>Capital Appropriation Fund</u>** Ken King, Chief Administrative Services Officer, outlined the Capital Appropriation Fund request, for FY14 and FY15 funds totaling just over $9 million. This request is to allocate those funds to support the renovation of the Women's Hospital, which is part of the overall Mountain View Campus Development Plan. In response to Chair Fung's question, Mr. King explained that capital fund appropriation requests are usually made on an annual or semi-annual basis and the funds must be appropriated to a qualifying project within certain time limit or be returned. **Motion:** To approve the Capital Appropriation Fund Request. **Movant:** Miller **Second:** Reeder **Ayes:** Chiu, Fung, Miller, Reeder, Zoglin **Noes:** None **Abstentions:** None **Absent:** None **Recused:** None	
8. FY17 COMMUNITY BENEFIT PLAN	Cecile Currier, VP of Corporate and Community Health Services, presented the District's Community Benefit (CB) Plan. She thanked the Community Benefit Advisory Council and Directors Fung and Miller for their active participation in reviewing the grant proposals. Ms. Currier explained that the	***FY17 Community Benefit Plan approved***

	total recommended grant funding is $6.4 million and the total plan amount is $7 million, which will reach 70,000 community members, in 7 school districts across 3 cities with 53 grants. She described the Community Benefit department's extensive outreach efforts to raise awareness about funding opportunities; there are 18 new partners this year, the largest number ever. She outlined the researched-based approaches by partners, highlighting Mathematica Policy Research's study of Playworks and GoNoodle operations and the importance of using this research in ECHD decision-making. Ms. Currier emphasized the strategy to fund needs rather than funding partners. She identified some of the critical community needs the District has invested in, strategies to address those needs, and specific grantees for each area: primary care access, oral health, domestic violence, and hypertension. She outlined the audit plan to review the four largest community grant recipients. In response to Director Miller's questions, Ms. Currier described the money allocated to Next Door Solutions from the Hospital and the District. She clarified the District funding would cover a pilot program within District boundaries. Ms. Currier also described Vision to Learn's proposed services at the Sunnyvale School District, introducing their mobile van to the Healthcare District. Director Zoglin requested more detail on how organizations are working to meet their goals, commenting that organizations should be meeting appropriate targets in order to receive additional funding. Tomi Ryba, CEO, suggested that if organizations are not meeting 50% of their goal(s) at mid-year, this information should be provided to CBAC regarding the barriers faced and the confidence in the organization to achieve their goals. She also suggested that relevant concerns and reports be elevated to the Board. Barbara Avery, Director of Community Benefit, described the process for pilot programs, and explained they often require a few years to ramp up and fully develop programming. Director Fung requested a mid-year report on outcomes and metrics. Director Miller expressed her hope that there will be more visits to grantee sites planned in FY17. Director Reeder recommended relying on the expertise of Ms. Currier, her staff, and CBAC in their review of proposals. He also suggested changing the pacing of the review process given that reports on performance are not available until after funding is approved for the next fiscal year. The Board members discussed whether it is more likely to meet the District's mission to fund organizations not currently operating in the District or to fund organizations that provide similar though perhaps somewhat different or less comprehensive services that have experience serving the	

	District. The Board members discussed engaging in a 6-month review to ensure organizations are on target to meet their goals. Director Chiu suggested a study session prior to the release of the Proposed Community Benefit Plan to address questions before the funding request needs approval. **Motion:** To approve the FY17 Community Benefit Plan as presented. **Movant:** Zoglin **Second:** Reeder Director Miller proposed a friendly amendment to approve the plan with the exception of the funding for Vision to Learn and Next Door Solutions – to be pulled for further review. Director Zoglin declined the amendment and suggested a separate conversation on changing the approval process at a later date. **Ayes:** Chiu, Fung, Miller, Reeder, Zoglin **Noes:** None **Abstentions:** None **Absent:** None **Recused:** None	
9. MOUNTAIN VIEW CAMPUS DEVELOPMENT PLAN APPROVAL	Ken King, Chief Administrative Services Officer, presented El Camino Hospital's Mountain View Campus Development Plan for District approval as required per the terms and conditions of the Hospital's Ground Lease. Mr. King outlined how these projects support the purpose and interests of the Healthcare District, by providing modernized and expanded facilities for various services including mental health services, outpatient services, environments for moms and babies, integrated spaces for physician offices and clinics, and improved access for patients. He noted these projects are consistent with the strategic direction of the Hospital. In response to Director Fung's question, Mr. King outlined the planned parking improvement and traffic mitigation measures, specifically a 10% reduction in single occupancy vehicles coming to campus during peak periods through shuttles, stacking and valet parking, and physician parking permits. He reported that the Mountain View Zoning Administrator recommended approval of the Hospital's Environmental Impact Report (EIR), and it is to be presented at the City Council's public hearing on June 22. In response to Director Miller's question, Mr. King described the Hospital's proposal to increase the size of replacement heritage trees from 24" box trees to 36" box trees, and to replace each tree removed from the campus with three new trees. **Motion:** To approve the Mountain View Campus Development Plan as presented. **Movant:** Reeder **Second:** Chiu **Ayes:** Chiu, Fung, Miller, Reeder, Zoglin **Noes:** None	***Mountain View Campus Development Plan approved***

	Abstentions: None **Absent:** None **Recused:** None	
10. RESOLUTION 2016-07: REVISING REGULAR MEETING DATES FOR CALENDAR YEAR 2016	Cindy Murphy, Board Liaison outlined the two additional meeting dates proposed in 2016. The purpose of the August 16th meeting would be for consideration of funding request for some of the Mountain View Campus Development Projects following approval by the Hospital Board. The December 6th meeting would be for the purpose of swearing in newly elected or reelected District Board members and to possibly consider the election of Hospital Board members. An alternative would be to schedule a District Board meeting following the Hospital Board meeting on August 10th, instead of the proposed August 16th meeting. However, staff noted it would better serve the public to schedule an extra meeting, rather than to schedule sizable funding approvals late at night. **Motion:** To approve Resolution 2016-07. **Movant:** Reeder **Second:** Miller **Ayes:** Chiu, Fung, Miller, Reeder, Zoglin **Noes:** None **Abstentions:** None **Absent:** None **Recused:** None	***Resolution 2016-07 approved***
11. RESOLUTION 2016-08: APPOINTMENT OF ECH BOARD MEMBER ELECTION AD HOC COMMITTEE	Chair Fung acknowledged Directors Zoglin and Miller and Mr. Gary Kalbach of the El Camino Hospital Governance Committee who have served as members of this committee for the last two years. He appointed Director Reeder as Chair of the Election Ad Hoc Committee for FY17 and recommended that Gary Kalbach continue to serve. Director Chiu nominated Director Miller to fill the remaining seat and she accepted. **Motion:** To approve Resolution 2016-08 appointing Director Reeder as Chair and Director Miller and Mr. Kalbach as members of the FY17 ECH Board Member Election Ad Hoc Committee. **Movant:** Chiu **Second:** Miller **Ayes:** Chiu, Fung, Miller, Reeder, Zoglin **Noes:** None **Abstentions:** None **Absent:** None **Recused:** None	***Resolution 2016-08 approved***
12. VOLUNTARY CAMPAIGN SPENDING LIMITS	Director Reeder explained his concerns regarding the way public elections are conducted, the *Citizens United* decision of the Supreme Court, and the growing costs of running for public office driving the average citizen out of the electoral process. Director Fung stressed the need for an even playing field between incumbents and newcomers, allowing newcomers to establish themselves through advertising and expenditures.	

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<tr><td></td><td>Director Chiu described the costs of reaching and educating voters in the District and noted that limits would prohibit ECHD candidates from reaching the public, especially in a presidential election year.

Director Zoglin commented on the controversial nature of campaign finance reform, especially with organizations outside the District spending significant amounts of money in opposition to particular candidates' campaigns.

Directors Fung, Chiu, Zoglin, and Miller commented that they would not support a measure to adopt voluntary spending limits at this time.

No action was taken.</td><td></td></tr>
<tr><td>13. DISTRICT PARTICIPATION IN VOLUNTARY ASSOCIATIONS</td><td>Tomi Ryba, President and CEO, provided a short list and review of associations in which the District participates:

- California Special Districts Association (CSDA): training and education on the Brown Act

- Santa Clara County Special Districts Association (SCCSDA): local affiliate of CSDA

- Association of California Healthcare Districts (ACHD): annual cost is $45,000; provides training and education, legislative advocacy, and public awareness. Financial issues have been deferred to DHLF (see below).

- District Hospital Leadership Forum (DHLF): works effectively with District Hospitals; helped ECH receive $10.9 funding for PRIME grants and have supported IGT of $6 million. The staff is well trained on issues in Sacramento and Washington. Both Brenda Taussig, Director of Government and Community Relations, and Iftikhar Hussain, CFO, utilize DHLF resources.

Director Miller described her participation on ACHD's Board and the education she has received about bills pending before the state legislature. She also noted that Director Chiu was named ACHD's Trustee of the Year. The Board discussed the value of ACHD membership.

Director Zoglin commented that the DHLF and ACHD seem to provide somewhat duplicative services. Director Reeder commented that he has attended some ACHD meetings and found the organization to be more beneficial to smaller healthcare districts.

Ms. Ryba asked for guidance from the Board on whether or not staff should pursue renewal of these various memberships. Chair Fung asked Ms. Ryba to bring this topic back in August for further consideration.</td><td>Topic to be revisited in August 2016</td></tr>
<tr><td>14. DRAFT REVISED MEDIA POLICY</td><td>Kelsey Martinez, Interim Director of Marketing & Communications, presented the draft revised media policy which clarifies guidelines about distribution of information regarding Board member activities. This District policy was drafted to be consistent with the Hospital's Revised Release</td><td>Revised District media policy approved</td></tr>
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	of Information to the Media approved by the Hospital Board in June. The Board discussed a recent press release request regarding a political event hosted at the Mountain View Whisman School District. This forum with the Registrar of Voters was intended to educate any members of the public who wished to run for the El Camino Healthcare District Board. Directors Chiu, Miller, and Reeder attended. Director Reeder commented that the media policy should not inhibit the public from learning more about the District and the Board. In response to Director Fung's question, Ms. Ryba explained that in the event of a conflict between the Healthcare District Board of Directors and the CEO, the Chair of the District Board serves as the official ECHD spokesperson. **Motion**: To approved the revised Media Policy. **Movant:** Miller **Second:** Zoglin **Ayes:** Chiu, Fung, Miller, Reeder, Zoglin **Noes:** None **Abstentions:** None **Absent:** None **Recused:** None	
15. BOARD COMMENTS	There were no additional Board comments.	
16. ADJOURN TO CLOSED SESSION	**Motion:** To adjourn to closed session at 7:38 pm pursuant to *Gov't Code Section 54957.2* for approval of the Minutes of the Closed Session of the District Board Meeting (March 15, 2016); pursuant to *Gov't Code Section 54956.9(d)(2)* for conference with legal counsel – pending or threatened litigation and *Health and Safety Code Section 32106(b)* for a report involving health care facility trade secrets: Review of Annual El Camino Hospital Board Self-Assessment; and pursuant to *Gov't Code Section 54957* for discussion and report on personnel performance matters: Executive Session. **Movant:** Miller **Second:** Chiu **Ayes:** Chiu, Fung, Miller, Reeder, Zoglin **Noes:** None **Abstentions:** None **Absent:** None **Recused:** None	***Meeting adjourned to closed session***
17. AGENDA ITEM 22: RECONVENE OPEN SESSION	Open session was reconvened at 9:17 pm. During the closed session, the Board approved the Minutes of the Closed Session of the March 15, 2016 District Board Meeting by a unanimous vote in favor by all members present (Directors Chiu, Fung, Miller, Reeder, Zoglin).	
18. AGENDA ITEM 23: FY17 PACING PLAN	**Motion:** To approve the FY17 Pacing Plan. **Movant:** Miller **Second:** Chiu **Ayes**: Chiu, Fung, Miller, Reeder, Zoglin **Noes**: None	***FY17 pacing plan approved***

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	Abstentions: None **Absent**: None **Recused**: None	
19. AGENDA ITEM 24 – ADJOURNMENT	**Motion**: To adjourn at 9:18 pm. **Movant**: Reeder **Second**: Chiu **Ayes**: Chiu, Fung, Miller, Reeder, Zoglin **Noes**: None **Abstentions**: None **Absent**: None **Recused**: None	***Meeting adjourned at 10:41 pm.***

Attest as to the approval of the foregoing minutes by the Board of Directors of El Camino Healthcare District:

Peter C. Fung, MD
Chair, ECHD Board

Julia Miller
ECHD Board Secretary

Prepared by: Cindy Murphy, Board Liaison
Sarah Rosenberg, Contracts & Board Services Coordinator

b. Minutes of the Open Session of the District Board Meeting (August 10, 2016)

Minutes of the Open Session of the Special Meeting of the El Camino Healthcare District Board of Directors
Wednesday, August 10, 2016
El Camino Hospital | Conference Rooms E, F & G
2500 Grant Road, Mountain View, CA 94040

Board Members Present	**Board Members Absent**	**Members Excused**
Dennis Chiu Peter C. Fung, MD Julia Miller David Reeder John Zoglin	None	None

Agenda Item	**Comments/Discussion**	**Approvals/Action**
1. CALL TO ORDER/ ROLL CALL	The open session meeting of the El Camino Healthcare District Board of Directors (the "Board") was called to order at 6:07pm by Chair Peter C. Fung, MD. All members were present.	
2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Chair Fung asked if any Board members may have a conflict of interest with any of the items on the agenda. No conflicts were noted.	
3. PUBLIC COMMUNICATION	There were no comments from the public.	
4. PROPOSED REFINANCING OF THE DISTRICT'S 2006 GENERAL OBLIGATION BONDS/ AUTHORIZATION OF PROVISION OF NOTICE	Iftikhar Hussain, CFO, provided an overview of the attractive environment and good timing for the District to refinance its bonds, including historically low rates and high demand. He described the plans to issue $270 million in revenue bonds (with respect to the Hospital), and refinance $93 million – the callable portion – of the District's General Obligation bonds. The due diligence process for both sets of bonds is currently underway. Mr. Hussain explained that going to the market was part of the long-term plan, but the exact timing had not been determined. He also explained that the GO bond refinancing will produce savings of $1.74/year per $100,000 of assessed value for District residents. This equates to $21 million in savings over the life of the bonds. District residents will see a reduction in their taxes. He provided an outline of the timing for pricing, Board and California Health Facilities Financing Authority approval, and completion of the audit process. The bond issuance is planned for early November. In response to Director Fung's question, Mr. Hussain explained that additional interest expense would be $8 million per year. He also commented that the District maintains a healthy debt ratio and rating, well above the median margin of 3.5%. Director Zoglin noted that this would take the Hospital to the maximum of the its borrowing capacity. Director Chiu commented that this is a good time to go to the bond market	

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	and leverage the current environment to finance the Hospital's planned expansion projects. He suggested financing these projects will help to maintain business, grow, and stay competitive. Mary Rotunno, General Counsel, explained that this agenda item is for information and described the upcoming notice to be posted regarding the GO bond refinancing. Mr. Hussain reported that staff will bring a request for approval of the GO bond refinancing to the District in October.	
5. APPROVAL OF EXPENDITURES FOR CAMPUS DEVELOPMENT PROJECTS	Ken King, CASO, reported that, in June, the District approved development plans for the MV campus. Now, the District is requested to approve capital expenditures for two of the projects that exceed $25 million, including the Behavioral Health Services Building and the Integrated Medical Office Building. He noted that the funding has been approved by the Hospital Board and that the Hospital bond financing will support these projects. **Motion:** To approve the expenditures for the Campus development projects as described in the Board materials. **Movant:** Reeder **Second:** Chiu **Ayes:** Chiu, Fung, Miller, Reeder, Zoglin **Noes:** None **Abstentions:** None **Absent:** None **Recused:** None	***Campus Development expenditures approved***
6. ADJOURNMENT	**Motion**: To adjourn at 6:20 pm. **Movant**: Chiu **Second**: Miller **Ayes**: Chiu, Fung, Miller, Reeder, Zoglin **Noes**: None **Abstentions**: None **Absent**: None **Recused**: None	***Meeting adjourned at 6:20 pm.***

Attest as to the approval of the foregoing minutes by the Board of Directors of El Camino Healthcare District:

Peter C. Fung, MD
Chair, ECHD Board

Julia Miller
ECHD Board Secretary

Prepared by: Cindy Murphy, Board Liaison
Sarah Rosenberg, Contracts & Board Services Coordinator

c. Resolution 2016-09: Setting Regular Meeting Dates for FY17

Resolution 2016-09

Resolution of the Board of Directors of El Camino Healthcare District
Establishing Regular Meeting Dates and Time

RESOLVED, Article VI, Section 3(a) of the Bylaws of El Camino Healthcare District requires the Board to adopt a resolution setting meeting dates; be it further,

RESOLVED, that the regular meeting dates of the District Board for 2017 shall be January 17, 2017, March 14, 2017, June 20, 2017, and October 17, 2017 at 5:30 P.M.; be it further,

RESOLVED, that the regular meeting dates shall be posted at El Camino Hospital, on the El Camino Healthcare District website, and shall be mailed or e-mailed to all persons who have requested notice of EL Camino Healthcare District meetings.

DULY PASSED AND ADOPTED at a Regular Meeting held on the 18th day of October, 2016 by the following votes:

AYES:

NOES:

ABSENT:

ABSTAIN:

By: ______________________________
Julia E. Miller
Secretary, ECHD Board of Directors

d. FY16 Year-End Consolidated and Standalone Financials

Dedicated to improving the health and well being of the people in our community.

Board Finance Presentation
Fiscal Year 2016
7/1/2015 - 6/30/2016

Iftikhar Hussain, CFO

El Camino Healthcare District Board of Directors Meeting

October 18, 2016

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ECHD Stand-Alone Financial Statements

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NOTE: Accounting standards require that audited financial statements for El Camino Healthcare District be presented in consolidated format, including El Camino Hospital and its controlled affiliates. In an effort to help ensure public accountability and further ensure the transparency of the District's operations, the District also prepares internal, "Stand-Alone" financial statements which present information for the District by itself.

El Camino Healthcare District

Consolidated Comparative Balance Sheet ($ Millions)

(Includes El Camino Hospital)

	June 30, 2016	June 30, 2015 Audited w/o Eliminations
ASSETS		
Current Assets		
Cash & Investments	$188	$221
Patient Accounts Receivable, net	$117	$96
Other Accounts and Notes Receivable	$7	$5
Inventories and Prepaids	$43	$44
Total Current Assets	**355**	**366**
Board Designated Assets		
Foundation Reserves	14	15
Community Benefit Fund	16	5
Operational Reserve Fund	102	102
Workers Comp, Health & PTO Reserves	64	64
Other Board Designated Reserves	156	148
Total Board Designated Assets	**351**	**333**
Funds Held By Trustee	**46**	**50**
Long Term Investments	**208**	**207**
Other Investments	**33**	**34**
Net Property Plant & Equipment	**743**	**698**
Other Assets	**37**	**35**
Total Non-Designated Assets	1,067	1,025
TOTAL ASSETS	**$1,774**	**$1,724**

	June 30, 2016	June 30, 2015 Audited w/o Eliminations
LIABILITIES & FUND BALANCE		
Current Liabilities		
Accounts Payable & Accrued Exp	$94	$100
Bonds Payable - Current	6	8
Bond Interest Payable	8	4
Other Liabilities	3	3
Total Current Liabilities	**111**	**115**
Deferred Revenue	1	1
Long Term Liabilities		
Bond Payable	360	367
Benefit Obligations	38	40
Other Long-term Obligations	4	4
Total Long Term Liabilities	**402**	**410**
Fund Balance		
Unrestricted	1,003	970
Board Designated & Restricted	242	214
Capital & Retained Earnings	14	14
Total Fund Balance	**1,260**	**1,198**
TOTAL LIAB. & FUND BAL.	**$1,774**	**$1,724**

Note: Totals may not agree due to rounding. *See page 5 for footnotes.*

El Camino Healthcare District

Consolidated Comparative Statement of Revenues & Expenses ($ Millions)

Year-to-Date through June 30, 2016

(Includes El Camino Hospital)

	Current Fiscal Year			
	Actual	Budget	Fav (Unfav) Variance	Prior Year Actual
Net Patient Revenue (1)	772	744	28	747
Other Operating Revenues	39	38	2	35
Total Operating Revenues	**812**	**781**	**30**	**782**
Wages and Benefits	443	440	(3)	417
Supplies	118	112	(6)	110
Purchased Services	108	105	(3)	101
Other	36	25	(11)	28
Depreciation	49	47	(2)	45
Interest	7	5	-2	5
Total Operating Expense (2)	**761**	**734**	**(27)**	**707**
Operating Income	**50**	**47**	**3**	**75**
Non-Operating Income (3)	8	38	(31)	25
Net Income	**58**	**85**	**(27)**	**100**

Note: Totals or variances may not agree due to rounding. See page 5 for footnotes.

El Camino Healthcare District
Notes to Consolidated Financial Statements
Current FY 2016 Actual to Budget
(Includes El Camino Hospital)

1) **Net patient revenue was above budget by approximately $28.4M despite lower volume due to better charge capture and revenue cycle improvements under EPIC.**
2) **The negative variance of approximately $27.2M is primarily due to not achieving budget cost reduction targets during the EPIC go-live year.**
3) **EPIC related expenses in labor and training, pharmacy and medical supply expenses,**
4) **The $30.6M negative variance is principally due to unrealized losses on investments (totaling approximately negative $34.5M variance for the year. Our cash position remains strong versus rating agency benchmarks.**

El Camino Healthcare District

Stand-Alone Comparative Balance Sheet ($ Thousands)

*These financial statements **exclude** the District's El Camino Hospital Corporation and its controlled affiliates*

	June 30, 2016	June 30, 2015		June 30, 2016	June 30, 2015
ASSETS			**LIABILITIES & FUND BALANCE**		
Cash & cash equiv	$2,694	$2,320	Accounts payable [8]	$585	$46
Short term investments	4,861	4,402	Current portion of bonds	2,485	2,065
Due fm Retiree Health Plan [1]	80	3	Bond interest payable	2,523	2,559
S.C. M&O Taxes Receivable	0	0	Other Liabilities	133	125
Total current assets	$7,635	$6,725	**Total current liabilities**	$5,726	$4,795
Operational Reserve Fund [2]	1,500	1,500			
Capital Appropriation Fund [3]	15,472	9,298			
Capital Replacement Fund [4]	4,684	4,367	Deferred income	44	44
Community Benefit Fund [5]	3,495	3,021	Bonds payable - long term	133,797	136,460
Total Board designated funds	$25,151	$18,186	**Total liabilities**	**$139,567**	**$141,299**
Funds held by trustee [6]	**$15,452**	**$12,405**	**Fund balance**		
Capital assets, net [7]	**$11,449**	**$11,700**	Unrestricted fund balance	$43,472	$36,397
			Restricted fund balance [9]	(123,353)	(128,679)
			Total fund balance	**($79,881)**	**($92,282)**
TOTAL ASSETS	**$59,686**	**$49,016**	**TOTAL LIAB & FUND BALANCE**	**$59,686**	**$49,016**

Note: Totals may not agree due to rounding. See page 9 for footnotes.

El Camino Healthcare District

YTD Stand-Alone Stmt of Revenue and Expenses ($ Thousands)

Comparative Year-to-Date June 30, 2016

*These financial statements **exclude** the District's El Camino Hospital Corporation and its controlled affiliates*

		Actual	Current Year Budget	Variance	June 30, 2015 Actual
	REVENUES				
(A)	Ground Lease Revenue [10]	$ 88	$ 89	$ (1)	$ 87
(B)	Redevelopment Taxes [11]	463	230	233	278
(B)	Unrestricted M&O Property Taxes [11]	7,162	6,873	289	6,822
(B)	Restricted M&O Property Taxes [11]	6,171	5,050	1,121	5,152
(B)	G.O. Taxes Levied for Debt Service [11]	9,836	9,200	636	8,845
(B)	IGT Medi-Cal Program [12]	(802)	-	(802)	(6,759)
(B)	Investment Income (net)	375	105	270	(138)
(B)	Other income	239	201	38	203
	TOTAL NET REVENUE	23,532	21,748	1,784	14,490
	EXPENSES				
(A)	Professional Fees & Purchased Svcs [13]	355	733	(378)	679
(A)	Supplies & Other Expenses	58	88	(30)	21
(B)	G.O. Bond Interest Expense (net) [14]	4,695	4,696	(1)	4,777
(B)	Donations to Outside Organizations [15]	5,986	6,227	(241)	5,626
(A)	Depreciation / Amortization	253	250	3	250
	TOTAL EXPENSES	11,347	11,994	(647)	11,353
	NET INCOME	$ 12,185	$ 9,754	$ 2,431	$ 3,137

(A) Operating Revenues & Expenses

(B) Non-operating Revenues & Expenses

	RECAP STATEMENT OF REVENUES & EXPENSE	
(A)	Net Operating Revenues & Expenses	$ (578)
(B)	Net Non-Operating Revnues & Expenses	12,763
	NET INCOME	$ 12,185

Note: Totals may not agree due to rounding. See page 9 for footnotes.

El Camino Healthcare District

Comparative YTD Stand-Alone Stmt of Fund Balance Activity ($ Thousands)

*These financial statements **exclude** the District's El Camino Hospital Corporation and its controlled affiliates*

	June 30,2016		June 30, 2015	
Fiscal year beginning balance	**$**	**(92,282)**	**$**	**(94,161)**
Net income year-to-date	$	12,185	$	3,137
Transfers (to)/from ECH:				
IGT Funding [16]	$	216		6,759
Capital Appropriation projects [17]		-	$	(8,017)
Fiscal year ending balance	**$**	**(79,881)**	**$**	**(92,282)**

Note: Totals may not agree due to rounding. *See page 10 for footnotes.*

El Camino Healthcare District
Notes to Stand-Alone Financial Statements

*These financial statements **exclude** the District's El Camino Hospital Corporation and its controlled affiliates*

(1) **Due from Retiree Health Plan –** The monies due from Trustee for District's Retiree Healthcare Plan.

(2) **Operating Reserve Fund** – Starting in FY 2014, the Board established an operational reserve for unanticipated operating expenses of the District.

(3) **Capital Appropriation Fund –** Formerly known as the Capital Outlay Fund, which accumulates at the end of each fiscal year those M&O property taxes that are over the Gann limit and thus become restricted for plant and equipment projects. This amount reflects the accumulation of the fiscal years ended 2014, 2015, and 2016 (FY2014 & FY2015 subsequently transfer in July 2016). Note, at each fiscal year end the amount placed into this fund must be board designated for a capital project (must be a value greater than $100,000 and a minimum life of 10 years) within the next two fiscal years.

(4) **Capital Replacement Fund** – Formerly known as the Plant Facilities Fund (AKA - Funded Depreciation) which reserves monies for the major renovation or replacement of the portion of the YMCA (Park Pavilion) owned by the District.

(5) **Community Benefit Fund –** Newly established fund at the District in FY 2014, as the District retains its unrestricted M&O property taxes to pay for its operations and support its Community Benefit Program.

(6) **Funds Held by Trustee –** Funds from General Obligation tax monies, being held to make the debt payments when due.

(7) **Capital Net Assets -** The land on which the Mountain View Hospital resides, a portion of the YMCA building, and a vacant lot located at El Camino Real and Phyllis.

(8) **Accounts Payable and Accrued Expenses –** Expenses due which have not yet been paid.

(9) **Fund Balance –** The negative fund balance is a result of the General Obligation bonds which assisted in funding the replacement hospital facility in Mountain View. Accounting rules required the District to recognize the obligation in full at the time the bonds were issued ; receipts from taxpayers will be recognized in the year they are levied, slowly reducing the negative fund balance over the next 20 years.

El Camino Healthcare District
Notes to Stand-Alone Financial Statements

*These financial statements **exclude** the District's El Camino Hospital Corporation and its controlled affiliates*

(10) Other Operating Revenue – Lease income from El Camino Hospital for its ground lease with the District.

(11) Taxes: Redevelopment, M&O, G.O. – Tax receipts (either received or to be received) during the period.

(12) IGT Expense – Participation thus far in Inter Governmental Transfer program for FY 2016.

(13) Professional Fees & Services – Detailed below:

• Community Benefit/Admin Support from ECH	$312
• Legal	29
• Direct Mail / Website	15
• Other	-1
	$355

(14) G.O. Bond Interest Expense – Expense includes bond interest expense accruing on the District's debt and other related bond expense.

(15) Donations to Outside Organizations – Starting in FY 2014, the District is directly operating its Community Benefit Program at the District level. This represents amounts expended to grantees and sponsorships thus far in this fiscal year .

(16) IGT Funding – Transfers from ECH for participation in program thus far in FY 2016.

(17) Capital Appropriation Projects Transfer – Formerly known as Capital Outlay Projects, this was the FY 2012 and 2013 amount set aside for major plant and equipment projects. By Board action at the end of the FY 2014, this amount was transferred in early FY 2015 to the Hospital in support of its Behavioral Health Services replacement building project that is currently being designed.

El Camino Healthcare District

Sources & Uses of Tax Receipts ($Thousands)

*These financial statements **exclude** the District's El Camino Hospital Corporation and its controlled affiliates*

Sources of District Taxes	6/30/2016
(1) Maintenance and Operation and Government Obligation Taxes	$23,169
(2) Redevelopment Agency Taxes	463
Total District Tax Receipts	**$23,632**
Uses Required Obligations / Operations	
(3) Government Obligation Bond	9,836
Total Cash Available for Operations, CB Programs, & Capital Appropriations	**13,796**
(4) Capital Appropriation Fund – Excess Gann Initiative Restricted*	6,171
Subtotal	**7,625**
(5) Operating Expenses	413
Subtotal	**7,212**
(6) Capital Replacement Fund (Park Pavilion)	329
Funds Available for Community Benefit Programs	**$6,883**

*Gann Limit Calculation for FY2016 $7,162

(1) M&O and G.O. Taxes	• Cash receipts from the 1% ad valorem property taxes and Measure D taxes
(2) Redevelopment Agency Taxes	• Cash receipts from dissolution of redevelopment agencies
(3) Government Obligation Bond	• Levied for debt service
(4) Capital Appropriation Fund	• Excess amounts over the Gann Limit are restricted for use as capital
(5) Operating Expenses	• Expenses incurred in carrying out the District's day-to-day activities
(6) Capital Replacement Fund	• Fund to ensure that the District has adequate resources to fund repair and replacement of its capital assets (Park Pavilion)

ATTACHMENT 7

RESOLUTION 2016 - 10

RESOLUTION OF THE BOARD OF DIRECTORS OF EL CAMINO HEALTHCARE DISTRICT REGARDING RECOGNITION OF SERVICE TO THE COMMUNITY

WHEREAS, the Board of Directors of the El Camino Healthcare District values and wishes to recognize the contribution of individuals who serve the District's community as well as individuals who exemplify the El Camino Healthcare District's mission and values.

WHEREAS, the Board wishes to honor and recognize Santa Clara Valley Medical Center for partnering with El Camino Healthcare District to provide comprehensive primary care services and dental services at Valley Health Center, Sunnyvale for low-income and working poor residents of the District.

El Camino Healthcare District and Santa Clara Valley Medical Center began a partnership in 2012 to address barriers to healthcare access & delivery and oral health in the north county.

Over the years, Valley Health Center, Sunnyvale has served nearly 24,000 individuals and provided 60,000 services. The services include primary and dental care, care coordination for patients with complex, concurrent medical & behavioral health problems, and patient navigation for individuals with chronic disease. Funding from the District also reduces barriers to accessing services by increasing much needed evening services through the Express Clinic.

WHEREAS, the Board would like to acknowledge Santa Clara Valley Medical Center for its commitment to improving access to primary care and oral care services.

NOW THEREFORE BE IT RESOLVED that the Board does formally and unanimously pay tribute to:

Santa Clara Valley Medical Center &

Valley Health Center, Sunnyvale

IN WITNESS THEREOF, I have here unto set my hand this **18TH DAY OF OCTOBER, 2016.**

EL CAMINO HEALTHCARE DISTRICT BOARD OF DIRECTORS:

Dennis Chiu, JD • Peter Fung, MD • Julia Miller • David Reeder • John Zoglin

JULIA E. MILLER
SECRETARY/TREASURER
EL CAMINO HEALTHCARE DISTRICT BOARD OF DIRECTORS

Separator Page

FY17 ECHD Financials Year-to-Date

Dedicated to improving the health and well being of the people in our community.

Board Finance Presentation
Fiscal Year 2017
7/1/2016- 8/31/2016

Iftikhar Hussain, CFO

El Camino Healthcare District Board of Directors Meeting

October 18, 2016

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El Camino Healthcare District

Consolidated Comparative Balance Sheet ($ Millions)

(Includes El Camino Hospital)

	Aug 31, 2016	June 30, 2016 Unaudited w/o Eliminations
ASSETS		
Current Assets		
Cash & Investments	$208	$188
Patient Accounts Receivable, net	$107	$117
Other Accounts and Notes Receivable	$7	$7
Inventories and Prepaids	$42	$40
Total Current Assets	**363**	**352**
Board Designated Assets		
Foundation Reserves	14	14
Community Benefit Fund	22	16
Operational Reserve Fund	102	102
Workers Comp, Health & PTO Reserves	63	64
Other Board Designated Reserves	159	156
Total Board Designated Assets	**360**	**351**
Funds Held By Trustee	**43**	**46**
Long Term Investments	**213**	**208**
Other Investments	**35**	**34**
Net Property Plant & Equipment	**742**	**743**
Other Assets	**45**	**45**
Total Non-Designated Assets	1,078	1,076
TOTAL ASSETS	**$1,802**	**$1,779**

	Aug 31, 2016	June 30, 2016 Unaudited w/o Eliminations
LIABILITIES & FUND BALANCE		
Current Liabilities		
Accounts Payable & Accrued Exp	$91	$94
Bonds Payable - Current	7	6
Bond Interest Payable	4	8
Other Liabilities	2	3
Total Current Liabilities	**104**	**111**
Deferred Revenue	1	1
Long Term Liabilities		
Bond Payable	357	360
Benefit Obligations	39	38
Other Long-term Obligations	4	4
Total Long Term Liabilities	**400**	**402**
Fund Balance		
Unrestricted	1,027	1,004
Board Designated & Restricted	252	242
Capital & Retained Earnings	15	14
Total Fund Balance	**1,294**	**1,261**
TOTAL LIAB. & FUND BAL.	**$1,802**	**$1,779**

Note: Totals may not agree due to rounding. *See page 5 for footnotes.*

El Camino Healthcare District

Consolidated Comparative Statement of Revenues & Expenses ($ Millions)

Year-to-Date through August 31, 2016

(Includes El Camino Hospital)

	Current Fiscal Year			
	Actual	Budget	Fav (Unfav) Variance	Prior Year Actual
Net Patient Revenue [1]	132	129	3	122
Other Operating Revenues	6	7	-1	7
Total Operating Revenues	**138**	**136**	**3**	**129**
Wages and Benefits	72	75	3	71
Supplies	18	19	1	20
Purchased Services	17	19	2	16
Other	4	5	0	4
Depreciation	8	9	0	8
Interest	1	1	0	1
Total Operating Expense [2]	**121**	**128**	**7**	**120**
Operating Income	**17**	**8**	**10**	**9**
Non-Operating Income [3]	16	4	12	(15)
Net Income	**33**	**12**	**21**	**(6)**

Note: Totals or variances may not agree due to rounding. See page 5 for footnotes.

El Camino Healthcare District
Notes to Consolidated Financial Statements

Current FY 2017 Actual to Budget

(Includes El Camino Hospital)

(1) Net patient revenue was above budget by approximately $3.8M due primarily to improved revenue cycle operations, including reduction in denials and improvement in charge capture. Total volume measured in adjusted discharges is 1% below budget.

(2) The positive variance of approximately $7M is primarily due to in labor costs (+$2.5 M variance), supplies (+$1.2 M variance), and purchased services (+$2.1 variance).

(3) The $11.8M positive variance is principally due to $11.5 positive variance on unrealized gains on investments.

El Camino Healthcare District

Stand-Alone Comparative Balance Sheet ($ Thousands)

These financial statements ***exclude*** *the District's El Camino Hospital Corporation and its controlled affiliates*

	Aug 31, 2016	June 30, 2016		Aug 31, 2016	June 30, 2016
ASSETS			LIABILITIES & FUND BALANCE		
Cash & cash equiv	$1,737	$2,694	Accounts payable [8]	$0	$585
Short term investments	772	4,861	Current portion of bonds	2,950	2,485
Due fm Retiree Health Plan [1]	50	80	Bond interest payable	911	2,523
S.C. M&O Taxes Receivable	2208	0	Other Liabilities	152	133
Total current assets	$4,767	$7,635	Total current liabilities	$4,013	$5,726
Operational Reserve Fund [2]	1,500	1,500			
Capital Appropriation Fund [3]	6,511	15,472			
Capital Replacement Fund [4]	4,739	4,684	Deferred income	30	44
Community Benefit Fund [5]	7,465	3,495	Bonds payable - long term	130,847	133,797
Total Board designated funds	$20,215	$25,151	Total liabilities	$134,890	$139,567
Funds held by trustee [6]	$12,317	$15,452	Fund balance		
Capital assets, net [7]	$11,407	$11,449	Unrestricted fund balance	$36,208	$43,472
			Restricted fund balance [9]	(122,392)	(123,353)
			Total fund balance	($86,184)	($79,881)
TOTAL ASSETS	$48,706	$59,686	TOTAL LIAB & FUND BALANCE	$48,706	$59,686

Note: Totals may not agree due to rounding. *See page 9 for footnotes.*

El Camino Healthcare District

YTD Stand-Alone Stmt of Revenue and Expenses ($ Thousands)

Comparative Year-to-Date August 31, 2016

*These financial statements **exclude** the District's El Camino Hospital Corporation and its controlled affiliates*

		Actual	Current Year Budget	Variance	June 30, 2016 Actual
	REVENUES				
(A)	Ground Lease Revenue (10)	$ 15	$ 15	$ -	$ 88
(B)	Redevelopment Taxes (11)	0	38	(38)	463
(B)	Unrestricted M&O Property Taxes (11)	1,276	1,276	-	7,162
(B)	Restricted M&O Property Taxes (11)	842	842	-	6,171
(B)	G.O. Taxes Levied for Debt Service (11)	1,689	1,533	156	9,836
(B)	IGT Medi-Cal Program (12)	(3,591)	-	(3,591)	(802)
(B)	Investment Income (net)	(102)	40	(142)	375
(B)	Other Income	35	29	6	239
	TOTAL NET REVENUE	164	3,773	(3,609)	23,532
	EXPENSES				
(A)	Professional Fees & Purchased Svcs (13)	54	85	(31)	355
(A)	Supplies & Other Expenses	28	12	16	58
(B)	G.O. Bond Interest Expense (net) (14)	763	783	(20)	4,695
(B)	Donations to Outside Organizations (15)	818	1,121	(303)	5,986
(A)	Depreciation / Amortization	42	42	-	253
	TOTAL EXPENSES	1,705	2,043	(337)	11,347
	NET INCOME	$ (1,541)	$ 1,731	$ (3,272)	$ 12,185

(A) Operating Revenues & Expenses
(B) Non-operating Revenues & Expenses

	RECAP STATEMENT OF REVENUES & EXPENSE	
(A)	Net Operating Revenues & Expenses	$ (109)
(B)	Net Non-Operating Revnues & Expenses	(1,432)
	NET INCOME	$ (1,541)

Note: Totals may not agree due to rounding. See page 9 for footnotes.

El Camino Healthcare District

Comparative YTD Stand-Alone Stmt of Fund Balance Activity ($ Thousands)

*These financial statements **exclude** the District's El Camino Hospital Corporation and its controlled affiliates*

	Aug 31,2016		June 30, 2016	
Fiscal year beginning balance	**$**	**(79,881)**	**$**	**(92,282)**
Net income year-to-date	$	(1,541)	$	12,185
Transfers (to)/from ECH:				
IGT Funding (16)	$	4,175	$	216
Capital Appropriation projects (17)	$	(8,937)		-
Fiscal year ending balance	**$**	**(86,184)**	**$**	**(79,881)**

Note: Totals may not agree due to rounding. *See page 10 for footnotes.*

El Camino Healthcare District
Notes to Stand-Alone Financial Statements

*These financial statements **exclude** the District's El Camino Hospital Corporation and its controlled affiliates*

(1) **Due from Retiree Health Plan –** The monies due from Trustee for District's Retiree Healthcare Plan.

(2) **Operating Reserve Fund** – Starting in FY 2014, the Board established an operational reserve for unanticipated operating expenses of the District.

(3) **Capital Appropriation Fund –** Formerly known as the Capital Outlay Fund, which accumulates at the end of each fiscal year those M&O property taxes that are over the Gann limit and thus become restricted for plant and equipment projects. This amount reflects the accumulation of the fiscal year ended 2016. Note, at each fiscal year end the amount placed into this fund must be board designated for a capital project (must be a value greater than $100,000 and a minimum life of 10 years) within the next two fiscal years.

(4) **Capital Replacement Fund** – Formerly known as the Plant Facilities Fund (AKA - Funded Depreciation) which reserves monies for the major renovation or replacement of the portion of the YMCA (Park Pavilion) owned by the District.

(5) **Community Benefit Fund –** Newly established fund at the District in FY 2014, as the District retains its unrestricted M&O property taxes to pay for its operations and support its Community Benefit Program.

(6) **Funds Held by Trustee –** Funds from General Obligation tax monies, being held to make the debt payments when due.

(7) **Capital Net Assets -** The land on which the Mountain View Hospital resides, a portion of the YMCA building, and a vacant lot located at El Camino Real and Phyllis.

(8) **Accounts Payable and Accrued Expenses –** Expenses due which have not yet been paid.

(9) **Fund Balance –** The negative fund balance is a result of the General Obligation bonds which assisted in funding the replacement hospital facility in Mountain View. Accounting rules required the District to recognize the obligation in full at the time the bonds were issued ; receipts from taxpayers will be recognized in the year they are levied, slowly reducing the negative fund balance over the next 19 years.

El Camino Healthcare District
Notes to Stand-Alone Financial Statements

*These financial statements **exclude** the District's El Camino Hospital Corporation and its controlled affiliates*

(10) Other Operating Revenue – Lease income from El Camino Hospital for its ground lease with the District.

(11) Taxes: Redevelopment, M&O, G.O. – Tax receipts (either received or to be received) during the period.

(12) IGT Expense – Participation thus far in Inter Governmental Transfer program for FY 2016. This program was extremely behind in being implemented for the fiscal year 2015/2016 by the State and finally occurred in August of the District's fiscal year 2017, thus causing it to be non-budgeted. Approximately double this amount should be returned to the Hospital in 30 to 60 days.

(13) Professional Fees & Services – Detailed below:

• Community Benefit/Admin Support from ECH	$ 52
• Legal	1
• Direct Mail / Website	0
• Other	1
	$ 54

(14) G.O. Bond Interest Expense – Expense includes bond interest expense accruing on the District's debt and other related bond expense.

(15) Donations to Outside Organizations – Starting in FY 2014, the District is directly operating its Community Benefit Program at the District level. This represents amounts expended to grantees and sponsorships thus far in this fiscal year .

(16) IGT Funding – Transfers from ECH for participation in program thus far in FY 2017.

(17) Capital Appropriation Projects Transfer – This amount was the approved amount at the Board's June 2016 meeting to be transferred to the Hospital for the future renovation of the Women's Hospital after the IMOB is completed in the Fall 2018.

El Camino Healthcare District

Sources & Uses of Tax Receipts ($Thousands)

*These financial statements **exclude** the District's El Camino Hospital Corporation and its controlled affiliates*

Sources of District Taxes	8/31/2016
(1) Maintenance and Operation and Government Obligation Taxes	$3,807
(2) Redevelopment Agency Taxes	--
Total District Tax Receipts	**$3,807**
Uses Required Obligations / Operations	
(3) Government Obligation Bond	1,689
Total Cash Available for Operations, CB Programs, & Capital Appropriations	**$2,118**
(4) Capital Appropriation Fund – Excess Gann Initiative Restricted*	842
Subtotal	**$1,276**
(5) Operating Expenses	82
Subtotal	**$1,194**
(6) Capital Replacement Fund (Park Pavilion)	55
Funds Available for Community Benefit Programs	**$1,139**

*Gann Limit Calculation for FY2017 $7,658

(1) M&O and G.O. Taxes	• Cash receipts from the 1% ad valorem property taxes and Measure D taxes
(2) Redevelopment Agency Taxes	• Cash receipts from dissolution of redevelopment agencies
(3) Government Obligation Bond	• Levied for debt service
(4) Capital Appropriation Fund	• Excess amounts over the Gann Limit are restricted for use as capital
(5) Operating Expenses	• Expenses incurred in carrying out the District's day-to-day activities
(6) Capital Replacement Fund	• Fund to ensure that the District has adequate resources to fund repair and replacement of its capital assets (Park Pavilion)

Proposed Revision to FY17 Budget

ECHD BOARD MEETING AGENDA ITEM COVER SHEET

	Item:	Proposed FY17 Budget Revision El Camino Healthcare District Board of Directors October 18, 2016
	Responsible party:	Iftikhar Hussain, Chief Financial Officer
	Action requested:	For Approval
	Background: In the long term plan, staff noted that we will need to go to the bond market sometime during the next three years to fund the Hospital capital projects. The exact timing depended on bond market conditions, and we prepared the FY17 budget without the additional debt. Due to historically low rates and good access to the capital market, staff are proposing to issue the bonds in October/November time frame. The attached schedule shows the revised FY17 budget to include the impact of these bonds: 1. $3.1 million increase in supplies and other expenses (cost of issuance) 2. $5.4 million increase in interest	
	Other Board Advisory Committees that reviewed the issue and recommendation, if any: ECH Finance Committee – September 26, 2016; El Camino Hospital Board of Directors – October 12, 2016	
	Summary and session objectives : Obtain approval of revisions to the FY17 budget.	
	Proposed Committee motion, if any: To approve the revisions to the FY17 budget.	
	LIST OF ATTACHMENTS: Schedule showing original and revised budget	

El Camino Hospital®
THE HOSPITAL OF SILICON VALLEY

El Camino Hospital FY17 Budget Revised

El Camino Hospital ($ in thousands)	FY2017 Budget Revised	FY2017 Budget Original	Change Favorable/ (Unfavorable)	% Change
REVENUES				
Net Patient Service Revenue	$789,585	$789,585	$0	0.0%
Other Operating Revenue	25,059	25,059	0	0.0%
Total Net Revenue	814,645	814,645	0	0.0%
EXPENSES				
Salaries & Benefits	458,713	458,713	0	0.0%
Supplies & Other Expenses	243,122	240,022	3,100	1.3%
Interest	12,593	7,225	5,368	74.3%
Depreciation/Amortization	52,848	52,848	0	0.0%
TOTAL EXPENSES	767,275	758,807	8,468	1.1%
OPERATING INCOME	**$47,370**	**$55,837**	**($8,468)**	**-15.2%**
Non Operating Income	11,194	11,194	0	0.0%
NET INCOME	**$58,564**	**$67,032**	**($8,468)**	**-12.6%**
Operating EBIDA	*$112,810*	*$115,910*	*($3,100)*	-2.7%
Operating Margin Percentage	*5.8%*	*6.9%*		
KEY HOSPITAL INDICATORS				
Hospital Discharges, excl normal newborns	19,271	19,271	0	0.0%
Total Hospital Patient Days	89,574	89,574	0	0.0%
Acute Length of Stay	4.65	4.65	0.00	0.0%
Hospital Average Daily Census	245	245	0	0.0%

Consolidated El Camino Healthcare District FY17 Budget Revised

Consolidated Revenue and Expense Budget ($ in thousands)				
	Standalone	**El Camino Hospital**	**El Camino Hospital Affiliates**	**Total**
REVENUES				
Net Patient Service Revenue	$0	$789,585	$2,871	$792,457
Other Operating Revenue	90	25,059	17,077	42,226
Total Net Revenue	90	814,645	19,948	834,682
EXPENSES				
Salaries & Benefits	0	458,713	8,092	466,805
Supplies & Other Expenses	808	243,122	14,579	258,508
Interest	0	12,593	0	12,593
Depreciation/Amortization	240	52,848	42	53,130
TOTAL EXPENSES	1,047	767,275	22,713	791,036
OPERATING INCOME	**($958)**	**$47,370**	**($2,765)**	**$43,647**
Non Operating Income	7,972	11,194	4,919	24,085
NET INCOME	**$7,014**	**$58,564**	**$2,154**	**$67,731**
Operating EBIDA	*($718)*	*$112,810*	*($2,723)*	*$109,369*
Operating Margin Percentage	*-1069.1%*	*5.8%*	*0.0%*	*5.2%*

ATTACHMENT 9

2016 Audit Results

COMMUNICATION WITH THOSE IN CHARGE OF GOVERNANCE

El Camino Healthcare District

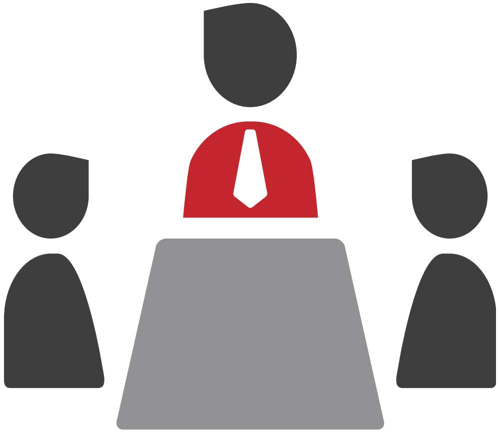
JUNE 30, 2016

MOSS ADAMS LLP

Certified Public Accountants | Business Consultants

Agenda

- Auditor Opinion and Report
- Communication with *Those Charged with Governance*
- Other Information



Auditor Opinion & Report

MOSS ADAMS LLP

Certified Public Accountants | Business Consultants

Scope of Services

We have performed the following services for El Camino Healthcare District:

- Annual consolidated financial statement audit for the year ended June 30, 2016
- Annual El Camino Hospital Foundation financial statement audit for the year ended June 30, 2016
- Annual CONCERN: EAP financial statement audit for the year ended June 30, 2016
- Annual El Camino Hospital Auxiliary financial statement audit for the year ended June 30, 2016

Auditor Report on the Consolidated Financial Statement

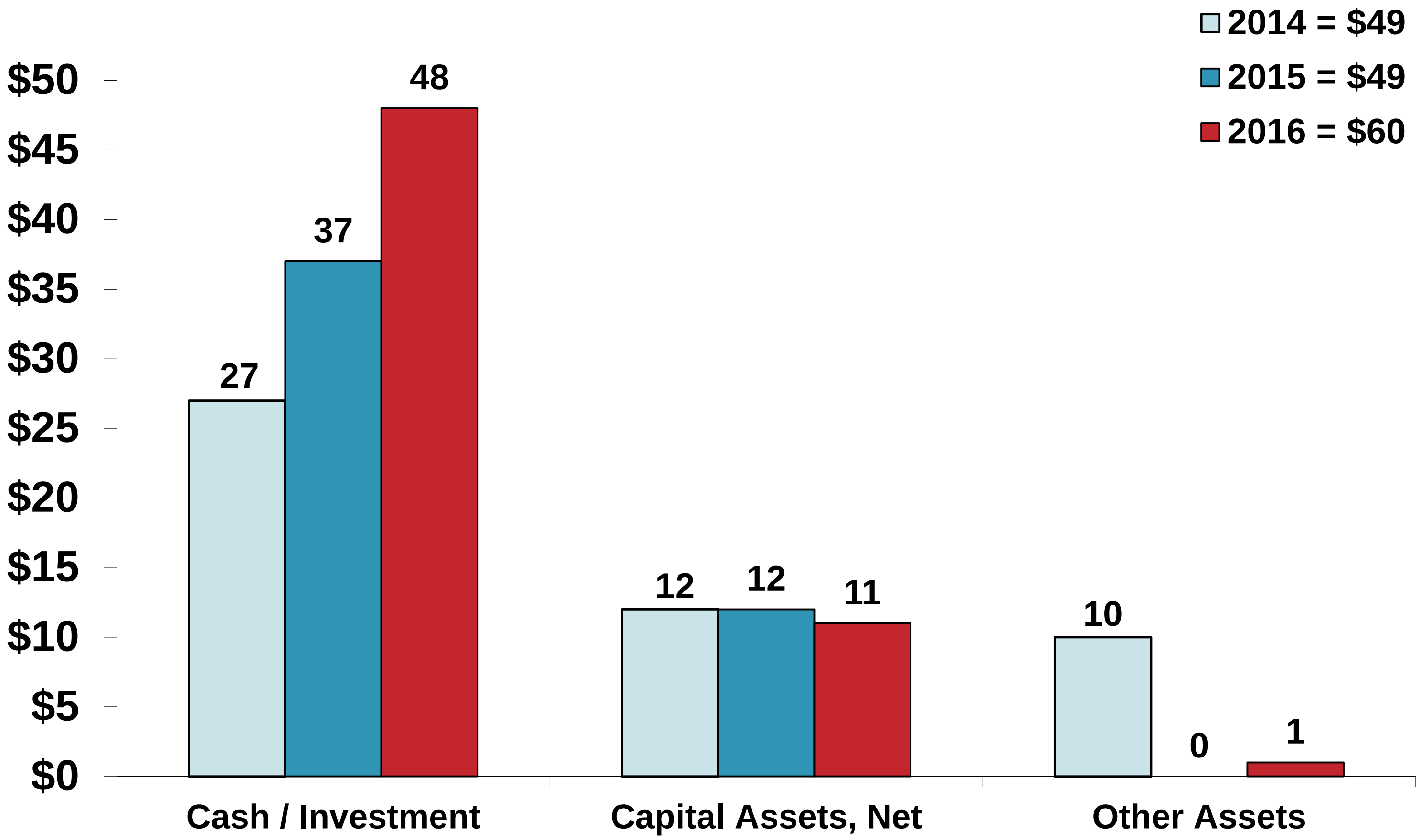
Unmodified Opinion

- Consolidated financial statements are presented fairly and in accordance with US GAAP

Statements of Net Position

MOSS ADAMS LLP
Certified Public Accountants | Business Consultants

Asset Composition (in millions)



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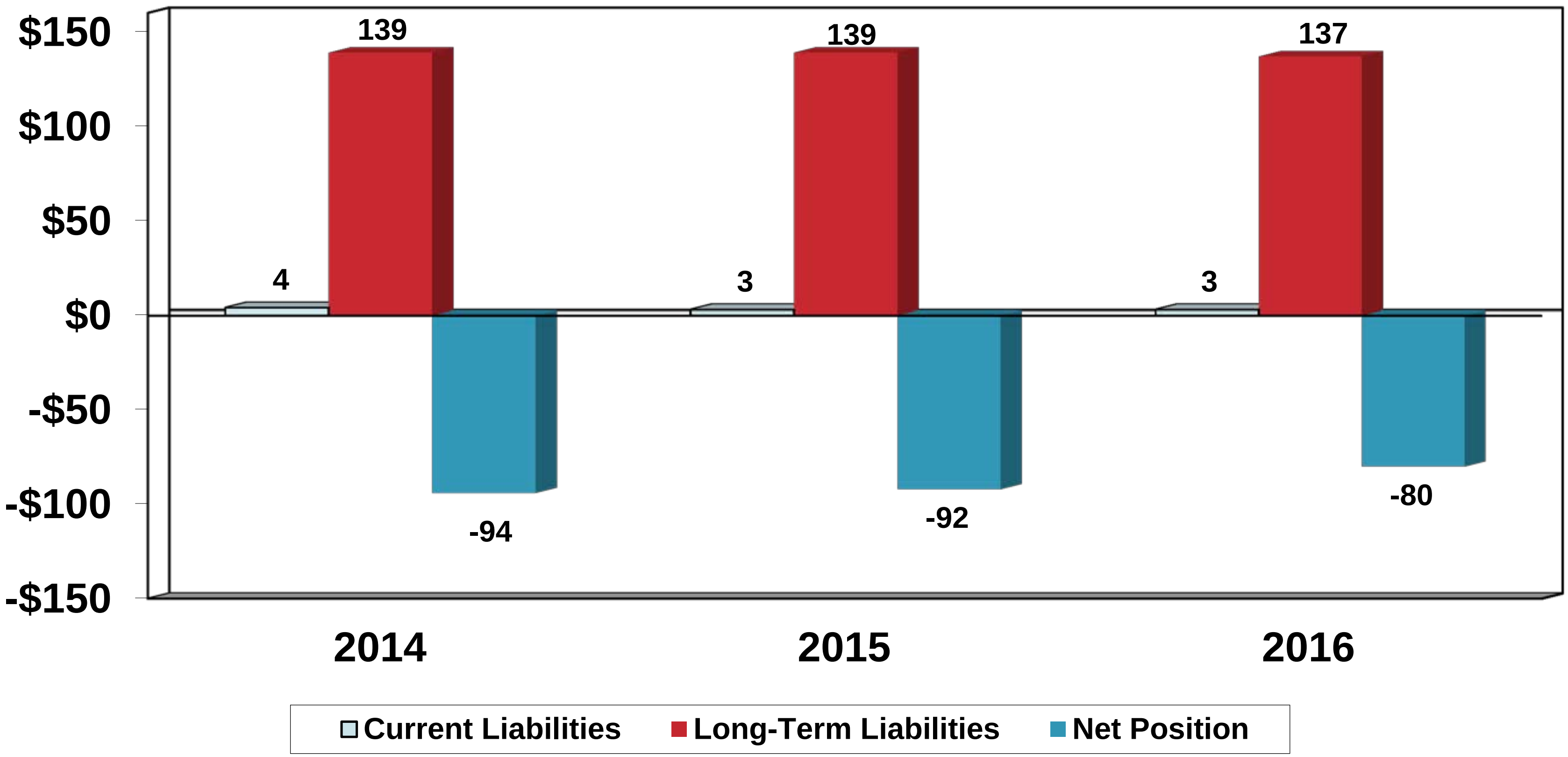
Liabilities and Net Position (in millions)



Operations

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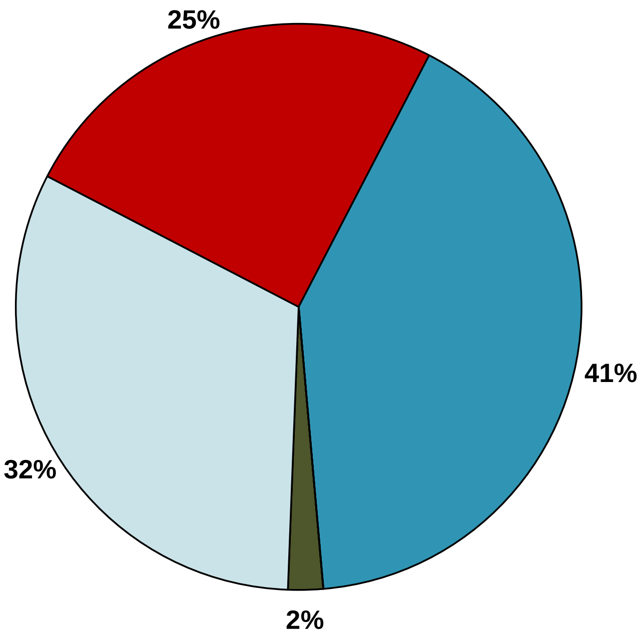
Income Statements(in thousands)
Year to year comparison

Sources of Nonoperating Revenues

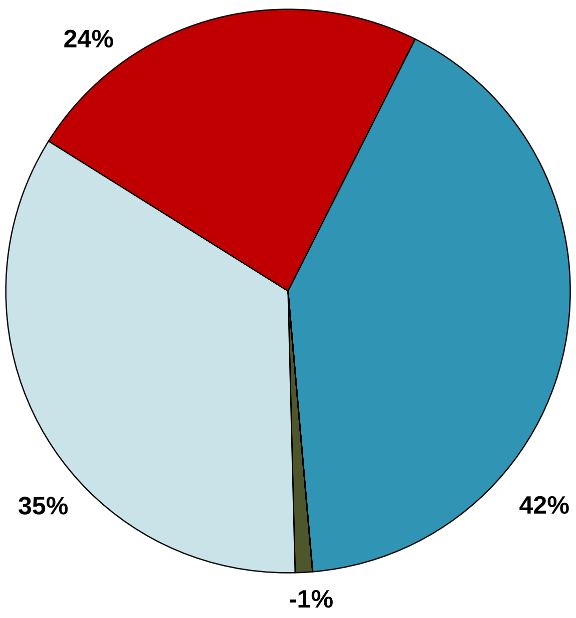
June 30, 2016

$24,074



June 30, 2015

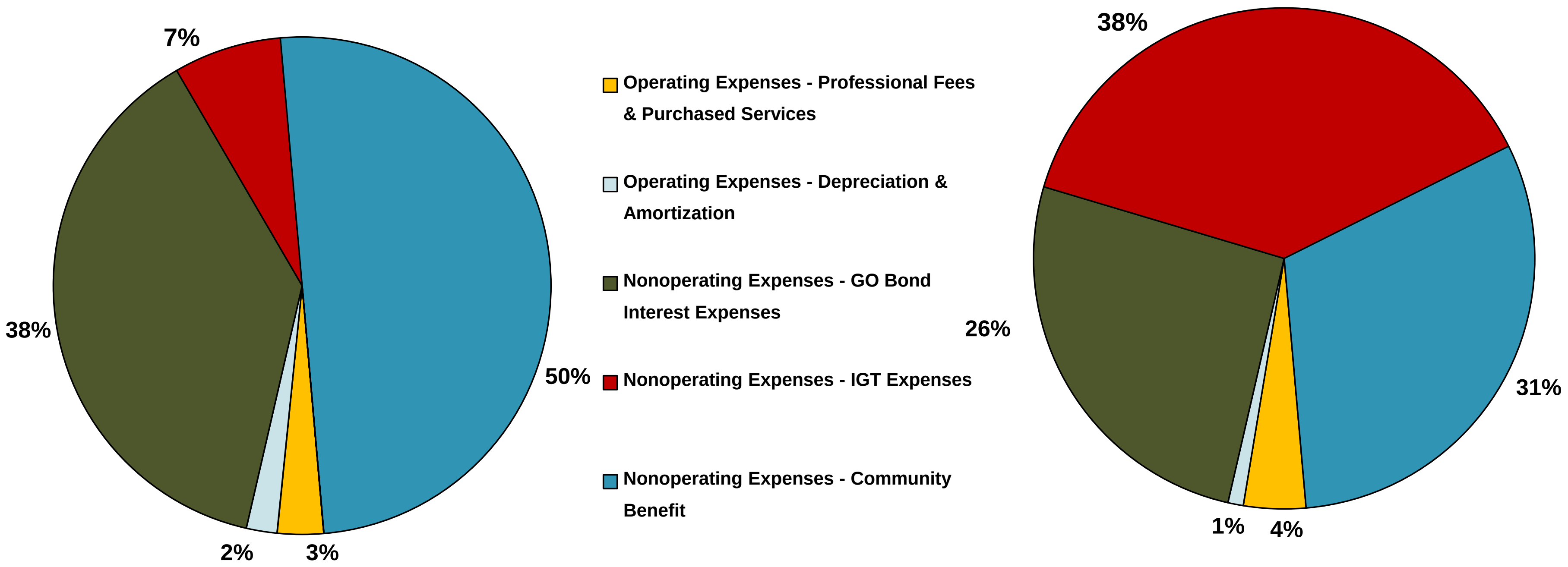
$21,077



Income Statements(in thousands)
Year to year comparison

Outflows of expenses

June 30, 2016	June 30, 2015
$11,977	$17,939



Communication with *Those Charged with Governance*

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Our Responsibility Under US Generally Accepted Auditing Standards

1 To express our opinion on whether the consolidated financial statements prepared by management with your oversight are fairly presented, in all material respects, and in accordance with U.S. GAAP. However, our audit does not relieve you or management of your responsibilities.

2 To perform an audit in accordance with generally accepted auditing standards issued by the AICPA, and design the audit to obtain reasonable, rather than absolute, assurance about whether the consolidated financial statements are free of material misstatement.

3 To consider internal control over financial reporting and internal control over compliance as a basis for designing audit procedures but not for the purpose of expressing an opinion on its effectiveness or to provide assurance concerning such internal control.

4 To communicate findings that, in our judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

COMMUNICATION WITH GOVERNING BODY

Significant Accounting Policies & Unusual Transactions

The auditor should determine that the Board is informed about the initial selection of and changes in significant accounting policies or their application. The auditor should also determine that the Board is informed about the methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Our Comments

- Management has the responsibility for selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in footnote 1 to the consolidated financial statements. Throughout the course of an audit, we review changes, if any, to significant accounting policies or their application, and the initial selection and implementation of new policies. There were no changes to significant accounting policies for the year ended June 30, 2016.
- We believe management has selected and applied significant accounting policies appropriately and consistent with those of the prior year.

Management Judgments & Accounting Estimates

The Board of Directors should be informed about the process used by management in formulating particularly sensitive accounting estimates and about the basis for the auditor's conclusions regarding the reasonableness of those estimates.

Our Comments

- Management's judgments and accounting estimates are based on knowledge and experience about past and current events and assumptions about future events. We apply audit procedures to management's estimates to ascertain whether the estimates are reasonable under the circumstances and do not materially misstate the financial statements.
- Significant management estimates impacting the financial statements include the following: **net patient service revenue, provision for uncollectible accounts, fair market values of investments, uninsured losses for professional liability, minimum pension liability, liability for workers' compensation claims, liability for post-retirement medical benefits, useful lives of capital assets, valuation of gift annuities and charitable remainder unitrusts.**
- We deemed them to be reasonable.

Management Judgments & Accounting Estimates

Our views about qualitative aspects of the entity's significant accounting practices, including accounting policies, accounting estimates, and financial statement disclosures.

Our Comments

- The disclosures in the consolidated financial statements are clear and consistent. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users, however we do not believe any of the footnotes are particularly sensitive. We call your attention to the following notes:
  - Note 13 – Related Party Transactions
  - Note 2 – Significant concentration of net patient accounts receivable
  - Note 5 – Fair value of investments
  - Note 6 – Capital assets
  - Note 7 – employee benefit plans
  - Note 8 – post-retirement medical benefits
  - Note 9 – insurance plans
  - Note 10 – long-term debt
  - Note 14 – commitment and contingencies

Significant Audit Adjustments & Unadjusted Differences Considered by Management To Be Immaterial

The Board of Directors should be informed of all significant audit adjustments arising from the audit. Consideration should be given to whether an adjustment is indicative of a significant deficiency or a material weakness in the District's internal control over financial reporting, or in its process for reporting interim financial information, that could cause future consolidated financial statements to be materially misstated.

The Board of Directors should also be informed of uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the consolidated financial statements as a whole.

Our Comments

- There were no corrected or uncorrected audit adjustments.

Deficiencies in Internal Control

Any material weaknesses and significant deficiencies in the design or operation of internal control that came to the auditor's attention during the audit must be reported to the Board of Directors.

Our Comments

- Material weakness
  - None noted
- Significant deficiencies
  - Nothing to communicate
- Internal control related matters
  - See AUC-265 letter

Difficulties Encountered in Performing the Audit

The Board of Directors should be informed of any significant difficulties encountered in dealing with management related to the performance of the audit, including disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the District's consolidated financial statements, or the auditor's report.

Our Comments

- No significant difficulties were encountered during our audit.
- We are pleased to report that there were no disagreements with management.

COMMUNICATION WITH GOVERNING BODY

Management’s Consultation with Other Accountants

In some cases, management may decide to consult about auditing and accounting matters. If management has consulted with other accountants about an auditing and accounting matter that involves application of an accounting principle to the District’s consolidated financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.

Our Comments

- We are not aware of any significant accounting or auditing matters for which management consulted with other accountants.

Accounting Update

MOSS ADAMS LLP
Certified Public Accountants | Business Consultants

Accounting Update

<u>Adopted in 2016</u>

GASB 72

- Fair Value Measurement and Application

GASB 81

- Irrevocable Split Interest Agreements

GASB 79

- Certain External Investment Pools and Pool Participants

<u>Coming Soon</u>

GASB 80 – *effective June 30, 2018*

- Blending Requirements for Certain Component Units

GASB 76 – *effective June 30, 2017*

- The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments

GASB 75 – *effective June 30, 2018*

- Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

GASB 74 – *effective June 30, 2017*

- Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

GASB 77 – *effective June 30, 2017*

- Tax Abatement Disclosures

Joelle Pulver

Joelle.pulver@mossadams.com

415.677.8291

Brian Conner

Brian.conner@mossadams.com

209.955.6114

MOSS ADAMS LLP

Certified Public Accountants | Business Consultants

09/21/2016

Report of Independent Auditors and
Consolidated Financial Statements with
Supplementary Information

El Camino Healthcare District

June 30, 2016 and 2015

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MANAGEMENT’S DISCUSSION AND ANALYSIS

During fiscal year 2013, El Camino Hospital District changed its name to become more transparent in the public eye, to El Camino Healthcare District (the "District"), to make a sharper distinction between the taxpayer-funded District and the operations of El Camino Hospital (the "Hospital") and its subsidiaries.

The District is comprised of six (6) entities: the District, the Hospital, El Camino Hospital Foundation (the "Foundation"), CONCERN: Employee Assistance Program ("CONCERN"), El Camino Surgery Center ("ECSC"), and Silicon Valley Medical Development, LLC ("SVMD").

Effective May 6, 2013, ECSC sold certain medical equipment, furnishings, fixtures, inventories, and other tangible personal property in exchange for a seven and one half percent (7.5%) interest in El Camino Ambulatory Surgery Center, ("ECASC"). As of March 2015, ECSC's interest in ECASC has increased to 33.4%. ECSC has provided a working capital line of credit to ECASC in a principal amount of $750,000 represented by a Promissory Note and has a term of 39 months with an interest rate of 5% per annum. At June 30, 2016 and 2015, there were total draws of $483,521 and $414,083 against the line of credit, respectively. The Hospital leases the space to ECASC and provides certain services, such as utilities and building/equipment maintenance. There was $702,000 of rental income recorded for the year ended June 30, 2016, and $717,000 of rental income recorded for the year ended June 30, 2015, related to the lease. On August 29, 2016, ESCS paid off the line of credit of $483,000.

Silicon Valley Medical Development, LLC is organized as a California limited liability company and was formed in 2008. SVMD was established by the Hospital to create initiatives between the independent physicians and the Hospital, to develop and maintain ambulatory ventures not located on the current Hospital campuses, and to provide management services to medical groups in association with the Hospital. In the last quarter of 2016, SVMD opened its first Primary Care Clinic in the San Jose area and anticipates opening approximately two or three other clinics in fiscal year 2017. SVMD is also planning to open three Urgent Care Clinics and a Women's Heart and Vascular Clinic by the end of fiscal year 2018 in the services areas surrounding the Hospital campuses.

Overview of the Consolidated Financial Statements

This annual report consists of the consolidated financial statements and notes to those statements. These statements are organized to present the District as a whole, including all the entities it controls. Financial information for each separate entity is shown in the supplemental schedules on the last pages of the report. In accordance with the Governmental Accounting Standards Board ("GASB") Codification Section 2200, *Comprehensive Annual Financial Report,* the District presents comparative financial highlights for the fiscal years ended June 30, 2016, 2015, and 2014. This discussion and analysis should be read in conjunction with the consolidated financial statements in this report.

The consolidated statements of net position, the consolidated statements of revenues, expenses, and changes in net position, and consolidated statements of cash flows provide an indication of the District's financial health. The consolidated statements of net position include all the District's assets and liabilities, using the accrual basis of accounting. The consolidated statements of revenues, expenses, and changes in net position report all of the revenues and expenses during the time periods indicated. The consolidated statements of cash flows report the cash provided by the operating activities, as well as other cash sources such as investment income and cash payments for capital additions and improvements.

Consolidated Financial Highlights

Year Ended June 30, 2016

- During 2016 the Hospital completed an 18-month implementation of the replacement of its previous electronic healthcare patient record system with a state-of-the-art system purchased from the Epic Corporation. Internally known as "iCare" the new system went "live" as scheduled in November 2015. As of the end of fiscal year, the Hospital had a capital investment in the new system of $57 million and training expense of employees and medical staff in excess of $8 million, not including outside staff to back-fill positions to allow the training and needed support after go-live to stabilize the system and make changes to processes/workflows.

- The Hospital acquired a 16 acre parcel of undeveloped land in the South San Jose area in the amount of $24 million. The Hospital is exploring partnerships with medical groups to co-develop the property for acute healthcare needs in the area sometime in the future.

- The increase in the net position for 2016 was $64.1 million, which was a significant challenge given the go-live expenses of iCare. The ending net position for fiscal year 2016 was $1.3 billion.

Year Ended June 30, 2015

- The increase in net position for 2015 was $91.6 million over fiscal year 2014, creating an ending net position of $1.2 billion at year end.

- In May 2015, the Hospital issued $160.5 million of Revenue Bonds (Series 2015A) to (i) finance certain capital expenditures owned by the Hospital (the Project - $40.3 million), (ii) advance refund ($120.2 million) the Santa Clara County Financing Authority Insured Revenue Bonds of the Hospital Series 2007A, 2007B, and 2007C, and (iii) pay costs incurred in the connection of the issuance of the Bonds.

  The advance refunding of the Series 2007A, 2007B, and 2007C Bonds provides a net present value savings over the life of the Bonds of $13.5 million, which over the Bonds life produces a total reduction of $26.3 million in interest expense.

- Income from operations contributed $75.6 million. Nonoperating income added another $25.1 million that was primarily due to property taxes received by the El Camino Healthcare District and net investment incomes. The District funded various community benefit programs in its service area for $8 million during the year.

Summary of Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position
As of June 30, 2016, 2015 and 2014

(In Thousands)

	2016	2015	2014
Assets:			
Current assets	$ 411,110	$ 413,799	$ 415,893
Board designated and restricted funds, net of current portion	491,544	474,888	422,119
Funds held by trustee, net of current portion	46,293	50,081	19,418
Capital assets, net	743,127	698,436	663,650
Other assets	59,399	57,885	64,235
Total assets	**1,751,473**	**1,695,089**	**1,585,315**
Deferred Outflows:			
Loss on defeasance of debt	14,764	15,364	-
Deferred outflow of resources	5,100	7,200	-
Deferred outflow - actuarial	9,950	2,654	-
Total deferred outflows	**29,814**	**25,218**	**-**
Total assets and deferred outflows	**$ 1,781,287**	**$ 1,720,307**	**$ 1,585,315**
Liabilities:			
Current liabilities	$ 114,239	$ 115,252	$ 113,325
Bonds payable, net of current portion	349,336	358,906	316,991
Other long-term liabilities	52,220	50,249	50,573
Total liabilities	**515,795**	**524,407**	**480,889**
Deferred Inflows:			
Deferred inflow of resources	3,596	1,015	1,171
Deferred inflow - actuarial	2,892	-	-
Total deferred inflows	**6,488**	**1,015**	**1,171**
Net position:			
Unrestricted and invested in capital assets, net	1,244,697	1,185,190	1,096,477
Restricted by donors - charity and other	11,599	7,460	4,993
Restricted - endowments	2,708	2,235	1,785
Total net position	**1,259,004**	**1,194,885**	**1,103,255**
Total liabilities, deferred inflow of resources, and net position	**$ 1,781,287**	**$ 1,720,307**	**$ 1,585,315**
Operating cash equivalents & short-term investments	$ 251,888	$ 285,907	$ 279,342
Board designated, funds held by trustee, & restricted funds	553,309	534,267	453,272
Total available cash & investments	**$ 805,197**	**$ 820,174**	**$ 732,614**

Investments

The consolidated District maintains sufficient cash balances to pay daily operational expenses and all short term liabilities. In late fiscal year 2012, the Hospital (exclusive of the District) selected an Investment Consultant to assist the Hospital and its subsidiaries in managing its investments, and both the investment policies for Surplus Cash and Cash Balance Plan were updated and approved by the Hospital Board of Directors. The policies allow for greater diversification in the investment portfolios to balance the need for liquidity with a long-term investment focus in order to improve investment returns and the organization's financial strength. Beginning early in fiscal year 2013, an Investment Committee was formed to perform the following responsibilities, among others: monitor performance of investment managers, monitor allocations across investment styles and investment managers, review compliance with the policies, and make recommendations for revisions to the policies. Throughout fiscal years 2015 and 2014, the number of money managers expanded from two money managers for Surplus Cash to approximately twenty-nine managers.

Capital Assets

Starting in January 2014, the Hospital entered into a multi-year strategic partnership with the Epic Corporation to install a state-of-the-art electronic healthcare record system known internally as "iCare". The new electronic patient record system provides access to lifetime health records across its regional community while delivering real time bedside clinical decision support and data sets that will be optimized with best practices on a single platform. This platform provides for exchange of patient medical data with many of the Hospital's strategic service partners, thus demonstrating to the community that the Hospital and its partners want to treat each citizen using timely, relevant health information.

In fiscal year 2016, the iCare healthcare record system went "live", as projected, on November 7, 2015, with a current capital investment at June 2016 of $57 million and $8 million expended in training of most employee staff and all physicians. In fiscal year 2017, the Hospital will initiate significant upgrades and refinements to its iCare system for an additional capital expenditure of approximately $2 million.

In January 2016, the Hospital acquired approximately 16 acres of undeveloped land in South San Jose on Santa Teresa Boulevard for $24 million. The Hospital in forging deeper partnerships with independent physicians and physician groups is exploring the co-development of the property by expanding acute care programs and clinical services through building urgent cares and primary care clinics.

During fiscal year 2016, the Hospital replaced two of its surgical robots with the next generation of these state-of-the-art surgical medical robots at a capital cost of $3.9 million.

At the Hospital's Los Gatos campus, continuing progress was made during fiscal year 2016 to the significant renovations and upgrades to its Imaging and Surgery services and Central Sterile Processing functions. All seismic upgrades to the Los Gatos campus to make it in seismic compliance to 2030 were completed in fiscal year 2015.

At the end of 2016, the Hospital received approval from the City of Mountain View to complete its Mountain View Master Plan construction projects and the District and Hospital Boards approved final funding of the four projects on August 10, 2016. Initial construction on the projects commenced the summer of 2016. The projects are:

1) Replacement of its Behavioral Health Services building – project cost $91.5 million

2) North Parking Garage Expansion – project cost $24.5 million

3) Integrated Medical Office Building and parking structure – project cost $275 million

4) Central Utility Plant Upgrades - project costs $9 million

It is projected that the North Parking Garage Expansion will be completed in spring 2017 and the other three (3) projects in the Fall of 2018.

To assist in financing these projects, the Hospital has started on a tax-exempt Revenue Bond issuance of approximately $270 million. It is currently expected that the Closing of the bond issue will be the beginning of November 2016.

Also subsequent to fiscal year 2016, the District has started to proceed with a refunding of its 2006 original $148 million Government Obligation ("G.O") Bonds (with a current payable balance of $134 million), given the current reduced interest rates. Like the Hospital's revenue bonds issuance, the District expected close will be the beginning of November 2016.

Revenues and Expenses

The following table displays revenues and expenses for 2016, 2015, and 2014:

Revenues & Expenses
Years Ended June 30, 2016, 2015 and 2014

(In Thousands)

	2016	2015	2014
Operating revenues:			
Net patient service revenue net of bad debt of $18,966, $, 22,160 $18,690 in 2016, 2015, and 2014, respectively	$ 772,173	$ 746,645	$ 719,487
Other revenue	34,237	29,830	28,378
Total operating revenues	**$ 806,410**	**$ 776,475**	**$ 747,865**
Operating expenses:			
Salaries, wages & benefits	$ 439,877	$ 412,818	$ 398,577
Professional fees and purchased services	106,838	100,152	91,240
Supplies	118,096	110,003	104,382
Depreciation and amortization	49,051	44,913	47,839
Rent and utilities	15,669	15,137	15,431
Interest	6,368	4,904	7,403
Other	19,456	12,881	13,930
Total operating expenses	**$ 755,355**	**$ 700,808**	**$ 678,802**
Operating income	**$ 51,055**	**$ 75,667**	**$ 69,063**
Nonoperating revenue (expense) items:			
Bond interest expense	(4,523)	(4,604)	(4,674)
Intergovernmental transfer expense	(802)	(6,759)	(2,391)
Realized investment income	16,672	14,795	18,706
Unrealized investment (loss) gain	(16,886)	3,979	35,943
Property tax revenues	23,633	21,097	19,153
Restricted gifts, grants and other net of contributions to related parties	7,038	4,344	1,521
Unrealized loss on interest rate swap	(3,214)	(1,009)	(142)
Community benefit expense	(6,049)	(8,023)	(7,150)
Other, net	(2,805)	1,268	(779)
Total nonoperating revenues and expenses	**$ 13,064**	**$ 25,088**	**$ 60,187**
Increase in net position	**$ 64,119**	**$ 100,755**	**$ 129,250**
Total net position, beginning of year	**1,194,885**	**1,103,255**	**974,005**
CUMULATIVE EFFECT OF RESTATEMENT	**-**	**(9,125)**	**-**
Total net position, beginning of year, as restated	**1,194,885**	**1,094,130**	**974,005**
Total net position, end of year	**$ 1,259,004**	**$ 1,194,885**	**$ 1,103,255**

Fiscal Year 2016 Consolidated Financial Analysis

Net Patient Services Revenues

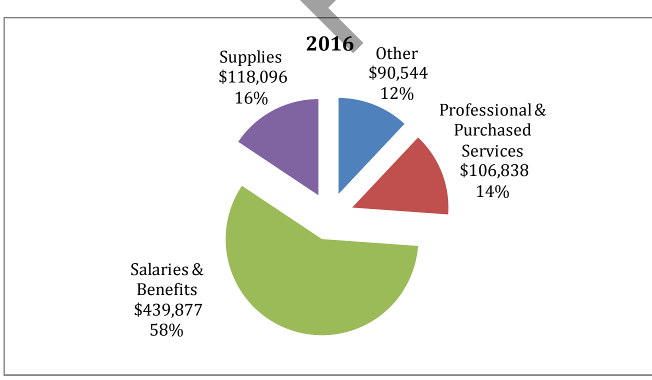
Net patient services revenue in fiscal year 2016 increased by $25.5 million, or 3.4% over fiscal year 2015. This increase was due to increases in volumes and net revenue in General Surgery, Oncology, Behavioral Health and Outpatient Interventional Services. There was also improved charge capture after Epic go-live and better reimbursement in Emergency Services, Heart & Vascular, Spine Surgery & Neurosciences service lines.

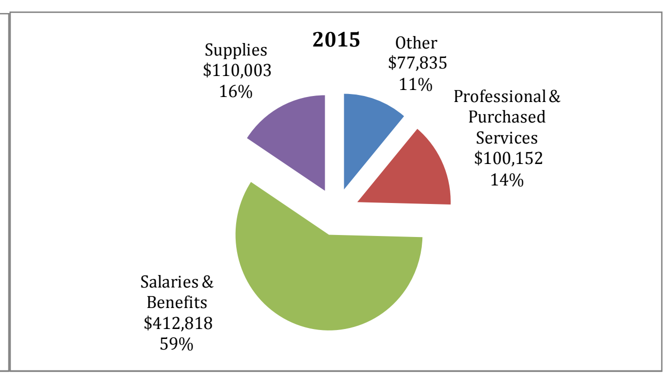
Specialty	2016 Days	2015 Days	% Change
Medical/Surgical	61,046	60,403	1.1%
Maternity	14,465	15,618	-7.4%
Pediatrics	4	15	-73.3%
NICU	5,199	5,808	-10.5%
Psychiatry	7,990	7,943	0.6%
Normal newborn	10,717	11,522	-7.0%
Total	**99,421**	**101,309**	**-1.9%**

Specialty	2016 LOS	2015 LOS	% Change
Medical/Surgical	4.9	4.9	1.2%
Maternity	3.0	3.0	-1.8%
Pediatrics	1.9	1.9	1.3%
NICU	9.8	9.8	0.0%
Psychiatry	10.0	9.7	9.9%
Normal newborn	2.5	2.5	-0.2%
Average Length of Stay ("LOS")	**4.3**	**4.3**	**1.4%**

The overall case mix index, which is an indicator of patient acuity, was 1.48 in fiscal year 2016, compared to 1.44 in fiscal year 2015.

Operating Expenses





Salaries and Wages

It is to be noted that the District as a stand-alone entity has no employees. All employees are at the Hospital and its related corporations.

Total salaries and wages (including employee benefits) increased by $27.1 million in fiscal year 2016 over 2015, which is 58.2% of total operating expenses and consistent with fiscal year 2015. Salaries and wages (exclusive of employee benefits) increased by $17.7 million over fiscal year 2015. Registered Nurse ("RN") payroll salaries increased by $2.2 million in fiscal year 2016 compared to 2015, but this modest increase does not paint the entire picture. With the final months of the implementation and training of iCare healthcare patient records system, a significant amount, $5.7 million over fiscal year 2015, was spent on outside registries which provided RN backfill coverage as they finalized initial implementation and/or training in the use of iCare (refer to Other Expense section). Another area of significant in salary expense over the prior year, an amount of $8.5 million, was for technical and special employee base. The largest increase was for IT staff for implementation and support of the iCare system, while supporting of legacy systems being replaced over a period of time.

With an RN turnover rate of 6.9%, the Hospital continues to do better than the Northern California rate of 10.1% and the statewide rate of 10.1%, as published by the California Hospital Association ("CHA") at the end of the first quarter of the calendar year 2016.

In fiscal year 2016, the Hospital added 43 Full Time Equivalents ("FTE"). The impact of maintaining the new iCare electronic healthcare patient record system we added 31 FTE's. Other increases were due to bringing Clinical Trials personnel in-house (4 FTE's), Medical Records (2 FTE's), Environmental Services (4 FTE's), and Sterile Processing (2 FTE's).

Employees represented by SEIU United Healthcare Workers ("SEIU – UHW") are under a current contract that extends through June 2017. In fiscal year 2016 they received 3.0% increases in July 2015.

The Hospital's Stationary Engineers – Local 39, per the current three year contract through October 2016, received a 3.0% contractual increase in November 2015.

Hospital-represented, non-management staff already on a merit based system received an average of 3.2% in July 2015.

Management and Senior executive staff received market-based adjustments or merit increases in August 2015 that averaged 3.5% in the aggregate.

Employee Benefits

Aggregate employee benefits, including accrued Paid Time Off ("PTO") and Extended Sick Leave increased by $7.9 million.

Significant increases were as follows:

- Accrued PTO increased by $2.1 million over the prior year driven by wage and salary increases during the year.
- Employer Social Security and Medicare taxes increased by $1.1 million principally due to the increase in the Social Security wage base threshold and salary and wage increases.
- Healthcare expense (medical, dental, and vision) increased a modest $772,000 over 2015.

- The Hospital's provided 403B Match increased by $732,000 over 2015 primarily due to salary increases and greater employee contributions.

- Retention bonuses of $484,000 were paid in fiscal year 2016 over 2015 to certain IT personnel to retain staff to support the legacy electronic medical record system and related systems that were replaced by the new iCare system in November 2015.

- Postretirement healthcare expenses increased by $231,000 over 2015, primarily driven by increased actuarially determined expense for the 2016 fiscal year.

Professional and Purchased Services

Total professional and purchased services increased by $6.7 million over the prior fiscal year.

Significant increases were as follows:

- 24/7/365 coverage for OB Hospitalists Services at both campuses that had started in the second half of fiscal year 2015, and in fiscal year 2016 was fully implemented causing an increase of $1.6 million over prior year.

- Other new or rate increases for physician medical fees for 24/7 on-call arrangements at Emergency Rooms and medical directorship expense increase by $1.9 million over the prior fiscal year.

- To increase IT security safeguards, the Hospital engaged an outside firm to review IT security and assist in implementing additional safeguards and processes causing an additional expense in the current year of $1.0 million.

- The implementation of iCare caused significant non-capital expense for backfilling numerous professional positions and workflow consulting within IT, Health Information Medical Systems, Clinical Analytics, etc. for expenses totaling $2.3 million in the current year.

Supplies

Total supplies increased by $8.1 million in fiscal year 2016 over 2015. Pharmaceuticals increased by $4.8 million. With the expansion of the Cancer Center that opened the end of fiscal year, the service saw an increased patient volumes during the current year causing a significant increase in cancer infusion drugs. The pharmaceutical industry saw an overall inflation rate of 7.2% for the year. Medical Supplies increased by approximately $3.0 million primarily heart & vascular devices, as the core value and the atrial closure device that is to eliminate the need for taking blood thinning agents for a patient's remaining life. Robotic surgeries increased in this current year given the acquisition of two of the latest robotic technology systems, which increased those certain robotic medical supplies. Other areas were for radioactive contract materials and updating the surgeon instrumentation sets.

Depreciation and Amortization

Depreciation and amortization expense this fiscal year increased by $4.1 million over fiscal year 2015. Primarily this was due to the new Cancer Center that opened at the end of fiscal year 2015, thus fully operational for the entire 2016 year. Due to the impending construction of the Integrated Medical Office Building, the older two story building known as the "North Addition" completed in the 1980's was placed on accelerated depreciation for its remaining net book value in fiscal year 2016 as it is in the footprint of this new building and is scheduled to be demolished in the summer of 2016. Lastly the new IT data operations center completed in mid-fiscal year 2015 was fully in operation during 2016, thus increasing this year's depreciation expense.

Rent and Utilities

Rent and utilities this fiscal year was increased by an insignificant $532,000 over fiscal year 2015.

Interest Expense

Operating interest expense is primarily related to the 2015A Revenue Bonds, ("Series 2015A bonds") which refunded its 2007 Series Bonds ($120.2 million) and financed certain capital expenditures ($40.3 million) at the Hospital's Los Gatos campus. The advance refunding of the 2007 Series Bonds caused a loss on defeasance of $15.3 million which is being amortized as additional interest expense of the life of the 2015A Bonds, which adds an additional $600,000 in interest expense per year.

Other Expense

There was an increase of $6.6 million in fiscal year 2016 over 2015. Primarily this was due to going "live" in November 2015 with the iCare electronic healthcare patient record. Employee training was needed for all clinical users, a number of support departments within the Hospital, and the entire medical staff which was at a cost of $8.1 million. There was an increase in property taxes ($507,000) that the Hospital must pay on its Medical Office Buildings that are leased to physicians, as these properties are not exempt from property taxes. Offsetting these increases was a significant decrease in marketing expenses of $1.3 million.

Change in Net Unrealized Gains and Losses on Investments

For fiscal year 2016, the Hospital had 29 money managers with different investment objectives for the Hospital's surplus cash investments. Total net unrealized gains/losses are reported in the consolidated financial statements during this fiscal year.

The Hospital experienced a net unrealized loss on investments of -$16.9 million during fiscal year 2016 and the change in net unrealized gains and losses for fiscal year 2016 was a Year over Year ("YOY") decrease of $20.8 million. The change in net unrealized gains and losses in 2016 were primarily a result of poor hedge fund investment returns as they returned -7.2% for the twelve months ended June 30, 2016 and generated -$8.7 million in change in net unrealized gains and losses. Externally held funds (excluding hedge funds) and mutual fund investments generated -$7.2 million in change in unrealized gains and losses; however, $2.3 million was due to the realization of gains primarily from private real estate investments. Within mutual funds, international equity and U.S. large-cap growth equity strategies were the primary driver of unrealized losses throughout fiscal year 2016. Separate account equities also experienced negative changes in net unrealized gains and losses of -$4.5 million; however, $2.9 million was due to the realization of gains as an underlying manager was liquidated during fiscal year 2016. Fixed income investments partially offset the impact of other asset classes as they experienced a positive change in net unrealized gains and losses of $3.5 million during fiscal year 2016. A decrease in interest rates caused in increase in unrealized gains for fixed income investments.

The YOY decrease in net unrealized gains and losses were primarily due to a $12.3 million decrease in hedge fund investments and an $11.0 million decrease in externally held funds (excluding hedge funds) and mutual fund investments. Hedge fund investments returned -7.2% during fiscal year 2016, whereas they returned +2.0% in fiscal year 2015. Within mutual fund investments, internationally equity returned -6.0% during fiscal year 2016 versus -2.8% in fiscal year 2015 and U.S. large-cap growth equities returned -10.6% in 2016 versus +7.2% in 2015.

Economic Factors and Next Year's Budget

The Board approved the fiscal year 2017 budget at their June 2017 meeting. The District is budgeting net income of $76.2 million in fiscal year 2017. Volumes are budget to increase 2.2%. Reimbursement rates are projected to decrease by 2.5%. Expenses are budgeted to increase by 2.8%. The organization is focused on being a value-based healthcare provider offering top decile, acute care quality at mid-level pricing, moving toward continuum partnerships that integrate care coordination and delivery strategies while maintaining triple aim of quality, service and affordability.

Fiscal Year 2015 Consolidated Financial Analysis

Net Patient Services Revenues

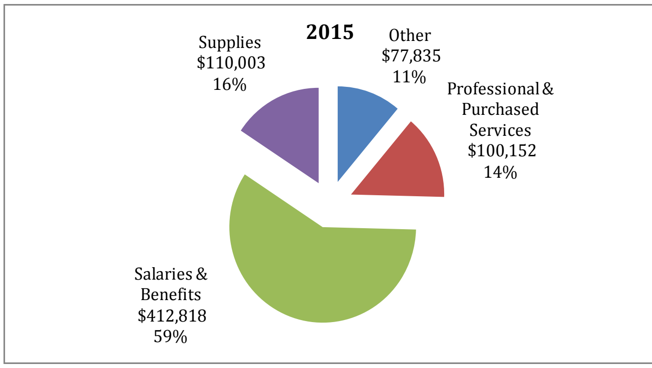
Net patient services revenue in fiscal year 2015 increased by $27.2 million, or 3.8% over fiscal year 2014. This increase was due to increases in volumes and contribution margins for the HIV, Oncology, Spine, and Imaging service lines. Additional intergovernmental funds ("IGT") of $6.0 million was received in fiscal year 2015 to catch up for a one year backlog in payment.

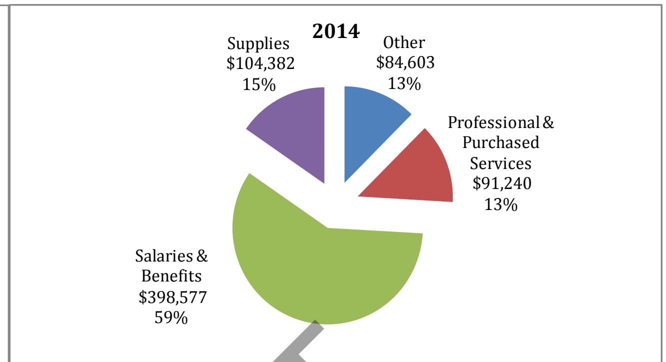
Specialty	2015 Days	2014 Days	% Change
Medical/Surgical	60,403	57,210	5.6%
Maternity	15,618	16,169	-3.4%
Pediatrics	15	42	-64.3%
NICU	5,808	5,980	-2.9%
Psychiatry	7,943	7,482	6.2%
Normal newborn	11,522	11,670	-1.3%
Total	**101,309**	**98,553**	**2.8%**

Specialty	2015 LOS	2014 LOS	% Change
Medical/Surgical	4.9	4.8	2.1%
Maternity	3.0	3.1	-3.2%
Pediatrics	1.9	1.9	0.0%
NICU	9.8	10.4	-5.8%
Psychiatry	9.7	8.9	9.0%
Normal newborn	2.5	2.4	4.2%
Average LOS	**4.3**	**4.2**	**2.4%**

The overall case mix index, which is an indicator of patient acuity, was 1.44 in fiscal year 2015, compared to 1.42 in fiscal year 2014.

Operating Expenses





Salaries and Wages

It is to be noted that the District as a stand-alone entity has no employees. All employees are at the Hospital and its related corporations.

Total salaries and wages (including employee benefits) increased by $14.2 million in fiscal year 2015 over 2014, which is 58.9% of total operating expenses and consistent with fiscal year 2014. Salaries and wages (exclusive of employee benefits) increased by $11.8 million over fiscal year 2015. Registered Nurse ("RN") payroll salaries increased by $6.9 million in fiscal year 2015 compared to 2014. Approximately $1.8 million of this increase was due to scheduled contract wage increases of 2.0% that occurred in September 2014 and March 2015. The remaining increase was due to greater hours worked due to increased patient load. With an RN turnover rate of 4.5%, the Hospital continues to do better than the Northern California rate of 8.8% and the statewide rate of 10.1%, as published by the California Hospital Association ("CHA") at the end of the first quarter of the calendar year 2015.

In fiscal year 2015, the Hospital added a very modest 10 Full Time Equivalents ("FTE"). With the on-going implementation of the Hospital's iCare electronic medical record system, the Hospital had to backfill a number of internal positions that were assigned to the project with more expensive outside temporary personnel.

Employees represented by SEIU United Healthcare Workers ("SEIU – UHW") were under a current contract that extends through June 2016. In fiscal year 2015 they received 1.0% increases in July 2014.

The Hospital's Stationary Engineers – Local 39, per the current three year contract through October 2016, received a 3.0% contractual increase in November 2014.

Hospital-represented, non-management staff were granted a 2.0% salary and wage increase in July 2014.

Senior executive staff received market-based adjustments in August 2014 that averaged 3.0% in the aggregate.

Employee Benefits

Aggregate employee benefits, including accrued Paid Time Off ("PTO") and Extended Sick Leave increased by $2.9 million.

Significant increases were as follows:

- Healthcare expense increased by $1.7 million over fiscal year 2014 primarily due to employees' spouses and/or families opting into the Hospital's healthcare plans.

- Accrued PTO increased by $1.5 million over the prior year driven by wage and salary increases during the year.

- Employer Social Security and Medicare taxes increased by $700,000 principally due to the increase in the Social Security wage base threshold and salary and wage increases.

- Retention bonuses of $500,000 were paid in fiscal year 2015 to certain IT personnel to retain them to support the legacy electronic medical record system that was replaced by the new iCare system in November 2015.

- Net Workers Compensation expense decreased by $1.7 million over fiscal year 2014 due to a decrease in the needed actuarial reserves due, again as in the prior year, positive changes made administration of the program by the Hospital and the change in the Third Party Administrator for processing claims.

Professional and Purchased Services

Total professional and purchased services increased by $8.9 million over the prior fiscal year.

Significant increases were as follows:

- Cost of issuance expenses for the $160,455,000 2015A Revenue Bonds in May 2015 totaling $1.9 million.

- Physician medical fees for 24/7 on-call arrangements at Emergency Rooms (primarily adding OB Hospitalists services at both Mountain View and Los Gatos campuses in fiscal year 2015) totaling $1.6 million.

- Conversion to iCare (electronic healthcare record) occurred in November 2015 the legacy system's maintenance contract was being terminated before its normal expiration date - $1.5 million.

- Growth in the CONCERN's Employee Assistance Program caused increases for purchased outside counseling providers totaling $1.4 million.

- On-going repairs and maintenance to all the buildings on the Mountain View and Los Gatos campuses increased by $900,000 in fiscal year 2015.

- Additional collection agency services were utilized in the current year to assist in working down the Accounts Receivable of the legacy system upon conversion to iCare in November totaling $600,000.

Supplies

Total supplies increased by $5.6 million in fiscal year 2015 over 2014. There was a significant outpatient volume increase of cancer patients causing an increase of infusion drugs of $3.3 million over last year, along with drug supply price increases in the range of 4.0% to 5.0% over the year. Surgery instrumentation sets increased in the fiscal year by $600 thousand due to increasing and standardizing of the instrumentation inventories.

Depreciation and Amortization

Depreciation and amortization expense this fiscal year decreased over the prior year by $2.9 million primarily caused by the state of art Imaging equipment in excess of $20.0 million put into service as the Mountain View hospital opened in November 2009 became fully depreciated in mid fiscal year 2014, thus in fiscal year 2015 no depreciation expense was attributable to this equipment.

Rent and Utilities

Rent and utilities this fiscal year decreased by an insignificant $294,000 over fiscal year 2014.

Interest Expense

Operating interest expense is related to the newly issued 2015A Bonds, along with the 2009A bonds and the 2007 Series A, B, C bonds that were defeased in May 2015. This interest expense decreased in fiscal year 2015 by $2.5 million over fiscal year 2014 primarily by refunding of the 2007 Series Bonds as part of the 2015A issuance.

Other Expense

The decrease of $1 million over the prior fiscal year is due to decreased property taxes as the prior year had a one-time four (4) year retro billing for certain buildings at the Mountain View campus which are leased as medical offices to physicians; reduced malpractice in current year due to decreased monthly premiums, deductible payments, and special dividends. An offset to these decreases was an increase to employee expense for traveling to Wisconsin for necessary Epic (iCare) training sessions.

Change in Net Unrealized Gains and Losses on Investments

For fiscal year 2015, the Hospital had twenty-seven money managers with different investment objectives for the Hospital's surplus cash investments. Total net unrealized gains/losses are reported in the consolidated financial statements during this fiscal year.

The Hospital experienced unrealized gains of $4.0 million during fiscal year 2015; however, the change in net unrealized gains and losses for fiscal year 2015 was a Year over Year ("YOY") decrease of $32.0 million. Net unrealized gains in 2015 were primarily a result of strong domestic equity market returns as the S&P 500 Index was up 7.4% for the twelve months ended June 30, 2015. The combination of hedge funds and mutual funds unrealized gains were the main drivers of the increase; hedge funds experienced unrealized gains of $4.0 million in fiscal year 2015 and mutual funds $3.8 million. Mutual fund investments are primarily comprised of equity securities. Fixed income securities experienced a net unrealized loss of $3.8 million in 2015.

The YOY decrease in net unrealized gains and losses were primarily due to an $18.0 million decrease in mutual fund investments and an $11.3 million decrease in fixed income investments. Equity based mutual funds performed well during the fiscal year, however, were not able to keep pace with the level of returns in fiscal year 2014 as the S&P 500 Index was up 24.6% in fiscal year 2014. Within fixed income investments, the Barclays Aggregate Index return fell 2.5% fiscal YOY.

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
El Camino Healthcare District

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of El Camino Healthcare District (the "District"), which comprise the consolidated statements of net position as of June 30, 2016 and 2015, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the California Code of Regulations, Title 2, Section 1131.2, State Controller's *Minimum Audit Requirements* for California Special Districts. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 entity'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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the District as of June 30, 2016 and 2015, and the consolidated results of operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The accompanying Management's Discussion and Analysis on pages 1 through 14, and the accompanying supplemental pension and postretirement benefit information on page 49, are not required parts of the consolidated financial statements but are supplementary information required by the Governmental Accounting Standards Board who considers them to be an essential part of financial reporting for placing the consolidated financial statements in an appropriate operational economic, or historical context. This supplementary information is the responsibility of the District's management. We have applied certain limited procedures in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the consolidated financial statements, and other knowledge we obtained during our audit of the consolidated financial statements. We do not express an opinion or provide any assurance on the supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements that collectively comprise the District's consolidated financial statements. The accompanying consolidating statement of net position and consolidating statement of revenues, expenses, and changes in net position, on page 46, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of the District's management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements that collectively comprise the District's consolidated financial statements. The accompanying supplemental schedule of community benefit on page 51 is presented for purpose of additional analysis and is not a required part of the consolidated financial statements. This supplementary information is the responsibility of the District's management. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

San Francisco, California
____________, 2016

CONSOLIDATED FINANCIAL STATEMENTS

EL CAMINO HEALTHCARE DISTRICT
CONSOLIDATED STATEMENTS OF NET POSITION
June 30, 2016 and 2015
(In Thousands)

	2016	2015
ASSETS AND DEFERRED OUTFLOWS		
Current assets		
Cash and cash equivalents	$ 63,422	$ 59,149
Short-term investments	188,466	226,758
Current portion of board designated and funds held by trustee	15,472	9,298
Patient accounts receivable, net of allowances for doubtful accounts of $25,927 and $9,187 in 2016 and 2015, respectively	121,570	96,053
Prepaid expenses and other current assets	22,180	22,541
Total current assets	411,110	413,799
Non-current cash and investments		
Board-designated funds	491,494	474,833
Restricted funds	50	55
Funds held by trustee	46,293	50,081
	537,837	524,969
Capital assets, net	743,127	698,436
Pledges receivable, net of current portion	2,683	1,825
Prepaid pension asset	22,651	24,327
Investments in healthcare affiliates	30,469	30,718
Beneficial interest in charitable remainder unitrusts	3,596	1,015
Total assets	1,751,473	1,695,089
Deferred outflows		
Loss on defeasance of bond payable	14,764	15,364
Deferred outflows of resources	5,100	7,200
Deferred outflows - actuarial	9,950	2,654
Total deferred outflows	29,814	25,218
Total assets and deferred outflows	$ 1,781,287	$ 1,720,307
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION		
Current liabilities		
Accounts payable and accrued expenses	$ 28,973	$ 30,926
Salaries, wages, and related liabilities	49,053	46,248
Other current liabilities	16,754	10,112
Estimated third-party payor settlements	11,314	20,253
Current portion of bonds payable	8,145	7,713
Total current liabilities	114,239	115,252
Bonds payable, net of current portion	349,336	358,906
Other long-term obligations	13,955	10,633
Workers' compensation, net of current portion	20,009	22,419
Post-retirement medical benefits, net of current portion	18,256	17,197
Total liabilities	515,795	524,407
Deferred inflow of resources		
Deferred inflow of resources	3,596	1,015
Deferred inflow of resources - actuarial	2,892	-
Total deferred inflows	6,488	1,015
Net position		
Invested in capital assets, net of related debt	447,401	353,560
Restricted - expendable	11,599	7,460
Restricted - nonexpendable	2,708	2,235
Unrestricted	797,296	831,630
Total net position	1,259,004	1,194,885
Total liabilities, deferred inflow of resources, and net position	$ 1,781,287	$ 1,720,307

See accompanying notes.

(In Thousands)

	2016	2015
OPERATING REVENUES		
Net patient service revenue (net of provision for bad debts of $18,966 and $22,160 in 2016 and 2015, respectively)	$ 772,173	$ 746,645
Other revenue	34,237	29,830
Total operating revenues	806,410	776,475
OPERATING EXPENSES		
Salaries, wages, and benefits	439,877	412,818
Professional fees and purchased services	106,838	100,152
Supplies	118,096	110,003
Depreciation and amortization	49,051	44,913
Rent and utilities	15,669	15,137
Other	25,824	17,785
Total operating expenses	755,355	700,808
Income from operations	51,055	75,667
NONOPERATING REVENUES (EXPENSES)		
Investment (expense) income, net	(214)	18,774
Property tax revenue		
Designated to support community benefit programs and operating expenses	7,626	7,100
Designated to support capital expenditures	6,171	5,152
Levied for debt service	9,836	8,845
Bond interest expense	(4,523)	(4,604)
Intergovernmental transfer expense	(802)	(6,759)
Restricted gifts, grants and bequests, and other, net of contributions to related parties	7,038	4,344
Unrealized loss on interest rate swap	(3,214)	(1,009)
Community benefit expense	(6,049)	(8,023)
Other, net	(2,805)	1,268
Total nonoperating revenues (expenses)	13,064	25,088
Increase in net position	64,119	100,755
TOTAL NET POSITION, beginning of year	1,194,885	1,094,130
TOTAL NET POSITION, end of year	$ 1,259,004	$ 1,194,885

See accompanying notes.

EL CAMINO HEALTHCARE DISTRICT
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2016 and 2015
(In Thousands)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from and on behalf of patients	$ 736,915	$ 745,198
Other cash receipts	34,237	30,819
Cash payments to employees	(433,431)	(418,327)
Cash payments to suppliers	(273,871)	(250,969)
Net cash provided by operating activities	63,850	106,721
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes	13,797	12,252
Restricted contributions and investment income	6,180	3,365
Transfers from restricted funds and other	5	(2)
Net cash provided by noncapital financing activities	19,982	15,615
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of property, plant, and equipment	(87,337)	(81,057)
Proceeds from disposal of property, plant and equipment	-	369
Payments on bonds payable	(7,712)	(2,719)
Proceeds from bond issuance	-	177,921
Interest paid on General Obligation bonds payable	(4,523)	(4,604)
Refunding of bonds payable	-	(145,932)
Tax revenue related to General Obligation bonds payable	9,836	8,845
Net cash used for capital and related financing activities	(89,736)	(47,177)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(710,343)	(925,344)
Sales of investments	725,800	874,486
Investment (expense) income, net	(214)	19,127
Community benefit and other investing activities	(8,854)	(6,755)
(Increase) decrease in notes receivable	-	27
Change in funds held by trustee, net	3,788	(30,663)
Net cash provided by (used for) investing activities	10,177	(69,122)
Net increase in cash and cash equivalents	4,273	6,037
CASH AND CASH EQUIVALENTS at beginning of year	59,149	53,112
CASH AND CASH EQUIVALENTS at end of year	$ 63,422	$ 59,149
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES		
Income from operations	$ 51,055	$ 75,667
Adjustments to reconcile income from operations to net cash from operating activities		
Loss on disposal of property, plant and equipment	-	989
Amortization of loss on defeasance of bond payable	600	-
Amortization of bond premium	(1,426)	(353)
Depreciation and amortization	49,051	44,913
Provision for bad debts	18,966	22,160
Changes in assets and liabilities		
Patient accounts receivable, net	(54,224)	(23,607)
Prepaid expenses and other current assets	(2,910)	(12,614)
Current liabilities	1,089	899
Other long-term obligations	(2,302)	(2,241)
Deferred inflow of resources - actuarial	2,892	-
Postretirement medical benefits	1,059	908
Net cash provided by operating activities	$ 63,850	$ 106,721
SUPPLEMENTAL DISCLOSURE OF NON CASH INVESTING ACTIVITIES		
Non cash purchase of property, plant, and equipment	$ 6,405	$ -
Change in fair value of beneficial interest in charitable remainder unitrusts, and deferred inflow of resources, net	$ 2,581	$ 156

See accompanying notes.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – During fiscal year 2013, El Camino Hospital District changed its name to El Camino Healthcare District (the "District"), to make a sharper distinction between the taxpayer-funded District and the operations of El Camino Hospital (the "Hospital") and its related corporations.

The District includes the following component units, which are included as blended component units of the District's consolidated financial statements: the Hospital, El Camino Hospital Foundation (the "Foundation"), CONCERN: Employee Assistance Program ("CONCERN"), El Camino Surgery Center, LLC ("ECSC"), and Silicon Valley Medical Development, LLC ("SVMD").

The District is organized as a political subdivision of the State of California and was created for the purpose of operating an acute care hospital and providing management services to certain related corporations. The District is the sole member of the Hospital, and the Hospital is the sole corporate member of the Foundation and CONCERN. As sole member, the District (with respect to the Hospital) and the Hospital (with respect to the Foundation and CONCERN) have certain powers, such as the appointment and removal of the boards of directors and approval of changes to the articles of incorporation and bylaws. As of June 30, 2016 and 2015, the Hospital owns 100% of ECSC.

The purpose of CONCERN is to provide and operate a specialized healthcare service plan for various business organizations nationwide; CONCERN has a limited Knox-Keene license from the Department of Corporations of the State of California.

SVMD was formed in September 2008 as a Limited Liability Corporation ("LLC"), a wholly owned subsidiary of the Hospital focused on the expansion of the clinical enterprise outside of the Hospital through various business ventures and physician alignment initiatives that improve access for the Hospital's current patients and new, underserved members of the community, extend healthcare into people's homes through the applications of electronic connectivity and assist independent physicians in clinical integration with the Hospital, among other initiatives. In the last quarter of 2016, SVMD opened its first Primary Care Clinic in the San Jose area and anticipates opening approximately two to three other clinics in fiscal year 2017.

All significant inter-entity accounts and transactions have been eliminated in the consolidated financial statements.

The District utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis and consolidated financial statements are prepared using the economic resources measurement focus.

Accounting standards – Pursuant to Governmental Accounting Standards Board ("GASB") Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the District's proprietary fund accounting and financial reporting practices are based on all applicable GASB pronouncements as well as codified pronouncements issued on or before November 30, 1989 and the California Code of Regulations, Title 2, Section 1131, State Controller's *Minimum Audit Requirements* for California Special Districts and the State Controller's Office prescribed reporting guidelines.

Use of estimates – The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Estimates include contractual allowances related to net patient service revenue, provision for uncollectible accounts, fair market values of investments, uninsured losses for professional liability, minimum pension liability, workers' compensation liability, post-retirement medical benefits liability, valuation of gift annuities and beneficial interest in charitable remainder unitrusts, and useful lives of capital assets. Actual results could differ from those estimates.

Cash and cash equivalents – Cash and cash equivalents include deposits with financial institutions, and investments in highly liquid debt instruments with an original maturity of three months or less. In addition, in fiscal years 2016 and 2015, cash and cash equivalents include repurchase agreements, which consist of highly liquid obligations of U.S. governmental agencies. Cash and cash equivalents exclude amounts whose use is limited by board designation or by legal restriction.

Investments – Investments consist primarily of highly liquid debt instruments and other short-term interest-bearing certificates of deposit, U.S. Treasury bills, U.S. government obligations, hedge funds, hedge fund of funds, and corporate debt, excluding amounts whose use is limited by board designation or other arrangements under trust agreements.

Board-designated and restricted funds include assets set aside by the Board of Directors for future capital improvements and other operational reserves, over which the Board of Directors retains control and may at its discretion use for other purposes; assets set aside for qualified capital outlay projects in compliance with state law; and assets restricted by donors or grantors.

Investment income, realized gains and losses, and unrealized gains and losses on investments are reflected as nonoperating revenue or expense.

Funds held by trustee – According to the terms of both indenture agreements (General Obligation and Revenue Bonds), these amounts are held by the bond trustee and paying agent and are maintained and managed by the trustee. These assets are available for the settlement of future current bond obligations and capital expenditures.

Capital assets – Capital asset acquisitions are recorded at cost. Donated property is recorded at its fair market value on the date of donation. All purchases over $2,500 are capitalized. Equipment under capital lease is amortized on the straight-line basis over the shorter of the lease term or the estimated useful life of the equipment. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the related assets. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Land improvements	16 years
Buildings and fixtures	25 – 47 years
Equipment	3 – 16 years

The District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Impairment losses on capital assets are measured using the method that best reflects the diminished service utility of the capital asset.

Except for capital assets acquired through gifts, contributions or capital grants, interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Investments in healthcare affiliates – The Hospital holds an interest in Pathways Home Health & Hospice, Pathways Private Duty (formerly Pathways Continuous Care), and five Satellite Dialysis Centers, which are reported using the equity method of accounting. ECSC holds an interest in El Camino Ambulatory Surgery Center ("ECASC"), which is reported using the cost method of accounting.

Deferred outflows and inflows – The District records deferred outflows or inflows of resources in its consolidated financial statements for consumption or acquisition of its consolidated net position that is applicable to future reporting period. These financial statement elements are distinct from assets and liabilities.

Deferred outflows consist of unamortized loss on refunding of debt (Note 10), deferred outflows of pension contribution and actuarially determined deferred outflows of resources (Note 7).

Deferred inflows consist of actuarially determined deferred inflows of resources as it relates to pension (Note 7), as well as deferred inflow resulting from transactions in charitable remainder unitrusts (Note 12).

Risk management – The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Self-insurance plans – The Hospital maintains professional liability insurance on a claims-made basis, with liability limits of $40,000,000 in aggregate, and which is subject to a $50,000 deductible. Additionally, the Hospital is self-insured for workers' compensation benefits. The Hospital purchases a Workers' Compensation Excess Policy that insures claims greater than $1,000,000 with a limit of $25,000,000 and a $1,000,000 deductible. Actuarial estimates of uninsured losses for professional liability and workers' compensation have been accrued as other current liabilities and workers' compensation, net of current portion, respectively, in the accompanying consolidated financial statements.

The following is a summary of changes in workers' compensation liabilities for the years ended June 30, (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
2016	$ 24,719	$ 3,264	$ 5,674	$ 22,309	$ 2,300

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
2015	$ 26,337	$ 3,584	$ 5,202	$ 24,719	$ 2,300

Compensated absences – Vested or accumulated vacation and sick leave are recorded as an expense and liability of the Hospital as the benefits accrue to employees. For most employees, the maximum accumulated vacation is 400 hours. Sick leave is accumulated indefinitely at a maximum of 40 hours for a full-time employee per year, and is not vested with the employee upon termination.

The following is a summary of changes in compensated absences transactions for the years ended June 30, (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
2016	$ 22,474	$ 40,960	$ 40,202	$ 23,232	$ 23,232

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
2015	$ 21,152	$ 40,384	$ 39,062	$ 22,474	$ 22,474

Interest rate swap agreements – During the fiscal year ended June 30, 2007, the Hospital entered into derivative instruments in the form of three swap agreements to hedge variable interest rate exposure. During the fiscal year ended June 30, 2008, the underlying variable rate debt was refunded for fixed rate debt, leaving the Hospital with speculative derivative instruments that largely offset the variable rate debt issued in 2009. Two of these swaps were terminated in the fiscal year ended June 30, 2010. Refer to Note 10 for a full description of the interest rate swap agreements.

Net position – Net position of the District is classified as invested in capital assets, restricted–expendable, restricted-nonexpendable, and unrestricted net position.

Invested in capital assets, net of related debt – Invested in capital assets of $447,401,000 and $353,560,000 at June 30, 2016 and 2015, respectively, represent investments in all capital assets (building and building improvements, furniture and fixtures, and information and technology equipment), net of depreciation less any debt issued to finance those capital assets.

Restricted - expendable – The restricted expendable net position is restricted through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation and includes assets in self-insurance trust funds, revenue bond reserve fund assets, and net position restricted to use by donors.

Restricted - nonexpendable – The restricted nonexpendable net position is equal to the principal portion of permanent endowments.

Unrestricted net position – Unrestricted net position consists of net position that does not meet the definition of invested in capital assets, net of related debt, or restricted.

Statements of revenues, expenses, and changes in net position – For purposes of presentation, transactions deemed by management to be ongoing, major, or central to the provisions of healthcare services are reported as revenues and expenses. Peripheral or incidental transactions are reported as gains and losses. These peripheral activities include investment income, property tax revenue, gifts, grants and bequests, change in net unrealized gains and losses on short-term investments, unrealized losses or gains on interest rate swap, nonexchange contributions received from the Foundation's fundraising activities and are reported as nonoperating. Investments in Pathways Home Health & Hospice and Pathways Private Duty are accounted for under the equity method. The Hospital's share of the operating income of these entities is included as other, net in the consolidated financial statements.

Net patient service revenue and patient accounts receivable – Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered, and adjusted in future periods as final settlements are determined. The distribution of net patient accounts receivable by payor at June 30, 2016 and 2015, is as follows:

	June 30,	
	2016	2015
Medicare	14%	17%
Medi-Cal	4%	4%
Commercial and other	81%	78%
Self pay	1%	1%
	100%	100%

Uncollectible accounts – The Hospital provides care to patients without requiring collateral or other security. Patient charges not covered by a third-party payor are billed directly to the patient if it is determined that the patient has the ability to pay. A provision for uncollectible accounts is recognized based on management's estimate of amounts that ultimately may be uncollectible.

Charity care – The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The amount of estimated costs for services and supplies furnished under the Hospital's charity care policy aggregated approximately $2,290,000 and $1,708,000 for the years ended June 30, 2016 and 2015, respectively.

Property tax revenue – The District received approximately 37% in 2016 and 21% in 2015 of its total increase in net position from property taxes. These funds were designated as follows (in thousands):

	June 30,			
	2016		2015	
Designated to support community benefit programs and operating expenses	$	7,626	$	7,100
Designated to support capital expenditures	$	6,171	$	5,152
Levied for debt service	$	9,836	$	8,845

Property taxes are levied by the County on the District's behalf on January 1 and are intended to finance the District's activities of the same calendar year. Amounts levied are based on assessed property values as of the preceding July 1. Property taxes are considered delinquent on the day following each payment due date. Property taxes are recorded as nonoperating revenue by the District when they are earned.

Grants and contributions – From time to time, the District receives grants as well as contributions from individuals and private organizations. Revenues from grants and contributions are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues.

Income taxes – The District operates under the purview of the Internal Revenue Code (the "Code"), Section 115, and corresponding California Revenue and Taxation Code provisions. As such, it is not subject to state or federal taxes on income. CONCERN has also been granted tax-exempt status. However, income from the unrelated business activities of the Hospital and the Foundation is subject to income taxes. ECSC and SVMD are limited liability companies and are treated as pass-through entities for federal income tax purposes. Accordingly, no recognition has been given to federal income taxes in the accompanying consolidated financial statements.

Reclassifications – Certain amounts in the 2015 consolidated financial statements have been reclassified to conform to the 2016 presentation.

New accounting pronouncements - The GASB issued GASB Statement No. 72, *Fair Value Measurement and Application* ("GASB No. 72"), which is effective for financial statements for periods beginning after June 15, 2015. GASB No. 72 requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Governments should organize these disclosures by type of asset or liability reported at fair value. It also requires additional disclosures regarding investments in certain entities that calculate net asset value per share. The District has adopted this pronouncement and reflected the adoption as of the fiscal years ended June 30, 2016 and 2015. See Note 5.

The GASB issued GASB Statement No. 79*, Certain External Investment Pools and Pool Participants,* ("GASB No. 79"), which is effective for financial statements for periods beginning after June 15, 2015. GASB No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all the applicable criteria established in GASB No. 79. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria establish by GASB No. 79 during the reporting period, individually or in the aggregate, were significant. The District has reviewed and evaluated this pronouncement and has determined no material impact to the consolidated financial statements for the fiscal year ended June 30, 2016.

The GASB issued GASB Statement No. 81, *Irrevocable Split Interest Agreements*, ("GASB No. 81"), which provides recognition and measurement guidance for governments that benefit from irrevocable split-interest agreements. Under a typical irrevocable split-interest agreement, a donor transfers assets for the shared benefit of at least two beneficiaries: a government and another donor-designated beneficiary. The donor transfers the related assets to either the government or to a separate third party, such as a bank. GASB No. 81 addresses when these types of arrangements constitute an asset for accounting and financial reporting purposes when the resources are administered by a third party. The District has adopted this guidance for the fiscal year ended June 30, 2016, and has retrospectively applied the guidance as of the earliest prior period presented.

The GASB issued GASB Statement No. 82, *Pension Issues – an amendment of GASB Statement No. 67, No. 68, and No. 73*, ("GASB No. 82"), which is effective for financial statements for periods beginning after June 15, 2016. GASB No. 82 addresses certain issues that have been raised with respect to GASB Statement No. 67, *Financial Reporting for Pension Plans,* No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68.* Specifically, GASB No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee contribution requirements. The adoption of GASB No. 82 is effective for the District beginning July 1, 2016. The adoption is not expected to have a material impact on the District's consolidated financial statements.

The GASB also issued GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, ("GASB No. 74"), and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, ("GASB No. 75"). GASB No. 74 intends to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or "OPEB") included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. GASB No. 75 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The adoption of GASB No. 74 is effective for the District beginning July 1, 2016, while GASB No. 75 is effective for the District beginning July 1, 2017. The District is currently assessing the impact of these standards on the District's consolidated financial statements.

The GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27* ("GASB No. 68"), which is effective for financial statements for periods beginning June 15, 2014. GASB No. 68 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,* as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this statement. It establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions are also addressed. The District has adopted this statement for the fiscal year ended June 30, 2015.

NOTE 2 – OPERATING REVENUES

The following table reflects the percentage of net patient revenues by major payor group for the years ended June 30:

	2016	2015
Medicare (including Medicare HMO)	27%	26%
Commercial and other	70%	72%
Medi-Cal (including Medi-Cal HMO)	3%	2%
	100%	100%

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, fee schedules, prepaid payments per member, and per diem payments or a combination of these methods. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated settlements under reimbursement agreements with third-party payors.

Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system based on clinical, diagnostic, and other factors. Inpatient services are paid at prospectively determined rates per discharge. Payments for outpatient services are based on a stipulated amount per procedure. The District is reimbursed for cost reimbursable items at a tentative rate, with final settlements determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The effect of updating prior year estimates for Medicare and other liabilities was to decrease 2016 income from operations by $8,939,000, and increase 2015 income from operations by $1,691,000. The Hospital's cost reports have been audited by the Medicare fiscal intermediary through June 30, 2012.

Non-Designated Public Hospitals ("NDPHs"), including the Hospital, were authorized, in 2011's Assembly Bill ("AB") 113, to use intergovernmental transfers ("IGTs") to obtain federal supplemental funds for Medi-Cal inpatient fee-for-service. The IGTs are used to bring NDPHs, in the aggregate, up to their upper payment limit ("UPL"). The UPL is the federal maximum available under the Medicaid program, as calculated based on the actual costs of providing care. For the years ended June 30, 2016 and 2015, the Hospital recognized amounts under the IGT program of $0 and $12,302,000, respectively, which have been reported as net patient service revenue. A letter of intention to participate in the program was sent out but a request letter from the Department of Health Care Services ("DHCS") has not been sent. Therefore, no IGT was recognized for 2016.

Medi-Cal and contracted rate payors are paid on a percentage of charges, per diem, per discharge, fee schedule, or a combination of these methods.

Laws and regulations governing the Medicare and Medi-Cal programs are complex and are subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change in the near term.

Included in other revenue are amounts from investments in health-related activities, rental income, cafeteria, and other nonpatient care revenue.

NOTE 3 – CASH DEPOSITS

At June 30, 2016 and 2015, District cash deposits had carrying amounts of $63,422,000 and $59,149,000, respectively, and bank balances of $71,658,000 and $62,854,000, respectively. All of these funds were held in cash deposits, which are collateralized with the California Government Code ("CGC"), except for $250,000 per account that is federally insured by the Federal Deposit Insurance Corporation ("FDIC").

The District participates in a cash management program provided by its primary depository institution that allows cash in District concentration accounts to be swept daily and invested overnight in reverse agreements that are not exposed to custodial credit risk because the underlying securities are held by the buyer-lender. At June 30, 2016 and 2015, balances in repurchase agreements had bank balances of $71,658,000 and $58,069,000, respectively, and are included in the carrying amounts above.

NOTE 4 – BOARD-DESIGNATED, FUNDS HELD BY TRUSTEE, AND INVESTMENTS

Board-designated funds, funds held by trustee, and short-term investments, collectively, as of June 30, 2016 and 2015, comprised the following (in thousands):

	Amortized Costs	Gross Unrealized		Carrying Value
		Gains	Losses	
2016				
Cash and cash equivalents	$ 43,563	$ -	$ -	$ 43,563
Mutual funds	208,161	19,847	(2,385)	225,623
Real estate funds	23,426	3,644	-	27,070
Hedge funds	94,173	4,002	(4,134)	94,041
Equities	23,585	5,865	(1,177)	28,273
Fixed income securities	314,304	10,828	(1,927)	323,205
	$ 707,212	$ 44,186	$ (9,623)	$ 741,775
2015				
Cash and cash equivalents	$ 53,868	$ -	$ -	$ 53,868
Mutual funds	178,470	27,189	-	205,659
Real estate funds	22,058	4,163	-	26,221
Hedge funds	94,138	8,784	(207)	102,715
Equities	33,599	10,254	(1,575)	42,278
Fixed income securities	324,089	8,540	(2,345)	330,284
	$ 706,222	$ 58,930	$ (4,127)	$ 761,025

At June 30, 2016, investment balances and average maturities were as follows:

Investment Type	Fair Value (in thousands)	Investment Maturities (in years)			
		Less than 1	1 to 5	6 to 10	More than 10
Short-term money market	$ 37,086	$ 37,086	$ -	$ -	$ -
Mutual funds	259,872	259,872	-	-	-
Real estate funds	27,070	27,070	-	-	-
Hedge funds	94,040	94,040	-	-	-
Government and agencies	105,141	12,563	55,275	17,424	19,879
Corporate bonds	101,957	12,843	69,046	12,003	8,065
Domestic fixed income	88,869	2,067	11,908	12,600	62,294
	714,035	$ 445,541	$ 136,229	$ 42,027	$ 90,238
Equities	27,740				
Total fair value	$ 741,775				

At June 30, 2015, investment balances and average maturities were as follows:

Investment Type	Fair Value (in thousands)	Investment Maturities (in years)			
		Less than 1	1 to 5	6 to 10	More than 10
Short-term money market	$ 53,868	$ 53,868	$ -	$ -	$ -
Mutual funds	205,659	205,659	-	-	-
Real estate funds	26,221	26,221	-	-	-
Hedge funds	102,688	102,688	-	-	-
Government and agencies	130,276	23,268	75,917	16,542	14,549
Corporate bonds	93,701	15,888	58,036	11,968	7,809
Domestic fixed income	101,181	-	19,309	10,171	71,701
Foreign fixed income	5,153	-	236	2,975	1,942
	718,747	$ 427,592	$ 153,498	$ 41,656	$ 96,001
Equities	42,278				
Total fair value	$ 761,025				

Interest rate risk – Through its investment policies, the District manages its exposure to fair value losses arising from increasing interest rates by limiting duration of fixed income securities in its portfolio to no more than 30% of the designated benchmark.

Credit risk – District investment policies require fixed income investments to have a minimum of 85% of a money manager's assets in investment grade assets. The investment policy requires investment managers maintain an average of A- or higher ratings as issued by a nationally recognized rating organization. Additionally, the investment policy requires no more than 5% of a money manager's portfolio at the time of purchase shall be invested in the securities of any one issuer, with the exception of a United States government agency, agency MBS or other Sovereign issues rated AAA or Aaa.

Foreign currency risk – The District's investment policy permits it to invest up to 30% of total investments in foreign currency denominated investments.

Alternative investments risk – The District's alternative investments include ownership interest in a wide variety of partnership and fund structures that may be domestic or offshore. Generally, there is little or no regulation of these investments by the Securities and Exchange Commission or U.S. state attorneys general. These investments employ a wide variety of strategies including absolute return, hedge, venture capital, private equity and other strategies. Investments in this category may employ leverage to enhance the investment return. The District's holdings can include financial assets such as marketable securities, nonmarketable securities, derivatives, and synthetic and structured instruments; real assets; tangible and intangible assets; and other funds and partnerships. Generally these investments do not have a ready market. Interest in these investments may not be traded without approval of the general partner or fund management.

Alternative investments are subject to all of the risks described previously relating to equities and fixed income instruments. In addition, alternative strategies and their underlying assets and rights are subject to a broad array of economic and market vagaries that can limit or erode value. The underlying assets may not be held by a custodian either because they cannot be, or because the entity has chosen not to hold them in this form. Valuations determined by the investment manager, who has a conflict of interest in that he or she is compensated for performance are considered and reviewed by the District's Investment Committee and the Board of Directors. Real assets may be subject to physical damage from a variety of means, loss from natural causes, theft of assets, lawsuits involving rights and other loss and damage including mortgage foreclosure risk. These risks may not be insured or insurable. Tangible assets are subject to loss from theft and other criminal actions and from naturals. Intangible assets are subject to legal challenge and other possible impairment.

The carrying amount of deposits and investments are included in the District's consolidated statements of net position as follows (in thousands):

		2016		2015
Included in the following consolidated statement of net position captions:				
Short-term investments	$	188,466	$	226,758
Current portion of board designated and funds held by trustee		15,472		9,298
Board designated, funds held by trustee, and restricted assets, less current portion		537,837		524,969
Total carrying amount of deposits and investments	$	741,775	$	761,025

NOTE 5 – FAIR VALUE

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is also established which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the consolidated statements of net position at June 30, 2016 and 2015, as well as the general classification of such instruments pursuant to the valuation hierarchy:

Mutual Funds: Shares of mutual funds are valued at the net asset value ("NAV") of shares held by the District and are valued at the closing price reported on the active market on which the individual securities are traded.

Common Stock: Common stock is valued at the closing price reported on the active market on which the individual securities are traded.

Asset-backed securities: Asset-backed securities are valued via model using various inputs such as but not limited to daily cash flow, U.S. Treasury market, floating rate Indices such as LIBOR and Prime as a benchmark yield, spread over index, periodic and life caps, next coupon adjustment date, and convertibility of the bond.

Corporate bonds, foreign bonds, and municipal bonds: Valued using pricing models maximizing the use of observable inputs for similar securities which includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

U.S. Government securities: Fixed income funds are valued at the NAV of shares held by the District and are valued at the closing price reported on the active market on which the individual securities are traded.

Pooled, common & collective trusts: Investments are valued using the NAV per share of the fund. The NAV of a pooled or collective investment fund is calculated based on a compilation of primarily observable market information. The number of units of the fund that are outstanding on the calculation date is derived from observable purchase and redemption activity in the fund.

Hedge funds: The fair value of the investments is recorded at the investment managers' net asset values, as the managers have the greatest insight into the investments of their fund and the related industry and have the appropriate expertise to determine the NAV. The District assesses the NAV and takes into consideration events such as suspended redemptions, restructuring, secondary sales, and investor defaults to determine if an adjustment is necessary. Additionally, asset holdings are reviewed within investment managers' audited financial statements.

Partnership: The valuation of partnership interests may require significant management judgment. The District's ownership is based upon their percentage of limited partnership interests divided by the total commitment of the fund. Inputs used to determine fair value include financial statements provided by the investment partnerships, which typically include fair market value capital account balances.

The following table presents the fair value measurements of assets recognized in the accompanying consolidated statements of net position measured at fair value on a recurring basis and the level within the GASB 72 fair value hierarchy in which the fair value measurements fall at June 30 (in thousands):

Description	Level 1	Level 2	Level 3	2016
Investments by fair value level				
Asset backed securities				
Corporate backed obligations	$ -	$ 29,898	$ -	$ 29,898
Corporate bonds	-	2,034	-	2,034
Mortgage backed obligations	-	22,919	-	22,919
U.S. government mortgage pool	-	41,696	-	41,696
Common stock				
ADR & U.S. foreign stock	-	2,338	-	2,338
Corporate bonds	12,067	1,597	-	13,664
Financial services industry	1,461	-	-	1,461
Healthcare industry	2,671	751	-	3,422
Mortgage backed obligations	1,444	-	-	1,444
Telecommunication services	1,182	-	-	1,182
Other	4,316	859	-	5,175
Corporate, municipal and foreign bonds				
Corporate bonds	-	102,253	-	102,253
Private placements	-	17,973	-	17,973
U.S. government mortgage pool	-	1,227	-	1,227
U.S. treasury notes and bonds	-	1,324	-	1,324
Other	-	338	-	338
Municipal taxable	-	4,521	-	4,521
Mutual funds				
Corporate backed obligations	41,661	-	-	41,661
Corporate bonds	107,740	-	-	107,740
Mortgage backed obligations	9,146	-	-	9,146
Mutual funds - equity	69,620	-	-	69,620
Mutual funds - taxable	13,518	-	-	13,518
U.S. Government securities				
Government agencies	-	790	-	790
U.S. treasury notes and bonds	64,758	-	-	64,758
Partnership	-	-	27,070	27,070
Total investments by fair value level	$ 329,584	$ 230,518	$ 27,070	587,172
Cash equivalents				42,350
Investments measured at NAV				
Pooled, common & collective trusts				17,092
Equity, hedge funds				32,645
Credit hedge funds				19,368
Macro hedge funds				24,506
Relative value hedge funds				17,521
Fixed income limited partnership				1,121
Total investments measured at NAV				112,253
Total investments				$ 741,775

Description	Level 1	Level 2	Level 3	2015
Investments by fair value level				
Asset backed securities				
Corporate backed obligations	$ -	$ 39,441	$ -	$ 39,441
Corporate bonds	-	9,099	-	9,099
Mortgage backed obligations	-	29,620	-	29,620
U.S. government mortgage pool	-	37,159	-	37,159
Common stock				
ADR & U.S. foreign stock	-	6,298	-	6,298
Consumer discretionary	3,436	-	-	3,436
Corporate bonds	-	945	-	945
Financial services industry	7,627	-	-	7,627
Healthcare industry	8,703	-	-	8,703
Information technology	6,165	-	-	6,165
Industrials	4,533	-	-	4,533
Telecommunication services	2,032	-	-	2,032
Other	3,484	-	-	3,484
Corporate, municipal and foreign bonds				
Corporate bonds	-	112,715	-	112,715
Private placements	-	14,618	-	14,618
Municipal taxable	-	4,694	-	4,694
Other	-	171	-	171
Mutual funds				
Corporate bonds	221	-	-	221
Mutual funds - equity	205,437	-	-	205,437
Mutual funds - taxable	3,509	-	-	3,509
U.S. Government securities				
U.S. treasury notes and bonds	59,049	-	-	59,049
Partnership	-	-	28,140	28,140
Total investments by fair value level	$ 304,196	$ 254,760	$ 28,140	587,096
Cash equivalents				54,313
Investments measured at NAV				
Pooled, common & collective trusts				17,184
Equity, hedge funds				37,571
Credit hedge funds				20,704
Macro hedge funds				23,833
Relative value hedge funds				19,124
Fixed income limited partnership				1,200
Total investments measured at NAV				119,616
Total investments				$ 761,025

The following table provides the fair value and redemption terms and restrictions for investments redeemable NAV at June 30, 2016 (in thousands):

	2016 Fair value	2015 Fair value	Unfunded Commitment	Redemption Frequency	Redemption Notice
Pooled, common & collective trusts	$ 17,092	$ 17,184	$ -	Monthly	30 days
Equity Hedge Funds	32,645	37,571	-	Quarterly	90 days
Credit Hedge Funds	19,368	20,704	-	Monthly, Quarterly	15 - 60 days
Macro Hedge Funds	24,506	23,833	-	Monthly, Quarterly	5 - 90 days
Relative Value Hedge Funds	17,521	19,124	-	Quarterly, Annually	45 days
Fixed income limited partnership	1,121	1,200	-	Monthly	1 day
Total investments measured at NAV	$ 112,253	$ 119,616			
Partnership	$ 27,070	$ 28,140	$ 8,218	n/a	n/a

Pooled, common & collective trusts - includes investments in 1 small cap fund that invest in domestic equity. Investments are valued using the NAV per share of the fund. The NAV per share is based on the value of the underlying assets owned by the fund, minus its liabilities, divided by the number of shares outstanding.

Equity Hedge Funds - includes investments in 7 hedge funds that employ both long and short strategies primarily in US common stocks. Equity hedge strategies typically have a directional bias (long or short) and trade in equities and equity related derivatives. The fair values of the investments in this type have been determined using the NAV per share of the investments. Investments representing approximately 11% of the value of the investments in this type include restrictions such as certain classes with side pocket investments which may only be redeemed upon realization of the underlying investments.

Credit Hedge Funds - includes investments in 3 hedge funds that is comprised of distressed securities, credit long/short, emerging market debt and credit event driven. Credit hedge strategies typically have a directional bias and involve the purchase of various types of debt, equity, trade claims and fixed income securities. The fair values of the investments in this type have been determined using the NAV per share of the investments. Investments representing approximately 76% of the value of the investments in this type include restrictions that do not allow for redemptions in the first year after acquisition and other imposed gates.

Macro Hedge Funds - includes investments in 4 hedge funds that invests in global macro, managed futures, commodities and currencies. Macro hedge strategies typically have a directional bias and involve the purchase of a variety of securities and/or derivatives related to major markets. Managed future strategies trade similar instruments but are typically implemented by computerized system. The fair values of the investments in this type have been determined using the NAV per share of the investments.

Relative Value Hedge Funds - includes investments in 3 hedge funds that typically does not display a distinct directional bias. Relative Value encompasses a range of strategies covering different asset classes. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the investments, except for 1 investment, calculated based upon a percentage of limited partnership interest. Inputs used to determine fair value include financial statements provided by the investment partnership, which typically include fair market value of capital account balances. Investments representing approximately 67% of the value of the investments may include lock up, imposed gates, and other restrictions that preclude them from redeeming their share or ownership interest for an uncertain or extended period of time from the measurement date.

Fixed income limited partnership - includes investments in a limited partnership fund of funds that invest primarily in investment grade non-US dollar denominated fixed income securities. The fund may enter into swap agreements, forward settlement agreements, futures, contracts, and options on future contracts as well as purchase and sell covered put and call options. Investments are valued using the NAV per share of the fund. There is a provision in the limited partnership agreement that allows the general partner to limit redemption under certain circumstances.

Partnership - investments in closed-end, commitment based private equity real estate partnerships. The valuation of partnership interests in these funds may require significant management judgment. The District's ownership is based upon their percentage of limited partnership interests divided by the total commitment of the fund. Inputs used to determine fair value include financial statements provided by the investment partnerships, which typically include fair market value capital account balances. These investments can never be redeemed with the funds. Instead, the nature of the investments in this category is that distributions are received through the liquidation of the underlying assets of the fund.

NOTE 6 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2016, is as follows (in thousands):

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016
Capital assets not being depreciated				
Land	$ 55,130	$ 28,332	$ -	$ 83,462
Construction in progress	46,318	-	481	45,837
	101,448	28,332	481	129,299
Capital assets being depreciated				
Land improvement	13,872	-	-	13,872
Buildings	733,423	26,460	4,672	755,211
Capital equipment	330,050	38,936	31,645	337,341
	1,077,345	65,396	36,317	1,106,424
Less accumulated depreciation for				
Land improvement	7,414	820	-	8,234
Buildings	240,233	22,742	4,671	258,304
Capital equipment	232,710	25,489	32,141	226,058
	480,357	49,051	36,812	492,596
Total capital assets being depreciated, net	596,988	16,345	(495)	613,828
Total capital assets, net	$ 698,436	$ 44,677	$ (14)	$ 743,127

Capital assets activity for the year ended June 30, 2015, is as follows (in thousands):

	Balance June 30, 2014	Increases	Decreases	Balance June 30, 2015
Capital assets not being depreciated				
Land	$ 55,130	$ -	$ -	$ 55,130
Construction in progress	24,404	21,914	-	46,318
	79,534	21,914	-	101,448
Capital assets being depreciated				
Land improvement	13,872	-	-	13,872
Buildings	723,628	11,733	1,938	733,423
Capital equipment	283,813	47,410	1,173	330,050
	1,021,313	59,143	3,111	1,077,345
Less accumulated depreciation for				
Land improvement	6,505	909	-	7,414
Buildings	220,318	20,628	713	240,233
Capital equipment	210,374	23,376	1,040	232,710
	437,197	44,913	1,753	480,357
Total capital assets being depreciated, net	584,116	14,230	1,358	596,988
Total capital assets, net	$ 663,650	$ 36,144	$ 1,358	$ 698,436

Construction contracts of approximately $153,443,000 exist for the construction of various projects including upgrading the Los Gatos campus, and Los Gatos seismic upgrades. At June 30, 2016, the remaining commitment on these contracts approximated $71,516,000.

NOTE 7 – EMPLOYEE BENEFIT PLANS

The Hospital sponsors a cash-balance pension plan (the "Plan"), which has been in effect since January 1, 1995. The Plan covers employees who are 21 years of age and have completed one year of credited service. Participants are entitled to a lump-sum distribution or monthly benefits at age 65 based on a predetermined formula that considers years of service and compensation. Effective July 1, 1999, employer Plan benefits are calculated as 5% of a participant's annual plan compensation, and the annual interest is an indexed rate based on the return on ten-year U.S. treasury securities. Participants are fully vested in their account balances after five pension years.

Certain retired and terminated employees and certain participants covered by a collective bargaining agreement continue to participate under provisions of a defined-benefit retirement plan in effect prior to January 1, 1995. Participant data for the Plan, as of the measurement date January 1 for the indicated years is as follows:

	2016	2015
Active	2,706	2,677
Retirees and beneficiaries	481	460
Vested terminated	924	897
Total participants	4,111	4,034

Components of pension cost and deferred outflows and inflows of resources as calculated under the requirements of GASB No. 68 are as follows (in thousands):

Deferred outflows of resources	2016	2015
Deferred outflows of resources as of June 30:		
Difference between expected and actual experience	$ 414	$ 519
Changes in assumptions	636	799
Difference between projected and actual investment earnings	8,900	1,336
Total	$ 9,950	$ 2,654
Deferred inflows of resources as of June 30:		
Difference between expected and actual experience	$ (1,236)	$ -
Changes in assumptions	(1,656)	-
Difference between projected and actual investment earnings	-	-
Total	$ (2,892)	$ -
Contributions between the measurement date and fiscal year end recognized as a deferred outflow of resources	$ 5,100	$ 7,200

Amounts reported as deferred outflows and inflows of resources to pensions will be recognized in pension expense are as follows (in thousands):

Future Years' Recognition of		
2017	$	1,995
2018		1,995
2019		1,995
2020		1,639
2021		(564)

The following table summarizes changes in pension liability for fiscal year ended June 30, 2016 and 2015, with a measurement date of December 31, 2015 and 2014, respectively, (in thousands):

Total pension liability		**2016**		**2015**
Service cost	$	8,411	$	7,757
Interest		11,509		10,892
Changes of benefit terms		-		-
Differences between expected and actual experience		(1,484)		625
Changes of assumptions		(1,990)		961
Benefit payments		(11,252)		(9,982)
Net change in total pension liability		5,194		10,253
Total pension liability beginning of fiscal year		188,954		178,701
Total pension liability end of fiscal year	$	194,148	$	188,954

		2016 with Measurement Date of 12/31/2015		**2015 with Measurement Date of 12/31/2014**
Total pension liability	$	194,148	$	188,954
Plan fiduciary net position		216,799		213,281
Net pension liability	$	(22,651)	$	(24,327)
Plan's fiduciary net position as a percentage of total pension liability		111.67%		112.87%
Covered payroll	$	283,776	$	266,844
Net pension liability as a percentage of covered payroll		-7.98%		-9.12%
Contributions between the measurement date and year ended June 30, 2016 as deferred outflow of resources	$	5,100	$	7,200

The following table summarizes the actuarial assumptions used to determine net pension liability and plan fiduciary net position as of June 30, 2016 and 2015:

Assumptions

Valuation Date	Contributions related to the actuarially determined contributions are made for the plan year January 1 to December 31.
Actuarial Cost Method	Entry Age Normal Method
Amortization Method	Level Percent of Payroll
Asset Valuation Method	Market Value
Actuarial Assumptions	
Projected Salary Increases	4.00%
Mortality	Based on the RE-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006 and project with Mortality Improvement Scale MP-2015
Discount Rate	6.00%

Sensitivity of the Net Pension Liability (in thousands):

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
Net Pension Liability (Asset) as of December 31, 2015	$ (12)	$ (22,651)	$ (41,400)
Net Pension Liability (Asset) as of December 31, 2014	$ (1,653)	$ (24,327)	$ (43,223)

Eligible employees of the Hospital may also elect to participate in a separate deferred compensation plan (the 403(b) plan) pursuant to Section 403(b) of the Code. The Hospital acts as the administrator and sponsor, and the 403(b) plan's assets are held by trustees designated by the Hospital's management. Employees are eligible to participate upon employment, and participants are immediately vested in their elective contributions plus actual earnings thereon. The Hospital will match employee contributions to the 403(b) plan, subject to a maximum of 4% of each participant's annual plan compensation. Participants are eligible for employer match in the second plan year in which they work at least 1,000 hours, and they must be on the payroll at the end of the plan year (December 31). Employer matching contributions under the 403(b) plan are made to the cash–balance pension plan and earn interest as defined by that plan. Employer matching contributions to the 403(b) plan of $9,853,000 and $9,183,000 in 2016 and 2015, respectively, are included in benefits expense. Participants are immediately vested in the employer contributions included in the cash–balance pension plan.

The Hospital's net pension liability was measured as of June 30, 2016 and 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The actuarial valuation was determined using the following assumptions:

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the consolidated financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

NOTE 8 – POSTRETIREMENT MEDICAL BENEFITS

The Hospital provides healthcare benefits and life insurance for retired employees who meet eligibility requirements as outlined in the plan document, as approved by the board of directors of the Hospital. All employees who attain age 55 with a minimum of 20 years of enrollment in the Hospital's healthcare program and are enrolled in one of the plans upon retirement, and who were hired prior to July 1, 1994, are eligible. Under the plan, employees are credited with employment history accumulated under a prior Hospital plan.

Benefits are funded by the Hospital on a pay-as-you go basis. If a participant terminates from the Hospital after 20 years of enrollment but before reaching age 62, he or she can choose to contribute to the plan between ages 55 and 61 to retain the plan's benefits. At age 62, eligible retirees are given an annual credit based on years of service to pay for health benefits. As of June 30, 2016 and 2015, approximately 381 and 413 employees and former employees, respectively, were eligible to participate in the plan. For the fiscal years ended June 30, 2016 and 2015, the Hospital contributed $592,000 and $525,000, respectively, to fund benefits paid in those years.

The Hospital's annual postretirement benefit cost is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with parameters of GASB Codification Section P50, *Postemployment Benefits Other Than Pension Benefits - Employer Reporting*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the Hospital's annual postretirement benefit cost, the amount actually contributed to the plan, and the changes in the Hospital's postretirement benefit obligation (in thousands):

	2016	2015
Annual required contribution	$ 1,946	$ 1,711
Interest on postretirement benefit obligation	731	692
Adjustment to annual required contribution	(1,025)	(971)
Annual postretirement benefit expense	1,652	1,432
Employer contributions	(593)	(525)
Increase in accumulated benefit obligation	$ 1,059	$ 907
Postretirement benefit obligation, beginning of the year	$ 17,197	$ 16,290
Postretirement benefit obligation, end of the year	$ 18,256	$ 17,197

The Hospital's annual postretirement benefit cost, the percentage of annual postretirement benefit cost contributed to the plan, and the postretirement benefit obligation for 2016 and the two preceding years were as follows (in thousands):

Fiscal Year Ended	Annual Postretirement Benefit Expense	Percentage of Annual Postretirement Benefit Expense Contributed	Postretirement Benefit Obligation
June 30, 2014	$ 1,984	26.51%	$ 16,290
June 30, 2015	$ 1,432	36.66%	$ 17,197
June 30, 2016	$ 1,652	35.90%	$ 18,256

As of July 1, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was $25,665,000, resulting in an unfunded actuarial accrued liability ("UAAL") of $26,069,000. The covered payroll (annual payroll of active employees covered by the plan) was $38,411,000, and the ratio of the UAAL to the covered payroll was 66.82%.

The measurement date for the baseline actuarial analysis as of June 30, 2016 and 2015, is July 1, 2015 and June 30, 2013, respectively. For measurement purposes, annual rates of increase in the per capita cost of covered healthcare benefits of 9% were assumed for both fiscal years 2016 and 2015. The rate was assumed to decrease gradually to 4.5% over the next six years and remain at that level thereafter as of June 30, 2016 and June 30, 2015. The dental benefit trend rate was assumed to be 4.5% in all future years for 2016 and 2015, respectively. The discount rate used was 4.25% for both 2016 and 2015. The UAAL is being amortized as a level percentage over 30 years on an open basis.

NOTE 9 – INSURANCE PLANS

The Hospital purchases professional, general, automobile, and directors and officers liability insurance from BETA Healthcare Group ("BHG"), and also purchases all-risk property insurance (including limited flood), fiduciary, crime, cyber, and excess workers' compensation coverage needs from Alliant Insurance Services ("Alliant"). The Hospital's coverage is under a claims-made policy with limits of $30 million per occurrence, $40 million in the annual aggregate, and with a self-insured retention level of $50,000 per claim.

There are known claims and incidents that may result in the assertion of additional claims, as well as claims from unknown incidents that may be asserted from services provided to patients. The Hospital has actuarial estimates performed annually on its self-insurance plans of professional liability and workers' compensation benefits. Estimated liabilities (which have not been discounted) have been actuarially determined at an expected 75% confidence level and include an estimate of incurred, but not reported, claims. The balances are included in salaries and wages payable, workers' compensation and other long-term liabilities in the accompanying consolidated statements of net position.

NOTE 10 – BONDS PAYABLE

Bonds payable consists of the following obligations (in thousands):

	2016			
	Balance at June 30, 2015	Increases	Decreases	Balance at June 30, 2016
General obligation bonds	$ 138,698	$ -	$ 2,238	$ 136,460
Revenue bonds	227,921	-	6,900	221,021
	$ 366,619	$ -	$ 9,138	$ 357,481

	2015			
	Balance at June 30, 2014	Increases	Decreases	Balance at June 30, 2015
General obligation bonds	$ 140,533	$ -	$ 1,835	$ 138,698
Revenue bonds	181,452	177,921	131,452	227,921
	$ 321,985	$ 177,921	$ 133,287	$ 366,619

General obligation bonds – Upon voter approval, in November 2003, the District issued in 2006, $148,000,000 principal amount of General Obligation Bonds, which consists of $115,665,000 of Current Interest Bonds, and $32,335,000 of Capital Appreciation Bonds. Interest on the Current Interest Bonds is payable semiannually at rates ranging from 4% to 5% and principal maturities ranging from $2,065,000 in 2016 to $18,050,000 in 2036 are due annually on August 1. Interest at rates ranging from 4.38% to 4.48% and principal of the Capital Appreciation Bonds are payable only at maturity.

The Current Interest Bonds maturing on or before August 1, 2016, are not subject to redemption. The Current Interest Bonds maturing on or after August 1, 2017, may be redeemed prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date on or after February 1, 2017, at a redemption price equal to the principal amount of the Current Interest Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

The Bonds are general obligations of the District payable from ad valorem taxes. Payment of principal, interest and maturity value of the Bonds, when due, is insured by a municipal bond insurance policy.

Revenue Bonds, Series 2009 – In April 2009, the Hospital issued $50,000,000 of Santa Clara County Financing Authority Insured Revenue Bonds, Series 2009A to fund completion of the Hospital Replacement construction project. Interest on the Bonds is payable on the Business Day immediately following the applicable Remarketing Period. Principal maturities on the bonds range from $100,000 in 2025 to $10,920,000 in 2044, and are due annually on February 1.

The 2009 Series Revenue bond agreement contains various restrictive covenants which include, among other things, minimum debt service coverage, maintenance of minimum liquidity, and requirement to maintain certain financial ratios.

The bonds are secured by a pledge of gross revenues to an Indenture of Trust ("Indenture") dated March 16, 2007. The Indenture contains certain covenants that, among other things, require the District to deposit all Gross Revenues of the Hospital as soon as practicable upon receipt. The Indenture also requires the Hospital to maintain a long-term debt service coverage ratio of 1.15 to 1. Failure to comply with the restrictive covenants of the Indenture could result in all of the unpaid principal and accrued interest of the bonds becoming due immediately, at the option of the trustee.

Revenue Bonds, Series 2015 – In May 2015, the Hospital advance refunded its Series 2007 Santa Clara County Financing Authority Insured Revenue Bonds ("Series 2007") through the issuance of the $160,455,000 of Santa Clara County Financing Authority Insured Revenue Bonds ("Series 2015A"). The issuance of the Series 2015A is to (i) finance and refinance certain capital expenditures owned by the Hospital (the Project - $40,300,000), (ii) advance refund ($120,100,000) the Santa Clara County Financing Authority Insured Revenue Bonds of the Hospital Series 2007A, 2007B, and 2007C, and (iii) pay costs incurred in the connection of the issuance of the Bonds.

Letter of credit – In March 2009, in connection with the issuance of the 2009 Series Revenue bonds, the Hospital obtained an irrevocable Letter of Credit issued by a bank for $50,000,000. This Letter of Credit expires April 2017 and requires the Hospital to maintain a long-term debt service coverage ratio of 1.20 to 1.

Interest costs – Interest costs incurred for the years ended June 30, 2016 and 2015, are (in thousands):

	June 30, 2016	June 30, 2015
Operating expense	$ 6,368	$ 4,904
Nonoperating expense	4,523	4,604
	$ 10,891	$ 9,508

Debt service requirements for bonds payable are as follows (in thousands):

Year Ending June 30,	General Obligation Bonds Principal	General Obligation Bonds Interest	Revenue Bonds Principal	Revenue Bonds Interest
2017	$ 2,485	$ 4,690	$ 3,635	$ 7,224
2018	2,950	4,578	53,735	7,115
2019	3,440	4,460	3,850	7,003
2020	4,005	4,288	3,965	6,887
2021	4,615	4,088	4,125	6,729
2022-2026	21,372	29,011	23,490	29,500
2027-2031	18,368	45,886	27,975	25,301
2032-2036	60,995	20,740	32,530	16,791
2037-2041	18,050	803	37,725	8,161
2042-2046	-	-	13,950	2,075
	$ 136,280	$ 118,544	$ 204,980	$ 116,786

Interest rate swap – On March 7, 2007, the Hospital entered into three interest rate swap agreements in connection with the issuance of the Series 2007 Revenue Bonds. The intention of the swap is to create debt with a synthetic, fixed interest rate on the variable-rate Revenue Bonds. The swaps were effective March 23, 2007, with a termination date of February 1, 2041, and notional amounts of $50 million each, these terms match the terms of the underlying Series 2007 Revenue Bonds. Under each swap transaction, the Hospital pays a fixed rate of interest of 3.204% and the counterparty pays a variable rate of interest equal to the sum of (i) 56% of USD-LIBOR-BBA plus (ii) .23%. In March 2008, the Hospital Board directed management to terminate the floating to fixed interest rate swap when economically prudent in connection with the refunding of their Series 2007 Revenue Bonds. In December 2009, two of the three swaps were terminated. The fair value of the remaining swap is a liability of $11,041,000 at June 30, 2016, and $7,827,000 at June 30, 2015, included in other long-term obligations in the consolidated statements of net position.

Risks associated with the swap agreements – From the Hospital's perspective, the following risks are generally associated with swap agreements:

Credit risk – The counterparty becomes insolvent or is otherwise not able to perform its financial obligations. In the event the counterparty becomes insolvent or their credit rating falls below BBB-/Baa2 the Hospital has the right to terminate the swap. Upon exercise of early termination the amounts due from or to the counterparty will be determined by the market pricing of the swaps at the time of termination.

Termination risk – The Hospital or counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If, at the time of the termination, the swap has a negative fair value, the Hospital would be liable to the counterparty for that payment.

NOTE 11 – RESTRICTED NET POSITION

Restricted net position consists of donor-restricted contributions and grants and cash restricted for regulatory requirements, which are to be used as follows (in thousands):

	2016		2015	
Charity and other	$	11,599	$	7,460
Endowments		2,658		2,185
Restricted by donor for specific uses		14,257		9,645
Restricted by Department of Managed Health Care		50		50
Total restricted net position	$	14,307	$	9,695

Permanently restricted contributions ("endowments") remain intact, with the earnings on such funds providing an ongoing source of revenue to be used primarily for education.

NOTE 12 – CHARITABLE REMAINDER UNITRUSTS

The Foundation is the beneficiary of several irrevocable charitable remainder unitrusts in which the gift assets are held by trustees and administered for the benefit of the Foundation and other beneficiaries. The assets are held under trust agreements with an outside trustee. The donors maintain the right to income earned on the assets during their lifetime and, in some cases, during the lifetime of their survivors.

Pursuant to GASB 81, the Foundation recognizes an asset and a deferred inflow of resources when it becomes aware of the agreements and has sufficient information to measure the beneficial interest, in accordance with the asset recognition criteria in GASB 81. The beneficial interest asset is measured at fair value, which is estimated as the present value of the expected future cash flows from trusts. The applicable federal discount rate for June 2016 and June 2015 of 1.8% and 3.14% per annum and The Standard Ordinary Mortality Rate Table were used to arrive at the present value. Change in the fair value of the beneficial interest asset is recognized as an increase or decrease in the related deferred inflow of resources. As the remainder interest beneficiary, the Foundation recognizes revenue for the beneficial interest at the termination of the agreement, as stipulated in the agreements.

NOTE 13 – RELATED PARTY TRANSACTIONS

The Hospital pays vendor-related expenses on behalf of the Foundation and is reimbursed for these costs incurred. The Hospital also pays employee-related expenses, which are reimbursed by the Foundation. The Foundation's employees also participate in the cash-balance pension plan, sponsored by the Hospital. Full footnote disclosures relating to the cash-balance pension plan is included in the consolidated financial statements. The Hospital performs certain administrative functions on behalf of the Foundation for which no amounts are charged to the Foundation. As of June 30, 2016 and 2015, the Foundation has a payable to the Hospital in the amount of $523,000 and $334,000, respectively. During the fiscal years 2016 and 2015, the Foundation paid the Hospital $2,881,000 and $3,586,000 for such expenses, respectively, which included amounts for operations, but also disbursements from Donor Restricted Funds in support of Hospital operations and capital acquisitions.

In June 2012, the Hospital Board approved the funding of the Foundation's salaries, wages, and benefits for fiscal year 2016 and 2015, thus along with the 2012 fiscal year approved funding of the Foundation's rent provided a maximum funding of $1,783,000 for both items on an ongoing basis. All related party transactions are eliminated upon consolidation.

Effective May 6, 2013, ECSC sold certain medical equipment, furnishings, fixtures, inventories, and other tangible personal property in exchange for a seven and one half percent (7.5%) interest in El Camino Ambulatory Surgery Center, ("ECASC"). As of March 2015, ECSCs' interest in ECASC has change to 33.4%. ECSC has provided a working capital line of credit to ECASC in a principal amount of $750,000 represented by a Promissory Note and has a term of 39 months with an interest rate of 5% per annum. At June 30, 2016 and June 30, 2015, there was a total draw of $484,500, and $414,000 against the line of credit, respectively. On August 29, 2016, this line of credit was paid off.

The Hospital leases the space to ECASC and provides certain services, such as utilities and building/equipment maintenance. There was $702,000 of rental income recorded for the year ended June 30, 2016, and $717,000 of rental income recorded for the year ended June 30, 2015, related to the lease.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Litigation – The District is a defendant in various legal proceedings arising out of the normal conduct of its business. In the opinion of management and its legal representatives, the District has valid and substantial defenses, and settlements or awards arising from legal proceedings, if any, will not exceed existing insurance coverage, nor will they have a material adverse effect on the financial position, results of operations, or liquidity of the District.

Lease commitments – The District is obligated for land and office rental under the terms of various operating lease agreements. Following is a schedule by year of future minimum lease payments under operating leases as of June 30, 2016 (in thousands):

	Operating Lease Commitments	Lease Income	Net Lease Benefit
2017	$ 2,244	$ 9,260	$ 7,016
2018	2,260	7,712	5,452
2019	2,264	3,576	1,312
2020	2,283	2,478	195
2021	1,999	1,480	(519)
Thereafter	27,005	1,452	(25,553)
	$ 38,055	$ 25,958	$ (12,097)

Total rental expense in 2016 and 2015 for all operating leases was approximately $2,072,000 and $1,657,000, respectively.

Regulatory environment – The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medi-Cal fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. The District is subject to routine surveys and reviews by federal, state and local regulatory authorities. The District has also received inquiries from healthcare regulatory authorities regarding its compliance with laws and regulations. Although the District management is not aware of any violations of laws and regulations, it has received corrective action requests as a result of completed and on-going surveys from applicable regulatory authorities. Management continually works in a timely manner to implement operational changes and procedures to address all corrective action requests from regulatory authorities. Breaches of these laws and regulations and noncompliance with survey corrective action requests could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

Hospital Seismic Safety Act – In the 2010 fiscal year, the Mountain View campus completed its three year construction of the Hospital Replacement Project with the opening of its new five story, 450,000 square foot, state-of-the-art hospital facility on November 15, 2009. This completion made the Mountain View hospital campus in compliance with the State of California's Senate Bill ("SB") 1953 in meeting all requirements of the Hospital Seismic Safety Act of 1994.

At the Los Gatos campus, where most of the buildings were constructed in the 1960's, the campus has been going through a seismic compliance review. All required seismic upgrades to make the Los Gatos site in seismic compliance to 2030 were completed during 2015.

NOTE 15 – HEALTH CARE REFORM

On March 23, 2010, the Patient Protection and Affordable Care Act ("PPACA") was signed into law. On March 30, 2010, the Health Care and Education Reconciliation Act of 2010 was signed, amending the PPACA (collectively the "Affordable Care Act"). The Affordable Care Act addresses a broad range of topics affecting the healthcare industry, including a significant expansion of healthcare coverage. The expansion is accomplished primarily through incentives to individuals to obtain and employers to provide healthcare coverage and an expansion in Medicaid eligibility. The Affordable Care Act also includes incentives for medical research and the use of electronic health records, changes designed to curb fraud, waste and abuse, and creates new agencies and demonstration projects to promote the innovation and efficiency in the healthcare delivery system. Some provisions of the healthcare reform legislation were effective immediately; others will be phased in through 2016. Further legislative policies are required for several provisions that will be effective in future years. The impact of this legislation will likely affect the District. The effect of the changes that will be required in future years are not determinable at this time.

NOTE 16 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the consolidated statement of net position date but before the consolidated financial statements are available to be issued. The District recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the consolidated statement of net position date, including the estimates inherent in the process of preparing the consolidated financial statements. The District's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the consolidated statement of net position date but arose after the consolidated statement of net position date and before consolidated financial statements are available to be issued.

OPEN FOR LETTER OF CREDIT EXTENTION

SUPPLEMENTARY INFORMATION

(In Thousands)

	El Camino Healthcare District	El Camino Hospital	El Camino Hospital Foundation	CONCERN	El Camino Surgery Center, LLC	Silicon Valley Medical Development	Eliminations	El Camino Healthcare District and Affiliates
ASSETS								
Current assets								
Cash and cash equivalents	$ 2,694	$ 59,169	$ 23	$ 1,003	$ 363	$ 170	$ -	$ 63,422
Short-term investments	4,861	168,833	1,730	13,042	-	-	-	188,466
Current portion of board designated and funds held by trus	15,472	-	-	-	-	-	-	15,472
Patient accounts receivable, net of allowances for doubtful accounts of $25,927	-	120,960	-	610	-	-	-	121,570
Prepaid expenses and other current assets	80	23,596	108	233	484	123	(2,444)	22,180
Total current assets	23,107	372,558	1,861	14,888	847	293	(2,444)	411,110
Non-current cash and investments								
Board-designated funds	9,679	456,406	25,409	-	-	-	-	491,494
Restricted funds	-	-	-	50	-	-	-	50
Funds held by trustee	15,452	30,841	-	-	-	-	-	46,293
	25,131	487,247	25,409	50	-	-	-	537,837
Capital assets, net	11,449	731,525	68	75	-	10	-	743,127
Pledges receivable, net of current portion	-	-	2,683	-	-	-	-	2,683
Prepaid pension asset	-	22,651	-	-	-	-	-	22,651
Investments in health care affiliates	-	31,627	-	-	1,541	-	(2,699)	30,469
Beneficial interest in charitable remainder unitrust	-	-	3,596	-	-	-	-	3,596
Total assets	59,687	1,645,608	33,617	15,013	2,388	303	(5,143)	1,751,473
Deferred outflows of resources								
Loss on defeasance of bond payable	-	14,764	-	-	-	-	-	14,764
Deferred outflows of resources	-	5,100	-	-	-	-	-	5,100
Deferred outflows - actuarial	-	9,950	-	-	-	-	-	9,950
Total deferred outflows	-	29,814	-	-	-	-	-	29,814
Total assets and deferred outflows	$ 59,687	$ 1,675,422	$ 33,617	$ 15,013	$ 2,388	$ 303	$ (5,143)	$ 1,781,287

(In Thousands)

	El Camino Healthcare District	El Camino Hospital	El Camino Hospital Foundation	CONCERN	El Camino Surgery Center, LLC	Silicon Valley Medical Development	Eliminations	El Camino Healthcare District and Affiliates
LIABILITIES AND NET POSITION								
Current liabilities								
Accounts payable and accrued expenses	$ -	$ 28,149	$ -	$ 798	$ 22	$ 29	$ (25)	$ 28,973
Salaries, wages, and related liabilities	-	48,575	-	462	-	16	-	49,053
Other current liabilities	3,107	13,310	1,041	1,715	-	-	(2,419)	16,754
Estimated third-party payor settlements	-	11,314	-	-	-	-	-	11,314
Current portion of bonds payable	2,663	5,482	-	-	-	-	-	8,145
Total current liabilities	5,770	106,830	1,041	2,975	22	45	(2,444)	114,239
Bonds payable, net of current portion	133,797	215,539	-	-	-	-	-	349,336
Other long-term obligations	-	13,955	-	-	-	-	-	13,955
Workers' compensation, net of current portion	-	20,009	-	-	-	-	-	20,009
Post-retirement medical benefits, net of current portion	-	18,256	-	-	-	-	-	18,256
Total liabilities	139,567	374,589	1,041	2,975	22	45	(2,444)	515,795
Deferred inflows of resources								
Deferred inflows of resources	-	-	3,596	-	-	-	-	3,596
Deferred inflows of resources - actuarial	-	2,892	-	-	-	-	-	2,892
Total deferred inflows of resources	-	2,892	3,596	-	-	-	-	6,488
Net position								
Invested in capital assets, net of related debt	(94,087)	541,345	68	75	-	-	-	447,401
Restricted - expendable	-	-	11,599	-	-	-	-	11,599
Restricted - nonexpendable	-	-	2,658	50	-	-	-	2,708
Unrestricted	14,207	756,596	14,655	11,913	2,366	258	(2,699)	797,296
Total net position	(79,880)	1,297,941	28,980	12,038	2,366	258	(2,699)	1,259,004
Total liabilities, deferred inflows of resources, and net position	$ 59,687	$ 1,675,422	$ 33,617	$ 15,013	$ 2,388	$ 303	$ (5,143)	$ 1,781,287

CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Year Ended June 30, 2016
(In Thousands)

	El Camino Healthcare District	El Camino Hospital	El Camino Hospital Foundation	CONCERN	El Camino Surgery Center, LLC	Silicon Valley Medical Development	Eliminations	El Camino Healthcare District and Affiliates
Operating revenues								
Net patient service revenue (net of provision for bad debts of $18,966)	$ -	$ 772,020	$ -	$ -	$ -	$ 153	$ -	$ 772,173
Other revenue	88	23,636	-	13,183	15	-	(2,685)	34,237
Total operating revenues	88	795,656	-	13,183	15	153	(2,685)	806,410
Operating expenses								
Salaries, wages and benefits	-	435,184	1,430	3,452	-	85	(274)	439,877
Professional fees and purchased services	413	98,019	1,204	7,128	52	156	(134)	106,838
Supplies	-	117,988	107	-	1	-	-	118,096
Depreciation and amortization	253	48,748	45	5	-	-	-	49,051
Rent and utilities	-	15,389	13	346	-	9	(88)	15,669
Other	-	25,487	134	347	(49)	-	(95)	25,824
Total operating expenses	666	740,815	2,933	11,278	4	250	(591)	755,355
(Loss) income from operations	(578)	54,841	(2,933)	1,905	11	(97)	(2,094)	51,055
Nonoperating revenues (expenses):								
Investment income (expense), net	441	(1,697)	741	593	(292)	-	-	(214)
Property tax revenue								
Designated for community benefit programs and operating expenses	7,626	-	-	-	-	-	-	7,626
Designated for capital expenditures	6,171	-	-	-	-	-	-	6,171
Levied for debt service	9,836	-	-	-	-	-	-	9,836
Bond interest expense	(4,523)	-	-	-	-	-	-	(4,523)
Intergovernmental transfer expense	(802)	-	-	-	-	-	-	(802)
Restricted gifts, grants and bequests, and other, net of contributions to related parties	-	-	6,815	-	-	-	223	7,038
Unrealized loss on interest rate swap	-	(3,214)	-	-	-	-	-	(3,214)
Community benefit expense	(5,986)	(2,716)	-	-	-	-	2,653	(6,049)
Other, net	-	(2,891)	-	(675)	-	250	511	(2,805)
Total nonoperating revenues (expenses)	12,763	(10,518)	7,556	(82)	(292)	250	3,387	13,064
Excess (deficit) of revenues over expenses before capital transfers	12,185	44,323	4,623	1,823	(281)	153	1,293	64,119
Capital transfers	217	1,365	(196)	(1,386)	-	-	-	-
Increase (decrease) in net position	12,402	45,688	4,427	437	(281)	153	1,293	64,119
Total net (deficit) position, beginning of year	(92,282)	1,252,253	24,553	11,601	2,647	105	(3,992)	1,194,885
Total net (deficit) position, end of year	$ (79,880)	$ 1,297,941	$ 28,980	$ 12,038	$ 2,366	$ 258	$ (2,699)	$ 1,259,004

Supplemental pension information – The following tables summarize changes in net pension liability (in thousands):

Total pension liability	**2016**	**2015**
Service cost	$ 8,411	$ 7,757
Interest	11,509	10,892
Changes of benefit terms	-	-
Differences between expected and actual experience	(1,484)	625
Changes of assumptions	(1,990)	961
Benefit payments	(11,252)	(9,982)
Net change in total pension liability	5,194	10,253
Total pension liability beginning of fiscal year	188,954	178,701
Total pension liability end of fiscal year	$ 194,148	$ 188,954

Plan fiduciary net position	**2016**	**2015**
Contributions	$ 12,000	$ 13,800
Net investment income	2,941	10,388
Benefit payments, including refunds of member contributions	(11,252)	(9,983)
Administrative expenses	(171)	-
Net change in Plan fiduciary net position	3,518	14,205
Plan fiduciary net position beginning of fiscal year	213,281	199,076
Plan fiduciary net position end of fiscal year	216,799	213,281
Plan's net pension liability end of the fiscal year	$ (22,651)	$ (24,327)
Covered payroll	$ 283,776	$ 266,844
Net pension liability as a percentage of covered payroll	-7.98%	-9.12%
Contributions	$ 5,100	$ 7,200

The following table summarizes the contribution status of the Hospital's cash-balance pension plan (in thousands) over the last 10 years:

	FY2016	FY2015	FY2014	FY2013	FY2012
Actuarially determined contribution	2,735	8,808	8,463	7,613	1,400
Contributions related to actuarially determined contribution	9,900	6,000	14,400	12,000	11,005
Contribution deficiency (excess)	-	-	-	-	-
Covered payroll	283,776	266,844	242,343	223,754	208,910
Contribution as % of covered payroll	3.49%	2.25%	5.94%	5.36%	5.27%
Contributions made during the fiscal year	9,900	14,400	12,600	23,610	11,249

	FY2011	FY2010	FY2009	FY2008	FY2007
Actuarially determined contribution	12,023	7,156	4,656	279	3,078
Contributions related to actuarially determined contribution	19,811	7,644	9,200	10,000	11,731
Contribution deficiency (excess)	-	-	-	-	-
Covered payroll	205,693	178,937	149,694	133,582	121,525
Contribution as % of covered payroll	9.63%	4.27%	6.15%	7.49%	9.65%
Contributions made during the fiscal year	5,400	18,100	6,300	9,500	7,431

Actuarially determined contributions are calculated as of January 1 and are based on the IRS minimum funding requirement. The contributions related to the actuarially determined contributions are amounts made for the plan year January 1 to December 31. Contributions made during the fiscal year are contribution amounts made during July 1 and June 30.

Supplemental postretirement benefit information – The following table summarizes the funding status of the Hospital's postretirement medical benefit plan (in thousands):

Fiscal Year	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded Actuarial Accrued Liability UAAL (a-b)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Assets in Excess/ (Shortfall) of UAAL as a Percentage of Covered Payroll ((a-b)/c)
2014	$ -	$ 22,518	$ (22,518)	0.0%	$ 44,426	-50.7%
2015	$ -	$ 25,795	$ (25,795)	0.0%	$ 40,733	-63.3%
2016	$ -	$ 26,069	$ (26,069)	0.0%	$ 38,411	-67.9%

The following table summarizes the calculation of the net benefit obligation for the Hospital's postretirement medical benefit plan (in thousands):

Fiscal Year	Beginning of Year Net Benefit Obligation (a)	Annual Required Contribution (b)	Actual Contribution (c)	Annual Postretirement Benefit Cost (d)	Increase in Net Benefit Obligation (d-c)	End of Year Net Benefit Obligation ((a)+(d-c))
2014	$ 15,541	$ 1,683	$ 526	$ 1,274	$ 749	$ 16,290
2015	$ 16,290	$ 1,433	$ 525	$ 1,432	$ 907	$ 17,197
2016	$ 17,197	$ 1,652	$ 593	$ 1,652	$ 1,059	$ 18,256

The District and the Hospital maintain records to identify and monitor the level of direct community benefit it provides. These records include the charges foregone for providing the patient care furnished under its charity care policy. For the years ended June 30, 2016 and 2015, the estimated costs of providing community benefit in excess of reimbursement from governmental programs were as follows (in thousands):

	2016	2015
Unpaid costs of Medi-Cal programs	$ 22,362	$ 22,038
Indigent charity care	2,290	1,708
	24,652	23,746
Other community-based programs		
Dialysis	-	2,167
Psychiatric	5,915	4,797
Clinical trial	295	255
Ambulatory care	10,071	6,919
Community health center	1,860	1,700
Psychiatric outpatient	3,895	2,703
Total other community-based programs	22,036	18,541
Total community benefits	$ 46,688	$ 42,287

In furtherance of its purpose to benefit the community, the Hospital provides numerous other services to the community for which charges are not generated and revenues have not been accounted for in the accompanying consolidated financial statements. These services include providing access to healthcare through interpreters, referral and transport services, healthcare screening, community support groups and health educational programs, and certain home care and hospice programs. The estimated costs of Medicare programs in excess of reimbursement from Medicare were $102,105,000 and $85,710,000 for the years ended June 30, 2016 and 2015, respectively.

The Hospital also provides services to the community through the operations of the El Camino Hospital Auxiliary, Inc. (the "Auxiliary"). Services provided by volunteers of the Auxiliary, free of charge to the community, include assistance and counseling to patients and visitors, provision of scholarship awards to qualifying paramedical students, and daily personal contact with members of the community who are living alone. In 2016 and 2015, these volunteers contributed approximately 106,000 hours, in providing these services, the value of which is not recorded in the accompanying consolidated financial statements.

09/21/2016

FINAL DRAFT

Communications with
Those Charged with Governance

El Camino Healthcare District

June 30, 2016

COMMUNICATIONS WITH THOSE CHARGED WITH GOVERNANCE

To the Board of Directors
El Camino Healthcare District

We have audited the consolidated financial statements of El Camino Healthcare District (the "District") as of and for the year ended June 30, 2016, and have issued our report thereon dated October 19, 2016. Professional standards require that we provide you with the following information related to our audit.

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA

As stated in our engagement letter dated February 18, 2016, our responsibility, as described by professional standards, is to form and express an opinion about whether the consolidated financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the consolidated financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit in accordance with auditing standards generally accepted in the United States of America and to design the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free from material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we considered District's internal control solely for the purposes of determining our audit procedures and not to provide assurance concerning such internal control.

We are also responsible for communicating significant matters related to the consolidated financial statement audit that, in our professional judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you

PLANNED SCOPE AND TIMING OF THE AUDIT

We performed the audit according to the planned scope and timing we previously communicated to you in the Compliance Committee meeting on February 18, 2016.

SIGNIFICANT AUDIT FINDINGS AND ISSUES

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the consolidated financial statements. During the year, the District adopted Governmental Accounting Standards Board ("GASB") Statement No. 72, *Fair Value Measurement and Application*, GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, and GASB Statement No. 81, *Irrevocable Split Interest Agreements*. There have been no other new accounting policies adopted and there were no changes in the application of existing policies during fiscal year 2016. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the consolidated financial statements in a different period than when the transaction occurred.

Significant Accounting Estimates

Accounting estimates are an integral part of the consolidated financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the consolidated financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's consolidated financial statements were:

- Management's estimate of net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. We evaluated the key factors and assumptions used to develop the estimated net realizable amounts. We found management's basis to be reasonable in relation to the consolidated financial statements taken as a whole.

- Management's estimate of the provision for uncollectible accounts is recognized based on management's estimate of amounts that ultimately may be uncollectible. El Camino Hospital provides care to patients without requiring collateral or other security. Patient charges not covered by a third-party payor are billed directly to the patient if it is determined that the patient has the ability to pay. We evaluated the key factors and assumptions used to develop the provision for uncollectible accounts. We found management's basis to be reasonable in relation to the consolidated financial statements taken as a whole.

- Management's estimate of the fair market values of investments in the absence of readily-determinable fair values is based on information provided by the fund managers. We have gained an understanding of management's estimate methodology and examined the documentation supporting this methodology. We evaluated the key factors and assumptions used to develop the fair market value of investments. We found management's basis to be reasonable in relation to the consolidated financial statements taken as a whole.

- Management's estimate of uninsured losses for professional liability is recognized based on management's estimate of historical claims experience. We evaluated the key factors and assumptions used to develop the actuarial estimates of uninsured losses for professional liabilities and workers' compensation. We found management's basis to be reasonable in relation to the consolidated financial statements taken as a whole.

- Management's estimate of the minimum pension liability is actuarially determined using assumptions on the long-term rate of return on pension plan assets, the discount rate used to determine the present value of benefit obligations, and the rate of compensation increases. These assumptions are provided by management. We have evaluated the key factors and assumptions used to develop the estimate. We found management's basis to be reasonable in relation to the consolidated financial statements taken as a whole.

- Management's estimated liability for workers' compensation claims is recognized based on management's estimate of historical claims experience and known activity subsequent to year-end. We evaluated the key factors and assumptions used to develop the actuarial estimates of uninsured losses for professional liabilities and workers' compensation. We found management's basis to be reasonable in relation to the consolidated financial statements taken as a whole.

- Management's estimated liability for post-retirement medical benefits is recognized based on management's estimate of historical claims experience and known activity subsequent to year-end. We have evaluated the key factors and assumptions used to develop the liability for post-retirement medical benefits. We found management's basis to be reasonable in relation to the consolidated financial statements taken as a whole.

- Management's estimates of useful lives of capital assets are based on the intended use and are within accounting principles generally accepted in the United States of America. We found management's basis to be reasonable in relation to the consolidated financial statements taken as a whole.

- Management's estimate of the discount rate used to value the gift annuities and beneficial interest in charitable remainder unitrusts have been estimated based on certain variables related to specific donor information. We evaluated key factors and assumptions used to develop the discount rate used to value the gift annuities and beneficial interest in charitable remainder unitrusts in determining that they are reasonable in relation to the financial statements taken as a whole.

Actual results could differ from these estimates. In accordance with accounting principles generally accepted in the United States of America, any change in these estimates is reflected in the consolidated financial statements in the year of change.

Consolidated Financial Statement Disclosures

The disclosures in the consolidated financial statements are consistent, clear, and understandable. Certain consolidated financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the District's consolidated financial statements were those surrounding related-party transactions, significant concentration of net patient accounts receivable, investments and fair value of investments, capital assets, employee benefit plans, post-retirement medical benefits, insurance plans, long-term debt, and commitment and contingencies.

Significant Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected Misstatements

Professional standards require us to accumulate all factual and judgmental misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no uncorrected misstatements identified.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, which could be significant to the District's consolidated financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 19, 2016.

Management Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's consolidated financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Significant Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

San Francisco, California
October 19, 2016

09/21/2016

FINAL DRAFT

Communication of
Internal Control Related Matters

El Camino Healthcare District

June 30, 2016

COMMUNICATION OF INTERNAL CONTROL RELATED MATTERS

To the Board of Directors and Management
El Camino Healthcare District

In planning and performing our audit of the consolidated financial statements of El Camino Healthcare District (the "District") as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

We consider the following matters involving internal control to be best practice recommendations:

Observation: In connection with our testing of patient accounts receivable and revenue we noted some inconsistencies in the mapping and presentation of contractual reserves, bad debt expense and contractual adjustments.

Recommendation: We recommend management review the policies related to contractual and bad debt write offs for conformity with industry practice as well as the mapping of these allowances and reserves within the general ledger to ensure consistency and comparability between periods.

Management Response: Due to the implementation of the new EPIC electronic health record system, the methodology or criteria to write off the bad debt changes from HBOC legacy system. In order to be consistent with how we treated bad debt in HBOC, we will post a monthly JV entry going forward by running custom EPIC report to ensure the consistency and comparability between periods.

Observation: In connection with our testing of patient accounts receivable we noted a significant population of credit balances offsetting the ending patient accounts receivable balance.

Recommendation: We recommend management review credit balances within patient accounts receivables on a periodic basis to determine what amounts should be reclassified as liabilities due back to patients.

Management Response: The Revenue and Reimbursement Unit routinely reviews the credit balance accounts each accounting period to identify the accounts related to potential refund or contractual adjustments except the reclassification of potential liabilities has never been made. Going forward with fiscal year 2017, we will start making necessary reclassification of credit balance to liability account on a monthly basis.

Observation: During our testing procedures over patient revenues we noted charges posted in July 2016 (fiscal 2017) that related to services provided in June 2016 (fiscal 2016).

Recommendation: The District should develop and implement a policy of reviewing charges posted after year-end for recording in the proper period or establish an accrual to estimate the late charges as of June 30, 2016.

Management Response: Starting fiscal year 2017, we will perform annual review of charges posted after year-end and accrue the charges into proper fiscal year.

Observation: During our testing of rental income and rental expenses, we noted supporting schedules weren't properly reconciled to the amounts booked in the general ledger.

Recommendation: Reconciliation of rental income and rental expense should be completed and reviewed and a timely manner.

Management Response: These schedules originate in Facilities- Real Estate Division. Accounting will now on a quarterly basis review both the schedules of rental income (ECH/the landlord) and rental expense (ECH/the tenant) by comparing to prior quarterly lease schedules for additions, deletions, and/or changes. As additions (new leases) are discovered Accounting will ask Facilities to provide copies to Accounting to be retained for upcoming yearend audit review. The same will be asked of leases that have had modifications, extensions, etc. Secondly, the aggregate lease amounts being paid or received are to be reconciled to those certain general ledger accounts for reasonability of the 5 year and thereafter lease commitments disclosure footnote.

The District's written response to the best practices identified in our audit was not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on it.

This communication is intended solely for the information and use of the Board of Directors, management of the District, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

San Francisco, California
October , 2016

ATTACHMENT 10

ECHD BOARD MEETING AGENDA ITEM COVER SHEET

	Item:	ECH Board Member Election Ad Hoc Committee Report El Camino Healthcare District Board of Directors October 18, 2016
	Responsible party:	David Reeder, Ad Hoc Committee Chair
	Action requested:	For Discussion

Background: Dr. Neal Cohen's second term of service as a member of the El Camino Hospital Board of Directors expires on June 30, 2017. Unfortunately, Director Cohen, who is currently serving as the Hospital Board's Chairperson, has communicated to us that he does not intend to seek reappointment at the conclusion of his term.

The Ad Hoc Committee met on September 12th to review the results of the Hospital Board Competency Matrix Survey completed by the District Board members and to discuss next steps.

Competency Matrix

The top five priority competencies previously identified were:

- Complex Market Partnerships
- Long Range Strategic Planning
- Healthcare Insurance Payor
- Finance/Entrepreneurship
- Clinical Integration/ Continuum of Care

As the Competency Matrix indicates, the El Camino Hospital Board will be very light in these and other areas when Director Cohen departs.

Next Steps

In view of Ms. Ryba's employment as the CEO of the Hospital concluding on October 31, 2016, the El Camino Hospital Board and staff are currently working to bring an Interim CEO on board and to begin a nationwide search for a "permanent" CEO. Our process (attached – see #5) provides that we begin the external search for a new ECH Board Member, if necessary, in Q3 (January).

Committees that reviewed the issue and recommendation, if any:
The Ad Hoc Committee did not reach consensus, but a majority of members agreed to recommend that, particularly in view of the current efforts underway to bring on an interim and to recruit a "permanent" CEO, the Board should adhere to its process and begin recruitment in FY17 Q3 of an El Camino Hospital Board Member to fill the vacancy that will be created when Dr. Cohen's term ends on June 30 2017.

Summary and Session Objectives: To discuss the results of the competency matrix survey and next steps.

ECHD BOARD MEETING AGENDA ITEM COVER SHEET

	Suggested discussion questions: Does the Board agree with the Committee's recommendation?
	Proposed Board motion, if any: None proposed. No motion required if the Board agrees with Committee's recommendation.
	LIST OF ATTACHMENTS: 1. Process for Election and Re-Election of Non-District Board members to the El Camino Hospital Board of Directors 2. Competency Matrix

2500 Grant Road
Mountain View, CA 94040
Phone: 650-940-7300
www.elcaminohealthcaredistrict.org

Process for Re- Election and Election
Of Non-District Board Members
To The El Camino Hospital Board of Directors.*

A. Timeline:

1. Previous FYQ4 – The District Board Chair shall appoint a District Director as Chair of an Ad Hoc Committee and the Board shall approve the appointment of one additional District Director as a member of the Committee. The Board shall also approve the appointment of a member of the El Camino Hospital Governance Committee (who has been referred by the Chair of the Governance Committee) to the Ad Hoc Committee.

2. FYQ1 - Regular District Board Meeting –

. Prior to Meeting, District Board Chair (i) asks the El Camino Hospital Director, who is not also a member of the District Board whose term is next to expire (Non District Board Member "NDBM") to declare interest and (ii) informs the District Board of intent (via Board packet).

3. FYQ2 - Regular District Board Meeting

a. Prior to the Meeting, District Board Members:

i. Complete the ECH Board Competency Matrix and ECH Board Member Re-Election Report Surveys

ii. Review Position Specification in place at time of election to the Hospital Board and the ECH Board Member NDBM Job Description.

b. At the Meeting – Discuss portfolio of skills needs.

4. FYQ2 – Regular District Board Meeting –

a. Prior to the Meeting:

i. Ad Hoc committee analyzes evaluations, (3) (a) above, interviews the NDBM, and develops recommendation regarding re-election of NDBM to the Hospital Board.

ii. Hospital Board develops revised recommended Position Description if the District Board requests it to do so.

b. At the Meeting:

i. District Board considers re-election of NDBM.

ii. If NDBM is re-elected, the Hospital Board shall be notified.

iii. If NDBM is not re-elected, the District Board will authorize external recruitment of a new NDBM.

5. FYQ3 - Begin external search if necessary.

6. FYQ3 - Regular District Board Meeting –

a. Ad Hoc Committee to present an interim update to the District Board.

i. Incorporate Board feedback into further recruitment efforts.

ii. Plan for interviews – direct staff to schedule.

7. FYQ4 - Regular District Board meeting –

a. Prior to the Meeting – Ad Hoc Committee to summarize interviews for the Board packet and make a recommendation to the District Board

b. District Board Considers AD Hoc Committee recommendation and votes to elect new NDBM to the Hospital Board.

8. This process to be confirmed by the District Board annually when the process is complete.

9. The following matters are delegated to the El Camino Hospital Board Governance Committee:

a. FYQ3 – Review and recommend changes to the survey tools identified in section 3(a)(i).

b. FYQ3 – Review and recommend changes to this process.

c. FYQ3 – Review and recommend changes to NDBM Position Specification and Job Description.

d. Participate in the recruitment effort of new NDBM by referring a member to serve on the Ad Hoc Committee as described in #1 above.

B. General Competencies:

1. Understanding of the vital role El Camino Hospital plays in the broader region.
2. Loyalty to El Camino Hospital's charitable purposes.
3. Knowledge of healthcare reform (Affordable Care Act) implications.
4. Ability to understand and monitor the following:
    a. Diverse portfolio of businesses and programs
    b. Complex partnerships with clinicians
    c. Programs to create a continuum of care
    d. Investment in technology
    e. Assumption of risk for population health
    f. Resource allocation
    g. Quality metrics
5. Commitment to continuing learning.
6. Demonstrated strategic thinking.
7. Efforts to recruit potential Advisory Committee members.
8. Understanding and support of the role the District Board plays in Governance of the 501(c)(3) corporation.

C. Portfolio Skill Set:

1. Complimentary to skill sets of other Board members (gap-filling).
2. Applicable to the then current market. (See, Competency Matrix)

D. Other Criteria:

1. Positive working relationship with other Board members.
2. Productive working relationship with the El Camino Hospital CEO.
3. Attendance at Board and Committee meetings.

4. See, Competency Matrix

*Approved 12/9/14; Revised 3/17/15; Revised 6/14/16

NYGREN CONSULTING Governance | Strategy | Leadership

A NYGREN CONSULTING PRESENTATION FOR

Date: September 7, 2016

Prepared for: ECH District Board of Directors

Prepared by: JoAnn McNutt, PhD

El Camino Hospital® THE HOSPITAL OF SILICON VALLEY

ECH District Board of Directors

2016 ECH Hospital Board Competency Profile

Results of All Directors

Collective Competencies										Universal Attributes		
Complex Market Partnerships	Long Range Strategic Planning	Healthcare Insurance Payor	Finance/ Entrepren-eurship	Clinical Integration/ Continuum of Care	Knowledge of Healthcare Reform	Oversight of Diverse Business Portfolio	Understands Complex Partnerships w/ Clinicians	Experience in More Than One Area of the Continuum of Care	Patient Care Quality and Safety Metrics	Analytical Thinker	Collaborative	Community Oriented
4.40	4.20	4.00	4.00	4.60	4.60	4.25	4.60	4.60	4.80	4.75	4.25	4.50
4.00	4.00	3.60	3.75	4.60	4.40	4.20	4.20	4.40	4.75	4.60	4.20	4.25
3.60	4.00	3.40	3.75	4.50	4.20	3.60	4.00	3.75	4.60	4.60	4.00	4.00
3.25	3.75	3.25	3.25	3.50	3.75	3.50	3.60	3.60	3.75	4.20	4.00	4.00
3.25	3.50	3.25	3.25	3.50	3.50	3.25	3.50	3.25	3.25	3.75	3.75	3.80
3.00	3.25	3.00	3.20	3.20	3.50	3.20	3.25	3.00	2.80	3.50	3.75	3.75
2.75	3.00	2.50	2.80	2.50	3.50	3.00	2.75	2.50	2.75	2.75	3.00	3.60
2.00	2.50	2.25	2.50	2.25	3.00	2.25	2.00	2.25	2.50	2.25	3.00	3.40
3.28	**3.53**	**3.16**	**3.31**	**3.58**	**3.81**	**3.41**	**3.49**	**3.42**	**3.65**	**3.80**	**3.74**	**3.91**
Overall = 3.46										**Overall = 3.82**		

Note

- N=8 (5 District Directors and 3 Hospital Board Members)
- Tomi Ryba is not included in this report.
- Self-ratings are not included in the average scores above.

- 4.00 and Above
- Between 3.00 and 3.99
- Below 3.00

Results Without Neal Cohen

Collective Competencies										Universal Attributes		
Complex Market Partnerships	Long Range Strategic Planning	Healthcare Insurance Payor	Finance/ Entrepren-eurship	Clinical Integration/ Continuum of Care	Knowledge of Healthcare Reform	Oversight of Diverse Business Portfolio	Understands Complex Partnerships w/ Clinicians	Experience in More Than One Area of the Continuum of Care	Patient Care Quality and Safety Metrics	Analytical Thinker	Collaborative	Community Oriented
4.00	4.00	3.60	3.75	4.60	4.40	4.25	4.20	4.60	4.75	4.75	4.25	4.50
3.60	4.00	3.40	3.75	4.50	4.20	3.60	4.00	3.75	4.60	4.60	4.20	4.25
3.25	3.75	3.25	3.25	3.50	3.75	3.50	3.60	3.60	3.75	4.20	4.00	4.00
3.25	3.50	3.25	3.25	3.50	3.50	3.25	3.50	3.25	3.25	3.75	3.75	4.00
3.00	3.25	3.00	3.20	3.20	3.50	3.20	3.25	3.00	2.80	3.50	3.75	3.75
2.75	3.00	2.50	2.80	2.50	3.50	3.00	2.75	2.50	2.75	2.75	3.00	3.60
2.00	2.50	2.25	2.50	2.25	3.00	2.25	2.00	2.25	2.50	2.25	3.00	3.40
3.12	**3.43**	**3.04**	**3.21**	**3.44**	**3.69**	**3.29**	**3.33**	**3.28**	**3.49**	**3.69**	**3.71**	**3.93**
Overall = 3.33										**Overall = 3.78**		

Overall Score Decreased by 0.13

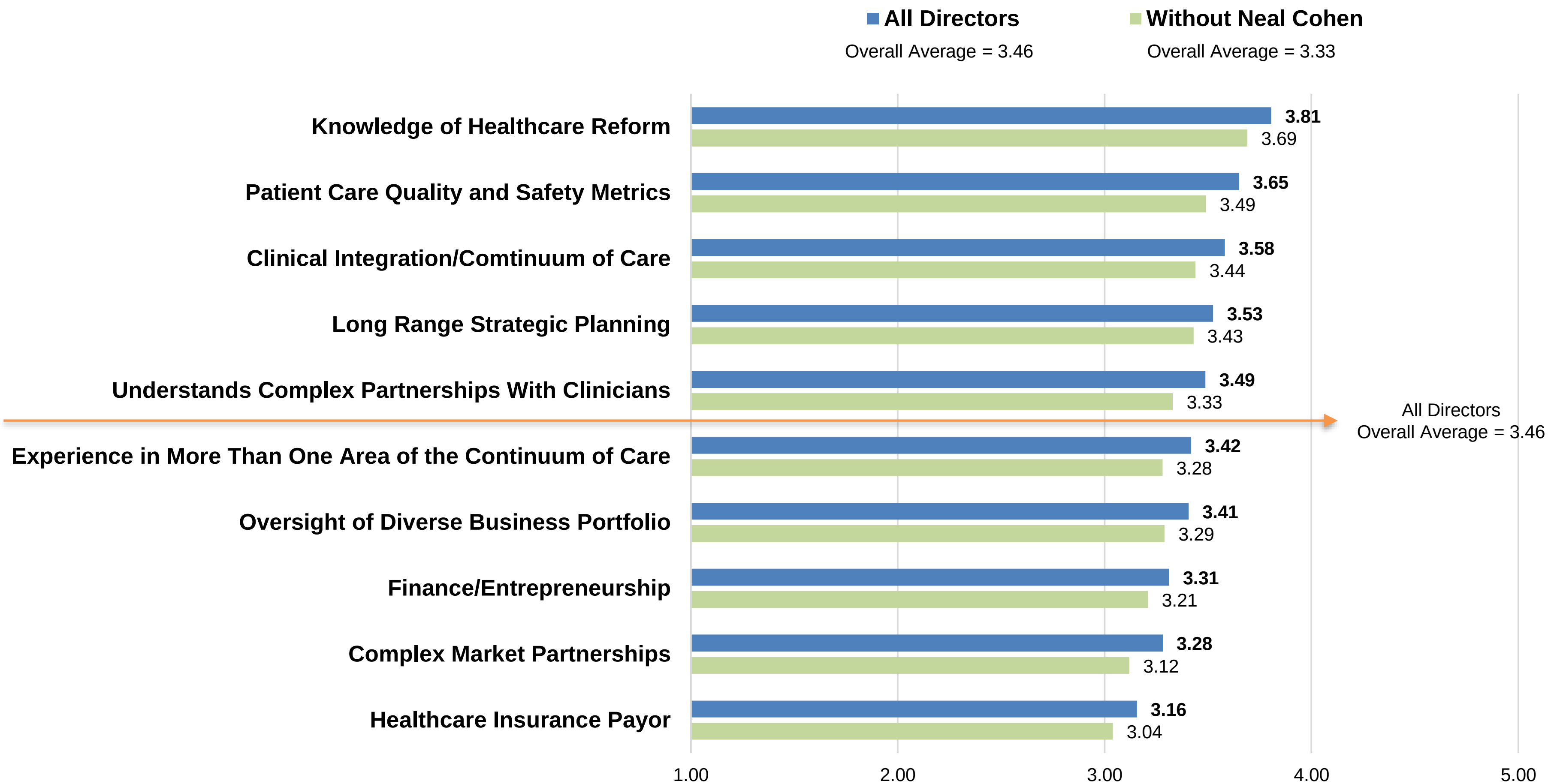
Overall Score Decreased by 0.04

Note

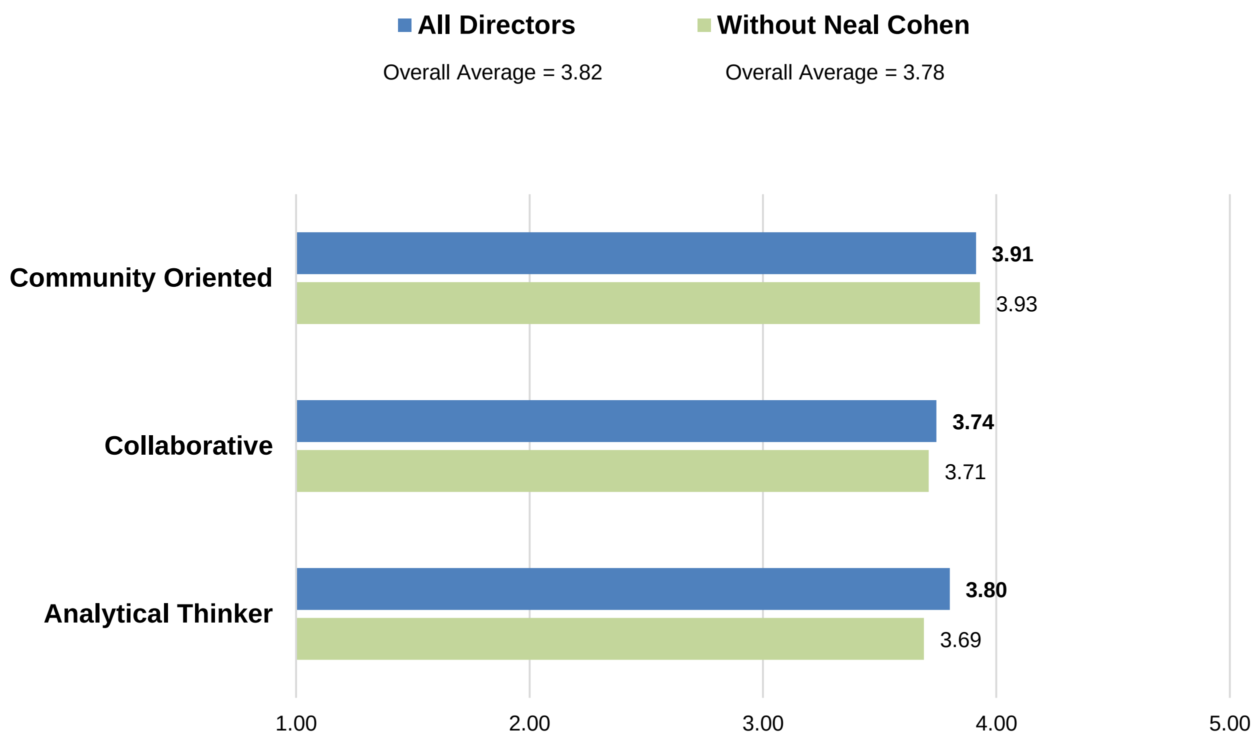
- N=7 (5 District Directors and 2 Hospital Board Members; Neal Cohen's results are not included.)
- Tomi Ryba is not included in this report.
- Self-ratings are not included in the average scores above.

- 4.00 and Above
- Between 3.00 and 3.99
- Below 3.00

Collective Competencies



Universal Attributes



Appendix: 2016 Competency Matrix Rating Tool and Rating Scale

1 = Have No Background or Experience
2 = Have Minimal Knowledge and Experience
3 = Have Moderate/Broad Knowledge and Experience
4 = Have Competent Knowledge and Experience
5 = Have Expert Knowledge and Experience

ECH Hospital Board Member Competencies (FY17 - Revised August 23, 2016)

1 = Have No Background or Experience
2 = Have Minimal Knowledge and Experience
3 = Have Moderate/Broad Knowledge and Experience
4 = Have Competent Knowledge and Experience
5 = Have Expert Knowledge and Experience

	Dennis Chiu	Neal Cohen	Jeffrey Davis	Peter Fung	Julia Miller	David Reeder	Tomi Ryba	Lanhee Chen	John Zoglin
I. Collective Competencies									
1. Complex Market Partnerships									
2. Long Range Strategic Planning									
3. Healthcare Insurance Payor									
4. Finance/Entrepreneurship									
5. Clinical Integration/Comtinuum of Care									
6. Knowledge of Healthcare Reform									
7. Oversight of Diverse Business Portfolio									
8. Understands Complex Partnerships With Clinicians									
9. Experience in More Than One Area of the Continuum of Care									
10. Patient Care Quality and Safety Metrics									
III. Universal Attributes									
1. Analytical thinker: separates the important from trivial									
2. Collaborative: feels collaboration is essential for success									
3. Community oriented: always keeps stakeholders in mind									

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Office: 415-686-3767 | Fax: 415-358-4804
info@nygrenconsulting.com | www.nygrenconsulting.com

Separator Page

ATTACHMENT 11

2500 Grant Road
Mountain View, CA 94040
Phone: 650-940-7300
www.elcaminohealthcaredistrict.org

Date: October 6, 2016
To: El Camino Healthcare District Board of Directors
From: Ken King, Chief Administrative Services Officer, El Camino Hospital
Re: Request to Grant Access Easement

<u>Situation</u>

The driveway exit from 2500 Hospital Drive located adjacent to the Melchor Pavilion driveway exit will pose an increased safety risk to pedestrians and motorists once the IMOB construction project is completed. The 2500 Hospital Drive property known as the El Camino Hospital Medical Dental Center Property Owners Association consists of fourteen individual building parcels with CC&R's that govern the use of common driveways, parking and landscaping. The Melchor Pavilion is on land owned by the El Camino Healthcare District.

<u>Background</u>

In order to improve the pedestrian and traffic conditions on Hospital Drive we have worked with traffic consultants and with the City of Mountain View during the Campus Development Entitlement process and it is recommended that the driveway exit from 2500 Hospital Drive property be eliminated. In its place a new connecting drive lane is proposed to be connected to the Melchor Pavilion drive lane and a single exit for both properties will be created. *(See Attached Diagrams.)*

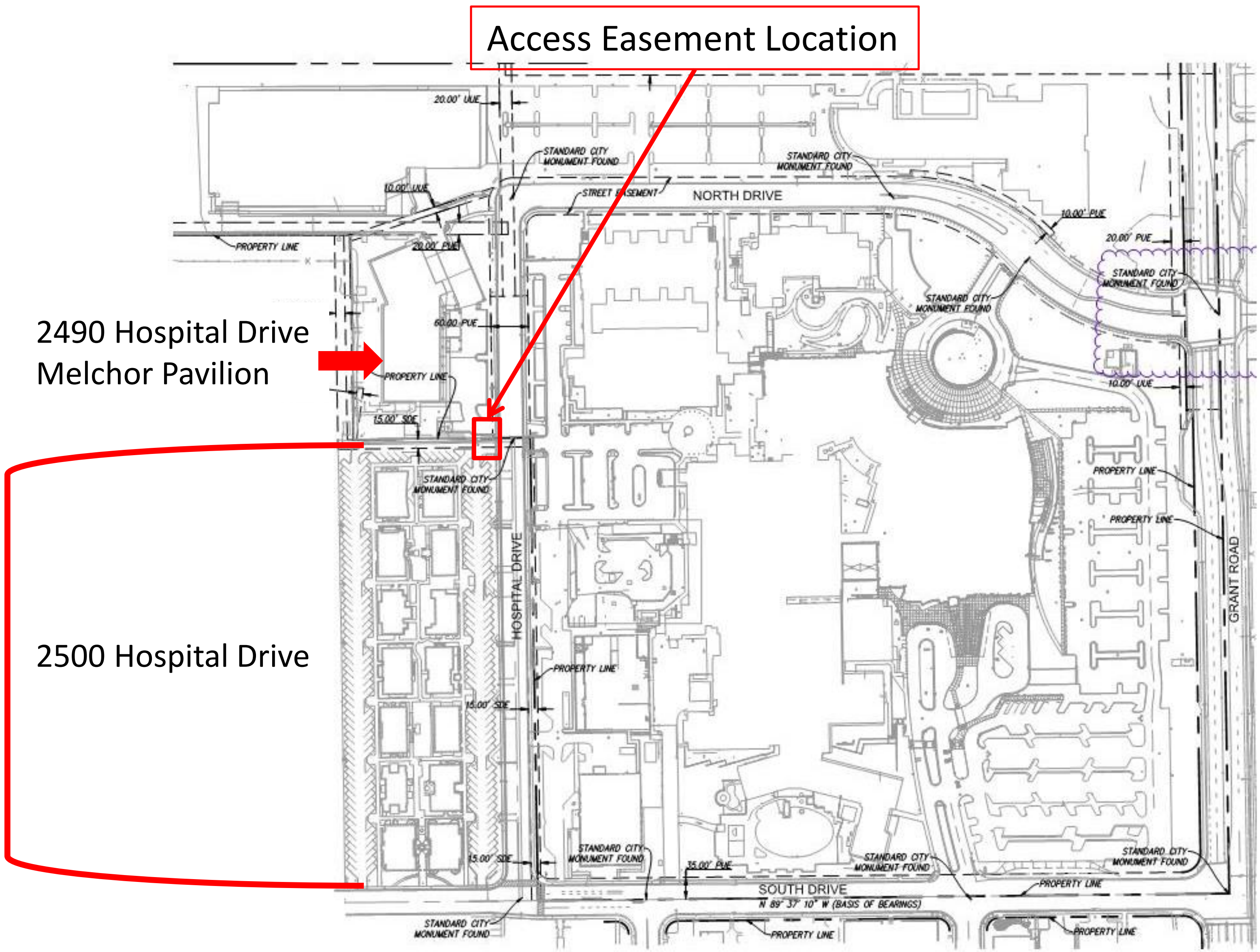
In order for this plan to be completed the El Camino Healthcare District needs to grant an Access Easement that allows vehicles exiting from the 2500 Hospital Drive Properties through the Melchor Pavilion driveway exit. The 2500 Hospital Drive property owners voted nine to one in favor of the amendment to the Declaration of Easements, Restrictions, Conditions, Covenants, Charges and Agreements (the CC&R's) and the proposed plan to combine the exits at their annual meeting in December 2015.

The documents regarding the easement have been prepared by legal counsel from Cox, Castle, Nicholson and the plan has been approved by the City of Mountain View.

<u>Requested Motion</u>

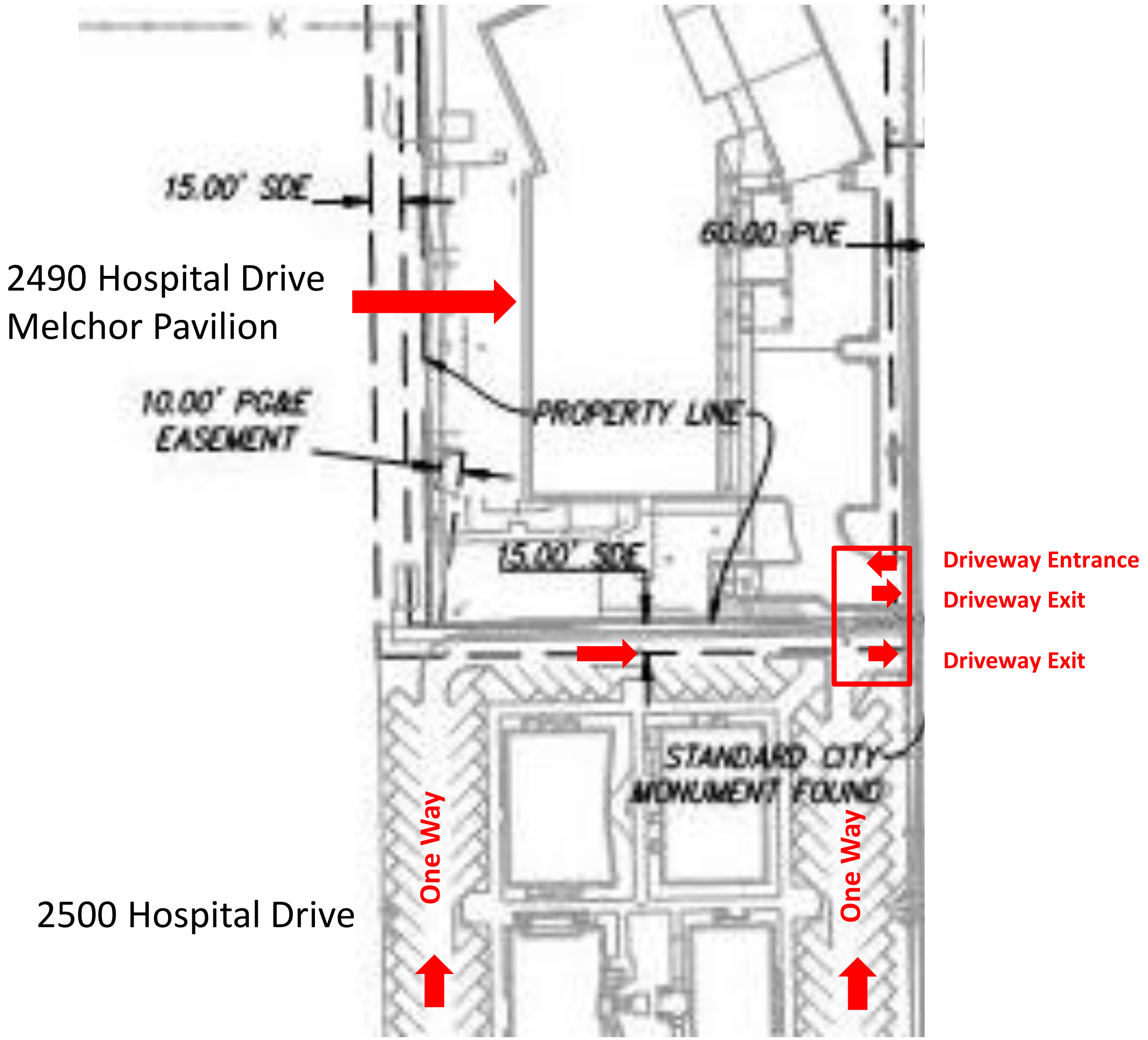
The El Camino Healthcare District approves and grants the access easement dated June 29, 2016 that allows for the reconfiguration of driveways into a single exit for both properties.

Campus Site Plan



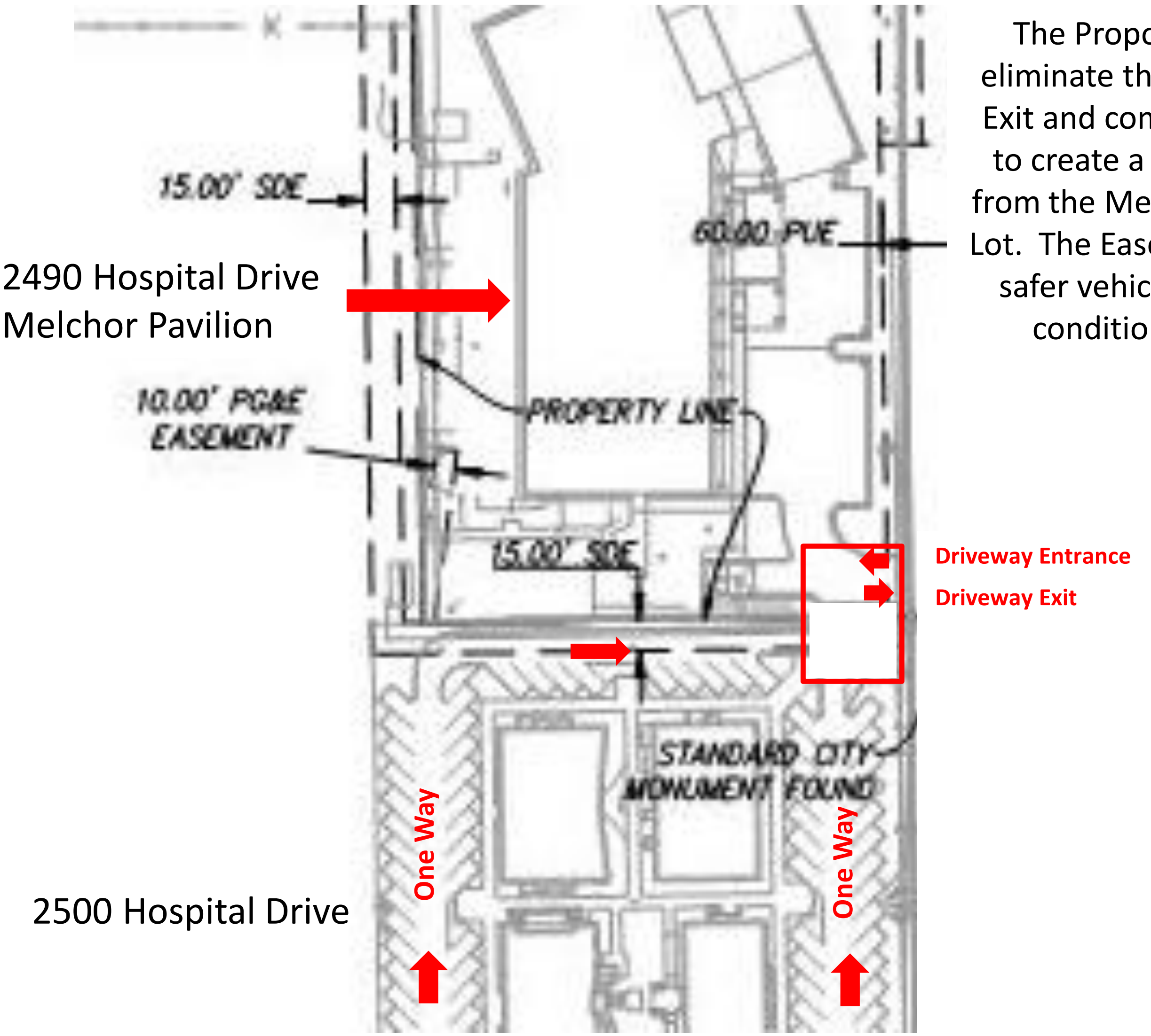
Access Easement Location

Existing Condition

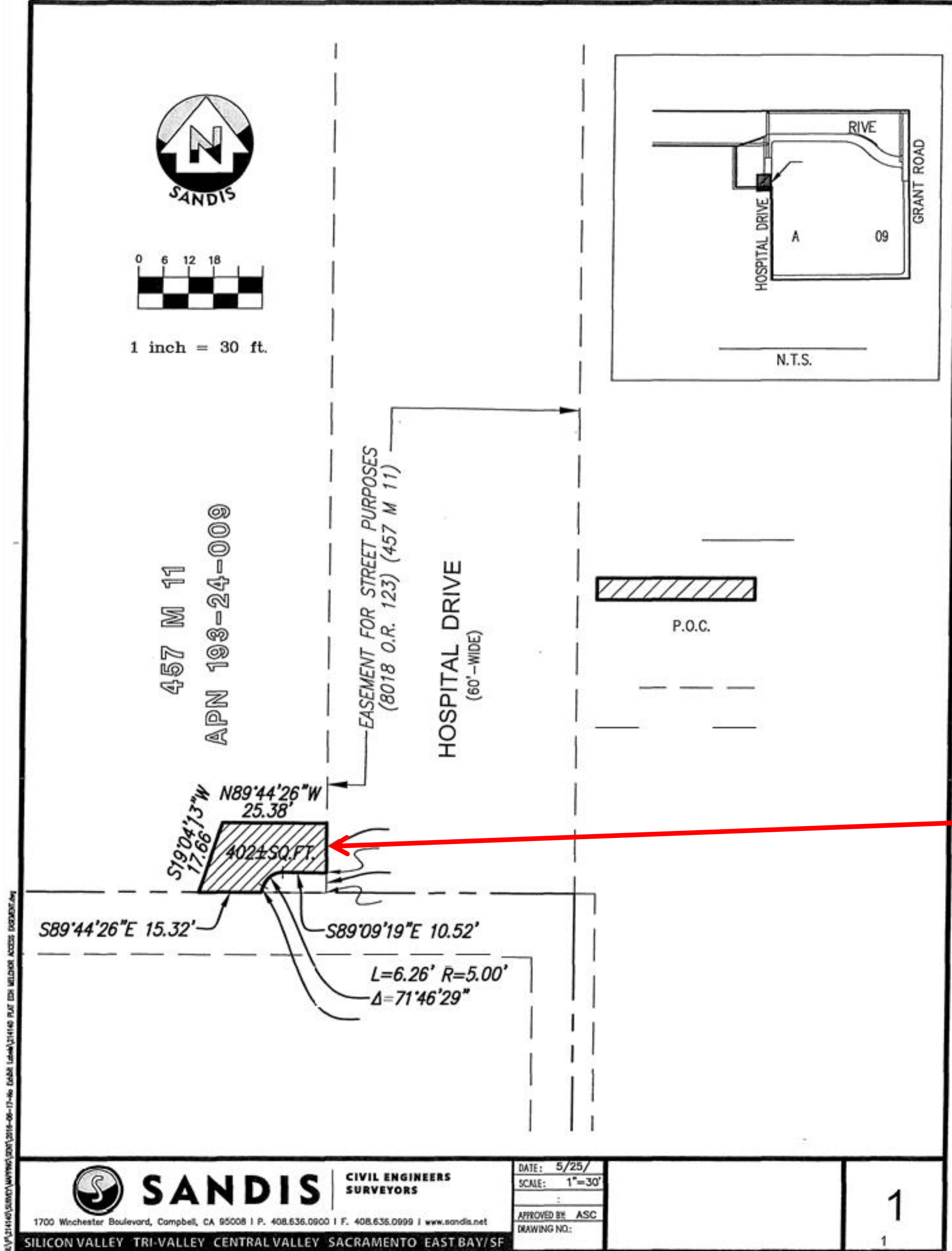


Access Easement Location

Proposed Condition with Easement



The Proposed Easement will eliminate the southern Driveway Exit and combine the drive lanes to create a single Driveway Exit from the Melchor Pavilion Parking Lot. The Easement would create a safer vehicular and pedestrian condition at this location.



Access Easement allows vehicles to exit through the Melchor Pavilion Driveway Exit.

ATTACHMENT 12

ECHD BOARD MEETING AGENDA ITEM COVER SHEET

	Item:	Draft Resolution 2016-11 El Camino Healthcare District Board of Directors October 18, 2016
	Responsible party:	Iftikhar Hussain, Chief Financial Officer Chad Kenan, Director, Citibank Jennifer Brown, Ponder and Associates
	Action requested:	For Approval
	Background: The Series 2016 refunding bonds are refunding the Series 2006 current interest bonds. The refunding will result in reduction of debt service and savings to the taxpayers of the El Camino Healthcare District. We recommend that, in reviewing the attached bond documents (which are still in draft form, but are substantially final), the Board focus on the following documents: 1. Appendix A – This tells the story of ECHD and needs to reflect all factual information that investors will need to make a decision to buy ECHD bonds. 2. Official Statement – This describes the structure of the deal. The key area of focus in here should be the "Risks" section. This is where we try and capture all risks that would be relevant to investors that are evaluating ECHD Bonds. 3. Continuing Disclosure Undertaking –These are the items that ECHD has to report to the market on a timely basis should they occur.	
	Board Advisory Committees that reviewed the issue and recommendation, if any: None.	
	Summary and session objectives: Obtain Approval of Resolution 2016-11	
	Proposed Board motion, if any: To approve Resolution 2016-11 authorizing redemption of the Series 2006 General Obligation Bonds issued on December 13, 2016 in accordance with the terms of the 2006 General Obligation Bonds, the sale of not to exceed a total amount of $115,000,000 aggregate principal amount of the 2016 General Obligation Refunding Bonds, the payment of costs of issuance and the irrevocable deposit of a portion of the proceeds of the 2016 General Obligation Refunding Bonds to an escrow fund established pursuant to an escrow agreement.	
	LIST OF ATTACHMENTS: 1. PowerPoint Presentation 2. Draft Resolution 2016-11 3. Paying Agent Agreement 4. Escrow Agreement 5. Continuing Disclosure Undertaking 6. Bond Purchase Agreement 7. Preliminary Official Statement	

El Camino Hospital
THE HOSPITAL OF SILICON VALLEY

Att. 12 01 PPT Presentation

October, 2016

District Board Meeting – Series 2016B

El Camino Hospital®
THE HOSPITAL OF SILICON VALLEY

Executive Summary

- Interest rates have remained very favorable for ECH to access the capital markets
  - Long-term yields are near historical lows
  - Municipal demand continues to outpace supply

- ECH can take advantage of attractive market conditions and scale of economies to efficiently raise new money, preserve liquidity and reduce the District tax levy

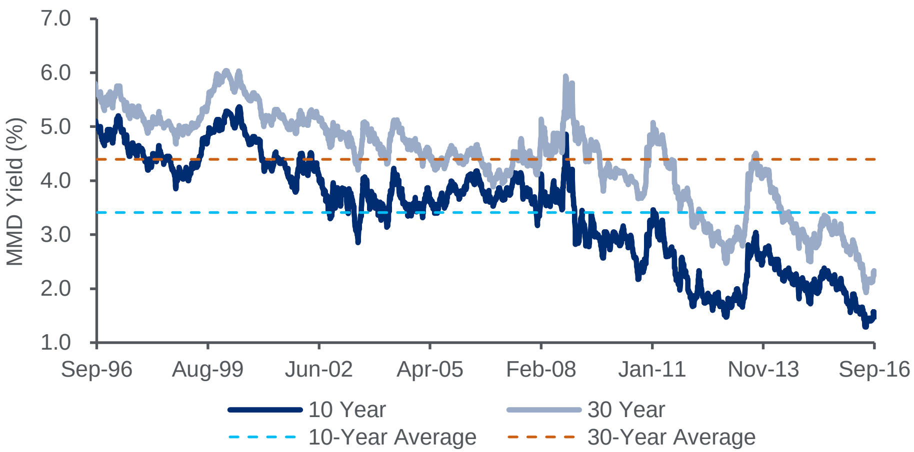
- Series 2016 Plan of Finance will include dual tracking financings:
  - New Money Revenue Bonds: fund $270 million of tax-exempt projects
  - Opportunity to reduce interest cost on Series 2006 General Obligation Bonds
    - Est. Gross Savings over life of the bonds of $16.2 million that will be passed to the district property owners

- Timing Considerations
  - District Board meeting October 18th
  - CHFFA meeting October 19th
  - Mail Preliminary Official Statement October 20th
  - Price Series 2016 GO Bonds October 26th

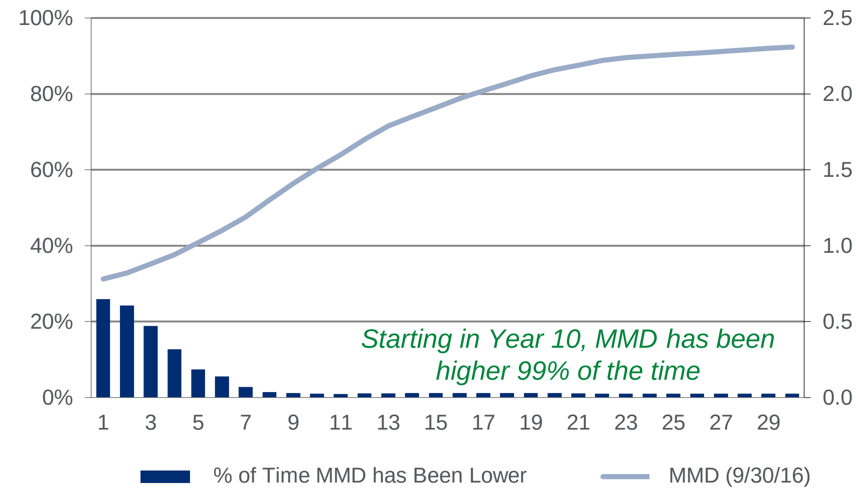
- Once final approvals have been received, ECH will be able to market and sell the bonds within two weeks

Tax-Exempt Market Fundamentals are Strong

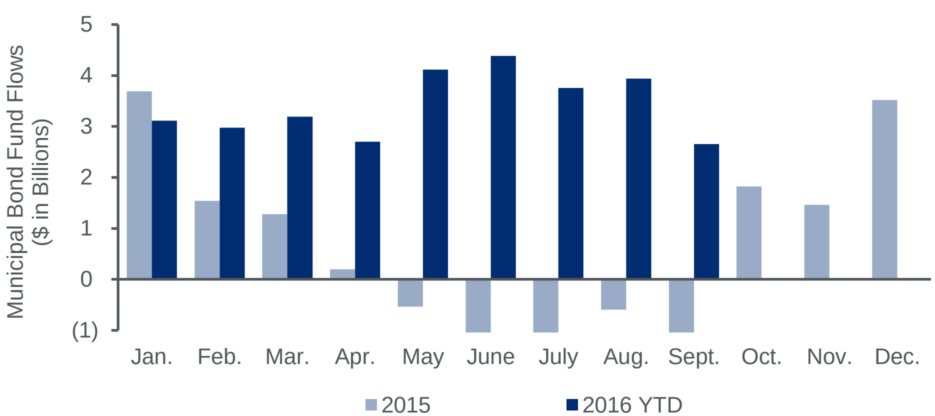
AAA Municipal Market Data Yields[1]
Trailing 20 Years



Municipal Rates are Near Historical Lows
Intermediate and long-term rates are close to 30-year lows



Dealer Inventory[2]
49 consecutive weeks of inflows since October 2015



30 Year MMD Historical Annual Range[1]

	Minimum	Maximum	Range
2008	4.11	5.94	183 bps
2009	3.81	5.08	127 bps
2010	3.67	4.85	118 bps
2011	3.44	5.08	164 bps
2012	2.47	3.57	110 bps
2013	2.69	4.51	182 bps
2014	2.75	4.20	145 bps
2015	2.50	3.36	86 bps
2016	1.93	2.90	97 bps

1. Thomson Reuters, data as of September 30, 2016; 2. Fed Flow of Funds Data as of 1Q16.

History of El Camino Hospital Financings in the Past Decade

Transaction	Purpose	Par Amount	Call Dates	Original All-in TIC
General Obligation Bonds				
Series 2006CIB[(1)]	To construct new District facilities, altering, renovating and improving existing District facilities	$101,460,000	2/1/2017 @ 100%	4.48%
Series 2006CAB[(2)]	To construct new District facilities, altering, renovating and improving existing District facilities	$32,335,000	Non-callable	4.44%
Upcoming Series 2016B	To refund the Series 2006 Current Interest Bonds	~$90,765,000	2/1/2027 @ 100% (Expected)	3.26%
Revenue Bonds				
Series 2007ABC **(defeased)**	To refinance or reimburse the Corporation for certain capital expenditures at facilities owned or operated by the Corporation	$147,525,000	8/1/2017 @ 100%	5.47%
Series 2009A	To finance or reimburse the Corporation for certain capital expenditures at facilities owned to operated by the Corporation	$50,000,000	Any date @ 100%	4.77%
Series 2015A	To finance and refinance certain capital expenditures at facilities owned or operated by the Corporation and to advance refund the Series 2007ABC Bonds	$160,455,000	2/1/2025 @ 100%	3.87%
Upcoming Series 2016A	To finance or refinance certain capital expenditures at facilities owned or operated by the Corporation	~$247,255,000	2/1/2027 @ 100% (Expected)	3.52%

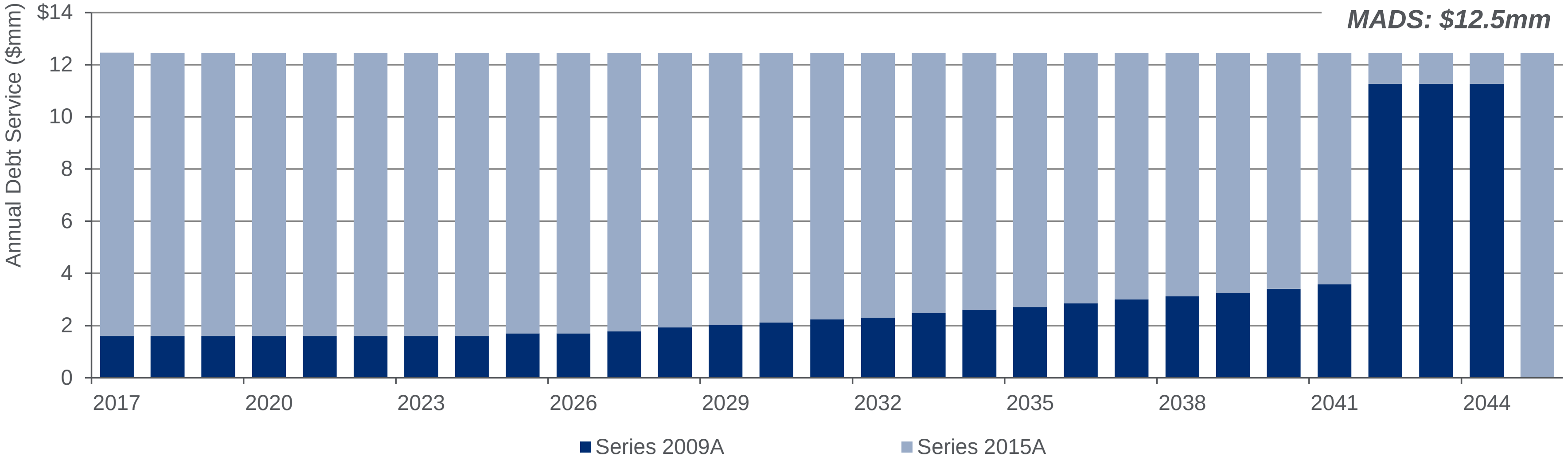
(1) "CIB" : Current Interest Bonds
(2) "CAB" : Capital Appreciation Bonds
(3) Upcoming Series 2016A and B All-in TIC is an estimate

Overview of Outstanding ECH Revenue Bonds

Debt Outstanding By Series

Series	Par Outstanding	Structure	Call Feature	Enhancement	Average Coupon	Average Life	Final Maturity
Series 2015A	$ 154,980,000	Fixed Rate	February 1, 2025 @ 100.0%	None	4.66%	15.5	2/1/2045
Series 2009A	50,000,000	Weekly VRDOs	Any Date @ 100.0%	Wells Fargo LOC (exp. 4/6/2017)	3.20%(1)	24.5	2/1/2044
TOTAL	**$ 204,980,000**				**4.31%**	**17.7**	

Debt Service Landscape



(1) The average coupon of the 2009A bonds at 3.204% includes the Swap but excludes 90 basis points for the LOC
Outstanding amounts as of September 2016. Source: Company filings.
Note: Only includes revenue bond indebtedness.
Series 2009A Weekly VRDOs assume Series 2007 fixed payor swap rate of 3.204%.
Aligned to 6/30 year-end.

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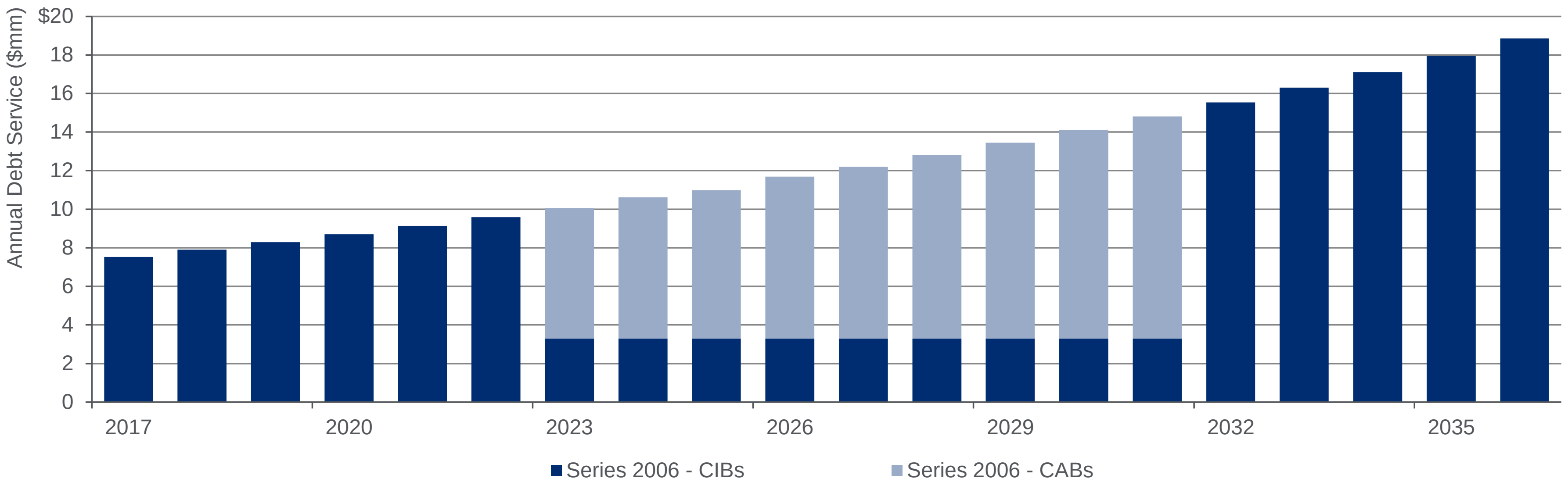
Overview of Outstanding ECH General Obligation Bonds

Debt Outstanding By Series

Series	Par Outstanding	Structure	Call Feature	Enhancement	Average Coupon	Average Life	Final Maturity
Series 2006 - CIBs	$ 101,460,000	Fixed Rate Bonds	2/1/2017 @ 100.0%	MBIA Insured	4.51%	14.4	8/1/2036
Series 2006 - CABs	32,335,000	Capital Appreciation Bonds	Non-Callable	MBIA Insured	4.44%	11.1	8/1/2031
TOTAL	**$ 133,795,000**				**4.49%**	**13.6**	

Debt Service Landscape



Outstanding amounts as of September 2016. Source: Company filings.

Series 2016A&B Plan of Finance Overview

Series 2016A New Money

(Revenue Bonds)

- The working group has identified tax-exempt eligible projects at the following facilities
  - North Parking Garage Expansion
  - Behavioral Health Building
  - Integrated MOB
    - 50% of the MOB will be eligible for tax-exempt financing
  - Women's Hospital Expansion
  - CUP Upgrades
- Current estimate of tax-exempt eligible projects is up to $270 million over the next 3 years
- Goal is to lock-in low cost of capital at minimal risk

Series 2016B

Series 2006 Current Interest Bonds Refunding (General Obligation Bonds)

- Fixed rate Current Interest Bonds ("CIBs"), callable February 2017
- CIBs are 100% advance refundable
- Refunding produces substantial savings to tax payers in the District
  - Annual benefit on the reduction in tax levy: $1.46*
  - Gross Savings: $16.2 million*

* Based on rates as of September 9, 2016. Preliminary – subject to change

Refunding of Series 2006 Current Interest Bonds GO Bonds

Summary Statistics - Current Market

Delivery Date	11/1/2016
All-In TIC	3.26%
Average Coupon of Refunding Bonds	4.53%
Average Coupon of Refunded Bonds	4.43%
Par Amount of Refunding Bonds	$90,765,000
Par Amount of Refunded Bonds	101,460,000
Average Life of Refunding Bonds (years)	14.49
Average Life of Refunded Bonds (years)	14.24
Gross Savings	16,227,483
Net PV Savings	12,841,303
Percentage Savings of Refunded Bonds	12.66%
Negative Arbitrage	475,384

Sources

Par Amount	$	90,765,000.00
Premium		14,285,240.00
Total Sources	**$**	**105,050,240.00**

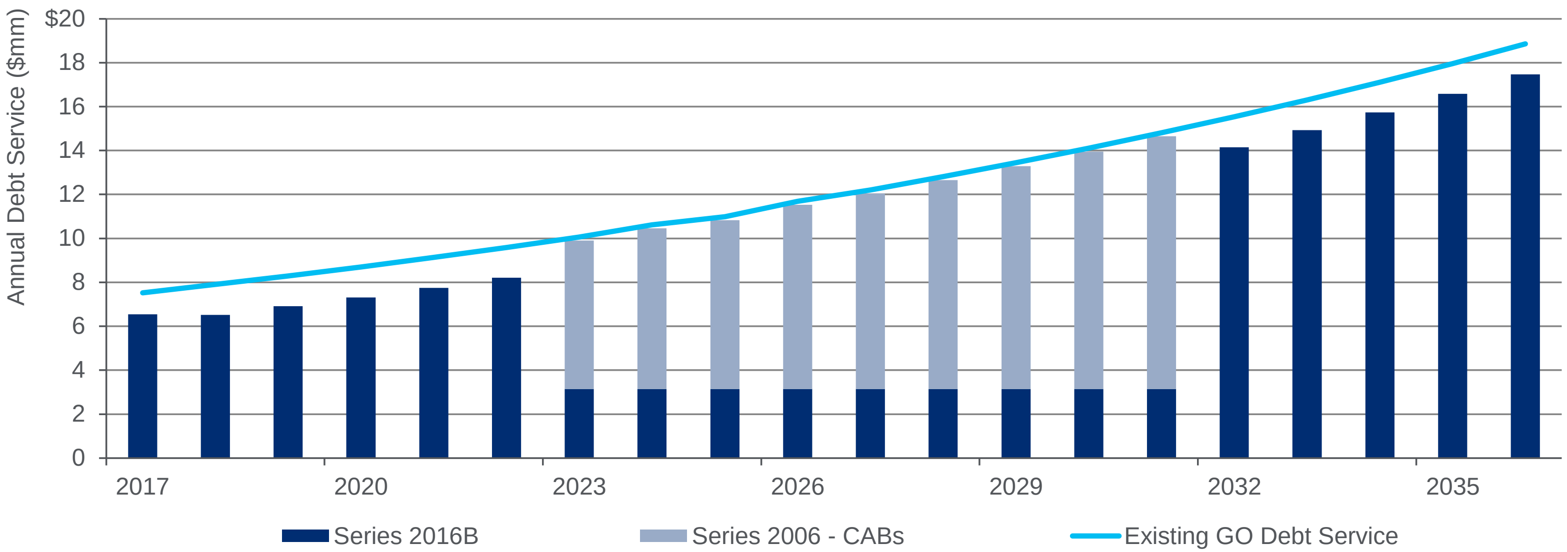
Uses

SLGS Purchases	$	103,685,792.02
Cost of Issuance		1,364,447.98
Total Uses	**$**	**105,050,240.00**

Sensitivity Analysis

If rates increase by 25bps, Series 2006 bonds generate 10.5% of PV Savings

If rates decrease by 25bps, Series 2006 bonds generate 14.9% of PV Savings



For illustrative purposes only. Preliminary – Subject to Change. Assumes rates as of September 9, 2016.
PV rate assumed at the arbitrage yield
Negative Arbitrage occurs when the yield on escrow portfolio is lower than the arbitrage yield. As the call date approaches, negative arbitrage decreases and is then eliminated on Feb 1, 2017

Series 2016 Financing Timeline – GO Key Dates

- ECH District Board Meeting (October 18th)
- GO Bonds POS Mailing (October 19th)
- Go Bonds Pricing / Execute BPA (October 26th)*
- Closing (Week of November 15th)*

***Subject to Change**

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Appendix A. Overview of Transaction Structure and Financing Documents

Overview of Bond and Disclosure Documents

Used to market bonds to potential investors

Agreements for continuing obligations of ECH, as it relates to the bonds while outstanding

Document	Role in Transaction
Official Statement	Disclosure document describing the bonds to potential purchasers.
Appendix A	Disclosure document describing El Camino. This is a section of the Official Statement and will be used to market the bonds.
Bond Purchase Agreement	Agreement by Citigroup to purchase the bonds in advance of closing.
Master Trust Indenture (MTI)	General terms and covenants for the Obligated Group.
Supplemental MTI	Specific terms and covenants relating to the Series 2015 bonds.
Bond Trust Agreement	Interest rate and payment mechanics for the Series 2015 bonds.
Loan Agreement	Agreement between the California Health Facilities Financing Authority (“CHFFA”) and El Camino where CHFFA loans the proceeds of the bonds to El Camino; El Camino is responsible for the repayment of bond proceeds.
Continuing Disclosure Agreement (CDA)	Agreement by El Camino to report annual and quarterly financial information as well as material events to bondholders.

Overview of Financing Group Members

Party	Role in Transaction
Issuer *(CHFFA)*	Provides financial assistance to the borrower through loans funded by the issuance of tax-exempt bonds.
Borrower *(El Camino Hospital)*	Receives the proceeds of the bond issuance for financing of certain tax-exempt projects and / or refunding of tax-exempt bonds.
Borrower’s Counsel *(Buchalter Nemer)*	Advises El Camino on the terms of the deal, and gives assurance that they have properly authorized the transactions and agreements and compiled with all state and federal laws.
Bond Counsel *(Orrick, Herrington & Sutcliffe)*	A law firm retained by the Issuer and Borrower to provide a legal opinion that the issuer is authorized to issue the proposed securities, the issuer has met all legal requirements necessary for issuance, and interest on the proposed securities will be exempt from federal, state, and local income taxation. Typically, Bond Counsel prepares the authorizing resolutions of the Issuer and trust indenture. Bond Counsel also prepares the preliminary official and final official statements.
Financial Advisor *(Ponder & Co.)*	An independent consulting firm that advises El Camino on all financial matters pertaining to a proposed issue. A Financial Advisor does not serve as an Underwriter.
Underwriter *(Citigroup Global Markets)*	Serves as the dealer, which purchases the bonds from the Issuer through a negotiated sale. The underwriter also provides quantitative and analytical support directly to the Borrower as it relates to the financing and marketing plan and coordinates the working group.
Underwriter’s Counsel *(Stradling, Yocca Carlson & Rauth)*	A law firm who is selected by the Underwriter to draft the bond purchase agreement. Underwriter’s Counsel negotiates on behalf of the Underwriter.
Bond Trustee *(Wells Fargo)*	Manages all bond funds and passes through the Borrower’s payments of principal and interest to investors.
Auditor *(Moss Adams)*	Compiles and examines the Borrower’s financial statements and certain portions of Appendix A upon which the Auditor has expressed an opinion. Reports / audits a Borrower’s financial position and the results of operations for a set period of time.
Rating Agencies *(Moody’s and Standard & Poor’s)*	Independently evaluates the credit quality of bonds. Ratings are intended to measure the probability of the timely repayment of principal and interest on municipal securities. El Camino Hospital’s revenue bonds are currently rated ‘A1’ by Moody’s and ‘A+’ by S&P.

Att. 12 02 DRAFT Resolution 2016-11

EL CAMINO HEALTHCARE DISTRICT

RESOLUTION NO. 2016-11

RESOLUTION OF THE BOARD OF DIRECTORS OF EL CAMINO HEALTHCARE DISTRICT APPROVING THE ISSUANCE AND SALE OF NOT TO EXCEED $115,000,000 AGGREGATE PRINCIPAL AMOUNT OF EL CAMINO HEALTHCARE DISTRICT 2016 GENERAL OBLIGATION REFUNDING BONDS BY NEGOTIATED SALE, APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF A PAYING AGENT AGREEMENT; APPROVING THE FORM OF BOND PURCHASE AGREEMENT PROVIDING FOR SAID SALE AND AUTHORIZING THE EXECUTION AND DELIVERY OF SUCH BOND PURCHASE AGREEMENT; APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION AND DISTRIBUTION OF AN OFFICIAL STATEMENT FOR SAID BONDS; APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF A CONTINUING DISCLOSURE UNDERTAKING AND ESCROW AGREEMENT FOR SAID BONDS, AND AUTHORIZING THE TAKING OF CERTAIN OTHER ACTIONS IN CONNECTION WITH THE ISSUANCE AND SALE OF SAID BONDS.

WHEREAS, the District has previously issued the El Camino Hospital District 2006 General Obligation Bonds (the "Series 2006 Bonds") in the aggregate principal amount of $148,000,000, consisting of $115,665,000 in aggregate principal amount of current interest Series 2006 Bonds (the "Series 2006 Current Interest Bonds") and $32,335,000 in aggregate principal amount of capital appreciation Series 2006 Bonds;

WHEREAS, the District is authorized pursuant to Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Act") to issue refunding bonds to refund the outstanding Series 2006 Current Interest Bonds;

WHEREAS, the District has determined that the prudent management of the fiscal affairs of the District requires that the District issue Refunding Bonds (defined below) to refund the outstanding Series 2006 Current Interest Bonds under the provisions of the Act;

WHEREAS, in order to provide for the authentication and delivery of the Refunding Bonds, to establish and declare the terms and conditions upon which the Refunding Bonds are to be issued and to provide for the payment of the principal thereof and interest and premium, if any, thereon, the Board of Directors proposes to enter into a paying agent agreement (the "Paying Agent Agreement") with Wells Fargo Bank, National Association, as paying agent (Wells Fargo Bank, National Association, acting in its capacity as paying agent being hereinafter referred to as the "Paying Agent");

WHEREAS, the Board of Directors deems it desirable to authorize a negotiated sale of the Refunding Bonds to Citigroup Global Markets Inc. (hereinafter referred to as the "Underwriter") pursuant to a bond purchase agreement (the "Bond Purchase Agreement"), which is proposed to be entered into between the District and the Underwriter;

WHEREAS, in order to facilitate the offering of the Refunding Bonds by the Underwriter, the Board of Directors proposes to approve, execute and deliver an official statement (the "Official Statement") describing the Refunding Bonds and certain related matters;

WHEREAS, in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) ("Rule 15c2-12"), the Board of Directors proposes to execute and deliver a continuing disclosure undertaking ("Continuing Disclosure Undertaking");

WHEREAS, in order to facilitate the offering of the Bonds by the Underwriter, the Board of Directors proposes to approve, execute and deliver an official statement (the "Official Statement") describing the Bonds and certain related matters;

WHEREAS, in order to facilitate the refunding and redemption of all or a portion of the Existing Bonds, the Board of Directors proposes to enter into an escrow agreement (the "Escrow Agreement"), such Escrow Agreement to be entered into with Wells Fargo Bank, National Association, as escrow agent (Wells Fargo Bank, National Association, acting in its capacity as escrow agent being hereinafter referred to as the "Escrow Agent");

WHEREAS, in order to accomplish the foregoing, it will be necessary for the District to enter into or execute or approve and deliver the following documents, instruments and agreements, forms of which have been prepared and presented to this meeting:

(1) Paying Agent Agreement (with form of Bond);

(2) Bond Purchase Agreement;

(3) Continuing Disclosure Undertaking;

(4) Escrow Agreement; and

(5) Official Statement.

WHEREAS, the Board of Directors desires to authorize and direct the execution and delivery of each of the above-identified documents and agreements, to authorize the issuance and sale of the Refunding Bonds and to authorize the taking of such other actions as shall be necessary to consummate the refunding of the Series 2006 Current Interest Bonds, and consummate the transactions contemplated by the above-identified documents and agreements and herein;

NOW, THEREFORE, THE BOARD OF DIRECTORS OF EL CAMINO HEALTHCARE DISTRICT DOES HEREBY RESOLVE, DETERMINE AND ORDER, AS FOLLOWS:

Section 1. Recitals. The foregoing recitals are true and correct, and this Board of Directors so finds and determines.

Section 2. Authorization of Issue. This Board of Directors hereby authorizes the sale of not to exceed a total amount of $115,000,000 aggregate principal amount of bonds designated as

"El Camino Healthcare District 2016 General Obligation Refunding Bonds" (the "Refunding Bonds") on the terms and conditions set forth in the Paying Agent Agreement, as finally executed and delivered.

Section 3. Authorized District Representative. The Chairperson, the Vice Chairperson or the Secretary of the District, or a designee of any of them, each acting alone, are hereby authorized and designated as an Authorized District Representative (each an "Authorized District Representative").

Section 3. Paying Agent Agreement; Form of Bonds and Terms of the Bonds. The proposed form of Paying Agent Agreement (with form of Bonds attached as Exhibit A) presented to this meeting is hereby approved. Any Authorized District Representative is hereby authorized and directed, for and in the name of and on behalf of the District, to execute and deliver a Paying Agent Agreement, in substantially said form, with such changes therein as the officer executing the same, with the advice of counsel to the District ("District Counsel"), may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof. The time, manner and place or places of payment of the Bonds, the registration provisions and certain other terms of the Bonds shall be as set forth in the Paying Agent Agreement, as finally executed and delivered.

Section 4. Bond Purchase Agreement. The proposed form of Bond Purchase Agreement presented to this meeting is hereby approved. The sale of the Refunding Bonds by the District to the Underwriter, at a purchase price to be set forth in the Bond Purchase Agreement, is hereby approved; provided, that (i) the true interest cost for the Refunding Bonds shall not be in excess of 4.00% (ii) the Underwriter's compensation shall not exceed .75% of the aggregate principal amount of the Refunding Bonds [exclusive of any costs of issuance the Underwriter agrees to pay pursuant to the provisions of the Bond Purchase Agreement]; and (iii) the Refunding Bonds shall otherwise conform to the limitations specified herein.

Pursuant to California Government Code Section 53508.9, the Board of Directors hereby finds and determines that the sale of the Refunding Bonds at negotiated sale as contemplated herein and by the Bond Purchase Agreement will provide more flexibility in the timing of the sale, and ability to implement the sale in a shorter time period, an increased ability to structure the Refunding Bonds to fit the needs of particular purchasers, and greater opportunity for the Underwriter to pre-market the Refunding Bonds to potential purchasers prior to the sale, all of which will contribute to the District's goal of achieving the lowest overall cost of funds. Estimates of the costs associated with the issuance of the Refunding Bonds are set forth on Exhibit A attached hereto and incorporated herein. The actual costs of issuance shall be provided to the Board of Directors at the next scheduled public meeting of the Board of Directors following the sale of the Refunding Bonds.

Section 5. Official Statement. The Official Statement in preliminary form presented to this meeting is hereby approved. The Official Statement in preliminary form may be deemed final as of its date, within the meaning of Rule 15c2-12 (except for the omission of certain final pricing, rating and related information as permitted by Rule 15c2-12) by any Authorized District Representative for purposes of compliance with Rule 15c2-12 and the distribution of the Official Statement in such preliminary form as is deemed final by an Authorized District Representative to persons who may be interested in the purchase of Bonds is hereby authorized. Any Authorized District Representative is hereby authorized and directed, for and in the name and on behalf of the District to execute and deliver to the Underwriter a final Official Statement, in substantially said form, with such changes therein as the officer executing the same, with the advice of District Counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof. The Underwriter is hereby directed to deliver a copy of the Official Statement, as finally executed, to all actual purchasers of the Bonds.

Section 6. Continuing Disclosure Undertaking. The proposed form of Continuing Disclosure Undertaking presented to this meeting is hereby approved. Any Authorized District Representative is hereby authorized and directed to execute and deliver a Continuing Disclosure Undertaking, in substantially said form, with such changes therein as the Authorized District Representative executing the same, with the advice of District Counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 7. Escrow Agreement. The proposed form of Escrow Agreement presented to this meeting is hereby approved. Any Authorized District Representative is hereby authorized and directed to execute and deliver an Escrow Agreement, in substantially said form, with such changes therein as the Authorized District Representative executing the same, with the advice of District Counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 8. Professional Services. Citigroup Global Markets Inc. shall serve as underwriter for the Refunding Bonds. Ponder & Co. shall serve as financial advisor to the District in connection with the issuance and sale of the Refunding Bonds. Orrick, Herrington & Sutcliffe LLP shall serve as bond counsel to the District in connection with the issuance and sale of the Refunding Bonds. Either Authorized District Representative is hereby authorized to enter into agreements with such firms for such services.

Section 9. Request for Necessary County Actions. The Board of Supervisors of the County of Santa Clara (the "County") and the Treasurer-Tax Collector and other appropriate officials of the County are hereby requested to take and authorize such actions as may be necessary pursuant to all applicable laws of the State of California to provide for the levy and collection of a property tax on all taxable property within the District sufficient to provide for payment of all principal of, redemption premium, if any, and interest on the Refunding Bonds as the same shall become due and payable, and to transfer such moneys as directed by the District, such moneys to be applied for payment of the Refunding Bonds pursuant to the Paying Agent Agreement, and to provide for the payment of any Series 2006 Bonds that are to remain outstanding subsequent to the issuance of the Refunding Bonds. Either Authorized District Representative is hereby authorized and directed to transmit this Resolution and the debt service schedule for the Refunding Bonds to the Treasurer-Tax Collector and other appropriate officials of the County to establish the tax rates for the Refunding Bonds.

Section 10. Further Authorization; Ratification of Actions. Each Authorized District Representative or any designee of either thereof, is authorized and directed to do any and all things and to execute and deliver any and all documents, instruments and certificates, including signature certificates, no-litigation certificates and tax certificates, and to enter into any and all agreements necessary or advisable in order to carry out, give effect to and comply with the terms and intent of this Resolution and the Bond Resolution and the transactions contemplated by the Bond Purchase Agreement, the Official Statement and the Continuing Disclosure Undertaking, including such documents, instruments, certificates and agreements as may be necessary to arrange for bond insurance for Bonds of one or more stated maturity dates. The Secretary of the Board of Directors of the District is hereby authorized to attest any signature of the Chairperson of the Board of Directors or Authorized District Representative on any of the documents, instruments, certificates and agreements (including the Bonds) authorized by this Resolution.

Section 11. Ratification of Actions. All actions heretofore taken by the officers, representatives or agents of the District, including without limitation, the Chairperson of the Board of Directors and each Authorized District Representative or any designee thereof, in connection with the issuance and sale of the Bonds are hereby ratified, confirmed and approved.

Section 12. Effective Date. This Resolution shall take effect from and after its adoption.

Section 13. PASSED AND ADOPTED by the Board of Directors of El Camino Healthcare District this 18th day of October, 2016, by the following vote:

AYES:

NOES:

ABSENT:

By: ______________________________
Chairperson of the Board of Directors
of the El Camino Healthcare District

Attest:

By: ______________________________
Secretary of the Board of Directors
of the El Camino Healthcare District

Att. 12 03 Paying Agent Agreement

DRAFT
OH&S
10/05/16

PAYING AGENT AGREEMENT

by and between the

EL CAMINO HEALTHCARE DISTRICT

and

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Paying Agent

Dated as of November 1, 2016

Relating to the

$[Principal Amount]
EL CAMINO HEALTHCARE DISTRICT
2016 General Obligation Refunding Bonds

PAYING AGENT AGREEMENT

This PAYING AGENT AGREEMENT, made and entered into as of November 1, 2016, by and between WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association duly organized and existing under the laws of the United States of America, as paying agent (the "Paying Agent"), and the EL CAMINO HEALTHCARE DISTRICT, a local healthcare district organized and existing under and by virtue of the Constitution and laws of the State of California (the "District"),

W I T N E S S E T H:

WHEREAS, the District has previously issued the El Camino Hospital District 2006 General Obligation Bonds (the "Series 2006 Bonds") in the aggregate principal amount of $148,000,000, consisting of $115,665,000 in aggregate principal amount of current interest Series 2006 Bonds (the "Series 2006 Current Interest Bonds") and $32,335,000 in aggregate principal amount of capital appreciation Series 2006 Bonds;

WHEREAS, the District is authorized pursuant to Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Act") to issue refunding bonds to refund the outstanding Series 2006 Current Interest Bonds;

WHEREAS, the District has determined that the prudent management of the fiscal affairs of the District requires that the District issue refunding bonds (the "Refunding Bonds") to refund the outstanding Series 2006 Current Interest Bonds under the provisions of the Act;

WHEREAS, in order to provide for the authentication and delivery of the Refunding Bonds, to establish the terms and conditions under which the Refunding Bonds are to be issued, and to provide for the payment of the principal thereof and interest and premium, if any, thereon, the District has authorized the execution and delivery of this Paying Agent Agreement;

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this Paying Agent Agreement do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Paying Agent Agreement

NOW, THEREFORE, in order to provide for the terms and the payment of the Refunding Bonds and the performance and observance by the District of all the covenants, agreements and conditions herein and in the Refunding Bonds contained, and in consideration of the mutual covenants and agreements contained herein, and for other valuable consideration, the District and the Paying Agent hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section 1.01 shall, for all purposes hereof and of any amendment hereof or supplement hereto and of the Refunding Bonds and of any certificate, opinion, request or other document mentioned herein or therein, have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein:

"Act" means Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, and other applicable law.

"Authorized District Representative" shall mean the Chair, Vice Chair, Chief Executive Officer, Chief Financial Officer, or any other officer of the District designated by the Board of Directors, or any duly appointed deputy of any of them.

"Board of Directors" shall mean the Board of Directors of the District.

"Bondowner," "Bondholder," "Holder" or "Owner" shall mean the person in whose name any Refunding Bond shall be registered.

"Business Day" shall mean any day other than a Saturday, Sunday, legal holiday or other day on which banking institutions in San Francisco or Los Angeles, California, or New York, New York, or any state in which the Principal Corporate Trust Office of the Paying Agent is located, are authorized or required by law to close, or any day on which the New York Stock Exchange is closed.

"Certificate of the District." See "Request of the District" defined herein.

"Code" shall mean the Internal Revenue Code of 1986, as the same shall have been or be hereafter amended, and any regulations heretofore issued or which shall be hereafter issued by the United States Department of the Treasury thereunder.

"Continuing Disclosure Certificate" with respect to the Refunding Bonds requiring an undertaking under Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time, shall mean the Continuing Disclosure Undertaking, dated the date of issuance and delivery of the Refunding Bonds, executed and delivered by the District, as originally executed and as it may be supplemented, modified or amended from time to time in accordance with its terms.

"Costs of Issuance" shall mean all items of expense directly or indirectly payable by or reimbursable to District and related to the authorization, issuance, sale and delivery of the Refunding Bonds, including but not limited to costs of preparation and reproduction of documents, printing expenses, filing and recording fees, initial fees and charges of the Paying Agent, underwriting fees, legal fees and charges, fees and disbursements of consultants and professionals, rating agency fees, fees and expenses related to any credit enhancement (including without limitation bond insurance) for the bonds, fees and expenses with respect to the conduct of the election and other proceedings authorizing the issuance of the bonds, fees and charges for preparation, execution and safekeeping of the Refunding Bonds and any other cost, charge or fee in connection with the original issuance and sale of the Refunding Bonds.

"Costs of Issuance Fund" shall mean the El Camino Healthcare District 2016 General Obligation Refunding Bonds Costs of Issuance Fund created pursuant to Section 3.03 hereof.

"County" shall mean the County of Santa Clara, State of California.

"District" shall mean the El Camino Healthcare District, formerly known as El Camino Hospital District.

"Escrow Agent" shall mean Wells Fargo Bank, National Association, acting as paying agent and escrow agent under the Escrow Agreement or any successor thereto permitted pursuant to the Escrow Agreement.

"Escrow Agreement" shall mean the Escrow Agreement, dated as of November 1, 2016, between the District and the Escrow Agent, as originally executed and as it may be supplemented, modified or amended from time to time in accordance with its terms.

"Holder." See "Bondowner" defined herein.

"Interest and Sinking Fund" shall mean the "El Camino Healthcare District General Obligation Refunding Bonds Interest and Sinking Fund" created pursuant to Section 3.05 hereof.

"Interest Payment Date" shall mean February 1 and August 1 of each year, commencing February 1, 2017, as specified in Section 2.01 hereof.

"Investment Securities" shall mean any of the following which at the time are legal investments under the laws of the State of California for moneys held in any funds created hereunder and then proposed to be invested:

(1) (a) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) or obligations the timely payment of the principal of and interest on which are fully guaranteed by the United States of America, including instruments evidencing a direct ownership interest in securities described in this clause (1)(a) such as CATS, TIGRs, and Stripped Treasury Coupons rated or assessed in the highest rating category by S&P or Moody's and held by a custodian for safekeeping on behalf of holders of such securities, or (b) bonds or notes which are exempt from federal income taxes and for the payment of which cash or obligations described in clause (1)(a) of this definition in an amount sufficient to pay the principal of, premium, if any, and interest on when due have been irrevocably deposited with a trustee or other fiscal depositary and which are rated in the highest rating category by S&P or Moody's;

(2) obligations, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following: Resolution Funding Corporation (interest strips), Federal Home Loan Bank System, Government National Mortgage Association, Farmer's Home Administration, Federal Home Loan Mortgage Corporation or Federal Housing Administration;

(3) deposit accounts, certificates of deposit or savings accounts (i) fully insured by the Federal Deposit Insurance Corporation or (ii) with banks whose short term obligations are rated no lower than A-1 by S&P or P-1 by Moody's and that are commercial banks which deposits or accounts are collateralized as to both principal and accrued interest at 104% by obligations of the kind described in clause (1) (a), held by the District, the Paying Agent or by a

third party satisfactory to the District or the Paying Agent under arrangements satisfactory to the District or the Paying Agent, as the case may be, provided that the bank shall create a valid first perfected security interest for the depositor in such obligations;

(4) federal funds or banker's acceptances with a maximum term of one year of any bank that has an unsecured, uninsured and unguaranteed obligation rating of "A-1" or "A" or better by S&P or "Prime-1" or "A3" by Moody's;

(5) repurchase obligations with a term not exceeding thirty (30) days pursuant to a written agreement between the Paying Agent and either a primary dealer on the Federal Reserve reporting dealer list which falls under the jurisdiction of the Securities Investor Protection Corporation the ("SIPC") or a federally chartered commercial bank whose long-term debt obligations are rated A/A2 or better by S&P or Moody's, with respect to any security described in clause (1)(a); provided that the securities which are the subject of such repurchase obligation (i) must be free and clear of all liens, (ii) in the case of a SIPC dealer, were not acquired pursuant to a repurchase or reverse repurchase agreement, (iii) must be deposited with the District or the Paying Agent or third party custodian and maintained through weekly market valuations in an amount equal to 104% of the invested funds plus accrued interest; and further provided that the District or the Paying Agent, as applicable, must have a valid first perfected security interest in such securities;

(6) taxable government money market portfolios consisting of securities issued or guaranteed as to payment of principal and interest by the full faith and credit of the United States, or repurchase agreements collateralized by such obligations;

(7) tax-exempt government money market portfolios consisting of securities which are rated in the highest rating categories of S&P or Moody's subject to a maximum permissible limit equal to six (6) months of principal and interest on the Refunding Bonds;

(8) money market funds registered under the Investment Company Act of 1940, the shares in which are registered under the Securities Act of 1933 and that have a rating by S&P of AAAm-G, AAAm or AAm or a money market fund collateralized by securities listed in clause 1(a) of this definition;

(9) commercial paper rated at the time of purchase "A-1" or better by S&P and or "Prime-1" by Moody's;

(10) bonds or notes issued by any state or municipality which bonds or notes are rated by S&P or Moody's in one of the two highest rating categories assigned by such rating agency;

(11) corporate debt securities rated at the time of purchase "AAA" by S&P or "Aaa" by Moody's;

(12) investment contracts or agreements issued by entities whose long-term debt or the claims paying ability of which are rated in one of the two highest long-term rating categories of S&P or Moody's;

(13) the Local Agency Investment Fund or similar pooled fund operated by or on behalf of the State of California or the County and which is authorized to accept investments of moneys held in any of the funds or accounts established pursuant to this Paying Agent Agreement;

(14) shares of beneficial interest issued by the Investment Trust of California (CalTRUST), pursuant to California Government Code Section 6509.7; and authorized for local agency investment pursuant to California Government Code Section 53601(o); and

(15) any other investment permitted under the Local Health Care District Law or Section 53601 of the California Government Code.

"Local Health Care District Law" shall mean Division 23 (commencing with Section 32000) of the California Health and Safety Code, as now in effect and as it may from time to time hereafter be amended, modified or supplemented.

"Moody's" shall mean Moody's Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the District.

"Opinion of Counsel" shall mean a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the District.

"Outstanding," when used at any particular time with reference to the Refunding Bonds, shall mean all Refunding Bonds theretofore, or thereupon being, authenticated and delivered by the Paying Agent under this Paying Agent Agreement, except: (i) Refunding Bonds theretofore cancelled by the Paying Agent or surrendered to the Paying Agent for cancellation pursuant to Section 8.03 hereof; (ii) Refunding Bonds with respect to which all liability of the District shall have been discharged in accordance with Section 4.04; and (iii) Refunding Bonds for the transfer or exchange of or in lieu of or in substitution for which other Refunding Bonds shall have been authenticated and delivered by the Paying Agent pursuant to this Paying Agent Agreement.

"Owner." See "Bondowner" defined herein.

"Paying Agent" shall mean Wells Fargo Bank, National Association, acting as paying agent, registrar, and transfer agent with respect to the Refunding Bonds, its successors and assigns and any other corporation or association which may at any time be substituted in its place as provided in Section 6.02 hereof.

"Paying Agent Agreement" shall mean this Paying Agent Agreement, as originally executed and as it may be supplemented, modified or amended from time to time in accordance with its terms.

"Principal Corporate Trust Office" shall mean the corporate trust office of the Paying Agent in San Francisco, California; provided, however, that in any case "Principal Corporate Trust Office" shall mean any other office of the Paying Agent designated by the Paying Agent to the District from time to time for a particular purpose, and shall include the principal corporate trust office or other designated office of any successor paying agent.

"Principal Payment Date" shall mean August 1 of each year specified in Sections 2.01 and 4.01(b) hereof.

"Record Date" shall mean the 15th day of the month preceding an Interest Payment Date, whether or not such day is a Business Day.

"Redemption Date" shall mean the date on which the Refunding Bonds or any portion of them are called for redemption, as provided in Article IV hereof.

"Refunding Bonds" means the El Camino Healthcare District 2016 General Obligation Refunding Bonds at any time Outstanding pursuant to this Paying Agent Agreement.

"Request of the District" or "Certificate of the District" shall mean a written request or written certificate, respectively, authorized and signed by an Authorized District Representative.

"S&P" shall mean Standard & Poor's Global Ratings, a division of The McGraw Hill Companies, a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "S&P" shall be deemed to refer to any other nationally recognized securities rating agency selected by the District.

"Series 2006 Current Interest Bonds" means the El Camino Hospital District 2006 General Obligation Bonds identified as Current Interest Bonds in the Paying Agent Agreement, dated as of November 1, 2006, by and between the District and Wells Fargo Bank, National Association, as Paying Agent.

"Tax Certificate" shall mean the Tax Certificate concerning certain matters pertaining to the use of proceeds of the Refunding Bonds, executed and delivered by the District on the date of issuance of the Refunding Bonds, including all exhibits attached thereto, as such certificate may from time to time be modified or supplemented in accordance with the terms thereof.

ARTICLE II

THE BONDS

Section 2.01. Authorization; Date; Payment of Principal and Interest; Denominations. The District hereby authorizes the issuance of the Refunding Bonds under and subject to the terms of this Paying Agent Agreement and the Act. The Refunding Bonds shall be designated as the "El Camino Healthcare District 2016 General Obligation Refunding Bonds."

The Refunding Bonds shall be dated as of their date of delivery. The Refunding Bonds shall bear interest at the respective rates per annum shown in the table in this Section 2.01 below, payable on each Interest Payment Date. Each Refunding Bond authenticated and registered on any date prior to the close of business on the first Record Date shall bear interest from the date of said Refunding Bond. Each Refunding Bond authenticated during the period between any Record Date and the close of business on its corresponding Interest Payment Date shall bear interest from such Interest Payment Date. Any other Refunding Bond shall bear interest from the Interest Payment Date immediately preceding the date of its authentication. If, at the time of authentication of any Refunding Bond, interest is in default on outstanding Refunding Bonds, such Refunding Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the outstanding Refunding Bonds. Interest on the Refunding Bonds shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

The Refunding Bonds shall be issued in fully registered form, without coupons, in the denomination of $5,000 principal amount or any integral multiple thereof.

The Refunding Bonds shall mature on August 1 in each of the years (the "Principal Payment Dates") in the principal amounts, and shall bear interest at the annual rates of interest, as shown below:

Maturity (August 1)	Principal Amount	Interest Rate

The principal and any premium of the Refunding Bonds shall be payable in lawful money of the United States of America to the Owner thereof, upon the surrender thereof at the Principal Corporate Trust Office of the Paying Agent, or at such other location as the Paying Agent shall designate. The interest on the Refunding Bonds shall be payable in like lawful money to the person whose name appears on the bond registration books of the Paying Agent as the Owner thereof as of the close of business on the Record Date immediately preceding an Interest Payment Date.

Payment of the interest on any Refunding Bond shall be made by check or draft mailed by first class mail to such Owner at such Owner's address as it appears on such registration books or at such address as the Owner may have filed with the Paying Agent for that purpose; or upon written request of the Owner of Refunding Bonds aggregating not less than $1,000,000 in principal amount, given no later than the close of business on the Record Date immediately preceding the applicable Interest Payment Date, by wire transfer in immediately available funds to an account maintained in the United States at such wire address as such Owner shall specify in its written notice. So long as Cede & Co. or its registered assigns shall be the registered owner of any of the Refunding Bonds, payment shall be made thereto by wire transfer as provided in Section 2.04(d) hereof.

Section 2.02. Form and Registration of Refunding Bonds.

(a) The Refunding Bonds, the Paying Agent's certificate of authentication and registration, and the form of assignment to appear thereon shall be in substantially the forms, respectively, attached hereto as **Exhibit A**, with necessary or appropriate variations, omissions and insertions as permitted or required by this Paying Agent Agreement.

(b) The Refunding Bonds when issued shall be registered in the name of "Cede & Co.," as nominee of The Depository Trust Company, New York, New York, and shall be initially issued as one bond for each of the maturities of the Refunding Bonds, in the principal amounts set forth in the table in Section 2.01. The Depository Trust Company is hereby appointed depository for the Refunding Bonds and registered ownership of the Refunding Bonds may not thereafter be transferred except as provided in Sections 2.04 and 2.05 hereof.

Section 2.03. Execution and Authentication of Refunding Bonds. The Refunding Bonds shall be signed by the manual or facsimile signature of the Chairperson of the District, and attested by the manual or facsimile signature of the Secretary of the District. The Refunding Bonds shall be authenticated by a manual signature of a duly authorized officer of the Paying Agent.

Only such of the Refunding Bonds as shall bear thereon a certificate of authentication and registration in the form set forth in **Exhibit A** hereto executed by the Paying Agent, shall be valid or obligatory for any purpose or entitled to the benefits of this Paying Agent Agreement, and such certificate of the Paying Agent shall be conclusive evidence that the Refunding Bonds so authenticated have been duly authenticated and delivered hereunder and are entitled to the benefits of this Paying Agent Agreement.

Section 2.04. Book-Entry System.

(a) The Refunding Bonds shall be initially issued and registered as provided in Section 2.02(b) hereof. Registered ownership of the Refunding Bonds, or any portion thereof, may not thereafter be transferred except:

(i) To any successor of Cede & Co., as nominee of The Depository Trust Company, or its nominee, or to any substitute depository designated pursuant to clause (ii) of this section (a "substitute depository"); provided, that any successor of Cede &

Co., as nominee of The Depository Trust Company or substitute depository, shall be qualified under any applicable laws to provide the services proposed to be provided by it;

(ii) To any substitute depository not objected to by the District, upon (1) the resignation of The Depository Trust Company or its successor (or any substitute depository or its successor) from its functions as depository, or (2) a determination by the District to substitute another depository for The Depository Trust Company (or its successor) because The Depository Trust Company or its successor (or any substitute depository or its successor) is no longer able to carry out its functions as depository; provided, that any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(iii) To any person as provided below, upon (1) the resignation of The Depository Trust Company or its successor (or substitute depository or its successor) from its functions as depository, or (2) a determination by the District to remove The Depository Trust Company or its successor (or any substitute depository or its successor) from its functions as depository.

(b) In the case of any transfer pursuant to clause (i) or clause (ii) of subsection (a) hereof, upon receipt of the outstanding Refunding Bonds by the Paying Agent, together with a Request of the District, a new Refunding Bond for each maturity shall be executed and delivered pursuant to the procedures described in the third paragraph of Section 2.05 hereof in the aggregate principal amount of the Refunding Bonds then outstanding, registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such Request of the District. In the case of any transfer pursuant to clause (iii) of subsection (a) hereof, upon receipt of the outstanding Refunding Bonds by the Paying Agent together with a Request of the District, new Refunding Bonds shall be executed and delivered in such denominations numbered in the manner determined by the Paying Agent and registered in the names of such persons as are requested in such Request of the District, subject to the limitations of Section 2.01 and the receipt of such a Request of the District, and thereafter, the Refunding Bonds shall be transferred pursuant to the provisions set forth in Section 2.05 of this Paying Agent Agreement; provided, that the Paying Agent shall not be required to deliver such new Refunding Bonds within a period of fewer than sixty (60) days.

(c) The District and the Paying Agent shall be entitled to treat the person in whose name any Refunding Bond is registered as the Owner thereof, notwithstanding any notice to the contrary received by the Paying Agent or the District, and the District and the Paying Agent shall have no responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owners of the Refunding Bonds. Neither the District nor the Paying Agent shall have any responsibility or obligation, legal or otherwise, to the beneficial owners or to any other party including The Depository Trust Company or its successor (or substitute depository or its successor), except as the owner of any Refunding Bonds.

(d) So long as the outstanding Refunding Bonds are registered in the name of Cede & Co. or its registered assigns, the District and the Paying Agent shall cooperate with Cede & Co., as sole holder, or its registered assigns, in effecting payment of the principal of and interest on the Refunding Bonds by arranging for payment in such manner that funds for such payments are properly identified and are made immediately available (e.g., by wire transfer) on the date they are due.

Section 2.05. Transfer of Refunding Bonds Upon Termination of Book-Entry System. In the event that at any time the Refunding Bonds shall no longer be registered in the name of Cede & Co. as a result of the operation of Section 2.04 hereof, then the procedures contained in this Section 2.05 shall apply.

Any Refunding Bond may, in accordance with its terms, be transferred upon the books required to be kept pursuant to the provisions of Section 2.07 hereof by the person in whose name it is registered, in person or by the duly authorized attorney of such person, upon surrender of such Refunding Bond to the Paying Agent for cancellation, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Paying Agent.

Whenever any Refunding Bond or Refunding Bonds shall be surrendered for transfer, the designated District officials shall execute (as provided in Section 2.03 hereof) and the Paying Agent shall authenticate and deliver a new Refunding Bond or Refunding Bonds of the same maturity, for a like aggregate principal amount and bearing the same rate of interest. The Paying Agent shall require the payment by the Bondowner requesting any such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

No transfer of Refunding Bonds shall be required to be made by the Paying Agent during the period from any Record Date to the following Interest Payment Date or from the date on which notice of redemption is given to and including the specified Redemption Date.

Section 2.06. Exchange of Refunding Bonds. In the event that at any time any Refunding Bonds shall no longer be registered in the name of Cede & Co. as a result of the operation of Section 2.04 hereof or as otherwise provided herein, then the procedures contained in this Section 2.06 apply with respect to the exchange of Refunding Bonds. Refunding Bonds may be exchanged at the office of the Paying Agent in San Francisco, California, or such other place as the Paying Agent shall designate, for a like aggregate principal amount of Refunding Bonds of other authorized denominations of the same maturity and interest rate. The Paying Agent shall require the payment by the Bondowner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. No exchange of Refunding Bonds shall be required to be made by the Paying Agent during the period from any Record Date to and including the following Interest Payment Date or from the date on which notice of redemption is given to and including the specified Redemption Date.

Section 2.07. Refunding Bond Register.

(a) The Paying Agent will keep or cause to be kept, at its Principal Corporate Trust Office, sufficient books for the registration and transfer of the Refunding Bonds, which shall at all times be open to inspection by the District, and, upon presentation for such purpose, the Paying Agent shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Refunding Bonds as hereinbefore provided.

(b) The Paying Agent shall assign each Refunding Bond authenticated and registered by it a distinctive letter or number, or letter and number.

ARTICLE III

ISSUANCE OF THE BONDS

Section 3.01. Delivery of Refunding Bonds. The Paying Agent is hereby authorized to authenticate and deliver the Refunding Bonds to or upon the written Request of the District.

Section 3.02. Application of Proceeds of Sale of Refunding Bonds. Upon the delivery of the Refunding Bonds to the initial purchaser thereof and the receipt from said initial purchaser of the purchase price of the Refunding Bonds ($______________), consisting of the par amount thereof, plus net original issue premium of $________________, less underwriter's discount of $_________, upon the order of the District, the Paying Agent shall deposit (or transfer) said amount as follows:

(i) the Paying Agent shall transfer $____________ from the proceeds of the Refunding Bonds to Wells Fargo Bank, National Association, acting its capacity as paying agent and escrow agent for the Series 2006 Current Interest Refunding Bonds, such amounts to be applied to refund and redeem the Series 2006 Current Interest Refunding Bonds; and

(ii) the Paying Agent shall deposit $___________ in the Costs of Issuance Fund.

Section 3.03. Establishment and Application of the Costs of Issuance Fund. The Paying Agent shall establish and maintain and hold a separate fund designated as the "El Camino Healthcare District General Obligation Refunding Bonds Costs of Issuance Fund" (the "Costs of Issuance Fund"). All money on deposit in the Costs of Issuance Fund shall be applied solely for the payment of authorized Costs of Issuance. Before any payment from the Costs of Issuance Fund shall be made by the Paying Agent, the District shall file or cause to be filed with the Paying Agent a Requisition of the District, such Requisition of the District to be in substantially such form as is set forth in **Exhibit B** hereto.

All money in the Costs of Issuance Fund shall be invested by the Paying Agent in Investment Securities specified by the District in a Request of the District. Investment earnings on the Costs of Issuance Fund shall be transferred to the Interest and Sinking Fund.

Any amounts remaining in the Costs of Issuance Fund shall be transferred to the Interest and Sinking Fund upon the earlier of (1) delivery to the Paying Agent of a Certificate of the District to the effect that funds remaining in the Costs of Issuance Fund may be transferred to the Interest and Sinking Fund, or (2) one hundred eighty (180) days after the date of issuance of the Refunding Bonds.

Section 3.04. Establishment and Application of the Interest and Sinking Fund. The Paying Agent shall establish, maintain and hold a separate fund to be known as the "El Camino Healthcare District 2016 General Obligation Refunding Bonds Interest and Sinking Fund" (the "Interest and Sinking Fund"). Upon receipt by the Paying Agent, taxes collected by the appropriate officials of the County to pay principal of, redemption premium, if any, and interest on the Refunding Bonds as the same shall become due and payable shall be deposited into the Interest and Sinking Fund. All sums to become due for the principal of, redemption premium, if any, and interest on the Refunding Bonds shall be paid from such Interest and Sinking Fund as the same shall become due and payable. All money in the Interest and Sinking Fund shall be invested by the Paying Agent in Investment Securities specified by the District in a Request of the District. Investment earnings on the Interest and Sinking Fund shall be retained therein. When all of the principal of and interest on the Refunding Bonds have been paid, any balance of money then remaining in the Interest and Sinking Fund shall be transferred to the District for deposit in the general fund of the District.

ARTICLE IV

REDEMPTION OF THE REFUNDING BONDS

Section 4.01. Terms of Redemption.

(a) ***Optional Redemption.*** Refunding Bonds maturing on or before August 1, ____, are not subject to redemption prior to their respective stated maturity dates. Refunding Bonds maturing on and after August 1, ____, are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date, on or after February 1, ______. If less than all of the Refunding Bonds are called for redemption, Refunding Bonds shall be redeemed in inverse order of maturities (or as otherwise directed by the District), and if less than all of the Refunding Bonds of any given maturity are called for redemption, the portions of Refunding Bonds of a given maturity to be redeemed shall be determined by lot. Refunding Bonds shall be redeemed at a redemption price equal to the principal amount of Refunding Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

(b) ***Mandatory Sinking Fund Redemption.*** The Term Refunding Bond maturing on August 1, ____, is also subject to mandatory sinking fund redemption on August 1 in each of the years and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption:

Mandatory Sinking Fund Payment Date (August 1)	Mandatory Sinking Fund Payment

*Maturity

The principal amount of each mandatory sinking fund payment of any maturity shall be reduced proportionately, in $5,000 increments, by the amount of any Refunding Bonds of that maturity optionally redeemed prior to the mandatory sinking fund payment date.

(c) ***Notice of Redemption.*** Notice of redemption of any Refunding Bonds shall be given by the Paying Agent upon the written request of the District. Notice of any redemption of Refunding Bonds shall be given by mail, first class postage prepaid, not less than thirty (30) nor more than sixty (60) days prior to the redemption date to the respective Owners thereof at the addresses appearing on the bond registration books described in Section 2.07.

Each notice of redemption shall contain all of the following information:

(i) the date of such notice;

(ii) the name of the Refunding Bonds and the date of issue of the Refunding Bonds;

(iii) the redemption date;

(iv) the redemption price;

(v) the dates of maturity of the Refunding Bonds to be redeemed;

(vi) (if less than all of the Refunding Bonds of any maturity are to be redeemed) the distinctive numbers of the Refunding Bonds of each maturity to be redeemed;

(vii) (in the case of Refunding Bonds redeemed in part only) the respective portions of the principal amount of the Refunding Bonds of each maturity to be redeemed;

(viii) the CUSIP number, if any, of each maturity of Refunding Bonds to be redeemed;

(ix) a statement that such Refunding Bonds must be surrendered by the Owners at the Principal Corporate Trust Office of the Paying Agent, or at such other place or places designated by the Paying Agent; and

(x) notice that further interest on such Refunding Bonds will not accrue after the designated redemption date; provided, that neither the District nor the Paying Agent shall have any responsibility for any defect in the CUSIP number that appears on any Refunding Bond or in any redemption notice with respect thereto, and any such redemption notice may contain a statement to the effect that CUSIP numbers have been assigned by an independent service for convenience of reference and that neither the District nor the Paying Agent shall be liable for any inaccuracy in such numbers.

(d) ***Effect of Notice.*** A certificate of the Paying Agent or the District that notice of call and redemption has been given to Owners as herein provided shall be conclusive as against all parties. The actual receipt by the Owner of any Refunding Bond of notice of redemption shall not be a condition precedent to redemption, and failure to receive such notice, or any defect in the notice given, shall not affect the validity of the proceedings for the redemption of such Refunding Bonds or the cessation of interest on the date fixed for redemption.

When notice of redemption has been given substantially as provided for herein, and when the redemption price of the Refunding Bonds called for redemption is set aside for the purpose as described in subsection (e) of this section, the Refunding Bonds designated for redemption shall become due and payable on the specified redemption date and interest shall cease to accrue thereon as of the redemption date, and upon presentation and surrender of such Refunding Bonds at the place specified in the notice of redemption, such Refunding Bonds shall be redeemed and paid at the redemption price thereof out of the money provided therefor. The Owners of such Refunding Bonds so called for redemption after such redemption date shall look for the payment of such Refunding Bonds and the redemption premium thereon, if any, only to the Interest and Sinking Fund or the escrow fund established for such purpose. All Refunding Bonds redeemed shall be cancelled forthwith by the Paying Agent and shall not be reissued.

(e) ***Right to Rescind Notice of Redemption.*** The District may rescind any optional redemption and any notice thereof for any reason on any date prior to the date fixed for such optional redemption by causing written notice of the rescission to be given to the Bondholders of the Refunding Bonds so called for redemption. Any optional redemption and any notice thereof shall be rescinded if for any reason on the date fixed for redemption moneys are not available in the Interest and Sinking Fund or otherwise held in trust in an escrow fund established for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the Refunding Bonds called for redemption. Notice of rescission of optional redemption shall be given in the same manner in which notice of redemption was originally given. The actual receipt by the Bondholder of any Refunding Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission.

Section 4.02. Redemption Fund. Prior to or on the redemption date of any Refunding Bonds there shall be available in the Interest and Sinking Fund, or held in trust for such purpose as provided by law, monies for the purpose and sufficient to redeem, at the premiums payable as in this Paying Agent Agreement provided, the Refunding Bonds designated in said notice of redemption. Such monies so set aside in any such escrow fund shall be applied on or after the redemption date solely for payment of principal of and premium, if any, on the Refunding Bonds to be redeemed upon presentation and surrender of such Refunding Bonds, provided that all monies in the Interest and Sinking Fund shall be used for the purposes established and permitted by law. Any interest due on or prior to the redemption date shall be paid from the Interest and Sinking Fund, unless otherwise provided for to be paid from such escrow. If, after all of the Refunding Bonds have been redeemed and cancelled or paid and cancelled, there are monies remaining in the Interest and Sinking Fund or otherwise held in trust for the payment of redemption price of the Refunding Bonds, said monies shall be held in or returned or transferred to the Interest and Sinking Fund for payment of any outstanding bonds of the District payable from said fund; provided, however, that if said monies are part of the proceeds of bonds of the District, said monies shall be transferred to the fund created for the payment of principal of and interest on such bonds. If no such bonds of the District are at such time outstanding, said monies shall be transferred to the general fund of the District as provided and permitted by law.

Section 4.03. Purchase of Refunding Bonds By District. The District may purchase Refunding Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding interest which is payable from the Interest and Sinking Fund provided for herein) as the District determines; provided that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to the Refunding Bonds.

Section 4.04. Defeasance of Refunding Bonds. If at any time the District shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Outstanding Refunding

Bonds all of the principal, interest and premium, if any, represented by Refunding Bonds at the times and in the manner provided herein and in the Refunding Bonds, or as provided in the following paragraph, or as otherwise provided by law consistent herewith, then such Owners shall cease to be entitled to the obligation to levy taxes for payment of the Refunding Bonds as described in Section 5.02 hereof, and such obligation and all agreements and covenants of the District to such Owners hereunder and under the Refunding Bonds shall thereupon be satisfied and discharged and shall terminate, except only that the District shall remain liable for payment of all principal, interest and premium, if any, represented by the Refunding Bonds, but only out of monies on deposit in the Interest and Sinking Fund or otherwise held in trust for such payment.

For purposes of this section, the District may pay and discharge any or all of the Refunding Bonds by depositing in trust with the Paying Agent or an escrow agent at or before maturity, money or non-callable direct obligations of the United States of America or other non-callable obligations the payment of the principal of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America, in an amount which will, together with the interest to accrue thereon and available monies then on deposit in the Interest and Sinking Fund, be fully sufficient to pay and discharge the indebtedness on such Refunding Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates.

If moneys shall have been set aside in the Interest and Sinking Fund or held by the Paying Agent or an escrow agent for the payment or redemption of any Refunding Bonds and the interest installments therefor at the maturity or Redemption Date thereof, such Refunding Bonds shall be deemed to be paid within the meaning and with the effect provided in this Section 4.04. Any Outstanding Refunding Bond shall prior to the maturity or Redemption Date thereof be deemed to have been paid within the meaning and with the effect expressed in this Section 4.04 if: (i) in case said Refunding Bonds are to be redeemed on any date prior to their maturity, the District shall have given to the Paying Agent in form satisfactory to the Paying Agent irrevocable instructions to mail notice of redemption of such Refunding Bonds on such Redemption Date, such notice to be given in accordance with the provisions of this Paying Agent Agreement; and (ii) there shall have been deposited with the Paying Agent or an escrow agent either moneys in an amount which shall be sufficient, or non-callable direct obligations of the United States of America or other non-callable obligations the payment of the principal of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America, in an amount which will, together with the interest to accrue thereon and available moneys in the Interest and Sinking Fund, be fully sufficient, to pay when due the principal of and the redemption premiums, if any, and the interest due and to become due on such Refunding Bonds on and prior to the Redemption Date or maturity date thereof, as the case may be.

Any moneys held by the Paying Agent for the payment and discharge of any of the Refunding Bonds as provided in this Section 4.04 and remaining unclaimed for two (2) years after the date when such Refunding Bonds has become due and payable (whether by maturity or upon prior redemption) if such money was held by the Paying Agent at such date, or for two (2) years after the date of deposit of such money, if such money was deposited with the Paying Agent after the date when such Refunding Bonds became due and payable, shall be transferred to the Interest and Sinking Fund for payment of any Outstanding Refunding Bonds payable from the Interest and Sinking Fund; or, if no such Refunding Bonds are at such time Outstanding, said moneys shall be transferred to the District for deposit in the general fund of the District as provided and permitted by law. The District and the Paying Agent hereby agree that the Bondholder of any such Refunding Bond shall thereafter look only to the District for the payment of such Refunding Bond and that all liability of the Paying Agent with respect to any such moneys shall thereupon cease.

ARTICLE V

COVENANTS OF THE DISTRICT

Section 5.01. Payment of Principal and Interest. On or prior to the date any payment is due in respect of the Refunding Bonds, the District will cause the monies on deposit in the Interest and Sinking Fund, or, to the extent necessary, such other monies as shall be lawfully available for the payment of the Refunding Bonds, to be deposited with the Paying Agent in an amount sufficient to pay the principal and the interest (and premium, if any) to become due in respect of all Refunding Bonds Outstanding on such payment date. When and as paid in full, and following surrender thereof to the Paying Agent, all Refunding Bonds shall be cancelled by the Paying Agent, and thereafter they shall be destroyed.

Section 5.02. Obligation to Levy Taxes for Payment of Refunding Bonds. The money for the payment of principal and interest and redemption premium, if any, on the Refunding Bonds shall be raised by ad valorem taxation without limitation as to rate or amount (except with respect to certain personal property which is taxable at limited rates) upon all taxable property in the District, and provision shall be made (i) for the levy and collection of such taxes in the manner provided by law and (ii) for payment of such amounts out of the Interest and Sinking Fund as provided in the Local Health Care District Law and herein. The Board of Supervisors of the County and the officers of the County are obligated by statute to provide for the levy and collection of property taxes in each year sufficient to pay all principal and interest coming due on the Refunding Bonds in such year. Annually on or before the date specified by law, the District shall furnish to the Board of Supervisors of the County an estimate in writing of the amount of money, if any, necessary to be raised by taxation for all purposes required under the provisions of the Local Health Care District Law during the next ensuing fiscal year, including a tax sufficient to pay the principal of and interest on all of the Refunding Bonds as the same become due. The District hereby agrees and covenants that the District shall take all steps required by law and by the County to ensure that a tax upon all taxable property in the District sufficient to pay the principal and interest on the Refunding Bonds as and when the same become due is levied and collected. The District hereby agrees and covenants that the District shall take such steps as are necessary to cause such taxes as are collected to be deposited into the Interest and Sinking Fund from which Interest and Sinking Fund all sums to become due for the principal of and interest on the Refunding Bonds shall be paid.

Section 5.03. Pledge of Taxes. The District hereby pledges all revenues from the property taxes collected from the levy by the Board of Supervisors of the County for the payment of Refunding Bonds of the District and amounts on deposit in the Interest and Sinking Fund to the payment of the principal or redemption price of and interest on the Refunding Bonds. This pledge shall be valid and binding from the date hereof for the benefit of the registered owners of the Refunding Bonds and successors thereto. The property taxes and amounts held in the Interest and Sinking Fund shall be immediately subject to this pledge, and the pledge shall constitute a lien and security interest which shall immediately attach to the property taxes and amounts held in the Interest and Sinking Fund to secure the payment of the Refunding Bonds and shall be effective, binding, and enforceable against the District, its successors, creditors and all others irrespective of whether those parties have notice of the pledge and without the need of any physical delivery, recordation, filing, or further act.

Section 5.04. Validity of Refunding Bonds. The recital contained in the Refunding Bonds that the same are regularly issued pursuant to all applicable laws shall be conclusive evidence of their validity and of compliance with the provisions of the law in their issuance.

Section 5.05. Further Assurances. The District will promptly execute and deliver or cause to be executed and delivered all such other and further instruments, documents or assurances, and promptly do or cause to be done all such other and further things, as may be necessary or reasonably required in order to further and more fully vest in the Bondowners all rights, interest, powers, benefits, privileges and advantages conferred or intended to be conferred upon them by this Paying Agent Agreement.

Section 5.06. Tax Covenants.

(a) The District covenants that it shall not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of the interest payable on the Refunding Bonds under Section 103 of the Code. Without limiting the generality of the foregoing, the District covenants that it will comply with the requirements of the Tax Certificate, which is incorporated herein as if fully set forth herein. This covenant shall survive payment in full or defeasance of the Refunding Bonds.

(b) In the event that at any time the District is of the opinion that for purposes of this section it is necessary or helpful to restrict or limit the yield on the investment of any monies held by the Paying Agent or other custodian on behalf of the District, the District shall so instruct the Paying Agent or other custodian in writing.

(c) Notwithstanding any provision of this section, if the District shall obtain and provide to the Paying Agent or other custodian, as appropriate, an Opinion of Counsel that any specified action required under this section is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the Refunding Bonds, said party may conclusively rely on such Opinion of Counsel in complying with the requirements of this section and of the Tax Certificate, and the covenants hereunder shall be deemed to be modified to that extent.

(d) The District hereby agrees and covenants to establish and maintain a fund separate from any other fund established and maintained by the District, such fund to be designated as the El Camino Healthcare District 2016 General Obligation Refunding Bonds Rebate Fund (the "Rebate Fund") and within the Rebate Fund, the District shall maintain such accounts as shall be necessary to comply with the provisions of each Tax Certificate. All money at any time deposited in the Rebate Fund shall be held by or upon order of the District, in trust, to the extent required to satisfy the rebate obligation (as described in the Tax Certificate), for payment to the United States of America. Notwithstanding any other provision of this Paying Agent Agreement to the contrary, all amounts required to be deposited into or on deposit in the Rebate Fund shall be governed exclusively by this Section and by the Tax Certificate.

Section 5.07. Investment of Funds Created Hereunder and Held by the District. Moneys held in any fund created hereunder and held by the District (other than the Rebate Fund which is governed by Section 5.06(d)) shall be invested in Investment Securities.

ARTICLE VI

THE PAYING AGENT

Section 6.01. Appointment; Acceptance. Wells Fargo Bank, National Association is hereby appointed Paying Agent, and hereby accepts and agrees to perform the duties and obligations of the Paying Agent, registrar and transfer agent specifically imposed upon it by this Paying Agent Agreement, and no implied duties shall be read into this Paying Agent Agreement against the Paying Agent.

Section 6.02. Resignation, Removal, Replacement of Paying Agent. The Paying Agent may at any time resign by giving written notice to the District of such resignation, whereupon the District shall promptly appoint a successor Paying Agent by the resignation date. Resignation of the Paying Agent will be effective forty-five (45) days after notice of the resignation is given as stated above or upon appointment of a successor Paying Agent, whichever first occurs. The District may at any time remove the Paying Agent and any successor Paying Agent by an instrument given in writing. After removal or receiving a notice of resignation of the Paying Agent, the District may appoint a temporary Paying Agent or temporarily assume the duties of the Paying Agent to replace the former Paying Agent until the District appoints a successor Paying Agent. Any such temporary Paying Agent so appointed by the District shall immediately and without further act be superseded by the successor Paying Agent upon the appointment of and acceptance thereof by such successor.

Any company into which the Paying Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Paying Agent may sell or transfer all or substantially all of its corporate trust business shall be the successor to such Paying Agent without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

Section 6.03. Duties of Paying Agent.

(a) The Paying Agent hereby agrees to file a request each month with the appropriate officials of the County instructing such officials to transfer ad valorem taxes levied and collected by the County to the Paying Agent, such request to be in such form as the District shall provide to the Paying Agent and to be filed by the Paying Agent with the County on or prior to the fifth Business Day of each month.

(b) The Paying Agent hereby agrees to use the funds transferred to the Paying Agent for deposit in the Interest and Sinking Fund for the payment of the principal of, interest on and redemption premiums, if any, on the Refunding Bonds, solely for such purpose as the same shall become due.

(c) The Paying Agent is hereby authorized to pay or redeem the Refunding Bonds when duly presented for payment at maturity, or on prior redemption, and to cancel all Refunding Bonds upon payment thereof. The Paying Agent shall keep accurate records of all funds administered by it and of all Refunding Bonds paid and discharged.

(d) The Paying Agent hereby further agrees to pay from the Costs of Issuance Fund held by the Paying Agent any amounts duly authorized to be paid therefrom pursuant to a Requisition of the District.

(e) The Paying Agent hereby agrees, provided sufficient immediately available funds have been provided to it for such purpose by or on behalf of the District, to use the funds deposited with it hereunder solely for payment of the principal of and interest on the Refunding Bonds as the same shall become due or become subject to earlier redemption.

Section 6.04. Compensation of Paying Agent. The District shall from time to time, subject to any agreement then in effect with the Paying Agent, pay the Paying Agent compensation for its services and reimburse the Paying Agent for any advances and expenditures hereunder.

Section 6.05. Reliance on Documents, Etc.

(a) The Paying Agent may conclusively rely, as to the truth of the statements and correctness of the opinions expressed therein, on certificates or opinions furnished to the Paying Agent by the District.

(b) The Paying Agent shall not be liable for any error of judgment made in good faith. The Paying Agent shall not be liable for other than its negligence or willful misconduct in connection with any act or omission hereunder.

(c) No provision of this Paying Agent Agreement shall require the Paying Agent to expend or risk its own funds or otherwise incur any financial liability for performance of any of its duties hereunder, or in the exercise of any of its rights or powers.

(d) The Paying Agent may rely, or be protected in acting or refraining from acting, upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Paying Agent need not examine the ownership of any Refunding Bond, but is protected in acting upon receipt of Refunding Bonds containing an endorsement or instruction of transfer or power of transfer which appears on its face to be signed by the Bondowner or agent of the Bondowner.

(e) The Paying Agent may consult with counsel, and the written advice of such counsel or any Opinion of Counsel shall be full authorization and protection with respect to any action taken, suffered or omitted by it hereunder in good faith and reliance thereon.

(f) The Paying Agent may exercise any of the powers hereunder and perform any duties hereunder either directly or by or through agents or attorneys.

Section 6.06. Recitals of District. The recitals contained herein and in the Refunding Bonds shall be taken as the statements of the District, and the Paying Agent assumes no responsibility for their correctness.

Section 6.07. Paying Agent May Own Refunding Bonds. The Paying Agent, in its individual or any other capacity, may become the owner or pledgee of Refunding Bonds with the same rights it would have if it were not the Paying Agent for the Refunding Bonds.

Section 6.08. Investment of Funds Held by the Paying Agent. Moneys held in any fund or account created hereunder and held by the Paying Agent shall be invested solely in Investment Securities pursuant to a Request of the District. If and to the extent the Paying Agent does not receive investment instructions from the District with respect to the moneys in the funds and accounts held by the Paying Agent pursuant to this Paying Agent Agreement, such moneys shall be invested in Investment Securities described in clause (8) of the definition thereof and the Paying Agent shall thereupon immediately request written investment instructions from the District for such moneys.

Section 6.09. Money Held By Paying Agent; Unclaimed Monies. Money held by the Paying Agent hereunder may be commingled with other funds held by the Paying Agent, but shall be separately accounted for. The Paying Agent shall have no duties with respect to investment of funds deposited with it and shall be under no obligation to pay interest on any money received by it hereunder.

Any money held in any fund created pursuant to this Paying Agent Agreement, or held by the Paying Agent, for the payment of the principal of, redemption premium, if any, or interest on the Refunding Bonds and remaining unclaimed for two years after the principal of all of the Refunding Bonds has become due and payable (whether by maturity or upon prior redemption) shall be transferred to the Interest and Sinking Fund for payment of any outstanding bonds of the District payable from said fund; or, if no such bonds of the District are at such time outstanding, said monies shall be transferred to the general fund of the District as provided and permitted by law.

Section 6.10. Other Transactions. The Paying Agent may engage in or be interested in any financial or other transaction with the District.

Section 6.11. Interpleader. The Paying Agent may seek adjudication of any adverse claim, demand, or controversy over its person as well as funds on deposit, in a court of competent jurisdiction. The Paying Agent has the right to file an action in interpleader in any court of competent jurisdiction to determine the rights of any person claiming any interest herein.

Section 6.12. Indemnification. The District shall indemnify the Paying Agent, its officers, directors, employees, and agents ("Indemnified Parties") for, and hold them harmless against any loss, cost, claim, liability or expense arising out of or in connection with the Paying Agent's acceptance or administration of the Paying Agent's duties hereunder or under the Refunding Bonds (except any loss, liability or expense as may be adjusted by a court of competent jurisdiction to be attributable to the Paying Agent's negligence or willful misconduct), including without limitation the cost and expense (including its counsel fees and disbursements, including the allocated costs and disbursements of internal counsel) of defending itself against any claim or liability (except such action as may be brought against the Paying agent by the District) in connection with the exercise or performance of any of its powers or duties under this Paying Agent Agreement. The provisions of this Section 6.12 shall survive termination of this Paying Agent Agreement and shall continue for the benefit of any Paying Agent after its resignation as Paying Agent hereunder.

ARTICLE VII

MODIFICATION OR AMENDMENT OF PAYING AGENT AGREEMENT

Section 7.01. Modifications or Amendments Without Consent. This Paying Agent Agreement may be modified or amended at any time without the consent of the Bondholders in order: (i) to add to the covenants or agreements of the District or to surrender any right or power herein reserved to or conferred upon the District; (ii) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained herein; or (iii) in regard to matters or questions arising hereunder which the District may deem desirable or necessary, including, without limitation, such modifications or amendments as may be necessary to accommodate the appointment of the Treasurer-Tax Collector of the County as Paying Agent; provided, however, that no such modification or amendment shall materially adversely affect the rights of the Bondholders. Before entering into any modification or amendment hereof, the District shall cause to be delivered to the Paying Agent an Opinion of Counsel to the effect that such modification or amendment is authorized or permitted by this Paying Agent Agreement and does not materially adversely affect the rights of the Bondholders.

Section 7.02. Modifications or Amendments Requiring Consent. Modifications or amendments other than such modifications or amendments as are permitted pursuant to Section 7.01 shall require the written consent of the Bondholders of at least a majority in aggregate principal amount of the Refunding Bonds then Outstanding; provided, however, that if such modification or amendment will not, by its terms, take effect so long as Refunding Bonds of any maturity remain Outstanding, the consent of the Bondholders of Refunding Bonds of such maturity shall not be required and such Refunding Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Refunding Bonds Outstanding under this Section, and provided further that, no such modification or amendment shall extend the maturity of, reduce the interest rate on or principal amount of any Refunding Bond or reduce the percentage of consent required for amendment hereof without the express consent of all Bondholders so affected. In the event that the consent of the Bondholders shall be required in connection with any modification or amendment of this Paying Agent Agreement, it shall not be necessary for the consent of the Bondholders to approve the particular form of such modification or amendment to this Paying Agent Agreement, but it shall be sufficient if such consent shall approve the substance thereof.

Section 7.03. Disqualified Refunding Bonds. In determining whether the Bondholders of the requisite aggregate principal amount of Refunding Bonds have concurred in any consent required to modify or amend this Paying Agent Agreement, Refunding Bonds owned or held by or for the account of the District shall be disregarded and deemed not to be Outstanding for the purpose of any such determination.

Section 7.04. Form of Modification or Amendment; Notice. Any modification or amendment of this Paying Agent Agreement shall be in writing and shall be executed by the District and the Paying Agent. Promptly after the execution by the District and the Paying Agent of any modification or amendment to this Paying Agent Agreement pursuant to this Article VII, the Paying Agent shall mail a notice on behalf of the District, setting forth in general terms the substance of such modification or amendment, such notice to be sent to the Bondholders at the addresses shown on the registration books maintained by the Paying Agent. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such modification or amendment.

Section 7.05. Endorsement or Replacement of Refunding Bonds After Modification or Amendment. After the effective date of any modification or amendment to this Paying Agent Agreement, the District may determine that the Refunding Bonds may bear a notation by endorsement in form approved by the District as to such action, and in that case upon demand of the Bondholder of any Outstanding Refunding Bonds and presentation of its Refunding Bond for such purpose at the Principal Corporate Trust Office of the Paying Agent a suitable notation as to such action shall be made on such Refunding Bond. If the District shall so determine, new Refunding Bonds so modified as, in the opinion of the District, shall be necessary to conform to such modification or amendment shall be prepared and executed, and in that case upon demand of the Bondholder of any Outstanding Refunding Bond a new Refunding Bond or Refunding Bonds shall be exchanged at the Principal Corporate Trust Office of the Paying Agent without cost to each Bondholder for its Refunding Bond or Refunding Bonds then Outstanding upon surrender of such Outstanding Refunding Bonds.

Section 7.06. Amendment by Mutual Consent. The provisions of this Article VII shall not prevent any Bondholder from accepting any modification or amendment as to the particular Refunding Bonds held by such Bondholder, provided that due notation thereof is made on such Refunding Bonds.

ARTICLE VIII
MISCELLANEOUS

Section 8.01. Payment from Ad Valorem Taxes. Payment of principal of and interest on the Refunding Bonds shall be made from ad valorem taxes as described in Section 5.02 hereof.

Section 8.02. Waiver of Personal Liability. No member of the Board of Directors of the District, officer or employee of the District shall be individually or personally liable for the payment of the principal of or interest on the Refunding Bonds, but nothing herein contained shall relieve any member of the Board of Directors of the District, officer or employee of the District from the performance of any official duty required by law.

Section 8.03. Acquisition of Refunding Bonds by the District. All Refunding Bonds acquired by the District, whether by purchase or gift or otherwise, shall be surrendered to the Paying Agent for cancellation and destroyed.

Section 8.04. Benefits of Paying Agent Agreement. Nothing in this Paying Agent Agreement, expressed or implied, is intended to give to any person other than the District and the Bondholders any right, remedy or claim under or by reason of this Paying Agent Agreement. Any covenants, stipulations, promises or agreements in this Paying Agent Agreement contained by and on behalf of the District or any member of the Board of Directors of the District, officer or employee thereof shall be for the sole and exclusive benefit of the Paying Agent and the Bondholders.

Section 8.05. Counterparts. This Paying Agent Agreement may be signed in several counterparts, each of which will constitute an original, but all of which shall constitute one and the same instrument.

Section 8.06. Severability. If any covenant, agreement or provision, or any portion thereof contained in this Paying Agent Agreement, where the application thereof to any person or circumstance is held to be unconstitutional, invalid or unenforceable, the remainder of this Paying Agent Agreement and the application of such covenant, agreement or provision, or portion thereof, to other persons or circumstances, shall be deemed severable and shall not be affected thereby, and this Paying Agent Agreement shall remain valid, and the Bondholders shall retain all valid rights and benefits accorded to them under this Paying Agent Agreement and the Constitution and laws of the State of California.

Section 8.07. Governing Law; Procedure in Case of Default. This Paying Agent Agreement shall be governed by and construed in accordance with, and the rights of the parties shall be governed by the laws of the State of California. The procedure to be used in case of default shall be in accordance with the laws of the State of California.

Section 8.08. Continuing Disclosure. The District hereby covenants and agrees that it shall comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Paying Agent Agreement, failure of the District to comply with the Continuing Disclosure Certificate shall not be considered an event of default hereunder; provided that any Owner or Beneficial Owner (as defined below) may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this section. For purposes of this section, "Beneficial Owner" means any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Refunding Bonds (including persons holding Refunding Bonds through nominees, depositories or other intermediaries).

Section 8.09. Notices. Unless otherwise specified herein, all notices, statements, orders, requests or other communications hereunder by any party to another shall be in writing and shall be sufficiently given and served upon the other party if delivered personally or if mailed by United States registered or certified mail, return receipt requested, postage prepaid, or if given by fax, electronically, or other means of written communication and confirmed by mail:

If to the District:	El Camino Healthcare District 2500 Grant Road Mountain View, CA 94039-7025 Attn: Chief Financial Officer
If to the Paying Agent:	Wells Fargo Bank, National Association 333 Market St., 18th Floor San Francisco, CA 94105 Attn: Corporate Trust Department

IN WITNESS WHEREOF, the parties hereto have caused this Paying Agent Agreement to be duly executed by their officers duly authorized as of the date first written above.

EL CAMINO HEALTHCARE DISTRICT

By:____________________________________
Authorized District Representative

Attest:

____
Secretary
El Camino Healthcare District

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Paying Agent

By:____________________________________
Authorized Officer

EXHIBIT A

[FORM OF REFUNDING BOND]

Number	UNITED STATES OF AMERICA	Amount
R - ____	STATE OF CALIFORNIA	$____________
	SANTA CLARA COUNTY	

EL CAMINO HEALTHCARE DISTRICT
2016 General Obligation Refunding Bonds

Interest Rate	Maturity Date	Dated as of	CUSIP No.
_____%	August 1, 20__	_________, 2016	____________

Registered Owner: CEDE & CO.

Principal Sum: ____________________________________ DOLLARS

The El Camino Healthcare District, County of Santa Clara, State of California (herein called the "District"), a local health care district organized and existing under and pursuant to The Local Health Care District Law, acknowledges itself obligated to and promises to pay to the registered owner identified above or registered assigns on the maturity date set forth above or upon redemption prior thereto, the principal sum specified above in lawful money of the United States of America, and to pay interest thereon in like lawful money at the interest rate per annum stated above, computed on the basis of a 360-day year of twelve 30-day months, payable February 1, 2017, and thereafter on February 1 and August 1 in each year, until payment of said principal sum. If this bond is authenticated and registered on any date prior to the close of business on January 15, 2017, it shall bear interest from the date hereof. If authenticated during the period between any Record Date (defined as the fifteenth day of the month preceding an interest payment date) and the close of business on its corresponding interest payment date, it shall bear interest from such interest payment date. Otherwise, this bond shall bear interest from the interest payment date immediately preceding the date of its authentication.

All capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in the Paying Agent Agreement, dated as of November 1, 2016, (the "Paying Agent Agreement"), between the District and Wells Fargo Bank, National Association, as paying agent (together with any successor paying agent, the "Paying Agent").

The principal hereof is payable to the registered owner hereof upon the surrender hereof at the principal corporate trust office (as that term is defined in the Paying Agent Agreement hereinafter described) of the "Paying Agent, the paying agent/registrar and transfer agent of the District. The interest hereon is payable to the person whose name appears on the bond registration books of the Paying Agent as the registered owner hereof as of the close of business on the Record Date preceding each interest payment date, whether or not such day is a business day, such interest to be paid by check mailed to such registered owner at the owner's address as it appears on such registration books, or at such other address filed with the Paying Agent for that purpose. Upon written request, given no later than the Record Date immediately preceding an interest payment date, of the owner of Refunding Bonds (hereinafter defined) aggregating at least $1,000,000 in principal amount, interest will be paid by wire transfer to an account maintained in the United States as specified by the owner in such request. So long as Cede & Co. or its registered assigns shall be the registered owner of this bond, payment shall be made by wire transfer as provided in the Paying Agent Agreement.

This Refunding Bond is one of a duly authorized issue of bonds of like tenor (except for such variations, if any, as may be required to designate varying series, numbers, denominations, interest rates, maturities and redemption provisions), amounting in the aggregate to $___________________, designated as "El Camino Healthcare District 2016 General Obligation Refunding Bonds" (the "Refunding Bonds"). The Refunding Bonds were authorized by a resolution approved by the El Camino Healthcare District Board of Directors (the "Board") on _________, 2016, are issued and sold pursuant to the Paying Agent, in strict conformity with the provisions thereof and of the Constitution and laws of California, specifically the provisions of Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code.

The Refunding Bonds are issuable as fully registered bonds without coupons in the denomination of $5,000 principal amount or any integral multiple thereof. Subject to the limitations and conditions and upon payment of the charges, if any, as provided in the Paying Agent Agreement, Refunding Bonds may be exchanged for a like aggregate principal amount of Refunding Bonds of the same maturity and interest rate of other authorized denominations.

This Refunding Bond is transferable by the registered owner hereof, in person or by attorney duly authorized in writing, at said office of the Paying Agent, but only in the manner, subject to the limitations and upon payment of the charges provided in the Paying Agent Agreement, and upon surrender and cancellation of this Refunding Bond. Upon such transfer, a new Refunding Bond or Refunding Bonds of authorized denomination or denominations for the same maturity, interest rate, and same aggregate principal amount will be issued to the transferee in exchange herefor.

The District and the Paying Agent may treat the registered owner hereof as the absolute owner hereof for all purposes, and the District and the Paying Agent shall not be affected by any notice to the contrary.

The Refunding Bonds are subject to optional and mandatory sinking fund redemption as described below on the terms and subject to the conditions specified in the Paying Agent Agreement. If this bond is called for redemption and payment is duly provided therefor, interest shall cease to accrue hereon from and after the date fixed for redemption.

Refunding Bonds maturing on or before August 1, 20__, are not subject to redemption prior to their respective stated maturity dates. Refunding Bonds maturing on and after August 1, 20__, are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date, on or after February 1, 20__, at the principal amount of the Refunding Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

Refunding Bonds maturing on August 1, 20__ are also subject to redemption prior to their stated maturity, in part, by lot, from mandatory sinking fund payments deposited in the Interest and Sinking Fund, at a redemption price equal to the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium.

The Board of Directors hereby certifies and declares that the total amount of indebtedness of the District, including the amount of this Refunding Bond, is within the limit provided by law, that all acts, conditions and things required by law to be done or performed precedent to and in the issuance of this Refunding Bond have been done and performed in strict conformity with the laws authorizing the issuance of this Refunding Bond, that this Refunding Bond is in the form prescribed by order of the Board of Directors of the District, duly made and entered in the minutes of the Board of Directors of the District and shall be payable out of the Interest and Sinking Fund, and the money for the payment of the principal of this Refunding Bond, premium, if any, and the payment of interest hereon, shall be raised by taxation upon the taxable property of said District.

This Refunding Bond shall not be entitled to any benefit under the Paying Agent Agreement, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon endorsed shall have been signed by the Paying Agent.

IN WITNESS WHEREOF the Board of Directors of the El Camino Healthcare District has caused this Refunding Bond to be signed by facsimile signatures of its Chair and to be attested by the Secretary of the District, as of the date set forth.

EL CAMINO HEALTHCARE DISTRICT

By:____
Chair
El Camino Healthcare District

Attest:

By:__________________________________
Secretary
El Camino Healthcare District

DTC LEGEND

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Issuer or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This is one of the Refunding Bonds described in the within-mentioned Paying Agent Agreement authenticated and registered on ________________.

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Paying Agent/Registrar and Transfer Agent

By:____
Authorized Officer

ASSIGNMENT

For value received the undersigned do(es) hereby sell, assign and transfer unto ______________________________ the within-mentioned Registered Refunding Bond and hereby irrevocably constitute(s) and appoint(s) ______________________________ attorney, to transfer the same on the books of the Paying Agent/Registrar and Transfer Agent with full power of substitution in the premises.

____
I.D. Number

____
NOTE: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Registered Refunding Bond in every particular, without alteration or enlargement or any change whatsoever.

Dated: ________________________

Signature Guarantee: ______________________________
Notice: Signature must be guaranteed by an eligible guarantor institution.

EXHIBIT B

FORM OF COSTS OF ISSUANCE FUND REQUISITION

REQUISITION NO. ____ COSTS OF ISSUANCE FUND

The undersigned, _________, hereby certifies as follows:

1. I am ____________________ of El Camino Healthcare District, a local health care district duly organized and existing under the laws of the State of California (the "District").

2. Pursuant to the provisions of that certain Paying Agent Agreement, dated as of November 1, 2016 (the "Paying Agent Agreement"), between the District and Wells Fargo Bank, National Association, as paying agent (the "Paying Agent"), I am an Authorized District Representative (as such term is defined in the Paying Agent Agreement) and I am delivering this Requisition on behalf of the District. All capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in the Paying Agent Agreement.

3. The undersigned hereby requests that the Paying Agent pay from the Series Costs of Issuance Fund created pursuant to Section 3.03 of the Paying Agent Agreement the amounts specified in Schedule I hereto to the persons identified in Schedule I.

4. The undersigned, acting on behalf of the District, hereby certifies that: (a) obligations in the amounts set forth in Schedule I attached hereto have been incurred by the District and are presently due and payable; (b) each item is a proper charge against the Costs of Issuance Fund; and (c) each item has not been previously paid from the Costs of Issuance Fund.

Dated: ____________.

EL CAMINO HEALTHCARE DISTRICT

By:____
Authorized District Representative

SCHEDULE I TO REQUISITION NO. ____

Name and Address Of Party To Be Paid	Payment Amount	Nature of Expenditure	Payment Instructions

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Att. 12 04 Bonds Escrow Agreement

EL CAMINO HEALTHCARE DISTRICT

and

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Paying Agent and Escrow Agent

ESCROW AGREEMENT

Dated as of November 1, 2016

Relating
to
El Camino Hospital District 2006 General Obligation Bonds
Election of 2003

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ESCROW AGREEMENT

This Escrow Agreement, dated as of November 1, 2016 (this "Escrow Agreement"), between El Camino Healthcare District, formerly known as El Camino Hospital District, a local health care district duly organized and existing under and by virtue of the Constitution and laws of the State of California (the "District"), and Wells Fargo Bank, National Association ("Wells Fargo Bank"), a national banking association duly organized and existing under the laws of the United States, as paying agent and as escrow agent for the El Camino Hospital District 2006 General Obligation Bonds (the "Series 2006 Bonds");

W I T N E S S E T H:

WHEREAS, the District is currently obligated to make certain payments with respect to the Series 2006 Bonds issued under and pursuant to the provisions Chapter 4 of Division 23 (commencing with Section 32300) of the California Health and Safety Code and Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 (commencing with Section 53506) of the California Government Code, Resolution No. 2004-7, adopted by the Board of Directors of the District on December 8, 2004 and Resolution 2006-12, adopted by the Board of Directors of the District on October 11, 2006;

WHEREAS, the terms and provisions of the Series 2006 Bonds are set forth in that certain Paying Agent Agreement, dated as of November 1, 2006 (the "Paying Agent Agreement"), between the District and Wells Fargo Bank, as paying agent (Wells Fargo Bank, acting in such capacity being hereinafter referred to as the "Paying Agent");

WHEREAS, the District has determined that debt service savings can be achieved by providing for the refunding and redemption of the Current Interest Bonds (as such term is defined in Section 2.01 of the Paying Agent Agreement) maturing on and after August 1, [2017] (such Current Interest Bonds being hereinafter referred to as the "Refunded Bonds");

WHEREAS, in order to provide moneys which, together with the earnings thereon, will be sufficient to provide for the payment of the interest on the Refunded Bonds to February 1, 2017 (the "Redemption Date"), and to redeem all Refunded Bonds outstanding on such Redemption Date at a redemption price equal to the principal amount thereof together with interest accrued thereon to the Redemption Date, without premium;

WHEREAS, the District is issuing $[2016 PAR] aggregate principal amount of El Camino Healthcare District 2016 General Obligation Refunding Bonds (the "Series 2016 Bonds") pursuant to Resolution No. 2016-[_] adopted by the Board of Directors of the District on October __, 2016;

WHEREAS, the terms and provisions of the Series 2016 Bonds are set forth in that certain Paying Agent Agreement, dated as of November 1, 2016 (the "Refunded Bonds Paying Agent Agreement"), between the District and Wells Fargo Bank, as paying agent (Wells Fargo Bank, acting in such capacity being hereinafter referred to as the "Refunded Bonds Paying Agent");

WHEREAS, the Refunded Bonds Paying Agent Agreement contemplates the transfer of a portion of the proceeds of the Series 2016 Bonds to the Escrow Agent to be deposited in the

Escrow Fund (the "Escrow Fund") established hereunder, which proceeds shall be applied to refund and redeem the Refunded Bonds;

WHEREAS, the District has taken action to cause to be issued or delivered to the Escrow Agent for deposit in or credit to the Escrow Fund cash and certain securities (the "Escrow Securities") listed on Schedule I attached hereto and made a part hereof, in an amount which, together with income or interest to accrue thereon, has been certified by [Causey Demgen & Moore P.C.] (the "Verification Agent") to be sufficient to pay the interest on the Refunded Bonds to the Redemption Date, and to redeem the Refunded Bonds outstanding on the Redemption Date at a redemption price equal to the principal amount thereof together with interest accrued thereon to the Redemption Date, without premium;

NOW, THEREFORE, the District and Wells Fargo Bank, as Paying Agent and as Escrow Agent, hereby agree as follows:

Section 1. Establishment, Funding and Maintenance of Escrow Fund. The Escrow Agent agrees (i) to establish and maintain, until all of the Refunded Bonds have been paid in full, a fund designated as the "Escrow Fund," which, for purposes of Section 53555 of the California Government Code, shall be deemed to be a Fund in the treasury of the District, and (ii) to hold the securities and moneys therein at all times as a special and separate trust fund wholly segregated from all other securities or moneys on deposit with the Escrow Agent. All securities and moneys in the Escrow Fund are hereby irrevocably pledged, subject to the provisions of Section 2 and Section 4 hereof, to secure the payment of the Refunded Bonds.

On the date of issuance of the Series 2016 Bonds, the Escrow Agent shall deposit $__________ into the Escrow Fund, such amount to be transferred from the proceeds of the Series 2016 Bonds to the Escrow Agent by the Refunded Bonds Paying Agent. The Escrow Agent: (i) shall apply $__________ to the purchase of the Escrow Securities and shall hold such Escrow Securities on deposit in the Escrow Fund; and (ii) shall hold $______ in cash on deposit in the Escrow Fund. The Escrow Agent may conclusively rely upon the conclusion of the Verification Agent that the Escrow Securities listed on Schedule I will mature and bear interest payable in such amounts and at such times as, together with $______ held in cash on deposit in the Escrow Fund, will be necessary and sufficient to pay when due the principal of the Refunded Bonds and interest on the Refunded Bonds to the Redemption Date.

Section 2. Investment of the Escrow Fund.

(a) The District and the Escrow Agent each shall take all remaining necessary action to have issued and registered in the name of the Escrow Agent, for the account of the Escrow Fund, the Escrow Securities.

(b) Except as is otherwise provided herein, the Escrow Agent shall not reinvest any cash portion of the Escrow Fund and shall hold such cash portion uninvested in the Escrow Fund (provided the Escrow Agent is authorized to deposit any uninvested cash portion in demand deposit accounts established at commercial banks that are corporate affiliates of the Escrow Agent); provided, however, that after receiving an unqualified opinion of nationally recognized municipal bond counsel to the effect that such reinvestment will not adversely affect the exemption from federal income taxation of interest on the Refunded Bonds or the Series 2016 Bonds and after receiving the report of a firm of independent accountants to the effect that such reinvestment will not adversely affect the sufficiency of the amount of securities and cash on deposit in the Escrow Fund, the Escrow Agent may, at the written direction of the District, reinvest any cash portion of the Escrow Fund in non-callable direct obligations of the United States of America. Any such reinvestment shall be made in securities the principal of and interest on which is payable at such times and in such amounts as will be sufficient (together with the other securities and cash in the Escrow Fund) to pay when due the principal of the Refunded Bonds and interest on the Refunded Bonds to the Redemption Date in accordance with the requirements set forth in Section 3.

(c) The Escrow Agent shall not be liable or responsible for any loss resulting from any investment or reinvestment made pursuant to this Escrow Agreement and in full compliance with the provisions hereof.

Section 3. Payment and Redemption of the Refunded Bonds; Transfer of Funds After Redemption.

(a) The District hereby requests and irrevocably instructs the Escrow Agent, and the Escrow Agent hereby agrees to collect and deposit in the Escrow Fund the principal of and interest on all Escrow Securities held for the account of the Escrow Fund promptly as such principal and interest become due, and to apply, subject to the provisions of Section 2 and Section 4, such principal and interest, together with any other moneys and the principal of and interest on any other securities deposited in the Escrow Fund, to the payment of the principal of and interest on Refunded Bonds at the places and in the manner stipulated in the Paying Agent Agreement to the Redemption Date.

The Escrow Agent, acting as Paying Agent, is hereby instructed to apply the amount deposited in the Escrow Fund to the payment of the principal of and interest on the Refunded Bonds at the times and places and in the manner specified in the Paying Agent Agreement to the Redemption Date, and to redeem all Refunded Bonds outstanding on the Redemption Date at a redemption price equal to the principal amount thereof, together with interest accrued thereon to the Redemption Date, without premium, at the times and places and in the manner specified in the Paying Agent Agreement, including the notice requirements contained therein, such payment to be made from the Escrow Fund.

(b) The District hereby requests and irrevocably instructs the Paying Agent, and the Paying Agent hereby agrees to cause all appropriate notices of redemption to be given as provided in the Paying Agent Agreement.

(c) The District hereby requests and irrevocably instructs the Escrow Agent and the Escrow Agent hereby agrees to transfer any securities or cash remaining in the Escrow Fund after the redemption of all of the Refunded Bonds to the District in accordance with the requirements set forth in Section 4.02 of the Paying Agent Agreement.

Section 4. Substitution of Securities. Except as provided in Section 2 and in this Section, the Escrow Agent shall have no power or duty to invest any funds held under this

Escrow Agreement or to sell, transfer or otherwise dispose of or make substitutions of the investments initially required to be made with respect to such funds. Upon the written request of the District, and subject to the conditions and limitations herein set forth and applicable governmental rules and regulations, the Escrow Agent shall sell, redeem or otherwise dispose of the Escrow Securities, provided that there are substituted therefor from the proceeds of the Escrow Securities, non-callable direct obligations of the United States of America, but only after the Escrow Agent has received (i) an opinion of nationally recognized municipal bond counsel to the effect that such reinvestment will not adversely affect the exclusion from gross income for federal income tax purposes of interest payable on the Refunded Bonds or the Series 2016 Bonds and (ii) a report of a firm of independent accountants to the effect that such reinvestment will not adversely affect the sufficiency of the amounts of securities and cash in the Escrow Fund to pay when due the principal of and interest the Refunded Bonds to the Redemption Date and to redeem the Refunded Bonds outstanding on the Redemption Date at the redemption price, plus accrued interest thereon, as specified in the Paying Agent Agreement and Section 3 hereof. The Escrow Agent shall not be liable or responsible for any loss resulting from any reinvestment made pursuant to this Escrow Agreement and in full compliance with the provisions hereof.

Section 5. Fees and Costs.

(a) The Escrow Agent's annual fees and costs for acting as Escrow Agent in accordance with the provisions of this Escrow Agreement are to be agreed upon by the Escrow Agent and the District and paid by the District upon receipt of an invoice or billing from the Escrow Agent.

(b) The Escrow Agent shall also be entitled to additional reasonable fees and reimbursements from the District for costs incurred, including but not limited to legal and accountants' services, in connection with any litigation, not arising from the Escrow Agent's negligence or willful misconduct, which may at any time be instituted involving this Escrow Agreement.

(c) The fees of and the costs incurred by the Escrow Agent shall in no event be deducted or payable from or constitute a lien against the Escrow Fund.

(d) The District hereby assumes liability for, and shall (whether or not any of the transactions contemplated hereby are consummated) indemnify, protect, save and hold harmless the Escrow Agent and its successors, assigns, agents and servants from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including legal fees and disbursements) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against, at any time, the Escrow Agent (whether or not also indemnified against by any other person under any other agreement or instrument) and in any way relating to or arising out of the execution and delivery of this Escrow Agreement, the establishment of the Escrow Fund, the retention of the moneys therein and any payment, transfer or other application of moneys by the Escrow Agent in accordance with the provisions of this Escrow Agreement, or as may arise by reason of any act, omission or error of the Escrow Agent made in good faith in the conduct of its duties; provided, however, that the District shall not be required to indemnify the Escrow Agent against its own negligence or willful misconduct. The indemnities contained in this Section shall survive the termination of this Escrow Agreement or the resignation or removal of the Escrow Agent.

Section 6. Merger or Consolidation. Any company into which Wells Fargo Bank may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Wells Fargo Bank may sell or transfer all or substantially all of its corporate trust business shall be the successor to the Escrow Agent without the execution or filing of any paper or any further act, notwithstanding anything herein to the contrary.

Section 7. Resignation of the Escrow Agent. The Escrow Agent may at any time resign by giving written notice to the District of such resignation. The District shall promptly appoint a successor Escrow Agent. Resignation of the Escrow Agent will be effective only upon acceptance of appointment of a successor Escrow Agent. If the District does not appoint a successor Escrow Agent within forty-five (45) days of such resignation, the Escrow Agent, at the expense of the District, may petition any court of competent jurisdiction for the appointment of a successor Escrow Agent, which court may thereupon, after such notice, if required by law, appoint a successor Escrow Agent. After receiving a notice of resignation of an Escrow Agent, the District may appoint a temporary Escrow Agent to replace the resigning Escrow Agent until the District appoints a successor Escrow Agent. Any such temporary Escrow Agent so appointed by the District shall immediately and without further act be superseded by the successor Escrow Agent so appointed.

Section 8. Termination; Unclaimed Money. This Escrow Agreement shall terminate when the principal of, and interest on, all Refunded Bonds has been paid; provided, that moneys held by the Escrow Agent in the Escrow Fund for the payment and discharge of any of the Refunded Bonds which remain unclaimed for two (2) years after the date when such Refunded Bonds became due and payable (whether by maturity or upon prior redemption) if such money was held by the Escrow Agent at such date, or for two (2) years after the date of deposit of such money, if such money was deposited with the Escrow Agent after the date when such Refunded Bonds became due and payable, shall be transferred to the interest and sinking fund for payment of any outstanding Series 2006 Bonds payable from the interest and sinking fund created pursuant to the Paying Agent Agreement; or, if no such Series 2006 Bonds are at such time outstanding, said moneys shall be transferred to the District for deposit in the general fund of the District as provided and permitted by law.

Section 9. Capacity of Escrow Agent. The Escrow Agent is entering into this Escrow Agreement in its capacity as paying agent under the Paying Agent Agreement and shall be entitled to the protections, limitations from liability and indemnification afforded in Article VI of the Paying Agent Agreement. The Escrow Agent undertakes to perform only such duties as are expressly and specifically set forth in this Escrow Agreement and no implied duties or obligations shall be read into this Escrow Agreement against the Escrow Agent. The Escrow Agent shall not be liable or responsible for the accuracy of any calculations as to the sufficiency of the Escrow Securities, together with cash on deposit in the Escrow Fund, to pay when due the principal of and interest on the Refunded Bonds. The Escrow Agent shall not be liable or responsible for any loss resulting from any investment or reinvestment made pursuant to this Escrow Agreement and in full compliance with the provisions hereof. Subject to the provisions of Section 3 hereof, Section

4 hereof and Section 8 hereof, moneys held by the Escrow Agent hereunder are to be held and applied for the payment of the Refunded Bonds in accordance with the Paying Agent Agreement.

Section 10. Amendment. This Escrow Agreement is made for the benefit of the District and the registered owners from time to time of the Refunded Bonds. This Escrow Agreement shall not be repealed, revoked, altered or amended without the written consent of all such registered owners; provided, however, that the District, the Escrow Agent and the Paying Agent may, but without the consent of, or notice to, such registered owners, enter into such agreements supplemental to this Escrow Agreement for any one or more of the following purposes: (i) to cure any ambiguity or inconsistency or formal defect or omission in this Escrow Agreement; (ii) to grant to, or confer upon, the Escrow Agent for benefit of such registered owners any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such registered owners or the Escrow Agent; (iii) to subject to this Escrow Agreement additional funds, securities or investments; and (iv) to make any other amendment that does not materially adversely affect the rights of any registered owners of the Refunded Bonds; provided, however that no such agreement supplemental to this Escrow Agreement shall modify or amend (i) the irrevocable pledge of the Escrow Fund, (ii) the provisions requiring delivery of an opinion of nationally recognized municipal bond counsel and a report of a firm of independent accountants to the Escrow Agent prior to any substitution of securities or (iii) the provisions requiring delivery of an opinion of nationally recognized municipal bond counsel and report of a firm of independent accountants to the Escrow Agent prior to any reinvestment, without the consent of all registered owners of the Refunded Bonds then Outstanding (as such term is defined in the Paying Agent Agreement).

Section 11. Notice to Escrow Agent, Paying Agent and District. Any notice to or demand upon the Escrow Agent or the Paying Agent, as applicable, shall be deemed to have been sufficiently given or served for all purposes by being mailed by registered or certified mail, and deposited, postage prepaid, in a post office letter box, addressed to the Escrow Agent or the Paying Agent, as applicable, at [Wells Fargo Bank, National Association, 600 South 4th Street, MAC N9300-060, Minneapolis, Minnesota 55415, Attention: Corporate Trust Services] (or at such other address as may have been filed in writing by the Escrow Agent and the Paying Agent with the District). Any notice to or demand upon the District shall be deemed to have been sufficiently given or served for all purposes by being mailed by registered or certified mail, and deposited, postage prepaid, in a post office letter box or by delivery by overnight delivery service, addressed to the District at 2500 Grant Road, Mountain View, California 94039-7025, Attention: Chief Financial Officer (or such other address as may have been filed in writing by the District with the Escrow Agent and the Paying Agent). Any notice to be delivered hereunder may also be delivered by electronic means, receipt of which shall be confirmed.

Section 12. Governing Law; Venue. The laws of the State of California govern all matters arising out of or relating to this Escrow Agreement, including, without limitation, its validity, interpretation, construction, performance, and enforcement.

Section 13. Execution in Counterparts. This Escrow Agreement may be executed in any number of counterparts, each of which shall for all purposes be deemed to be an original and all of which shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the EL CAMINO HEALTHCARE DISTRICT has caused this Escrow Agreement to be signed in its name by its duly authorized representative and WELLS FARGO BANK, NATIONAL ASSOCIATION, has caused this Escrow Agreement to be signed in its corporate name by its duly authorized officer, all as of the day and year first above written.

- EL CAMINO HEALTHCARE DISTRICT

- By: ________________________________
    - Authorized District Representative

WELLS FARGO BANK,
NATIONAL ASSOCIATION,
as Escrow Agent and Paying Agent

By:____________________________________
Authorized Officer

Schedule I

Description of Escrow Securities

Type of Security	Maturity Date	Par Amount	Rate	Total Cost

Att. 12 05 Continuing Disclosure Undertaking

APPENDIX E

FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the El Camino Healthcare District (the "District") in connection with the issuance of $___________ El Camino Healthcare District 2016 General Obligation Refunding Bonds (the "Bonds"). The Bonds are being issued pursuant to a resolution of the Board of Directors of the District adopted on October 18, 2016 (the "Resolution"). The District covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Resolutions, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" shall mean initially BLX Group LLC, or any successor Dissemination Agent designated in writing by the District (which may be the District) and which has filed with the District a written acceptance of such designation.

"Holders" shall mean registered owners of the Bonds.

"Listed Events" shall mean any of the events listed in Section 5(a) or Section 5(b) of this Disclosure Certificate.

"Participating Underwriter" shall mean the original underwriter of the Bonds required to comply with the Rule in connection with the initial offering of the Bonds.

"Repository" shall mean the Municipal Securities Rulemaking Board, which can be found at http://emma.msrb.org/, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of California.

SECTION 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than six months after the end of the District's fiscal year (presently ending June 30), commencing with the report for the 2016-17 Fiscal Year, provide to the Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate, with a copy to the Participating Underwriter. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided* that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b).

(b) Not later than 30 days (nor more than 60 days) prior to said date the Dissemination Agent shall give notice to the District that the Annual Report shall be required to be filed in accordance with the terms of this Disclosure Certificate. Not later than 15 Business Days prior to said date, the District shall provide the Annual Report in a format suitable for reporting to the Repository to the Dissemination Agent (if other than the District). If the District is unable to provide to the Repository an Annual Report by the date required in subsection (a), the District shall send a notice in a timely manner to the Repository in substantially the form attached as Exhibit A with a copy to the Dissemination Agent. The Dissemination Agent shall not be required to file a Notice to Repository of Failure to File an Annual Report.

(c) The Dissemination Agent shall file a report with the District stating it has filed the Annual Report in accordance with its obligations hereunder, stating the date it was provided to the Repository.

SECTION 4. Content of Annual Reports. (a) The District's Annual Report shall contain or include by reference the following:

1. The audited financial statements of the District for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

2. Material financial information and operating data with respect to the District of the type included in the Official Statement in the following categories (to the extent not included in the District's audited financial statements):

(A) Assessed Valuation of taxable property within the District for then-current fiscal year;

(B) secured *ad valorem* property tax levies and delinquencies for taxable property within the District, to the extent Santa Clara County no longer implements the Teeter Plan (as such term is defined in the Official Statement) with respect to tax levies for general obligation bonded debt of the District;

(C) outstanding District indebtedness; and

(D) summary financial information on revenues and expenditures reflecting the District's adopted budget for the current fiscal year.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to the Repository or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

(b) The Annual Report shall be filed in an electronic format accompanied by identifying information prescribed by the Municipal Securities Rulemaking Board

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5(a), the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not in excess of 10 business days after the occurrence of the event:

1. principal and interest payment delinquencies.

2. tender offers.

3. defeasances.

4. rating changes.

5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, or Notices of Proposed Issue (IRS Form 5701-TEB).

6. unscheduled draws on the debt service reserves reflecting financial difficulties.

7. unscheduled draws on credit enhancement reflecting financial difficulties.

8. substitution of the credit or liquidity providers or their failure to perform.

9. bankruptcy, insolvency, receivership or similar event (within the meaning of the Rule) of the District. For the purposes of the event identified in this Section 5(a)(9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(b) Pursuant to the provisions of this Section 5(b), the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. non-payment related defaults.

2. modifications to rights of Holders.

3. optional, contingent or unscheduled bond calls.

4. unless described under Section 5(a)(5) above, material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds.

5. release, substitution or sale of property securing repayment of the Bonds.

6. the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.

7. Appointment of a successor or additional trustee or paying agent with respect to the Bonds or the change of name of such a trustee or paying agent.

(c) Whenever the District obtains knowledge of the occurrence of a Listed Event under Section 5(b) hereof, the District shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the District determines that knowledge of the occurrence of a Listed Event under Section 5(b) hereof would be material under applicable federal securities laws, the District shall (i) file a notice of such occurrence with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event or (ii) provide notice of such reportable event to the Dissemination Agent in format suitable for filing with the Repository in a timely manner not in excess of 10 business days after the occurrence of the event. The Dissemination Agent shall have no duty to independently prepare or file any report of Listed Events. The Dissemination Agent may conclusively rely on the District's determination of materiality pursuant to Section 5(c).

SECTION 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(a) or 5(b), as applicable.

SECTION 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent (or substitute Dissemination Agent) to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign upon 15 days written notice to the District. Upon such resignation, the District shall act as its own Dissemination Agent until it appoints a successor. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate and shall not be responsible to verify the accuracy, completeness or materiality of any continuing disclosure information provided by the District. The District shall compensate the Dissemination Agent for its fees and expenses hereunder as agreed by the parties. Any entity succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor Dissemination Agent without the execution or filing of any paper or further act.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds; and

(d) No duties of the Dissemination Agent hereunder shall be amended without its written consent thereto.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(b), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Resolutions, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate. The Dissemination Agent acts hereunder solely for the benefit of the District; this Disclosure Certificate shall confer no duties on the Dissemination Agent to the Participating Underwriter, the Holders and the Beneficial Owners. The District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have no liability for the failure to report any event or any financial information as to which the District has not provided an information report in format suitable for filing with the Repository. The Dissemination Agent shall not be required to monitor or enforce the District's duty to comply with its continuing disclosure requirements hereunder.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Signature. This Disclosure Certificate has been executed by the undersigned on the date hereof, and such signature binds the District to the undertaking herein provided.

Date: November ___, 2016

EL CAMINO HEALTHCARE DISTRICT

By: ____

Authorized Officer

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of District: EL CAMINO HEALTHCARE DISTRICT

Name of Bond Issue: 2016 General Obligation Refunding Bonds

Date of Issuance: November ___, 2016

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate relating to the Bonds. The District anticipates that the Annual Report will be filed by _____________.

Dated:_______________________

EL CAMINO HEALTHCARE DISTRICT

By ____[form only; no signature required]______

Att. 12 06 Bond Purchase Agreement

$___________
EL CAMINO HEALTHCARE DISTRICT
2016 General Obligation Refunding Bonds

BOND PURCHASE AGREEMENT

October __, 2016

Board of Directors
El Camino Healthcare District
2500 Grant Road
Mountain View, CA 94039

Ladies and Gentlemen:

Citigroup Global Markets Inc. (the "Underwriter") offers to enter into this Bond Purchase Agreement (this "Purchase Agreement") with the El Camino Healthcare District (the "District"), which will be binding upon the District and the Underwriter upon the acceptance hereof by the District. This offer is made subject to the written acceptance of this Purchase Agreement by the District by the delivery of an executed counterpart hereof to the Underwriter at or prior to 11:59 P.M., Pacific Daylight Time, on the date hereof.

1. **Purchase and Sale of the Bonds.** Upon the terms and conditions and in reliance upon the representations, warranties and agreements herein set forth, the Underwriter hereby agrees to purchase from the District for reoffering to the public, and the District hereby agrees to cause to be delivered to the Underwriter for such purpose, all (but not less than all) of $___________ in aggregate principal amount of the above-captioned bonds (the "Bonds"). The Bonds shall be dated the date of delivery thereof and shall bear interest from such date payable as to interest on each February 1 and August 1, commencing February 1, 2017. The purchase price of the Bonds shall be $_____________ (consisting of the principal amount of the Bonds of $_____________, plus net original issue premium of $_____________, and less an Underwriter's discount of $_____________).

The District acknowledges and agrees that (i) the purchase and sale of the Bonds (defined below) pursuant to this Purchase Agreement is an arm's-length commercial transaction between the District and the Underwriter, (ii) in connection with such transaction, the Underwriter is acting solely as a principal and not as agent, fiduciary of or financial advisor to the District, (iii) the Underwriter has not assumed financial advisory or fiduciary responsibilities in favor of the District with respect to (A) the offering of the Bonds or the process leading thereto (whether or not the Underwriter has advised or is currently advising the District on other matters) or (B) any other contractual obligation to the District except the contractual obligations expressly set forth in this Purchase Agreement and (iv) the District has consulted with its own legal and other professional advisors to the extent it deemed appropriate in connection with the offering of the Bonds. Nothing in the foregoing paragraph is intended to limit the Underwriter's obligations of fair dealing under Rule G-17 of the Municipal Securities Rulemaking Board (the "MSRB"). The District acknowledges that it has previously provided the Underwriter with an acknowledgement of receipt of the required disclosure under MSRB Rule G-17.

2. **The Bonds.** The Bonds shall be dated the date of their original delivery, shall bear or accrete interest at the rates and mature on August 1 in the years and in the principal amounts shown in Appendix A hereto (which is incorporated herein by this reference), except as provided herein, and shall otherwise be as described in, and shall be issued and secured under the provisions of the resolution of the District adopted on October 18, 2016 (the "District Resolution"), the Official Statement (as defined herein), the Paying Agent Agreement dated as of November 1, 2016 (the "Paying Agent Agreement") by and between the District and Wells Fargo Bank, National Association, as Paying Agent, and Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, and other applicable provisions of law.

The Bonds shall be subject to optional and mandatory redemption as set forth in Appendix A hereto.

The net proceeds of the Bonds will be used for (a) the current refunding of a portion of the District's outstanding 2006 General Obligation Bonds (such portion, the "Refunded Bonds") pursuant to an Escrow Agreement, dated as of November 1, 2016 (the "Escrow Agreement"), by and between the District and Wells Fargo Bank, National Association, as paying agent for the Refunded Bonds and as escrow agent (the "Escrow Agent") and (b) the payment of costs of issuance of the Bonds. The net proceeds of the Bonds will be deposited into an escrow fund established pursuant to the Escrow Agreement and applied to pay the interest on the Refunded Bonds due on the redemption date thereof and the redemption price of Refunded Bonds to be redeemed on such redemption date, all as provided in the Escrow Agreement.

3. **Use of Documents.** The District hereby authorizes the Underwriter to use, in connection with the offer and sale of the Bonds, this Purchase Agreement, the Escrow Agreement, the Preliminary Official Statement and Official Statement (each defined below), the District Resolution, and the Paying Agent Agreement, and all information contained herein and therein and all of the documents, certificates or statements furnished by the District to the Underwriter in connection with the transactions contemplated by this Purchase Agreement (except as such documents otherwise provide). Capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Paying Agent Agreement.

4. **Public Offering of the Bonds.** The Underwriter agrees to make a bona fide public offering of all the Bonds at the initial public offering prices or yields to be set forth on the inside cover page of the Official Statement and Appendix A hereto. Subsequent to such initial public offering, the Underwriter reserves the right to change such initial public offering prices or yield as they deem necessary in connection with the marketing of the Bonds.

5. **Preliminary and Final Official Statement; Continuing Disclosure.** (a) The Underwriter hereby represents that it has received and reviewed the Preliminary Official Statement with respect to the Bonds, dated October __, 2016 (the "Preliminary Official Statement"). The District represents that it deemed the Preliminary Official Statement to be final as of its date, except for either revision or addition of the offering price(s), yield(s) to maturity, selling compensation, aggregate principal amount and maturity value, denominational amount and maturity value per maturity, delivery date, rating(s) and other terms of the Bonds which depend upon the foregoing as

provided in and under Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12").

(b) The Underwriter agrees that prior to the time the final Official Statement (the "Official Statement") relating to the Bonds is available, the Underwriter will send to any potential purchaser of the Bonds, upon the request of such potential purchaser, a copy of the most recent Preliminary Official Statement. Such Preliminary Official Statement shall be sent by first class mail (or other equally prompt means) not later than the first business day following the date upon which each such request is received.

(c) The Underwriter hereby represents that it will provide, consistent with the requirements of MSRB Rule G-32, for the delivery of a copy of the Official Statement to each customer who purchases any Bonds during the underwriting period (as such term is defined in MSRB Rule G-11), and deliver a copy of the Official Statement to the MSRB or its designee (including submission to the MSRB's Electronic Municipal Market Access system ("EMMA") on or before the Closing Date, and that it will otherwise comply with all applicable statutes and regulations in connection with the offering and sale of the Bonds, including, without limitation, MSRB Rule G-32 and 17 CFR Section 240.15c2-12, promulgated by the Securities and Exchange Commission.

(d) References herein to the Preliminary Official Statement and the final Official Statement include the cover page and all appendices, exhibits, maps, reports and statements included therein or attached thereto.

(e) To assist the Underwriter in complying with Rule 15c2-12, the District will undertake, under the District Resolution, the Paying Agent Agreement and a continuing disclosure undertaking (the "Continuing Disclosure Undertaking"), to provide annual reports and notices of certain events. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the final Official Statement.

6. **Closing.** At 9:00 A.M., Pacific Daylight Time, on November __, 2016, or at such other time or on such other date as may be mutually agreed upon by the District and the Underwriter (the "Closing Date"), the District will deliver or cause to be delivered to the Underwriter through the facilities of The Depository Trust Company ("DTC"), the Bonds in fully registered book-entry form, duly executed and registered in the name of Cede & Co., as nominee of DTC, and in San Francisco, California at the offices of Orrick, Herrington & Sutcliffe LLP, San Francisco, California, bond counsel ("Bond Counsel"), the other documents hereinafter mentioned; and the Underwriter will accept such delivery and pay the purchase price thereof in immediately available funds by wire transfer to the account of the Paying Agent.

7. **Representations, Warranties and Agreements of the District.** The District hereby represents, warrants and agrees with the Underwriter that:

(a) Due Organization. The District is a healthcare district duly organized and validly existing under the laws of the State of California, with the power to issue the Bonds.

(b) Due Authorization; Valid and Binding Obligations. (i) On or before the Closing Date, the District will have taken all action required to be taken by it to authorize the issuance and delivery of the Bonds; (ii) the District has full legal right, power and authority to enter into this Purchase Agreement, the Escrow Agreement, the Paying Agent Agreement and the

Continuing Disclosure Undertaking, to adopt the District Resolution and to perform its obligations under the District Resolution, the Escrow Agreement and the Paying Agent Agreement; (iii) the District Resolution and this Purchase Agreement constitute valid and legally binding obligations of the District; and (iv) the Paying Agent Agreement, the Escrow Agreement and the Continuing Disclosure Undertaking will, as of the date of the original delivery of the Bonds, constitute a valid and legally binding obligation of the District.

(c) Consents. No consent, approval, authorization, order, filing, registration, qualification, election or referendum of or by any court or governmental agency or public body whatsoever is required in connection with the execution and delivery of this Purchase Agreement, the Escrow Agreement, the Paying Agent Agreement, the Official Statement or the Continuing Disclosure Undertaking, the issuance, delivery or sale of the Bonds or the consummation of the other transactions contemplated herein or hereby and therein and thereby, except for (i) such actions as may be necessary to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and jurisdictions of the United States as the Underwriter may reasonably request or (ii) which have already been taken or obtained.

(d) Internal Revenue Code. The District has covenanted to comply with the Internal Revenue Code of 1986, as amended, with respect to the Bonds.

(e) No Conflicts. The issuance of the Bonds, and the execution, delivery and performance of this Purchase Agreement, the Continuing Disclosure Undertaking, the District Resolution, the Paying Agent Agreement, the Escrow Agreement, and the Bonds, and the compliance with the provisions hereof and thereof do not conflict with or constitute on the part of the District a violation of or default under, the Constitution of the State of California or any existing law, charter, ordinance, regulation, decree, order or resolution, and do not conflict with or result in a violation or breach of, or constitute a default under, any agreement, indenture, mortgage, lease or other instrument to which the District is a party or by which it is bound or to which it is subject.

(f) Litigation. No action, suit, proceeding, hearing or investigation is pending, or, to the knowledge of the District, threatened against the District:

(i) in any way affecting the existence of the District or in any way challenging the respective powers of the several officers of the District required to execute any documents or certificates in connection with the delivery of the Bonds or of the titles of the officials of the District to such offices; or

(ii) seeking to restrain or enjoin the sale, issuance or delivery of any of the Bonds, the application of the proceeds of the sale of the Bonds, or the levy and collection of *ad valorem* taxes of the District pledged or to be pledged or available to pay the principal of and interest on the Bonds, or the pledge thereof, or, the levy of any taxes contemplated by the District Resolution, or in any way contesting or affecting the validity or enforceability of the Bonds, this Purchase Agreement, the Escrow Agreement, the Continuing Disclosure Undertaking, the Paying Agent Agreement or the District Resolution or contesting the powers of the District or its authority with respect to the Bonds, the District Resolution, or this Purchase Agreement; or

(iii) in which a final adverse decision could (a) materially adversely affect the operations of the District or the consummation of the transactions contemplated by this Purchase Agreement, the Continuing Disclosure Undertaking, the Escrow Agreement, the Paying Agent

Agreement or the District Resolution, (b) declare this Purchase Agreement to be invalid or unenforceable in whole or in material part, or (c) adversely affect the exclusion of the interest paid on the Bonds from gross income for federal income tax purposes and the exemption of such interest from California personal income taxation.

(g) No Other Debt. Between the date hereof and the Closing Date, without the prior written consent of the Underwriter, neither the District directly, nor any other governmental agency or other body on behalf of the District, will have issued in the name and on behalf of the District any bonds, notes or other obligations for borrowed money except for such borrowings as may be described in or contemplated by the Official Statement.

(h) Continuing Disclosure. [The District has never failed to comply in all material respects with any prior undertakings under paragraph (b)(5) of Rule 15c2-12.]

(i) Certificates. Any certificates signed by any officer of the District and delivered to the Underwriter shall be deemed a representation by the District to the Underwriter, but not by the person signing the same, as to the statements made therein.

(j) Official Statement Accurate and Complete. The Preliminary Official Statement, as of its date and as of the date hereof, as amended or supplemented, if applicable, did not and does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. At the date hereof and on the Closing Date, the final Official Statement did not and will not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. The District makes no representation or warranty as to the information contained in or omitted from the Preliminary Official Statement or the final Official Statement in reliance upon and in conformity with information furnished in writing to the District by or on behalf of the Underwriter through the Underwriter specifically for inclusion therein or information related to DTC and the book-entry system.

(k) Levy of Tax. The District hereby agrees to take any and all actions as may be required by the County of Santa Clara (the "County") or otherwise necessary in order to arrange for the levy and collection of *ad valorem* taxes, payment of the Bonds, and the deposit and investment of Bond proceeds. In particular, the District hereby agrees to provide the following to the Treasurer-Director of Finance of the County: (i) a copy of the District Resolution, (ii) a copy of Appendix A hereto, and (iii) the full debt service schedule for the Bonds.

8. **Representations, Warranties and Agreements of the Underwriter.** The Underwriter represents and agrees with the District that, as of the date hereof and as of the Closing Date:

(a) The Underwriter is duly authorized to execute this Purchase Agreement and to take any action under this Purchase Agreement required to be taken by it.

(b) The Underwriter is in compliance with MSRB Rule G-37 with respect to the District, and is not prohibited thereby from acting as underwriter with respect to securities of the District.

(c) The Underwriter has, and has had, no financial advisory relationship with the District with respect to the Bonds, and no investment firm controlling, controlled by or under common control with the Underwriter has or has had any such financial advisory relationship.

9. **Covenants of the District.** The District covenants and agrees with the Underwriter that:

(a) Securities Laws. The District will furnish such information, execute such instruments, and take such other action in cooperation with the Underwriter if and as the Underwriter may reasonably request in order to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and jurisdictions, provided, however, that the District shall not be required to take any action which would subject it go general or unlimited service of process or consent to service of process in any jurisdiction in which it is not so subject as of the date hereof.

(b) Application of Proceeds. The District will apply the proceeds from the sale of the Bonds for the purposes for which the Bonds were authorized.

(c) Official Statement. The District hereby agrees to deliver or cause to be delivered to the Underwriter, not later than the 7th business day following the date this Purchase Agreement is signed, and in sufficient time to accompany any confirmation that requests payment from a customer, a final Official Statement substantially in the form of the Preliminary Official Statement, in the electronic format designated by the MSRB, with only such changes therein as are accepted by the Underwriter and the District (such Official Statement with such changes, if any, and including the cover page and all appendices, exhibits, maps, reports and statements included therein or attached thereto being herein called the "Official Statement") in order to permit the Underwriter to comply with paragraph (b)(4) of Rule 15c2-12 and with the rules of the Municipal Securities Rulemaking Board. The District hereby authorizes the Underwriter to use and distribute the Official Statement in connection with the offering and sale of the Bonds.

(d) Subsequent Events. The District hereby agrees to notify the Underwriter of any event or occurrence that may affect in any material respect the accuracy or completeness of any information set forth in the Official Statement relating to the District, until the date which is 25 days from the date of the end of the underwriting period (as such term is defined in Rule 15c2-12), provided that for the purposes of this subsection, the end of the underwriting period shall be the Closing Date unless the Underwriter provides written notice to the contrary to the District on the Closing Date.

(e) Amendments to Official Statement. For a period of 90 days after the Closing Date or until such time (if earlier) as the Underwriter no longer holds any of the Bonds for sale, the District will not adopt any amendment of or supplement to the Official Statement to which, after having been furnished with a copy, the Underwriter objects in writing or which is disapproved by the Underwriter (the Underwriter's approval of such amendment or supplement shall not be unreasonably withheld); and if any event relating to or affecting the District occurs as a result of which it is necessary, in the opinion of Bond Counsel or the Underwriter, to amend or supplement the Official Statement in order to make the Official Statement not misleading in light of the circumstances existing at the time it is delivered to a purchaser, the District shall immediately prepare and furnish (at the expense of the District) an amendment of or supplement to the Official Statement in the electronic format designated by the MSRB (in form and substance satisfactory to the

Underwriter) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time such supplemental Official Statement is delivered to a purchaser, not misleading.

10. **Conditions to Closing.** The Underwriter has entered into this Purchase Agreement in reliance upon the representations, warranties and covenants of the District contained herein and the performance by the District of its obligations hereunder, both as of the date hereof and as of the date of Closing. The Underwriter's obligations under this Purchase Agreement are and shall be subject, at the option of the Underwriter, to the following further conditions at the Closing Date:

(a) Representations True. The representations and warranties of the District herein must be true and correct in all material respects at the date hereof and as of the Closing Date as if made at and as of the Closing Date; and the statements made in all certificates and other documents delivered to the Underwriter on the Closing Date hereunder must be true and correct in all material respects on the Closing Date; and the District must be in compliance with each of the agreements made by it in this Purchase Agreement.

(b) Obligations Performed. As of the Closing Date, (i) the Official Statement, this Purchase Agreement, the Escrow Agreement the Paying Agent Agreement and the District Resolution must be in full force and effect and may not have been amended, modified or supplemented except as agreed to in writing by the Underwriter; (ii) all actions which, in the opinion of Bond Counsel, are necessary in connection with the transactions contemplated hereby, must have been duly taken and must be in full force and effect; and (iii) the District must have performed all of its obligations required under or specified in the District Resolution, this Purchase Agreement, the Paying Agent Agreement or the Official Statement to be performed at or prior to the Closing Date.

(c) Adverse Rulings. No decision, ruling or finding has been entered by any court or governmental authority since the date of this Purchase Agreement (and not reversed on appeal or otherwise set aside), or to the best knowledge of the District, pending or threatened which would constitute a ground for termination of this Purchase Agreement by the Underwriter, which contests in any way the completeness or accuracy of the Official Statement.

(d) Delivery of Documents. On or before the Closing Date, the Underwriter shall receive sufficient copies of the following documents, in each case dated as of the Closing Date and satisfactory in form and substance to the Underwriter:

(i) *Bond Opinion*. An approving opinion of Bond Counsel, as to the validity and tax-exempt status of the Bonds, dated the Closing Date, addressed to the District, in substantially the form appended to the Official Statement;

(ii) *Supplemental Opinion of Bond Counsel*. A supplemental opinion of Bond Counsel addressed to the Underwriter, in form and substance acceptable to the Underwriter, dated as of the Closing Date, substantially to the following effect:

(A) The Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the District Resolution and Paying Agent Agreement are exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

(B) This Purchase Agreement has been duly executed and delivered by the District and is a valid and binding agreement of the District.

(C) The statements contained in the Official Statement under the captions "THE BONDS" (excluding the information contained under the captions "– General Provisions; Book Entry Only System," and "– Annual Debt Service Requirements"), "REFUNDING PLAN," "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS," "TAX MATTERS" and in Appendix F – Proposed Form of Opinion of Bond Counsel, excluding any material that may be treated as included under such captions by cross-reference, insofar as such statements expressly summarize certain provisions of the Bonds, the District Resolution, the Paying Agent Agreement, the Escrow Agreement and the form and content of Bond Counsel's final approving opinion concerning federal tax matters relating to the Bonds, are accurate in all material respects;

(iii) *Reliance Letter*. A reliance letter from Bond Counsel to the effect that the Underwriter may rely upon the approving opinion described in (d)(i) above;

(iv) *Underwriter's Counsel Opinion*. The opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, as counsel to the Underwriter ("Underwriter's Counsel"), in form and substance satisfactory to the Underwriter, addressed to the Underwriter, dated the Closing Date, which includes among other matters an opinion substantially to the effect that the Bonds are not subject to the registration requirements of the Securities Act, and the District Resolution and Paying Agent Agreement are exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended;

(v) *District Counsel Opinion*. The opinion of counsel to the District ("District Counsel"), Buchalter Nemer, a Professional Corporation, San Francisco, California, substantially in the form attached hereto as Appendix C;

(vi) [*Defeasance Opinion.* A defeasance opinion of Bond Counsel, addressed to the District and the Underwriter, with respect to the effective defeasance of the Refunded Bonds;]

(vii) *Opinion of Counsel to the Paying Agent*. The opinion of counsel to the Paying Agent (hereinafter collectively referred to as the "Bank"), addressed to the District and the Underwriter, dated the date of the Closing, to the effect that:

(A) The Bank is a national banking association duly organized and validly existing under and by virtue of the laws of the United States of America, having full power to enter into and perform its obligations under the Paying Agent Agreement;

(B) The Paying Agent Agreement has been duly authorized, executed and delivered by the Bank and constitutes the legal, valid and binding obligation of the Bank enforceable in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles, if equitable remedies are sought;

(C) No consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Bank that has not been obtained is or will be required for the execution and delivery of the Paying Agent Agreement or the consummation of the transactions contemplated by the Paying Agent Agreement;

(D) To its best knowledge after due inquiry, there is no action, suit proceeding or investigation, at law or in equity, before or by any court or governmental agency, public board or body pending against the Bank or threatened against the Bank which in the reasonable judgment of the Bank would affect the existence of the Bank, or in any way contesting or affecting the validity or enforceability of the Paying Agent Agreement or contesting the powers of the Bank or its authority to enter into and perform its obligations under the Paying Agent Agreement; and

(E) The execution and delivery of the Paying Agent Agreement and compliance with the provisions on the part of the Bank contained therein will not conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, resolution or other instrument to which the Bank is a party or is otherwise subject;

(viii) *Certificate of the District*. A certificate signed by appropriate officials of the District to the effect that:

(A) such officials are authorized to execute this Purchase Agreement;

(B) the representations, agreements and warranties of the District herein are true and correct in all material respects as of the date of Closing;

(C) the District has complied with all the terms of the District Resolution, this Purchase Agreement and the Paying Agent Agreement which are necessary to be complied with prior to or before the Closing Date and such documents are in full force and effect;

(D) the District has reviewed the Official Statement and on such basis certifies that the Official Statement does not contain any untrue statement of a material fact nor omit any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, excepting therefrom those sections of the Official Statement describing the Depository Trust Company and its Book-Entry Only System, any bond insurance and the provider of such bond insurance[, and the investment policies of the County];

(E) the Bonds being delivered on the date of the Closing to the Underwriter under this Purchase Agreement substantially conform to the descriptions thereof contained in the District Resolution and the Paying Agent Agreement; and

(F) no event concerning the District has occurred since the date of the Official Statement which has not been disclosed therein or in any supplement thereto, but should be disclosed in order to the make the statements in the Official Statement in light of the circumstances in which they were made not misleading;

(ix) *Arbitrage*. A non-arbitrage certificate of the District in a form satisfactory to Bond Counsel;

(x) *District Resolution*. A certificate, together with fully executed copies of the District Resolution, of the Secretary of the District Board of Directors to the effect that:

(A) such copies are true and correct copies of the District Resolution; and

(B) that the District Resolution was duly adopted and has not been modified, amended, rescinded or revoked and is in full force and effect on the Closing Date;

(xi) *Official Statement*. A certificate of an Authorized District Representative (as defined in the District Resolution) evidencing such Authorized District Representative's determinations respecting the Official Statement in accordance with Rule 15c2-12 and a copy of the Official Statement executed by an Authorized District Representative;

(xii) *Continuing Disclosure Undertaking*. A Continuing Disclosure Undertaking of the District as summarized in the Official Statement and in a form satisfactory to the Underwriter which complies with Rule 15c2-12, in substantially the form appended to the Official Statement;

(xiii) *Ratings*. Evidence satisfactory to the Underwriter that the Bonds shall have been rated "____" by S&P Global Ratings ("S&P") (or such other equivalent ratings as such rating agency may give) and that any such rating has not been revoked or downgraded;

(xiv) *Paying Agent Agreement*. An executed copy of the Paying Agent Agreement;

(xv) *Escrow Agreement.* An executed copy of the Escrow Agreement;

(xvi) [*Verification Report.* A report and opinion of __________________ (the "Verification Report") with respect to the sufficiency of the securities, together with the interest and earnings thereon and any cash held uninvested, deposited pursuant to the Escrow Agreement to refund the Refunded Bonds as provided in the Escrow Agreement;]

(xvii) [*Escrow Agent Certificate.* A certificate of the Escrow Agent, in form and substance acceptable to the Underwriter;]

(xviii) *Auditor Consent.* A letter from Moss Adams LLP, dated October __, 2016, consenting to the use of its report, dated September __, 2016, in the Preliminary Official Statement and the Official Statement; and

(xix) *Other Documents*. Such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter or Bond Counsel may reasonably request to evidence (i) compliance by the District with legal requirements, (ii) the truth and accuracy, as of the time of Closing, of the representations of the District herein contained, and (iii) the due performance or satisfaction by the District at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the District.

If the District is unable to satisfy the conditions to the Underwriter's obligations contained in this Purchase Agreement or if the Underwriter's obligations are terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement may be canceled by the Underwriter at, or at any time prior to, the Closing Date. Notice of cancellation shall be given to the District in writing, or by telephone or facsimile, confirmed in writing. Notwithstanding any provision herein to the contrary, the performance of any and all obligations of the District under this Purchase Agreement and the performance of any and all conditions contained in this Purchase Agreement for the benefit of the Underwriter may be waived by the Underwriter in writing at their sole discretion.

11. **Underwriter's Right to Terminate.**

(a) Notwithstanding anything to the contrary herein contained, if for any reason whatsoever the Bonds have not been delivered by the District to the Underwriter prior to the close of business, Pacific Daylight Time, on November __, 2016, then the obligation to purchase Bonds hereunder shall terminate and be of no further force or effect.

(b) In addition, the Underwriter has the right to terminate this Purchase Agreement, without any liability therefor, by notification to the District at any time at or prior to the Closing, upon the occurrence of any Termination Event as described in Appendix B hereto.

12. **Underwriter's Certifications; Conditions to Obligations of the District.**

(a) At or before Closing, and contemporaneously with the acceptance of delivery of the Bonds and the payment of the purchase price thereof, the Underwriter will provide (or cause to be provided) to the District:

(i) the receipt of the Underwriter, in form satisfactory to the District and signed by an authorized officer of the Underwriter, confirming delivery of the Bonds to the Underwriter, receipt of all documents required by the Underwriter, and confirming to the District that, as of the Closing Date, all of the representations of the Underwriter contained in this Purchase Agreement are true, complete and correct in all material respects.

(b) The performance by the District of its obligations is conditioned upon (i) the performance by the Underwriter of its obligations hereunder; and (ii) receipt by the District of opinions and certificates being delivered on the Closing Date by persons and entities other than the District and the Underwriter.

13. **Expenses.**

(a) The District shall pay the following expenses incident to the performance of its obligations hereunder from proceeds of the Bonds (or from any other source of available funds of the District): (i) the cost of the preparation and reproduction of the District Resolution; (ii) the fees and disbursements of Bond Counsel; (iii) the cost of the preparation, printing and delivery of the Bonds; (iv) the fees, if any, for Bond ratings, including all necessary travel expenses; (v) the cost of the printing and distribution of the Preliminary Official Statement and Official Statement; (vi) the fees of the financial advisor to the District with respect to the Bonds; and (vii) all other fees and expenses incident to the issuance and sale of the Bonds.

(b) All out-of-pocket expenses of the Underwriter, including the California Debt and Investment Advisory Commission fee, travel, fees of Underwriter's Counsel, the fees of Digital Assurance Certification, L.L.C. for a continuing disclosure undertaking compliance review and other expenses (except as provided above), shall be paid by the Underwriter (included in the expense component of the Underwriter's discount). The Underwriter is required to pay fees to the California Debt and Investment Advisor Commission in connection with the Bonds. The District acknowledges that it has had an opportunity, in consultation with such advisors as it may deem appropriate, if any, to evaluate and consider such fees. Notwithstanding that such fees are solely the legal obligation of the Underwriter, the District agrees to reimburse the Underwriter for such fees.

(c) The District shall pay for any expenses (included in the expense component of the Underwriter's discount) incurred by the Underwriter on behalf of the District's employees which are incidental to the implementing this Agreement, including, but not limited to, meals, transportation and lodging of the District's employees.

14. **Notices.** Any notice or other communication to be given under this Purchase Agreement (other than the acceptance hereof as specified in the first paragraph hereof) may be given by delivering the same in writing if to the District, to the Chair of the Board of Directors of the District at the address first set forth above; or if to the Underwriter, to Citigroup Global Markets Inc., 444 South Flower Street, 27th Floor, Los Angeles, CA 90071, Attn: Victor Andrade.

15. **Parties in Interest; Survival of Representations and Warranties.** This Purchase Agreement is made solely for the benefit of the District and the Underwriter (including the successors or assigns of the Underwriter). No person shall acquire or have any rights hereunder or by virtue hereof. All representations, warranties and agreements of the District in this Purchase Agreement shall survive regardless of (a) any investigation or any statement in respect thereof made by or on behalf of the Underwriter, and (b) delivery of and payment by the Underwriter for the Bonds hereunder.

16. **Severability.** In the event any provision of this Purchase Agreement is held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision thereof.

17. **Non-assignment.** Notwithstanding anything stated to the contrary herein, neither party hereto may assign or transfer its interest herein, or delegate or transfer any of its obligations hereunder, without the prior consent of the other party hereto.

18. **Entire Agreement.** This Purchase Agreement, when executed by the parties hereto, shall constitute the entire agreement of the parties hereto, including their permitted successors and assigns, respectively.

19. **Execution in Counterparts.** This Purchase Agreement may be executed in several counterparts each of which shall be regarded as an original and all of which shall constitute but one and the same document.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

20. **Applicable Law.** This Purchase Agreement shall be interpreted, governed and enforced in accordance with the law of the State of California applicable to contracts made and performed in such State.

Very truly yours,

CITIGROUP GLOBAL MARKETS INC., as underwriter

By: ___________________________________
Director

The foregoing is hereby agreed to and accepted as of the date first above written:

EL CAMINO HEALTHCARE DISTRICT

By: ___________________________________
Authorized District Representative

APPENDIX A

INTEREST RATES AND MATURITIES; REDEMPTION; SPECIFIED TERMS

Maturity Schedule:

$________ Serial Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	Price	Maturity (August 1)	Principal Amount	Interest Rate	Yield	Price

$________ _____% Term Bonds due August 1, 20__ – Yield _____% – Price _____%

$________ _____% Term Bonds due August 1, 20__ – Yield _____% – Price _____%

(1) Priced to call at par on [February] 1, 20__.

Redemption Terms:

Optional Redemption. The Bonds maturing on or before August 1, 20__ are not subject to redemption. The Bonds maturing on or after August 1, 20__, may be redeemed prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date on or after [February] 1, 20__ at a redemption price equal to the principal amount of the Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

Mandatory Sinking Fund Redemption. The Bonds maturing on August 1, 20__, are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 20__, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amount represented by such Bonds to be so redeemed and the dates therefor and the final principal payment date are as indicated in the following table:

Mandatory Sinking Fund Payment Date (August 1)	Mandatory Sinking Fund Payment
Total:	

(1) Maturity

The Bonds maturing on August 1, 20__, are subject to redemption prior to maturity from mandatory sinking fund payments on August 1 of each year, on and after August 1, 20__, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amount represented by such Bonds to be so redeemed and the dates therefor and the final principal payment date are as indicated in the following table:

Mandatory Sinking Fund Payment Date (August 1)	Mandatory Sinking Fund Payment
Total:	

(1) Final Maturity

APPENDIX B

TERMINATION EVENTS

The following events are each defined as Termination Events for all purposes of this Purchase Agreement:

(a) any event occurs which causes any material statement contained in the Official Statement to be misleading or results in a failure of the Official Statement to state a fact necessary to make the statements in the Official Statement, in the light of the circumstances under which they were made, not misleading; or

(b) the marketability of the Bonds or the market price thereof, or the ability of the Underwriter to enforce contracts for the sale, at the contemplated offering prices, of the Bonds, in the opinion of the Underwriter, has been materially adversely affected by any of the following:

(i) an amendment to the Constitution of the United States or by any legislation in or by the Congress of the United States or by the State of California, or

(ii) the amendment of legislation pending as of the date of this Purchase Agreement in the Congress of the United States, or

(iii) the recommendation to Congress or endorsement for passage (by press release, other form of notice or otherwise) of legislation by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or

(iv) the proposal for consideration of legislation by either such Committee or by any member thereof, or the presentment of legislation for consideration as an option by either such Committee, or by the staff of the Joint Committee on Taxation of the Congress of the United States, or the favorable reporting for passage of legislation to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, which has the purpose or effect, directly or indirectly, of causing inclusion in gross income for purposes of federal income taxation of the interest received by the owners of the Bonds, or

(v) any decision of any Federal or State court or any ruling or regulation (final, temporary or proposed) or official statement on behalf of the United States Treasury Department, the Internal Revenue Service or other federal or State authority materially adversely affecting the federal or State tax status of the District, or the interest on bonds or notes or obligations of the general character of the Bonds; or

(c) any legislation, ordinance, rule or regulation shall be introduced in, or be enacted by any governmental body, department or agency of the State of California, or a decision by any court of competent jurisdiction within the State of California or any court of the United States shall be rendered which, in the reasonable opinion of the Underwriter, materially adversely affects the market price or marketability of the Bonds or the ability of the Underwriter to enforce contracts for the sale, at the contemplated offering prices, of the Bonds; or

(d) legislation shall be enacted by the Congress of the United States, or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation or official statement by, or on behalf of, the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall be issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, including all underlying obligations, as contemplated hereby or by the Official Statement, is in violation or would be in violation of, or that obligations of the general character of the Bonds, or the Bonds, are not exempt from registration under, any provision of the federal securities laws, including the Securities Act of 1933, as amended and as then in effect, or that the Paying Agent Agreement needs to be qualified under the Trust Indenture Act of 1939, as amended and as then in effect; or

(e) additional material restrictions not in force as of the date hereof are imposed upon trading in securities generally by any governmental authority or by any national securities exchange which restrictions materially adversely affect the market price or marketability of the Bonds or the ability of the Underwriter to enforce contracts for the sale, at the contemplated offering prices, of the Bonds; or

(f) a general banking moratorium has been established by federal or State of California authorities or a major financial crisis or a material disruption in commercial banking or securities settlement or clearances services shall have occurred; or

(g) there occurs (1) any outbreak or escalation of hostilities, declaration by the United States of a national emergency or war, (2) any other calamity or in the financial markets, (3) a downgrade of the sovereign debt rating of the United States by any major credit rating agency or payment default on United States Treasury obligations, or (4) a default with respect to the debt obligations of, or the institution of proceedings under any federal bankruptcy laws by or against any state of the United States or any city, county or other political subdivision located in the United States having a population of over 1,000,000, which, in the judgment of the Underwriter, materially adversely affect the market price or marketability of the Bonds or the ability of the Underwriter to enforce contracts for the sale, at the contemplated offering prices, of the Bonds; or

(h) any rating of the Bonds or other general obligation debt securities of the District has been downgraded, suspended or withdrawn by a national rating service; or

(i) the commencement of any action, suit or proceeding which, in the judgment of the Underwriter, materially adversely affects the market price or marketability of the Bonds or the ability of the Underwriter to enforce contracts for the sale, at the contemplated offering prices, of the Bonds; or

(j) there is in force a general suspension of trading on the New York Stock Exchange, minimum or maximum prices for trading shall have been fixed and be in force or maximum ranges or prices for securities shall have been required on the New York Stock Exchange or other national stock exchange whether by virtue of a determination by that Exchange or by order of the Securities and Exchange Commission or any other governmental agency having jurisdiction or any national securities exchange shall have: (i) imposed additional material restrictions not in force as of the date hereof with respect to trading in securities generally, or to the Bonds or similar obligations; or (ii) materially increased restrictions now in force with respect to the extension of credit by or the charge to the net capital requirements of underwriters or broker-dealers; or

(k) there occurs any other event which, in the opinion of the Underwriter, materially adversely affects the market price or marketability of the Bonds or the ability of the Underwriter to enforce contracts for the sale, at the contemplated offering prices, of the Bonds.

APPENDIX C

FORM OF DISTRICT COUNSEL OPINION

[TO BE UPDATED BY DISTRICT COUNSEL]

Citigroup Global Markets, Inc.
444 South Flower Street, 27th Floor
Los Angeles, CA 90071

Re: *$___________ El Camino Healthcare District (Santa Clara County, California) 2016 General Obligation Refunding Bonds*

Ladies and Gentlemen:

We have acted as counsel for the El Camino Healthcare District (the "District") in connection with the issuance of the bonds described above (the "Bonds") by the District, proposed to be issued by the District and sold by the District to Citigroup Global Markets, Inc. (the "Underwriter").

This opinion is furnished to you pursuant to Section 10(d)(v) of the Bond Purchase Agreement dated October __, 2016 (the "Purchase Agreement"), among the Underwriter and the District. Terms defined in the Purchase Agreement and not otherwise defined herein are used herein with the meanings so defined in the Purchase Agreement.

We have examined executed copies of the Purchase Agreement and the Paying Agent Agreement (which together are referred to herein as the "District Documents"), the District Resolution, the Official Statement and the minutes of the meetings of the Board of Directors of the District, and we have made such investigation and such examination of law as we have deemed necessary for the purposes of the opinions expressed below.

We are aware that a Preliminary Official Statement, dated ___, 2016 (the "Preliminary Official Statement") and an Official Statement dated October __, 2016 (the "Official Statement") describing the Bonds, among other things, has been prepared and circulated, based in part upon information supplied by the District. We have not independently verified the accuracy, completeness or fairness of the statements made or the information contained in the Preliminary Official Statement or the Official Statement and we are not passing upon and do not assume any responsibility therefor. In the course of the preparation of the Preliminary Official Statement and the Official Statement, we have participated in discussions with your representatives and those of the District, in which the operations and affairs of the District and the contents of the Preliminary Official Statement and the Official Statement were discussed. On the basis of information that we have gained in the course of representing the District in connection with the issuance of the Bonds, we have no reason to believe that the portions of the Preliminary Official Statement and the Official Statement entitled "INTRODUCTION – The District", "INTRODUCTION – Purpose of the Bonds", "INTRODUCTION – Bondowner's Risks", "INTRODUCTION – Continuing Disclosure", and "Appendix A – Information Concerning El Camino Healthcare District" (except financial and statistical information, any financial statements and management's discussion thereof or any such information incorporated therein by reference to other sections as to which we express no view) contained, as of the date of the Preliminary Official Statement and the Official Statement, or contain with respect to the Official Statement, as of the date hereof, an untrue statement of material fact or omitted, as of the date of the Preliminary Official Statement and the Official Statement, or omits with respect to the Official Statement, as of the date hereof, to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

For purposes of this opinion, we have assumed that each of the parties, other than the District, to the documents referred to herein has all requisite power and authority and has taken all necessary corporate action, consistent with all applicable laws and regulations, to execute and deliver such documents and to effect the transactions contemplated thereby and to cause the Bonds to be sold. The opinions expressed below are limited to matters governed by federal law and the laws of the State of California.

We have relied as to matters of fact upon representations contained in the District Documents, and in certificates, copies of which have been furnished to you. In connection with the opinions expressed herein we have examined the District Documents and the documents listed in Exhibit A attached hereto. The documents listed on Exhibit A have been identified to us by responsible officers of the District and, to our knowledge, represent a complete list of the material agreements of the District with respect to the District's obligations regarding the Bonds.

Based upon and subject to the foregoing, we are of the opinion that:

1. The District is a healthcare district validly existing under the laws of the State of California with the power and authority to adopt the District Resolution, issue the Bonds, approve the Official Statement and enter into the District Documents and perform its obligations thereunder.

2. The District Resolution was duly adopted at a meeting of the Board of Directors of the District, which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting at the time of adoption. The District Resolution has not been modified, amended, rescinded or revoked and is in full force and effect as of the date hereof.

3. Each of the District Documents have been duly authorized, executed and delivered by the District, are legal, valid and binding obligations of the District (assuming due authorization, execution and delivery by the other parties thereto) and, subject to the qualifications set forth in the next to last paragraph of this letter, are enforceable against the District in accordance with their respective terms.

4. To the best of our knowledge, the obligations of the District under the Paying Agent Agreement, and compliance with the provisions thereof, and the approval of the Official Statement and the execution and performance of the provisions of the Purchase Agreement, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the District a breach of any existing law or regulation (except that our opinion as to governmental approvals is limited as set forth in numbered paragraph 6) or a default under any agreement, court order or consent decree to which the District is subject, if any, listed on Exhibit A hereto.

5. Except as disclosed in the Official Statement, to our knowledge after having made inquiry of officers of the Corporation, but without having investigated any governmental records or court dockets, there is no action, suit, proceeding, litigation or governmental investigation pending or, as to actions, suits, proceedings, or litigation, overtly threatened in writing, in either case, against the District in any state or federal court or before any governmental body that places in question the validity or enforceability of, or seeks to enjoin the performance of the terms of, the District Documents, the Bonds, the District Resolution, or the election authorizing the issuance of the Bonds (the "Election") or in which an unfavorable decision, ruling or finding against the District would materially and adversely affect the validity of the Bonds or the Election, or in which a final adverse decision could materially and adversely affect the operations of the District.

6. To our knowledge, no authorization, consent, approval or other order of any governmental authority or agency within the State of California is necessary in connection with the execution of the District Documents or the approval of the Official Statement, except as have been obtained or made and as are in full force and effect. We express no opinion as to any approvals or consents that may be required under any state or federal blue sky or securities laws, nor as to licensure, land use approvals, entitlements or other private or public authorizations that may be required to expand, renovate or equip any hospital facilities with the proceeds of the Bonds. We further express no opinion with regard to the bidding requirements with respect to the sale of the Bonds under the Purchase Agreement.

Our opinions that each of the District Documents delivered to you today is enforceable in accordance with its terms, are subject to: (i) bankruptcy, insolvency, reorganization, moratorium, and laws relating to fraudulent conveyances and transfers and other similar laws affecting the rights and remedies of creditors and secured parties generally; (ii) the effect of (a) general principles of equity, regardless of whether applied in proceedings in equity or at law (including the possible unavailability of specific performance or injunctive relief), (b) concepts of materiality, reasonableness, good faith and fair dealing, unconscionability, contravention of public policy and (c) the discretion of the court before which a proceeding is brought; (iii) laws concerning recourse by creditors to security in the absence of notice and hearing; (iv) the unenforceability of provisions in the District Documents providing for indemnification or for exculpation from liability of a party or its officers, agents or employees, which may be limited by federal or state laws, public policy considerations or court decisions that limit the rights of the indemnified or exculpated party to obtain indemnification or exculpation; (v) the unenforceability of provisions expressly or by implication waiving (a) broadly or vaguely stated rights; (b) the benefits of statutory, regulatory or constitutional rights, unless and to the extent that the statute, regulation or constitutional provision explicitly allows waiver; (c) unknown future defenses; and (d) rights to damages; (vi) the unenforceability under certain circumstances of provisions to the effect that rights or remedies are not exclusive, that every right or remedy is cumulative and may be exercised in addition to or with any other right or remedy, that election of a particular remedy or remedies does not preclude recourse to one or more other remedies, that any right or remedy may be exercised without notice, or that failure to exercise or delay in exercising rights or remedies will not operate as a waiver of any such right or remedy; (vii) the unenforceability under certain circumstances of provisions imposing penalties, forfeitures, late payment charges or an increase in interest rate upon delinquency in payment or the occurrence of a default; and (viii) the unenforceability of choice-of-law, forum selection and consent to jurisdiction clauses.

This opinion is solely for your benefit and may not be relied upon by any subsequent holders of the Bonds or by any other person.

Very truly yours,

Exhibit A

1. “Master Lease Agreement El Camino YMCA,” executed December 9, 1998 by El Camino Hospital, El Camino Hospital District, and YMCA of the Mid-Peninsula.

2. “Ground Lease Agreement between El Camino Hospital District and El Camino Healthcare System,” executed December 17, 1992 by El Camino Hospital and El Camino Hospital District.

3. “First Amendment to Ground Lease Agreement,” executed November 3, 2004 by El Camino Hospital and El Camino Hospital District.

4. “Second Amendment to Ground Lease Agreement,” dated as of April 9, 2015, by and between El Camino Hospital and El Camino Healthcare District (formerly El Camino Hospital District).

5. “Paying Agent Agreement” between El Camino Healthcare District (formerly El Camino Hospital District) and Wells Fargo Bank, National Association, dated as of November 1, 2006.

Separator Page

Att. 12 07 Preliminary Official Statement

DRAFT
OH&S #2
10/07/16

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER [19], 2016

NEW ISSUE – BOOK-ENTRY ONLY

RATINGS: See "RATINGS" herein

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District, based on an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.

$[PRINCIPAL AMOUNT]*
EL CAMINO HEALTHCARE DISTRICT
2016 General Obligation Refunding Bonds

Dated: Date of Delivery **Due: August 1, as shown on the inside cover**

The El Camino Healthcare District 2016 General Obligation Refunding Bonds (the "Bonds") are being issued by El Camino Healthcare District (the "District"), a political subdivision of the State of California and local healthcare district. The Bonds are being issued for the purpose of (i) refunding a portion of the District's 2006 General Obligation Bonds and (ii) paying the costs of issuance of the Bonds. See "REFUNDING PLAN" herein. The Bonds are being issued pursuant to Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code and a resolution of the Board of Directors of the District adopted on October [18], 2016.

The Bonds represent general obligations of the District payable from ad valorem taxes levied and collected by the County of Santa Clara (the "County"). The Board of Supervisors of the County is empowered and is obligated to levy ad valorem taxes upon all property within the District subject to taxation by the District, without limitation as to rate or amount (except certain personal property that is taxable at limited rates) for the payment of principal of and interest on the Bonds when due. Pursuant to California Government Code Section 53515, the Bonds are secured by a statutory lien on all revenues received pursuant to the levy and collection of the taxes.

The Bonds will be issued in book-entry form only and initially will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (collectively referred to herein as "DTC"). DTC will act as security depository for the Bonds. Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interests in the Bonds.

Interest with respect to the Bonds will accrue from their date of delivery, and is payable on February 1 and August 1 of each year, commencing February 1, 2017. The Bonds are issuable as fully registered Bonds in denominations of $5,000 or any integral multiple thereof.

Payments of principal of and interest on the Bonds will be made by Wells Fargo Bank, National Association, as Paying Agent, to DTC for subsequent disbursement to DTC Participants who will remit such payments to the Beneficial Owners of the Bonds. See "THE BONDS—General Provisions; Book-Entry Only System" herein.

The Bonds are subject to optional and mandatory sinking fund redemption as described herein. See "THE BONDS—Redemption" herein.

MATURITY SCHEDULE
(See Inside Front Cover)

The cover page contains information for reference only. It is not a summary of this issue. Investors must read this entire Official Statement to obtain information essential to the making of an informed investment decision.

The Bonds will be offered when, as and if issued and received by the Underwriter, subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District. Certain legal matters will be passed upon for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, and for the District by Buchalter Nemer, A Professional Corporation, San Francisco, California. Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel, will provide certain other legal services for the District. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC on or about November [15], 2016.

CITIGROUP

The date of this Official Statement is October __, 2016.

____
*Preliminary; subject to change.

MATURITY SCHEDULE

$[PRINCIPAL AMOUNT]*
EL CAMINO HEALTHCARE DISTRICT
2016 General Obligation Refunding Bonds

Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP†	Maturity (August 1)	Principal Amount	Interest Rate	Yield	CUSIP†
	$	%				$	%		

$___________ % Term Bond due August 1, 20__, Yield % CUSIP†:

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* Preliminary, subject to change.

† Copyright 2016, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. CUSIP numbers have been assigned by an independent company not affiliated with the District or the Underwriter and are included solely for the convenience of the holders of the Bonds. Neither the District nor the Underwriter is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity.

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds of the District. No dealer, broker, salesperson or other person has been authorized by the District or the Underwriter to give any information or to make any representations other than as contained in this Official Statement, and if given or made, such information or representation must not be relied upon as having been given or authorized by the District or the Underwriter.

The information concerning DTC and the book-entry system set forth herein under the caption "THE BONDS—General Provisions; Book-Entry Only System" and in Appendix D hereto has been furnished by DTC. Such information is believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the District. All other information set forth herein has been obtained from the District and other sources that are believed to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Bonds made hereunder shall create under any circumstances any indication that there has been no change in the affairs of the District or DTC since the date hereof.

The issuance and sale of the Bonds have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder. The exemptions from registration in accordance with applicable provisions of federal or state securities laws cannot be regarded as a recommendation of the Bonds. Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the Bonds or passed upon the adequacy or accuracy of this Official Statement. Any representation to the contrary may be a criminal offense.

This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

This Official Statement is not to be construed as a contract with any purchaser of the Bonds. No representation is made that the past experience, as shown by financial and other information, will necessarily continue or be repeated in the future. This Official Statement contains, in part, estimates and matters of opinion, whether or not expressly stated to be such, which are not intended as statements or representation of fact or certainty, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The Underwriter has provided the following sentence for inclusion in this Official Statement. *The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of its responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.*

CAUTIONARY STATEMENT REGARDING
FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used, such as "plan," "expect," "estimate," "budget," "project," "forecast" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The District does not plan to issue any updates or revisions to such forward-looking statements if or when the expectations, events, conditions or circumstances on which such statements are based, change or fail to occur.

EL CAMINO HEALTHCARE DISTRICT

District Board of Directors

Peter Fung, MD, Chair
Dennis Chiu, Vice Chair
Julia Miller, Secretary/Treasurer
David Reeder
John L. Zoglin

PROFESSIONAL SERVICES

Bond Counsel

Orrick, Herrington & Sutcliffe LLP

Underwriter's Counsel

Stradling Yocca Carlson & Rauth, a Professional Corporation,
San Francisco, California

District Counsel

Buchalter Nemer, A Professional Corporation
San Francisco, California

Financial Advisor

Ponder & Co.
Chicago, Illinois

Paying Agent

Wells Fargo Bank, National Association
San Francisco, California

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$[PRINCIPAL AMOUNT]*
EL CAMINO HEALTHCARE DISTRICT
2016 General Obligation Refunding Bonds

INTRODUCTION

This Official Statement, which includes the cover page and appendices hereto, provides certain information in connection with the initial issuance and sale by El Camino Healthcare District of its $[PRINCIPAL AMOUNT]* 2016 General Obligation Refunding Bonds (the "Bonds").

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and Appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement, including the cover page and the Appendices. References to, and summaries of, provisions of the laws of the State of California (the "State") or any documents referred to herein do not purport to be complete, and such references are qualified in their entirety by reference to the complete provisions. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

All capitalized terms used in this Official Statement and not otherwise defined herein have the same meaning as in the Paying Agent Agreement, dated as of ____________ 1, 2016 (the "Paying Agent Agreement"), between the District and Wells Fargo Bank, National Association, as paying agent (the "Paying Agent"), or if not defined therein, as in the Bond Resolution (defined below).

The District

El Camino Healthcare District (the "District") is a political subdivision of the State of California and a local health care district, formed by a vote of the District's electorate on October 29, 1956, and organized pursuant to Division 23 of the Health and Safety Code of the State of California (the "Local Health Care District Law"). The District's boundaries encompass an area of approximately 48 square miles in northern Santa Clara County. Included within those boundaries are the cities of Mountain View, Los Altos and Los Altos Hills and a portion of the cities of Sunnyvale, Palo Alto, Santa Clara and Cupertino. The total 2016-17 net taxable assessed valuation of property within the District is $__________________.

El Camino Hospital is a California nonprofit public benefit corporation (the "Corporation") of which the District is the sole member. The Corporation operates a single hospital comprised of two campuses (one in Mountain View and one in Los Gatos, California). The hospital is licensed by the State of California Department of Health Services for up to 443 beds and accredited by The Joint Commission (the "Hospital"). Although this Official Statement and the Appendices hereto include information regarding the operations of the Corporation and its affiliates, as well as the District, the Bonds are not an obligation of the Corporation or any of its affiliates. The Bonds are an obligation solely of the District, payable from the proceeds of an *ad valorem* tax required to be levied by the County of Santa Clara ("Santa Clara County" or the "County") in an amount sufficient for the payment of the principal of and interest on the Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS" herein.

Authority for Issuance

The issuance of the District's 2006 General Obligation Bonds (the "Series 2006 Bonds") were authorized at an election held on November 4, 2003, at which more than two-thirds of the persons voting on the proposition voted to authorize the issuance and sale of $148,000,000 principal amount of general obligation bonds of the District. The Series 2006 Bonds were issued on December 13, 2006 pursuant to provisions of the California Health & Safety Code and a resolution adopted by the Board of Directors of the District. The Series 2006 Bonds were issued as current interest bonds (the "Series 2006 Current Interest Bonds") and capital appreciation bonds (the "Series 2006 Capital Appreciation Bonds"). Pursuant to Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code and other applicable law (the "Act"), the District is authorized to issue general obligation bonds to refund the Series 2006 Current Interest Bonds.

The Bonds are being issued pursuant to the Act, a resolution adopted by the Board of Directors of the District (the "District Board") on October [18], 2016 (the "Bond Resolution") and the Paying Agent Agreement. See "THE BONDS—Authority for Issuance."

Use of Bond Proceeds

Proceeds from the sale of the Bonds will be used to (i) refund the Series 2006 Current Interest Bonds and (ii) pay the costs of the issuance of the Bonds. The Series 2006 Capital Appreciation Bonds will remain outstanding following the refunding of the Series 2006 Current Interest Bonds. See "REFUNDING PLAN" herein.

Source of Payment for the Bonds; Statutory Lien

The Bonds represent general obligations of the District payable from ad valorem taxes. The Board of Supervisors of the County has the power and is obligated to annually levy ad valorem taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except certain personal property which is taxable at limited rates), for the payment of principal of and interest on the Bonds when due. Pursuant to California Government Code section 53515, general obligation bonds issued and sold by a local agency, including the District, are secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax. Section 53515 provides that the lien shall automatically arise without the need for any action or authorization by the local agency or its governing body. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS" herein.

Continuing Disclosure

In order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time ("Rule 15c2-12"), the District will execute a Continuing Disclosure Undertaking, dated the date of issuance of the Bonds (the "Continuing Disclosure Undertaking"), for the benefit of the person in whose name any Bond is registered (each, a "Bondholder" or "Holder") and Beneficial Owners, in which it will covenant to provide disclosure of certain annual financial and operational information and notices of certain events. See "CONTINUING DISCLOSURE" herein and APPENDIX E—"FORM OF CONTINUING DISCLOSURE UNDERTAKING."

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

Copies of documents referred to herein and information concerning the Bonds are available from El Camino Healthcare District, 2500 Grant Road, Mountain View, California 94039. The District may impose a charge for copying, mailing and handling.

THE BONDS

Authority for Issuance

The Bonds are being issued pursuant to the provisions of the Act and the Bond Resolution. Certain terms and provisions of the Bonds are set forth in the Paying Agent Agreement.

General Provisions; Book-Entry Only System

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. Purchasers will not receive bond certificates representing their interest in the Bonds.

So long as Cede & Co. is the registered owner of the Bonds, as nominee for DTC, references in the Official Statement to "Holder," "Bondholder" or registered owners of the Bonds (other than under the caption "TAX MATTERS") mean Cede & Co., as aforesaid, and do not mean the Beneficial Owners of such Bonds. The District and the Paying Agent will treat the registered owner of the Bonds (which will be DTC so long as the book-entry only system is in effect) as the absolute owner of the Bonds for the purposes of payment of debt service, giving all notices of redemption and all other matters with respect to the Bonds.

As long as DTC's book-entry only system is used for the Bonds, the Paying Agent will send any notice of redemption or other notices to Bondholders only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the redemption of the Bonds called for redemption or of any other action premised on such notice. The Paying Agent, the District and the Underwriter have no responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership, of interests in the Bonds.

For a description of the method of payment of principal of and interest on the Bonds and matters pertaining to their exchange while the book-entry only system is place, see APPENDIX D—"BOOK-ENTRY ONLY SYSTEM."

Interest with respect to the Bonds is payable on February 1 and August 1 of each year (each, an "Interest Payment Date"), commencing February 1, 2017. Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless it is authenticated after the close of business on the fifteenth day of the month prior to the month in which an Interest Payment Date occurs (the "Record Date") and on or prior to the succeeding Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless it is authenticated on or before the Record Date preceding the first Interest Payment Date, in which event it shall bear interest from its dated date. Interest on the Bonds will be computed on the basis of a 360-day year of twelve 30-day months. The Bonds are issuable in denominations of $5,000 or any integral multiple thereof and will mature on August 1, in the years and amounts set forth on the inside cover page hereof.

Interest on the Bonds is payable in lawful money of the United States of America to the person whose name appears in the bond registration books maintained by the Paying Agent as the Bondholder thereof as of the close of business on the Record Date immediately preceding each Interest Payment Date, such interest to be paid by check mailed by first class mail to such Bondholder at such Bondholder's address as it appears in such bond registration books or at such address as the Bondholder may have filed with the Paying Agent for that purpose (except that upon the written request of the Bondholder of Bonds aggregating not less than $1,000,000 in principal amount, given no later than the close of business on the Record Date immediately preceding the applicable Interest Payment Date, the interest due on such

Interest Payment Date will be paid by wire transfer in immediately available funds to an account maintained in a state or national bank in the United States of America at such wire address as such Bondholder specifies in such written request). The principal of and redemption premium, if any, on the Bonds is also payable in like lawful money to the Bondholder thereof upon the surrender thereof at the corporate trust office of the Paying Agent in [San Francisco, California] or any other office of the Paying Agent designed by the Paying Agent to the District from time to time for a particular purpose (the "Principal Corporate Trust Office"). So long as Cede & Co. or its registered assigns is the registered owner of any of the Bonds, payment will be made to Cede & Co. by wire transfer as provided in the Paying Agent Agreement.

Redemption

Optional Redemption of the Bonds. Bonds maturing on or before August 1, ___, are not subject to redemption prior to their respective stated maturity dates. Bonds maturing on and after August 1, ___, are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, as a whole or in part on any date, on or after August 1, ___ at the principal amount of the Bonds called for redemption, together with interest accrued thereon to the date of redemption, without premium.

If less than all the Outstanding Bonds are to be redeemed on any one date, the District will select the maturity date or dates of the Bonds to be redeemed, and if less than all the Bonds of any one maturity date are to be redeemed on any one date, the Paying Agent will select the Bonds or the portions thereof of such maturity date to be redeemed on such date in any manner deemed fair by the Paying Agent. For purposes of such selection, the Bonds are deemed to be composed of five thousand dollars ($5,000) multiples and any such multiple may be separately redeemed. "Outstanding," means all Bonds theretofore, or thereupon being, authenticated and delivered by the Paying Agent under the Paying Agent Agreement, except: (i) Bonds theretofore cancelled by the Paying Agent or surrendered to the Paying Agent for cancellation in accordance with the Paying Agent Agreement; (ii) Bonds with respect to which all liability of the District has been discharged in accordance with the Paying Agent, including as described in "THE BONDS – Defeasance" herein; and (iii) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds have been authenticated and delivered by the Paying Agent pursuant to the Paying Agent Agreement.

Mandatory Sinking Fund Redemption of Bonds. Bonds maturing on August 1, 20__ are subject to redemption prior to their stated maturity, in part, by lot, from mandatory sinking fund payments on August 1 of each year, beginning August 1, 20__, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium. The principal amount represented by such Bonds to be so redeemed and the dates therefor and the final principal payment date is as indicated in the following table:

Redemption Date (August 1)	Principal Amount
	$

†Maturity.

The principal amount of each mandatory sinking fund payment of any maturity will be reduced proportionately, in $5,000 increments, by the amount of any Bonds of that maturity optionally redeemed prior to the mandatory sinking fund payment date.

Notice of Redemption

Notice of redemption of any Bonds will be mailed, first class postage prepaid, or by email or other electronic means, not less than 20 nor more than 60 days prior to the redemption date (i) to the respective Bondholders thereof at the addresses appearing on the bond registration books maintained by the Paying Agent and (iv) as may be further required in accordance with the Continuing Disclosure Undertaking of the District.

Each notice of redemption is required to contain all of the following information: (i) the date of such notice; (ii) the name of the Bonds and the date of issue of the Bonds; (iii) the date of redemption (the "Redemption Date"); (iv) the redemption price; (v) the dates of maturity of the Bonds to be redeemed; (vi) in the case of Bonds redeemed in part only, the respective portions of the principal amount of the Bonds of each maturity to be redeemed; (vii) the CUSIP number, if any, of each maturity of Bonds to be redeemed; (viii) a statement that such Bonds must be surrendered by the Bondholders at the Principal Corporate Trust Office of the Paying Agent, or at such other place or places designated by the Paying Agent; and (ix) notice that further interest on such Bonds will not accrue after the designated Redemption Date.

The District may rescind any optional redemption and any notice of thereof for any reason on any date prior to the date fixed for such optional redemption by causing written notice of the rescission to be given to the Bondholders of those Bonds so called for redemption. Any optional redemption and any notice thereof will be rescinded if for any reason on the date fixed for redemption moneys are not available in the Interest and Sinking Fund or otherwise held in trust in an escrow fund established for such purpose in an amount sufficient to pay in full on said date the principal of and interest due on the Bonds called for redemption. Notice of rescission of any optional redemption will be given in the same manner in which notice of redemption was originally given.

The actual receipt by the Holder of any Bond or by any other party designated to receive notice of such redemption or rescission is not a condition precedent to redemption or rescission, and failure to receive such notice, or any defect in the notice mailed, will not affect the validity of the proceedings for the redemption of such Bond or the cessation of interest on the date fixed for redemption, or such rescission, as applicable. A certificate of the Paying Agent that notice of call and redemption has been given to Holders and the other parties designated in the Paying Agent Agreement to receive such notice will be conclusive as against all parties.

When notice of redemption has been given as provided in the Paying Agent Agreement, and when the redemption price of the Bonds called for redemption is set aside in the Interest and Sinking Fund or the escrow fund established for such purpose, the Bonds designated for redemption will become due and payable on the specified redemption date and interest will cease to accrue thereon as of the redemption date. The Holders of such Bonds so called for redemption after such redemption date will have no rights under the Paying Agent Agreement except to receive payment of the principal of and redemption premium, if any, on the Bonds and the interest accrued thereon to the Redemption Date, such payment to be made solely from the funds provided therefor.

Defeasance

If moneys have been set aside in the Interest and Sinking Fund or held by the Paying Agent or an escrow agent for the payment or redemption of any Bonds and the interest installments therefor at the maturity or Redemption Date thereof, such Bonds will be deemed to be paid within the meaning and with the effect provided in the Paying Agent Agreement. Any Outstanding Bond will prior to the maturity or Redemption Date thereof be deemed to have been paid within the meaning and with the effect provided in the Paying Agent Agreement: (i) in case said Bonds are to be redeemed on any date prior to their maturity, the District has given to the Paying Agent in form satisfactory to the Paying Agent irrevocable instructions to deliver notice of redemption of such Bonds on such Redemption Date, such notice to be given in accordance with the provisions of the Paying Agent Agreement (see "THE BONDS – Notice of Redemption"); and (ii) there has been deposited with the Paying Agent or an escrow agent either moneys in an amount which are sufficient, or non-callable direct obligations of the United States of America or other non-callable obligations the payment of the principal of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America, in an amount which will, together with the interest to accrue thereon and available moneys in the Interest and Sinking Fund, be fully sufficient, to pay when due the principal of and the redemption premiums, if any, and the interest due and to become due on such Bonds on and prior to the Redemption Date or maturity date thereof, as the case may be.

If at any time the District pays or causes to be paid or there is otherwise paid to the Bondholder of an Outstanding Bond all of the principal, interest and redemption premium, if any, represented by that Bond at the times and in the manner provided in the Paying Agent Agreement and in the Bond or provisions are made for the payment thereof as described in the immediately preceding paragraph, then the Bondholder of that Bond will cease to be entitled to the obligation to levy taxes for payment of that Bond and the Bondholder thereof will have no rights under the Paying Agent Agreement except to receive payment of the principal of and redemption premium, if any, on that Bond and the interest accrued thereon to the Redemption Date or maturity date, such payment to be made solely from the funds provided therefor.

Registration, Transfer and Exchange of Bonds

The Paying Agent will keep or cause to be kept at its Principal Corporate Trust Office sufficient books for the registration and transfer of the Bonds, which will at all times be open to inspection by the District, and, upon presentation for such purpose, the Paying Agent will, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Bonds as provided in the Paying Agent Agreement.

The Bonds will be initially registered in the name of "Cede & Co.," as nominee of DTC and will be evidenced by a single authenticated bond certificate for each stated maturity of each Series of Bonds, representing the aggregate principal amount of the Bonds of such Series and maturity. Registered ownership of the Bonds, or any portion thereof, may not thereafter be transferred except as set forth in the Paying Agent Agreement.

In the event that DTC's book-entry only system as described in APPENDIX D is no longer used with respect to the Bonds, the following provisions will govern the transfer and exchange of the Bonds.

Any Bond may, in accordance with its terms, be transferred upon the books required to be kept pursuant to the provisions of the Paying Agent Agreement by the person in whose name it is registered, in person or by the duly authorized attorney of such person, upon surrender of such Bond to the Paying Agent for cancellation, accompanied by delivery of a duly executed written instrument of transfer in a from approved by the Paying Agent. Bonds may be exchanged at the Principal Corporate Trust Office of the Paying Agent or such other place as the Paying Agent designates, for a like aggregate principal amount of Bonds of other authorized denominations of the same Series, maturity and interest rate. No transfer or exchange of Bonds will be required to be made by the Paying Agent during the period from any Record Date to the following Interest Payment Date or from the date on which notice of redemption is given with respect to such Bond to and including the specified Redemption Date for such Bond.

Interest and Sinking Fund

The Paying Agent is required under the Paying Agent Agreement to establish, maintain and hold in trust a separate fund to be known as the "El Camino Healthcare District General Obligation Refunding Bond Interest and Sinking Fund" (the "Interest and Sinking Fund"). Upon receipt by the Paying Agent, taxes collected by the appropriate officials of the County to pay principal of, redemption premium, if any, and interest on the Bonds as the same become due and payable will be deposited into the Interest and Sinking Fund. All sums to become due for the principal of, redemption premium, if any, and interest on the Bonds will be paid from such Interest and Sinking Fund as the same become due and payable. All money in the Interest and Sinking Fund will be invested by the Paying Agent in Investment Securities specified by the District. Investment earnings on the Interest and Sinking Fund will be retained therein.

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Annual Debt Service Requirements

The following table summarizes the debt service requirements for the Bonds and the Series 2006 Capital Appreciation Bonds that will be outstanding upon the issuance of the Bonds and application of the proceeds thereof, as described under the caption "REFUNDING PLAN" herein.[1]

	Bonds			Series 2006 Capital Appreciation Bonds[1]			
Year Ending (August 1)	Principal[2]	Interest	Total Debt Service	Principal[2]	Interest	Total Debt Service	Aggregate Annual Debt Service on all general obligation bonds
2017	$	%	$	$	%	$	$
2018							
2019							
2020							
2021							
2022							
2023							
2024							
2025							
2026							
2027							
2028							
2029							
2030							
2031							
2032							
2033							
2034							
2035							
2036							
2037							
2038							
2039							
2040							
2041							
Total							

[1] The Series 2006 Capital Appreciation Bonds are payable only at maturity on August 1 of each year, and interest on the Series 2006 Capital Appreciation Bonds is compounded semiannually on each February 1 and August 1

[2] Includes, as applicable, mandatory sinking fund redemption for certain bonds.

REFUNDING PLAN

A portion of the proceeds of the Bonds will be irrevocably deposited in an escrow fund established pursuant to an escrow agreement, dated as of November 1, 2016, between the District and the Paying Agent, as paying agent for the Series 2006 Bonds and as escrow agent (the "Escrow Fund"). The funds deposited in the Escrow Fund, together with the earnings thereon, will be sufficient to provide for the payment of the principal of and interest on the Series 2006 Current Interest Bonds to February 1, 2017, their redemption date (the "Series 2006 Redemption Date"), and to redeem all Series 2006 Current Interest Bonds outstanding on the Series 2006 Redemption Date at a redemption price of 100% of the principal amount thereof plus accrued interest to the Series 2006 Redemption Date (the "Escrow Payments"). The sufficiency of the amounts on deposit in the Escrow Fund, together with interest earnings thereon, to pay the Escrow Payments will be verified by _____________. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS." Upon such irrevocable deposit, the Series 2006 Current Interest Bonds will be deemed paid and no longer outstanding. The funds deposited in the Escrow Fund will not be available to make payments on the Bonds. The deposit of moneys into the Escrow Fund will constitute an irrevocable deposit for the benefit of the holders of the Series 2016 Current Interest Bonds.

The Series 2006 Capital Appreciation Bonds will not be refunded and will remain outstanding until their respective maturity dates.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Bonds are expected to be applied as follows:

Sources of Funds	
Principal Amount of Bonds	$
Net Original Issue Premium/(Discount)	
Total Sources	$
Uses of Funds	
Deposit to Escrow Fund	$
Costs of Issuance(1)	
Total Uses	$

(1) All costs of issuance, including underwriter's discount, fees of the financial advisor, rating agency, Bond Counsel, and other costs of issuance. See "UNDERWRITING" herein.

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

General Obligation of the District

The Bonds represent general obligations of the District payable from ad valorem taxes. The Board of Supervisors of the County and the officers of the County are obligated by statute to provide for the levy and collection of property taxes in each year sufficient to pay all principal and interest coming due on the Bonds in such year. Annually on or before the date specified by law, the District is required to furnish to the Board of Supervisors of the County an estimate of the amount of money, if any, necessary to be raised by taxation for all purposes required under the provisions of the Local Health Care District Law and the Act during the next ensuing fiscal year, including a tax sufficient to pay the principal of and interest on all of the Bonds as the same become due. The District covenants in the Paying Agent agreement to take all steps required by law and by the County to ensure that a tax upon all taxable property in the District sufficient to pay the principal and interest on the Bonds as and when the same become due is levied and collected. The District also covenants in the Paying Agent Agreement to take all steps as are necessary to cause such taxes as are collected to be deposited into the Interest and Sinking Fund, which is required to be used by the Paying Agent solely for the payment of the Bonds at any time Outstanding pursuant to the Paying Agent Agreement, and interest thereon when due.

In the Paying Agent Agreement, the District pledges all revenues from the property taxes collected from the levy by the Board of Supervisors of the County for the payment of the GO Refunding Bonds and amounts on deposit in the Interest and Sinking Fund to the payment of the principal or redemption price of and interest on the Bonds. The property taxes and amounts held in the Interest and Sinking Fund will be immediately subject to the pledge, and the pledge constitutes a lien and security interest which will immediately attach to the property taxes and amounts held in the Interest and Sinking Fund to secure the payment of the Bonds and will be effective, binding and enforceable against the District, its successors, creditors and all others. Although the County is obligated to levy an ad valorem tax for the payment of the Bonds, the Bonds are not a debt of the County.

The moneys in the Interest and Sinking Fund, to the extent necessary to pay the principal of and interest on the Bonds as the same become due and payable, will be transferred by the Paying Agent on each Interest Payment Date to DTC for remittance by DTC to its Participants for subsequent disbursement to the Beneficial Owners of the Bonds.

The District is required by Section 32127 of the Local Health Care District Law to use moneys in its maintenance and operation fund whenever ad valorem taxes will be insufficient to pay principal and interest on its GO Refunding Bonds. The District anticipates that ad valorem taxes will be sufficient to pay its GO Refunding Bonds when due. The District does not operate the Hospital or receive revenues from its operations and does not anticipate that material amounts, if any, will be deposited in the District's maintenance and operation fund. See APPENDIX A—"INFORMATION CONCERNING EL CAMINO HEALTHCARE DISTRICT AND AFFILIATES."

For certain economic, demographic and financial information with respect to the County, see APPENDIX C—"COUNTY OF SANTA CLARA ECONOMIC AND DEMOGRAPHIC INFORMATION."

Statutory Lien on Taxes

Pursuant to California Government Code section 53515, general obligation bonds issued and sold by a local agency, including the District, are secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax. Section 53515 provides that the lien shall automatically arise without the need for any action or authorization by the local agency or its governing body, and that the lien shall be valid and binding from the time the bonds are executed and delivered. The section further provides that the lien shall be effective, binding and enforceable against the local agency, its successors, transferees and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any physical delivery, recordation, filing, or further act.

Ad Valorem Property Taxation

The amount of the annual ad valorem tax levied by the County to repay the District's general obligation bonds will be based on the assessed valuation of taxable property in the District and the amount of debt service due on its general obligation bonds. The District calculates the tax rate on an annual basis based on: the assessed valuation of taxable property in the District as of the preceding January 1; and the amount of debt service due on its general obligation bonds. In calculating the tax rate, the District utilizes an assumed delinquency rate. Subsequent to the District's annual calculation of the tax rate, the District, in accordance with County policy, adopts a resolution notifying the County of the tax rate so established. The County, in turn, levies and collects the ad valorem taxes and transfers such ad valorem taxes to the Paying Agent as described above.

As required by State law, the District utilizes the services of the County for the assessment and collection of taxes for District purposes. District taxes are collected at the same time and on the same tax roll as are the taxes levied by the County, school districts, cities and other special district located within the County. Taxes are levied by the County for each fiscal year on taxable real and personal property which is located in the District as of the preceding January 1. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed public utilities property and real property having a tax lien which is sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Certain Risks Related to Ad Valorem Property Taxation

A reduction in the assessed valuation of taxable property located in the District, such as may be caused by deflation of property values, economic recession, or other economic crisis, a relocation out of the District by one or more major property owners, or the complete or partial destruction of such property caused by, among other events, an earthquake, wildfire, flood or other natural disaster, could cause a reduction in the assessed value of the District's tax roll and necessitate an unanticipated increase in the annual tax levy necessary to pay debt service on its general obligation bonds. A significant decrease in assessed valuation, an unanticipated increase in the rate of tax delinquencies, or a declaration of bankruptcy by the District, could delay the payment of debt service on the District's general obligation bonds. As stated above, the District calculates the tax rate on an annual basis, in part, based on an assumed delinquency rate. To date, the District has assumed a delinquency rate which is twice the actual historic rate of delinquencies in the County, which are discussed under "—Tax Levies, Collections and Delinquencies" below. In any given fiscal year, to the extent the delinquency rate is less than that which was assumed for such fiscal year, any excess taxes collected will be used to pay debt service in the following fiscal year. Conversely, if in any given fiscal year, the delinquency rate is higher than that which was assumed for such fiscal year and to the extent there are not sufficient funds on deposit in the Interest and Sinking Fund to pay debt service on the general obligation bonds for such fiscal year, the District is required to provide funds from its operations to make up any deficiencies in the Interest and Sinking Fund to provide for payment of the GO Refunding Bonds. While the levy of ad valorem tax to pay debt service of the Bonds and other general obligation bonds is not limited as to rate or amount, the risks discussed in this paragraph could affect a tax payer's willingness or ability to pay ad valorem taxes.

Assessed Valuations

The assessed valuation of property in the District is established by the Santa Clara County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the "full value" of the property, as defined in Article XIIIA of the California Constitution. For a discussion of how properties currently are assessed, see "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS" herein.

Certain classes of property, such as churches, not-for-profit and public colleges and universities, hospitals, charitable institutions and governmental property, are exempt from property taxation and do not appear on the tax rolls.

Property located within the District has a total net taxable assessed valuation for fiscal year 2016-17 of $76,880,652,137.

The following table presents the six-fiscal year history of assessed valuations in the District.

EL CAMINO HEALTHCARE DISTRICT
Assessed Valuations of Real Property Within The District

Fiscal Year	Local Secured	Utility	Unsecured	Total
2007-08	$41,561,696,899	$1,099,890	$3,724,579,581	$45,287,376,370
2008-09	45,168,181,067	1,880,282	3,826,479,762	48,996,541,111
2009-10	47,133,084,603	1,880,282	4,471,757,537	51,606,722,422
2010-11	46,766,340,192	1,880,282	4,022,730,073	50,790,950,547
2011-12	47,772,927,732	1,930,400	4,327,135,049	52,101,993,181
2012-13	49,702,751,008	1,930,400	5,070,907,937	54,775,589,345
2013-14	54,133,475,132	1,930,400	5,301,745,427	59,437,150,959
2014-15	58,462,485,870	313,656	5,141,842,159	63,604,641,685
2015-16	65,020,064,408	313,656	4,934,739,886	69,955,117,950
2016-17	71,768,638,754	313,656	5,111,699,727	76,880,652,137

Source: California Municipal Statistics, Inc.
(1) All years shown at full cash value and include secured, unsecured and utility property, but exclude tax-exempt property.

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The following table shows the assessed valuation of real property on the secured tax rolls within the District and the number of parcels by land uses for fiscal year 2016-17.

EL CAMINO HEALTHCARE DISTRICT
Assessed Valuation And Parcels By Land Use

	2016-17 Assessed Valuation (1)	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural/Rural Undeveloped	$16,660,067	0.02%	55	0.09%
Commercial	2,334,717,829	3.25	962	1.66
Professional/Office	9,080,334,159	12.65	1,298	2.24
Industrial	10,842,407,268	15.11	857	1.48
Recreational	190,728,604	0.27	31	0.05
Government/Social/Institutional	70,181,232	0.10	775	1.33
Miscellaneoius	100,017,104	0.14	200	0.34
Subtotal Non-Residential	$22,635,046,263	31.54%	4,178	7.20%
Residential:				
Single Family Residence	$34,384,992,295	47.91%	35,575	61.28%
Condominium/Townhouse	7,161,329,624	9.98	13,163	22.67
Mobile Home	100,350,969	0.14	1,378	2.37
2-4 Residential Units	1,263,764,096	1.76	2,091	3.60
5+ Residential Units/Apartments	5,338,553,152	7.44	1,035	1.78
Subtotal Residential	$48,248,990,136	67.23%	53,242	91.71%
Vacant Parcels	$884,602,355	1.23%	635	1.09%
Total	$71,768,638,754	100.00%	58,055	100.00%

(1) Local Secured Assessed Valuation; excluding tax-exempt property.
Source: California Municipal Statistics, Inc.

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The table below shows the fiscal year 2016-17 aggregate, average and median assessed valuations of single family homes within the District and a breakdown of single family homes by assessed valuation range.

EL CAMINO HEALTHCARE DISTRICT
Per Parcel 2016-17 Assessed Valuation of Single Family Homes

	No. of Parcels[(1)]	2016-17 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	$35,575	$34,384,992,295	$966,549	$709,744

2016-17 Assessed Valuation	No. of Parcels[(1)]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $99,999	3,034	8.528%	8.528%	$ 226,645,699	0.659%	0.659%
$100,000 - $199,999	3,815	10.724	19.252	548,435,460	1.595	2.254
$200,000 - $299,999	2,274	6.392	25.644	568,246,347	1.653	3.907
$300,000 - $399,999	2,029	5.703	31.348	710,271,436	2.066	5.972
$400,000 - $499,999	2,261	6.356	37.703	1,019,459,404	2.965	8.937
$500,000 - $599,999	2,157	6.063	43.767	1,185,820,748	3.449	12.386
$600,000 - $699,999	2,029	5.703	49.470	1,317,893,466	3.833	16.219
$700,000 - $799,999	1,999	5.619	55.089	1,500,669,285	4.364	20.583
$800,000 - $899,999	1,833	5.152	60.242	1,557,993,701	4.531	25.114
$900,000 - $999,999	1,797	5.051	65.293	1,704,347,232	4.957	30.071
$1,000,000 - $1,099,999	1,465	4.118	69.411	1,535,806,138	4.467	34.537
$1,100,000 - $1,199,999	1,173	3.297	72.708	1,347,249,918	3.918	38.455
$1,200,000 - $1,299,999	954	2.682	75.390	1,191,501,532	3.465	41.920
$1,300,000 - $1,399,999	861	2.420	77.810	1,160,704,851	3.376	45.296
$1,400,000 - $1,499,999	839	2.358	80.169	1,214,107,448	3.531	48.827
$1,500,000 - $1,599,999	736	2.069	82.238	1,139,707,333	3.315	52.142
$1,600,000 - $1,699,999	669	1.881	84.118	1,102,660,841	3.207	55.348
$1,700,000 - $1,799,999	620	1.743	85.861	1,084,217,653	3.153	58.502
$1,800,000 - $1,899,999	576	1.619	87.480	1,065,615,514	3.099	61.601
$1,900,000 - $1,999,999	465	1.307	88.787	907,027,196	2.638	64.238
$2,000,000 and greater	3,989	11.213	100.000	12,296,611,093	35.762	100.000
Total	35,575	100.000%		$34,384,992,295	100.00%	

(1) Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.
Source: California Municipal Statistics, Inc.

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The following table lists the major real property taxpayers in the District based solely on their 2016-17 secured assessed valuations.

EL CAMINO HEALTHCARE DISTRICT
Largest 2016-17 Local Secured Taxpayers

	Property Owner	Primary Land Use	2016-17 Assessed Valuation	% of Total (1)
1.	Google Inc.	Office Building	$2,220,548,819	3.09%
2.	Lockheed Missiles and Space Co. Inc.	Industrial	964,635,081	1.34
3.	Menlo & Juniper Networks LLC	Office Building	597,453,603	0.83
4.	Yahoo Inc.	Office Building	436,201,757	0.61
5.	Applied Materials Inc.	Industrial	410,148,204	0.57
6.	Intuitive Surgical Inc.	Office Building	398,720,063	0.56
7.	HCP Life Science REIT Inc.	Industrial	353,107,544	0.49
8.	KR 555 Mathilda LLC	Office Building	349,455,410	0.49
9.	San Antonio Station Owner LLC	Office Building	307,840,417	0.43
10.	SPF Mathilda LLC	Office Building	301,806,619	0.42
11.	Richard T. and Catherine R. Spieker	Apartments	296,065,888	0.41
12.	MT SPE LLC	Office Building	286,277,200	0.40
13.	Sunnyvale Office Acquisition	Office Building	270,000,000	0.38
14.	Symantec Corporation	Office Building	267,585,997	0.37
15.	Sobrato Interests	Office Building	266,691,421	0.37
16.	Samsung Electronics America Inc.	Office Building	253,916,507	0.35
17.	Portfolio Investors LLC	Industrial	251,777,600	0.35
18.	MP 521 LLC	Industrial	249,019,000	0.35
19.	KR 690 Middlefield LLC	Office Building	208,638,565	0.29
20.	Planetary Ventures LLC	Industrial	202,944,148	0.28

(1) 2016-17 total Local Secured Assessed Valuation: $71,768,638,754
Source: California Municipal Statistics, Inc.

The following table sets forth a typical tax rate for property within the District for fiscal years 2011-12 through 2015-16.

EL CAMINO HEALTHCARE DISTRICT
Typical Total Tax Rate

2011-12	1.1674%
2012-13	1.1614%
2013-14	1.1611%
2014-15	1.1772%
2015-16	1.1787%

Source: California Municipal Statistics, Inc.

Real Estate Activity in the District

Under state law, property owners may apply for a temporary reduction in the assessed valuation of their property between January 1 and May 30. If the current market value of a property falls below the assessed value, the Assessor's Office is required to temporarily lower the assessment. The Assessor's Office then reviews the requests and notifies the property owner of the results. If a property owner still disagrees with the assessed valuation, a formal assessment appeal process is available. The District does not expect reassessments to have any near-term material adverse impact on the District's ability to levy and collect ad valorem taxes necessary to pay the principal of and interest on the Bonds when due.

Tax Levies, Collections and Delinquencies

Taxes are levied for each fiscal year on taxable real and personal property on the tax rolls as of the preceding January 1. A supplemental tax is levied when property changes hands or new construction is completed which produces additional revenue.

For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed public utilities property and real property having a tax lien which is sufficient, in the opinion of the County Assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. Property on the secured roll with respect to which taxes are delinquent becomes tax defaulted on June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent property taxes and the delinquency penalty, plus a penalty of 1.5% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is subject to auction sale by the County's Treasurer – Tax Collector.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31, an additional penalty of 1.5% attaches to them on the first day of each month until paid. The County has four ways of collecting delinquent unsecured personal property taxes: (1) bringing a civil action against the taxpayer; (2) filing a certificate in the office of the Clerk of County specifying certain facts in order to obtain a lien on certain property of the taxpayer; (3) filing a certificate of delinquency for recordation in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizing and selling personal property, improvements, or possessory interests belonging or assessed to the taxpayer.

Alternative Method of Tax Apportionment – Teeter Plan

The Board of Supervisors of Santa Clara County has implemented the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provide in Section 4701 and following of the California Revenue and Taxation Code. Under the Teeter Plan, the County apportions secured property taxes on an accrual basis when due (irrespective of actual collections) to its local political subdivisions, including the District, for which the County acts as the tax-levying or tax-collecting agency.

The Teeter Plan is applicable to all tax levies for which the County acts as the tax-levying or tax-collecting agency, or for which the County treasury is the legal depository of the tax collections. As adopted by the County, the Teeter Plan excludes Mello-Roos Community Facilities Districts and special assessment districts which provide for accelerated judicial foreclosure of property for which assessments are delinquent.

The ad valorem property tax to be levied to pay the interest on and principal of the Bonds will be subject to the Teeter Plan. The District will receive 100% of the ad valorem property tax levied to pay the Bonds irrespective of actual delinquencies in the collection of the tax by the County.

The Teeter Plan is to remain in effect unless the Board of Supervisors of the County orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance jointed in by a resolution adopted by at least two-thirds of the participating revenue districts in the County. In the event the Board of Supervisors is to order discontinuance of the Teeter Plan subsequent to its implementation, only those secured property taxes actually collected would be allocated to political subdivisions (including the District) for which the County acts as the tax-levying or tax-collecting agency.

Overlapping Debt Obligations

Set forth on the following page is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc., dated September 18, 2016, for debt outstanding as of September 1, 2016. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District in whole or in part. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District.

The contents of the Debt Report are as follows: (1) the first column indicates the public agencies which have outstanding debt as of the date of the Debt Report and whose territory overlaps the District in whole or in part; (2) the second column shows the respective percentage of the assessed valuation of the overlapping public agencies identified in column 1 which is represented by property located in the District; and (3) the third column is an apportionment of the dollar amount of each public agency's outstanding debt (which amount is not shown in the table) to property in the District, as determined by multiplying the total outstanding debt of each agency by the percentage of the District's assessed valuation represented in column 2.

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EL CAMINO HEALTHCARE DISTRICT

Statement of Direct and Overlapping Tax and Assessment Debt

2016-17 Assessed Valuation: $76,880,652,137

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 9/1/16	
Santa Clara County	18.354	$ 144,050,451	
Foothill-De Anza Community College District	52.436	301,265,320	
West Valley-Mission Community College District	1.156	4,721,382	
Palo Alto Unified School District	7.247	20,352,950	
Santa Clara Unified School District	2.607	13,063,156	
Fremont Union High School District	45.796	163,249,042	
Mountain View-Los Altos Union High School District	97.944	54,922,317	
Cupertino Union School District	15.941	44,828,274	
Los Altos School District	96.404	60,580,274	
Mountain View School District	100.	15,110,000	
Mountain View-Whisman School District	99.305	188,158,149	
Sunnyvale School District	88.116	137,082,784	
Whisman School District	98.152	17,053,749	
City of Palo Alto	0.202	139,067	
El Camino Hospital District	**100.**	**133,795,000**	(1)
Midpeninsula Regional Open Space District	30.638 (2)	13,549,656	
City of Sunnyvale Community Facilities District No. 1	100.	15,635,000	
Santa Clara Valley Water District Benefit Assessment District	18.354	18,181,472	
City 1915 Act Bonds	Various	2,642,289	
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$1,348,380,332	
OVERLAPPING GENERAL FUND DEBT:			
Santa Clara County General Fund Obligations	18.354%	$124,289,823	
Santa Clara County Pension Obligation Bonds	18.354	66,527,919	
Santa Clara County Board of Education Certificates of Participation	18.354	1,170,985	
Foothill-De Anza Community College District Certificates of Participation	52.436	4,818,486	
Mountain View-Los Altos Union High School District Certificates of Participation	97.944	1,900,114	
Other School District General Fund Obligations	Various	1,095,998	
City of Sunnyvale Certificates of Participation	72.388	14,090,324	
Other City General Fund Obligations	Various	3,313,820	
Midpeninsula Regional Open Space General Fund Obligations	30.638 (2)	36,125,537	
Santa Clara County Vector Control District Certificates of Participation	18.354	530,431	
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		$253,863,437	
Less: Santa Clara County supported obligations		86,209,677	
TOTAL NET OVERLAPPING GENERAL FUND DEBT		$167,653,760	
OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):		$37,774,473	
GROSS COMBINED TOTAL DEBT		$1,640,018,242	(3)
NET COMBINED TOTAL DEBT		$1,553,808,565	

(1) Excludes bonds to be sold.
(2) 2015-16 ratios
(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2016-17 Assessed Valuation:
Direct Debt ($133,795,000)..0.17%
Total Direct and Overlapping Tax and Assessment Debt 1.75%
Gross Combined Total Debt 2.13%
Net Combined Total Debt.. 2.02%

Ratio to Redevelopment Incremental Valuation ($5,330,164,584):
Total Overlapping Tax Increment Debt 0.71%

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

The principal of and interest on the Bonds are payable from the proceeds of an ad valorem tax levied by the County for the payment thereof. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein. Articles XIIIA, XIIIB, XIIIC and XIIID of the Constitution, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the District to levy taxes and spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the District to levy ad valorem taxes for payment of the Bonds. The ad valorem tax levied by the County for payment of the Bonds was approved by the District's voters in compliance with Article XIIIA, Article XIIIC, and all applicable laws.

Article XIIIA of the California Constitution

Article XIIIA ("Article XIIIA") of the State Constitution, adopted and known as Proposition 13, limits the amount of ad valorem taxes on real property to 1% of "full cash value" as determined by the county assessor. Article XIIIA defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975-76 bill under "full cash value," or thereafter, the appraised value of real property when purchased, newly constructed or a change in ownership has occurred after the 1975 assessment," subject to exemptions in certain circumstances of property transfer or reconstruction. The "full cash value" is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

Article XIIIA requires a vote of two-thirds of the qualified electorate of a city, county, special district (such as the District) or other public agency to impose special taxes, while totally precluding the imposition of any additional ad valorem, sales or transaction tax on real property. Article XIIIA exempts from the 1% tax limitation any taxes above that level required to pay debt service (a) on any indebtedness approved by the voters prior to July 1, 1978, or (b), as the result of an amendment approved by State voters on July 3, 1986, on any bonded indebtedness approved by two-thirds percent of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978, or (c) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% or more of the votes cast on the proposition, but only if certain accountability measures are included in the proposition. The tax for payment of the Bonds falls within the exception described in (b) of the immediately preceding sentence. In addition, Article XIIIA requires the approval of two-thirds of all members of the state legislature to change any state taxes for the purpose of increasing tax revenues.

Both the United States Supreme Court and the California State Supreme Court have upheld the general validity of Article XIIIA.

Legislation Implementing Article XIIIA

Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the annual adjustment not to exceed 2% are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

Unitary Property

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions ("unitary property"). Under the State Constitution, such property is assessed by the State Board of Equalization ("SBE") as part of a "going concern" rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the counties by SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

The California electric utility industry has been undergoing significant changes in its structure and in the way in which components of the industry are regulated and owned. Sale of electric generation assets to largely unregulated, nonutility companies may affect how those assets are assessed, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on its utility property tax revenues, or whether legislation may be proposed or adopted in response to industry restructuring, or whether any future litigation may affect ownership of utility assets or the State's methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the District. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS" herein.

Article XIIIB of the California Constitution

In addition to the limits Article XIIIA imposes on property taxes that may be collected by local governments, certain other revenues of the State and most local governments are subject to an annual "appropriation limit" imposed by Article XIIIB of the State Constitution which effectively limits the amount of such revenues those entities are permitted to spend. Article XIIIB, as subsequently amended by Propositions 98 and 111, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies.

The appropriations of an entity of local government subject to Article XIIIB limitations include the proceeds of taxes levied by or for that entity and the proceeds of certain state subventions to that entity. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to the entity from (a) regulatory licenses, user charges and user fees (but only to the extent that these proceeds exceed the reasonable costs in providing the regulation, product or service), and (b) the investment of tax revenues.

Appropriations subject to limitation do not include (a) refunds of taxes, (b) appropriations for debt service, such as the Bonds, (c) appropriations required to comply with certain mandates of the courts or the federal government, (d) appropriations of certain special districts, (e) appropriations for all qualified capital outlay projects as defined by the legislature, (f) appropriations derived from certain fuel and vehicle taxes and (g) appropriations derived from certain taxes on tobacco products.

Article XIIIB includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

The State and each local government entity has its own appropriation limit. Each year, the limit is adjusted to allow for changes, if any, in the cost of living, the population of the jurisdiction, and any transfer to or from another governmental entity of financial responsibility for providing the services.

Article XIIIC and Article XIIID of the California Constitution

On November 5, 1996, the voters of the State of California approved Proposition 218, popularly known as the "Right to Vote on Taxes Act." Proposition 218 added to the California Constitution Articles XIIIC and XIIID (respectively, "Article XIIIC" and "Article XIIID"), which contain a number of provisions affecting the ability of local agencies to levy and collect both existing and future taxes, assessments, fees and charges.

According to the "Title and Summary" of Proposition 218 prepared by the California Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as hospital districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds percent vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIIC further provides that no tax may be assessed on property other than ad valorem property taxes imposed in accordance with Articles XIII and XIIIA of the California Constitution and special taxes approved by a two-thirds percent vote under Article XIIIA, Section 4. Article XIIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIIC or XIIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

The District does not impose any taxes, assessments, or property-related fees or charges which are subject to the provisions of Proposition 218. It does receive a portion of the basic one percent ad valorem property tax levied and collected by the County pursuant to Article XIIIA of the California Constitution.

Future Initiatives

Article XIIIA, Article XIIIB, and Proposition 218 were each adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time other initiative measures could be adopted, further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the District ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX F hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, the Obama Administration's budget proposals in recent years have proposed legislation that would limit the exclusion from gross income of interest on the Bonds to some extent for high-income individuals. The introduction or enactment of any such future legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisers regarding the potential impact of any pending or proposed federal tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of Bondholders (including Beneficial Owners of the Bonds) to provide certain financial information and operating data relating to the District (the "Annual Report") by not later than six months following the end of the District's fiscal year (which currently ends June 30), commencing with the report for the 2016-17 fiscal year, and to provide notices of the occurrence of certain enumerated events ("Event Notices"). The Annual Report and Event Notices are currently required to be filed by the District with the Municipal Securities Rulemaking Board's ("MSRB") electronic municipal market access system. The specific nature of the information to be contained in the Annual Report and the Event Notices and the method of filing such information is included in APPENDIX E—"FORM OF CONTINUING DISCLOSURE UNDERTAKING" attached hereto. These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). During the last five years, the District has not failed to comply in any material respect with previous continuing disclosure undertakings with regard to the provision of reports or notices of material events.

ABSENCE OF LITIGATION

No litigation of any nature is pending or threatened concerning the validity of the Bonds, and a certificate to that effect will be furnished by the District to the Underwriter at the time of the original delivery of the Bonds. The District is not aware of any litigation pending or threatened questioning the existence or powers of the District, the District's ability to receive ad valorem taxes to pay the Bonds or to collect other revenues or the District's ability to issue and retire the Bonds.

LEGAL MATTERS AND RELATED INVESTMENT CONSIDERATIONS

Legal Matters

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Bond Counsel. A complete copy of the proposed form of opinion of Bond Counsel is contained in APPENDIX F hereto. Certain legal matters will be passed upon for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, San Francisco, California, and for the District by Buchalter Nemer, A Professional Corporation, San Francisco, California. Orrick, Herrington & Sutcliffe LLP, as Disclosure Counsel, will provide certain other legal services for the District.

Limitation on Remedies; Bankruptcy

Limitations on Remedies. The opinion of Bond Counsel as to the rights of owners and the enforceability thereof, attached hereto as APPENDIX F, is qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor's rights. More specifically, enforceability of the rights and remedies of the Beneficial Owners of the Bonds, and the obligations incurred by the District, are limited by applicable bankruptcy, insolvency, reorganization, moratorium, and similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect, equity principles that may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose, and the limitations on remedies against health care districts in the State. Bankruptcy proceedings against the District, if initiated, could subject the Beneficial Owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

Bankruptcy. Under Chapter 9 of the Federal Bankruptcy Code (Title 11, United States Code) (the "Bankruptcy Code"), which governs the bankruptcy proceedings for public agencies, no involuntary petitions for bankruptcy relief are permitted. However, California health care districts may petition for bankruptcy relief pursuant to Article 5 of Chapter 4 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, as amended. If the District were to become a debtor in a bankruptcy case, it would be a debtor under Chapter 9 of the Bankruptcy Code ("Chapter 9").

Under State law, the County is required to annually levy *ad valorem* property taxes without limitation as to rate or amount upon all property within the District subject to such taxation by the District (except certain personal property which is taxable at limited rates), for the payment of the principal of and interest on the Bonds. Chapter 9 contains a provision stating that Chapter 9 does not limit or impair the power of the applicable state to control its municipalities in the exercise of the political or governmental powers of such municipality, including expenditures for such exercise. California state law provides that the *ad valorem* property taxes levied to pay principal and interest on the Bonds must be used for that purpose and for no other purpose. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS – *Ad Valorem* Property Taxation." If this restriction on the expenditure of the *ad valorem* property taxes is respected in any bankruptcy proceeding then the *ad valorem* property tax revenue could not be used by the District for any purpose other than to make payments on the Bonds. It is possible, however, that a bankruptcy court could conclude that the restriction should not be respected. For example, a bankruptcy court could determine that the District is entitled to use *ad valorem* property tax revenues to pay the necessary operating expenses of the District during its bankruptcy process prior to paying debt service on the Bonds, regardless of the provisions of State law and the Paying Agent Agreement.

If the District is in bankruptcy, the parties may be prohibited from taking any action to collect any amount from the District (including *ad valorem* property tax revenues) or to enforce any obligation of the District, without the bankruptcy court's permission. This prohibition may also prevent the Paying Agent from making payments to the Holders of the Bonds from funds in the Paying Agent's possession without an order from the bankruptcy court. Although the Interest and Sinking Fund is required under the Paying Agent Agreement to be held by the Paying Agent and kept separate and distinct from all other District and Paying Agent funds, it is not clear whether this arrangement is enforceable in bankruptcy or whether the District would instead be able to require the *ad valorem* property tax revenues be paid directly to it by the County Treasurer-Tax Collector.

In bankruptcy, the District may be able to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Bonds and the other transaction documents, as long as the bankruptcy court determines that the alterations are fair and equitable. The District's obligation to raise taxes to pay the Bonds may no longer be enforceable.

There may be other possible effects of a bankruptcy of the District that could result in delays or reductions in payments on the Bonds. Regardless of any specific adverse determinations in a District bankruptcy proceeding, the fact of a District bankruptcy proceeding could have an adverse effect on the liquidity and value of the Bonds.

Statutory Lien. Pursuant to California Government Code Section 53515, general obligation bonds issued and sold by a local agency, including the District, are secured by a statutory lien on all revenues received pursuant to the levy and collection of the tax. Section 53515 provides that the lien shall automatically arise without the need for any action or authorization by the local agency or its governing body, and that the lien shall be valid and binding from the time the bonds are executed and delivered. The section further provides that the lien shall be effective, binding and enforceable against the local agency, its successors, transferees and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any physical delivery, recordation, filing, or further act. Although a statutory lien would not be automatically terminated by the filing of a Chapter 9 bankruptcy petition by the District, the automatic stay provisions of the Bankruptcy Code would apply and payments that become due and owing on the Bonds during the pendency of the Chapter 9 proceeding could be delayed unless the Bonds are determined to be secured by a pledge of "special revenues" within the meaning of the Bankruptcy Code and the pledged *ad valorem* taxes are applied to pay the Bonds in a manner consistent with the Bankruptcy Code.

Special Revenues. If the *ad valorem* tax revenues that are pledged to the payment of the Bonds are determined to be "special revenues" within the meaning of the Bankruptcy Code, the pledged *ad valorem* revenues that are collected after the date of the bankruptcy filing should not be subject to the automatic stay. "Special revenues" are defined to include, among others, taxes specifically levied to finance one or more projects or systems of the debtor, but excluding receipts from general property, sales, or income taxes levied to finance the general purposes of the debtor. The District has specifically pledged the *ad valorem* taxes for payment of the Bonds. Additionally, the *ad valorem* taxes levied for payment of the Bonds are permitted under the State Constitution only if the applicable bond proposition is approved by two-thirds of voters and such bonds are issued for the acquisition or improvement of real property. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII of the California Constitution." Because State law prohibits the use of the tax proceeds for any purpose other than payment of the Bonds and the bond proceeds can only be used to fund the acquisition or improvement of real property and other capital expenditures included in the proposition, such tax revenues appear to fit the definition of special revenues. However, there is no binding judicial precedent dealing with the treatment in bankruptcy proceedings of *ad valorem* tax revenues collected for the payments of bonds in California, so no assurance can be given that a bankruptcy court would not hold otherwise.

As discussed under "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS – General Obligation of the District," the District is required by Section 32127 of the Local Health Care District Law to use moneys in its maintenance and operation fund whenever *ad valorem* taxes will be insufficient to pay principal and interest on its Bonds or its Existing GO Bonds. Among general obligation bond structures, this requirement to fund debt service deficiencies from maintenance and operating funds is unusual. There additionally is no binding judicial precedent dealing with the treatment in bankruptcy proceedings of bonds payable from both *ad valorem* tax revenues and general revenues of a debtor, including whether the availability of general revenues to pay debt service on the Bonds would adversely affect the characterization of *ad valorem* taxes as "special revenues".

In addition, even if the *ad valorem* tax revenues are determined to be "special revenues," the Bankruptcy Code provides that special revenues can be applied to necessary operating expenses of the project or system during the bankruptcy process, before they are applied to other obligations. This rule applies regardless of the provisions of the transaction documents. Thus, a bankruptcy court could determine that the District is entitled to use the *ad valorem* tax revenues to pay necessary operating expenses of the District and its hospital facilities during a bankruptcy before the remaining revenues are paid to the owners of the Bonds.

Risks of Commingling of Ad Valorem Property Taxes (Investment Losses; County Bankruptcy). The County is expected to be in possession of the annual *ad valorem* property taxes and certain funds to repay the Bonds until it transfers such funds to the Paying Agent. The County Treasurer-Tax Collector may commingle *ad valorem* property tax revenues that it receives on behalf of the District for payment of the Bonds with other funds held by the County Treasurer-Tax Collector before it turns over the *ad valorem* property tax revenues to the Paying Agent.

The *ad valorem* tax revenues may be invested in the District investment pool pending payment of the Bonds. Should those investments suffer any losses, the District may have insufficient funds to make payments on the Bonds. If the County goes into bankruptcy and has possession of tax revenues (whether collected before or after commencement of the bankruptcy), and if the County does not voluntarily turn over such tax revenues to the Paying Agent, it is not entirely clear what procedures the holders of the Bonds would have to follow to attempt to obtain possession of such tax revenues, how much time it would take for such procedures to be completed, or whether such procedures would ultimately be successful.

INDEPENDENT AUDITORS

The consolidated financial statements of the District as of and for the years ended June 30, 2016 and 2015 included in this Official Statement in APPENDIX B have been audited by Moss Adams LLP, independent auditors, as stated in their report appearing therein.

RATINGS

General

The Bonds have been assigned ratings of "___" and "___" by Moody's Investors Service ("Moody's") and Fitch Ratings ("Fitch"), respectively.

The ratings reflect only the views of the respective ratings agency, and any explanation of the significance of such ratings should be obtained from the rating agency furnishing the same. In order to obtain such ratings, the District furnished certain information and materials to the rating agencies, some of which have not been included in this Official Statement. Generally, rating agencies base their ratings on such information and materials and their own investigation, studies and assumptions. There is no assurance that any of the ratings will be maintained for any given period of time or that they will not be revised downward, suspended or withdrawn entirely by a rating agency if, in its judgment, circumstances so warrant. The District undertakes no responsibility to oppose any such revision, suspension or withdrawal. Any such downward revision, suspension or withdrawal of the ratings obtained or other actions by a rating agency relating to its rating may have an adverse effect on the market price of the

Bonds. The Underwriter has taken no responsibility either to bring to the attention of the holders of the Bonds any proposed revision or withdrawal of a rating or to oppose any such revision or withdrawal.

The District expects to furnish to each rating agency such information and materials as it may request. The District, however, assumes no obligation to furnish requested information and materials, and may issue debt for which a rating is not requested. The failure to furnish requested information and materials, or the issuance of debt for which a rating is not requested, may result in the suspension or withdrawal of a rating on the Bonds.

FINANCIAL ADVISOR

Ponder & Co. has served as financial advisor to the District for purposes of assisting with the development and implementation of a bond structure in connection with the Bonds. Ponder & Co. is not obligated to undertake, and has not undertaken, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. Ponder & Co. is an independent advisory firm and is not engaged in the business of underwriting or distributing municipal securities or other public securities.

UNDERWRITING

The Bonds are being purchased by Citigroup Global Markets Inc. (the "Underwriter") pursuant to a bond purchase agreement between the Underwriter and the District. The Underwriter has agreed to purchase the Bonds at a purchase price of $______________ (representing the principal amount of the Bonds, plus original issue premium of $____________, less original issue discount of $___________, less an underwriter's discount of $____________). Under the terms of the bond purchase agreement, the Underwriter will be obligated to purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions contained in the bond purchase agreement to be satisfied by the District. The Underwriters may offer and sell the Bonds to certain dealers and others at prices lower than the offering prices stated on the front inside cover page. The offering prices may be changed from time to time by the Underwriter. The Underwriter may engage in other transactions with the District, in which the Underwriter could earn additional compensation.

CERTAIN RELATIONSHIPS

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriter and certain of its affiliates may have, from time to time, performed and may in the future perform, various investment banking services for the District, for which they may have received or will receive customary fees and expenses. In the ordinary course of their various business activities, the Underwriter and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the District.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Concurrent with the delivery of the Bonds, ___________________, a firm of independent accountants will deliver its verification report indicating that it has verified, in accordance with standards established by the American Institute of Certified Public Accountants, certain information and assertions provided by the Underwriter. Included in the scope of its verification will be a verification of the mathematical accuracy of (a) the mathematical computations of the adequacy of the escrow fund deposit to pay, when due, the various refunding requirements and (b) the mathematical computation supporting the conclusion of Bond Counsel that the Bonds are not "arbitrage bonds" under the Code and the regulations promulgated thereunder. Such verification will be relied upon by Bond Counsel in rendering its opinions with respect to the exclusion from gross income of interest on the Bonds for federal income tax purposes and with respect to defeasance of the Series 2006 Current Interest Bonds.

MISCELLANEOUS

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations from and summaries and explanations of the Bonds, the Bond Resolution, the Paying Agent Agreement and the constitutional provisions, statutes and other documents referenced herein, do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for full and complete statements of their provisions.

Certain financial data contained herein has been obtained from California Municipal Statistics, Inc. Appropriate District officials, acting in their official capacities, have reviewed this Official Statement and have determined that, as of the date hereof, the information contained herein (excluding the chart entitled "Statement of Direct and Overlapping Bonded Debt") is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading.

This Official Statement and its distribution has been approved by the Board of the District.

EL CAMINO HEALTHCARE DISTRICT

By: ____
Authorized District Representative

APPENDIX A

INFORMATION CONCERNING EL CAMINO HEALTHCARE DISTRICT AND AFFILIATES

Unless otherwise noted herein, the information contained in this Appendix has been obtained from El Camino Hospital.

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GENERAL

Capitalized terms used and not defined in this Appendix shall have the meanings ascribed thereto in the Official Statement to which this Appendix is attached. References in this Appendix to a particular fiscal year are to the fiscal year ending June 30 of such year.

Organization and History

El Camino Healthcare District (the "District") is a political subdivision of the State of California, formed by a vote of the District's electorate on October 20, 1956, and organized pursuant to Division 23 of the Health and Safety Code of the State of California. The District's boundaries encompass an area of approximately 48 square miles in northern Santa Clara County, California ("Santa Clara County" or the "County"). Construction of the District's original hospital located on the Mountain View campus began in 1958, it opened in 1961, and a major expansion was completed in 1965.

In 1992 the District's Board approved a plan to create an "integrated delivery system" combining District operations with those of Camino Medical Group, a private medical group ("Camino Medical Group"), by transferring District assets, including its hospital facilities, to Camino Healthcare, a California nonprofit public benefit corporation ("Camino Healthcare"). Pursuant to various agreements by and between the District and Camino Healthcare, dated as of December 17, 1992, (i) the District transferred all of its right, title, and interest in the buildings housing its hospital and related facilities and the majority of its personal property (including equipment and furniture, supplies, records, intellectual property, contracts, and accounts) to Camino Healthcare, (ii) the District leased the land upon which the hospital and related facilities were located to Camino Healthcare for a term of 30 years, and (iii) Camino Healthcare agreed to provide certain management services related to the operation of the former District hospital and related facilities.

On December 5, 1996, the District, Camino Medical Group (now part of Palo Alto Medical Group and Palo Alto Medical Foundation), and Camino Healthcare entered into a Restructuring Agreement pursuant to which the integrated delivery system was dissolved and the District became the sole member of Camino Healthcare (subsequently renamed "El Camino Hospital"). El Camino Hospital, is a California nonprofit public benefit corporation (the "Corporation") of which the District is the sole member. The ground lease pursuant to which the District leases to the Corporation the land on which the Mountain View campus is located has been amended to extend its term to December 31, 2049.

The Corporation currently operates a single hospital (the "Hospital") comprised of two campuses located in Mountain View and Los Gatos, California. The two campuses are in Santa Clara County, California and part of the San Jose, California metropolitan area.

Although this Appendix A includes information regarding the operations of the Corporation and its affiliates the Bonds are not an obligation of the Corporation or any of its affiliates.

Affiliates

In addition to the Corporation, the following are affiliated entities of the District (each an "Affiliate"): (i) El Camino Hospital Foundation (the "Foundation"), a California nonprofit public benefit corporation serving as the primary fundraising entity for the Hospital; (ii) CONCERN: Employee Assistance Program ("CONCERN"), a California nonprofit mutual benefit corporation operating as a specialized health care service plan (psychological); (iii) El Camino Surgery Center, LLC (the "Surgery Center"), and (iv) Silicon Valley Medical Development, LLC ("SVMD"). The Corporation is the sole member of each of the Foundation, CONCERN and SVMD. The Corporation owns all of the membership units of the Surgery Center, which in turn owns approximately 33% of El Camino Ambulatory Surgery Center, LLC. No revenues or assets of any of the above Affiliates or the Corporation are pledged to or available to secure repayment of the Bonds.

The Foundation. The Foundation was established in 1982 as a separate California nonprofit corporation and 501(c)(3) tax-exempt organization. As of June 30, 2016, the Foundation's net assets were approximately $28,980,000. The Foundation has received or accrued contributions from outside third parties for the benefit of the Corporation of $6,842,205, $5,647,489 and $3,513,065 in fiscal years 2016, 2015, and 2014, respectively.

CONCERN. Established in 1981, CONCERN provides and operates a specialized health care service plan for various business organizations nationwide. Enrollees of the plan receive benefits that include individual and family counseling, childcare referrals, older adult services, and referrals to community services. CONCERN began providing specialized healthcare services as a department of the Corporation in September 1981. In July 1999, CONCERN was organized as a separate nonprofit corporation. The Corporation transferred assets to CONCERN to fund its operations. On March 5, 2001, CONCERN was granted a specialized Knox-Keene license from the Department of Managed Health Care of the State of California, which enables it to engage in business as a Specialized Health Care Service plan within California, subject to the provisions of the Knox-Keene Health Care Services Plan Act of 1975.

In order to provide outpatient care to low income families in the San Francisco Bay Area, CONCERN has assumed the management and operation of four programs formerly administered by the Corporation. These programs are: (i) Family Caregiver Assistance Program (Eldercare Services); (ii) Health Library and Resource Center; (iii) Roadrunners Transportation Service; and (iv) Lifeline. In addition, CONCERN opened the Chinese Health Initiative program in 2010. This program provides stroke and Hepatitis B screenings and community education to address the health needs of the Chinese community.

Surgery Center. The Surgery Center is organized as a California limited liability company. The Surgery Center once operated its own outpatient surgery center on the Mountain View campus, but in May 2013 it sold certain medical equipment, furnishings, fixtures, and inventories in exchange for 30 units of ownership interest in El Camino Ambulatory Surgery Center ("ECASC") that operates on the Mountain View campus. These 30 units represent approximately 33% of the outstanding ownership interests in ECASC. The Corporation leases building space to ECASC and provides certain services to ECASC, such as utilities and building and equipment maintenance.

Silicon Valley Medical Development, LLC. SVMD is organized as a California limited liability company and was formed in 2008. SVMD was established by the Corporation to create initiatives between independent physicians and the Corporation, to develop and maintain ambulatory ventures not located on the current Hospital campuses, and to provide management services to medical groups in association with the Corporation. In the last quarter of 2016, SVMD opened its first Primary Care Clinic in the San Jose area and anticipates opening approximately two to three other clinics in fiscal year 2017. SVMD is also planning to open three Urgent Care Clinics and a Women's Heart and Vascular Clinic by the end of fiscal year 2018 in the service areas of the Hospital.

Joint Ventures

Pathways. The Corporation and Dignity Health (formerly known as Catholic Healthcare West) are equal corporate members of Pathways, a California nonprofit corporation. Pathways is comprised of two separate entities: (i) Pathways Home Health and Hospice (which includes its Hospice Foundation), and (ii) Pathways Private Duty. Pathways Home Health and Hospice provides home care and hospice services to patients throughout the San Francisco Bay Area. Support for Pathways Home Health and Hospice comes primarily from patient service revenue, contributions, grant revenue, and support from donors to its Hospice Foundation. Pathways Private Duty provides a comprehensive range of skilled home health care and support services to patients on a short or long-term basis; support comes primarily from patients and private insurance payers.

In the spring of 2016, the Corporation partnered with Pathways and Epic to implement Epic's electronic health record ("EHR") at Pathways to bring even better integrated clinical care, so the Corporation and Pathways will share the same EHR platform. It is anticipated that the new HER will go live in November 2016.

Pathways (formerly known as Mid Peninsula Home Care and Hospice) has been in operation since 1984. Pathways' combined net assets are approximately $53.5 million as of June 2016. No revenues or assets of any Pathways entity are pledged to or available to secure repayment of the Bonds.

Satellite Dialysis. Effective February 1, 2015, the Corporation transferred certain dialysis-related assets to Satellite Healthcare, a nonprofit corporation and 501(c)(3) tax-exempt organization, and five limited liability companies in exchange for a cash payment and a 30% interest in each of the limited liability companies. Satellite Healthcare is the owner of the remaining interests in each limited liability company. Four of the limited liability companies operate outpatient dialysis treatment facilities. The remaining limited liability company operates a self-care training program for dialysis patients.

STRATEGIC PLAN

The Corporation's strategy is to be a locally controlled leader in optimizing the health and wellness of the communities it serves in Silicon Valley, differentiated by innovative continuum of care developed in partnership with physicians, businesses and payers. Its tagline is "The hospital that keeps you well". The Corporation is focused on achieving the triple aim of quality, service and affordability, and its current strategic plan is based on four themes: a patient-centered care program that delivers high quality care; transitioning the care model from volume to value; smart growth during the transition from volume to value; and top operating performance to deliver high quality care while improving affordability. The Corporation is building infrastructure to achieve its quality aim and has adopted tools to engage employees to improve patient experience. The volume to value transition is starting by entering into senior population capitation and bundled payment arrangements to deliver care under a population based model. The smart growth efforts consist of investments in women's care, cardiology, oncology and behavioral health as well as program development in the growing Los Gatos market. Efforts to improve operating performance include electronic record system upgrades to the Epic platform (see "Information Technology Strategy") and the engagement of Premier, Inc. a healthcare performance improvement alliance, to perform an operations assessment in early summer 2015.

GOVERNANCE AND MANAGEMENT

The District

The District is governed by a five-member board of directors (the "District Board"), each of whom is elected to staggered, four-year terms. Elections for positions to the District Board are held every two years, alternating between two and three available positions. Current members of the District Board, together with their office and the date their term expires, are listed below:

District Board Member	Office	Occupation	Experience	Current Term Expires
Peter Fung, MD	Chair	Physician	Initial Term	November 2018
Dennis Chiu	Vice Chair	Government Relations Specialist, The Doctor's Company	Initial Term	November 2016
Julia Miller	Secretary/ Treasurer	Owner, Miller and Associates	Initial Term	November 2016

David Reeder	Retired; former Business Analyst, Oracle Corporation	Four prior terms (one partial)	November 2018
John L. Zoglin	eCommerce; IBM Corporation	Two prior terms (one partial)	November 2016

The Corporation – Governance

The District is the sole member of the Corporation. In addition to powers reserved by statute to members of a nonprofit corporation, the District has the authority to approve (a) the selection of the Corporation's Chief Executive Officer; (b) the annual budget of the Corporation; (c) capital expenditures by the Corporation of more than $25 million dollars in a single transaction; (d) expenditures or transfers by the Corporation in a single transaction or a series of related transaction (in excess of 5% of the assets of the Corporation as determined based on last annual audit of the Corporation preceding the approval date of the proposed transaction); and (e) the overall strategy adopted by the Corporation.

The Corporation is governed by a nine-member board of directors (the "Corporation Board"), eight of whom are appointed by the District Board. The Corporation's Chief Executive Officer serves as a Corporation director, ex officio with voting rights. The five members of the District Board serve four-year terms on the Corporation Board. The other three Board Members are individuals with relevant expertise that serve three-year staggered terms on the Corporation Board. Current members of the Corporation Board, together with their office and the date their term expires, are listed below:

Corporation Board Member	Board Office	Occupation	Experience	Current Term Expires
Neal Cohen, MD	Chair	Physician and Vice Dean, UCSF Medical School	Second Term	June 2017
Dennis Chiu	Vice Chair	Government Relations Specialist, the Doctors Company	Initial Term	November 2016
Peter Fung, MD	Secretary/ Treasurer	Physician	Initial Term	November 2018
Jeffrey Davis, MD		Senior Medical Director, XG Health Solutions	Second Term	June 2019
Julia Miller		Owner, Miller and Associates	Initial Term	November 2016
David Reeder		Retired; former Business Analyst, Oracle Corporation	Four prior terms (one partial)	November 2018
Lanhee Chen		Professor; Stanford University, Political Consultant	Initial Term	June 2018
John L. Zoglin		eCommerce; IBM Corporation	Two prior terms (one partial)	November 2016
Tomi Ryba		Chief Executive Officer of the Corporation	Began in 2011	Ex officio

The Corporation Board has formed six standing Advisory Committees; the Finance Committee, the Executive Compensation Committee, the Corporate Compliance, Privacy and Internal Audit Committee, the Investment Committee, the Governance Committee and the Quality, Patient Care and Patient Experience Committee. The standing Advisory Committees are composed of a combination of Corporation Board members and individuals with expertise in the subject matter of the committee. All committee members are appointed by the Corporation Board Chair subject to approval by the Corporation Board. These appointments are reviewed at least annually by the Corporation Board.

The Corporation – Management

The management and policies of the Corporation are administered by officers appointed by the Chief Executive Officer. The Chief Executive Officer is selected by the Corporation Board and approved by the District Board (approval of the Chief Executive Officer by the District Board is a recent amendment to the Corporation's bylaws that became effective after the appointment of the current Chief Executive Officer).

Following are brief biographies of the key officers of the Corporation:

[Tomi Ryba – President and Chief Executive Officer. The President and Chief Executive Officer of the Corporation is responsible for administering the affairs of the Corporation in accordance with the policies adopted by the Corporation Board. Ms. Ryba began her term as President and Chief Executive Officer in 2011. She has more than 25 years of experience in hospital administration. Most recently Ms. Ryba served as president of United Hospital in St. Paul, Minnesota and senior vice president of the hospital's parent organization Allina Hospitals & Clinics. Prior to joining United Hospital, she served as chief operating officer at the University of California, San Francisco Medical Center. Other executive positions include president of St. Mary Medical Center in Long Beach, California, and chief operating officer of Harborview Medical Center in Seattle, Washington. Ms. Ryba received her master's degree in health administration from Chapman University and a bachelor's degree from University of California, Riverside.]

Iftikhar Hussain – Chief Financial Officer. The Chief Financial Officer of the Corporation oversees the financial affairs of the Corporation. Mr. Hussain joined the Corporation as its Chief Financial Officer in the spring of 2014. He has more than 30 years of healthcare financial experience. Most recently, Mr. Hussain was chief financial officer of Mills-Peninsula Health Services in Burlingame, California. Other previous roles include director of finance at Alta Bates Summit Medical Center in Oakland, California and director of accounting services at Mercy Healthcare/Catholic Healthcare West in Sacramento, California. He earned a bachelor's degree in finance and accounting from the University of California, Berkeley. Mr. Hussain is a member of the Healthcare Financial Management Association.

Mick Zdeblick – Chief Operating Officer. Mick Zdeblick joined the Corporation in the fall of 2012 as its Chief Operating Officer. He has more than 25 years of management and operational experience. Mr. Zdeblick spent the majority of his career at APM Inc. (acquired by CSC in 2001). He previously served as vice president of operations at Rush University Medical Center in Chicago. Mr. Zdeblick earned his bachelor's degree in business administration from Marquette University and his master's degree from Northwestern University Kellogg School of Management in Chicago.

William Faber M.D. – Chief Medical Officer. Dr. William Faber joined the Corporation as the Chief Medical Officer in the summer of 2016. He has more than 30 years of medical experience. Prior to coming to the Corporation Dr. Faber held many senior leadership roles, including several with Advocate Health Care in Oakbrook, Illinois and most recently with General Electric (GE) Healthcare Camden Group in Chicago, Illinois. Dr. Faber earned both his medical degree and his master's degree in medical ethics from Loma Linda University, and received a master of science in health care management from Harvard School of Public Health. Dr. Faber, board certified in family medicine, completed his residency at Family Medicine at Hinsdale Family Medicine Practice in Hinsdale, Illinois. He is a Fellow of the American Academy of Family Practice and a member of the American Academy of Family Physicians.

Ken King – Chief Administrative Services Officer. The Chief Administrative Services Officer for the Corporation is responsible for all support services operations. Ken King joined the Corporation in 1988. Before joining the Corporation, Mr. King worked in various engineering management positions in hospitals in Southern California. He is a member of the American Society of Hospital Engineers, National Fire Protection Agency, and the Association for the Advancement of Medical Instrumentation.

Debbie Muro – Interim Chief Information Officer. Deborah Muro, a leader in health information technology with more than 30 years of combined healthcare and industry experience, joined the Corporation in 2014. Previously, she was an Executive Leader in Information Services at UnityPoint Health, the 5th largest non-denominational integrated health system in the nation. Prior to that, she served as an Executive Leader in Information Services at Allina Health System, the largest health system in Minnesota. As Interim CIO, her current responsibilities include management and oversight of technology strategy and the Information Services Division. Ms. Muro holds a Bachelor in Science in Nursing Degree from Baylor University and a Master of Science Degree in Human Relations and Business from Amber University.

Cheryl Reinking, RN – Chief Nursing Officer. Cheryl Reinking has served the Corporation in progressive nursing leadership roles for the past 26 years becoming the Chief Nursing Officer in 2014. Ms. Reinking received a bachelor's degree in nursing from Illinois Wesleyan University and her master's degree from San Jose State University. She is a member of the El Camino Hospital Community Benefit Advisory Board, Integrated Nurse Leadership Program Board and Private Duty for Pathways Home Health and Hospice Board. Ms. Reinking is also certified by American Nurses Credentialing Center in advanced nursing administration.

Mary Rotunno, General Counsel. Mary Rotunno is the General Counsel for the Corproation. Before joining the Corporation in early 2014, she served for over 11 years as Senior Counsel for the Bay Area Region at Dignity Health in San Francisco, California. She has more than 25 years of experience as an attorney specializing in litigation and healthcare law. Ms. Rotunno graduated from University of Illinois at the Medical Center with a Bachelor of Science in Nursing and worked as a registered nurse before earning her Juris Doctor degree from University of California, Hastings College of Law.

Kathryn Fisk – Chief Human Resources. Kathryn Fisk joined the Corporation in early 2014. Most recently Ms. Fisk was regional director of human resources for the Florida Region of Tenet Healthcare. She also served in several senior-level human resources positions at the University of Miami Health System, Baptist Health South Florida and the University of Massachusetts Medical Center and School. Along with her master's degree in biology and her master's degree in business administration, she holds a lifetime Senior Professional in Human Resources certification from the Society of Human Resources Management.

Joan Kezic – Vice President, Payor Relations. Joan Kezic is the Vice President of Payor Relations responsible for negotiating agreements with health plans, managing interactions with managed care companies, maintaining a contract reimbursement computer system, tracking legislative changes regarding managed care issues, and assisting physicians with managed care issues. Ms. Kezic joined the Corporation in 1996 after ten years as director of contracting at Sequoia Hospital in Redwood City, California. She received a bachelor's degree in health planning and business administration from Penn State University. Ms. Kezic is a member of the Managed Care Committee of the California Healthcare Association and The Healthcare Financial Management Association.

Cecile Currier – Vice President, Corporate and Community Health Services. Cecile Currier is the Vice President of Corporate and Community Health Services for the Corporation, as well as the Chief Executive Officer of CONCERN: Employee Assistance Program. An employee of the Corporation since 1985, she has many years of experience in health care with a focus on behavioral health, community health services, occupational health and employee assistance programs. Ms. Currier earned a bachelor's degree in sociology and a master's degree in social work from the University of California, Santa Barbara. She is also a licensed clinical social worker.

Jodi Barnard, President of the Foundation. Jodi Barnard is the President of the El Camino Hospital Foundation overseeing fundraising activities that benefit programs, services and equipment across the Corporation. Ms. Barnard joined the El Camino Hospital Foundation in the fall of 2013. She has more than 25 years of development leadership experience across acute and pediatric healthcare, higher education and nonprofit institutions. Most recently Ms. Barnard served as the regional executive director for statewide foundations of Providence Health & Services in Oregon and executive director of the Providence Community Health Foundation, Southern Oregon Service Area. Before moving to Oregon, she led development programs at The Children's Medical Center of Dayton, the University of Dayton and Qbase. Ms. Barnard is a graduate of Interlochen Arts Academy and DePauw University.

HOSPITAL FACILITIES AND SERVICES

The Corporation currently operates a full-service acute-care community hospital (the "Hospital") comprised of two campuses located in Mountain View and Los Gatos, California. The Corporation operates a facility known as El Camino Hospital on the Mountain View campus and a facility known as El Camino Hospital – Los Gatos on the Los Gatos campus. The two campuses of the Hospital operate under a single license issued by the State of California Department of Health Services. The Hospital provides a range of clinical and surgical services, including: behavioral health, cancer, community health, corporate health, diagnostic imaging, dialysis, emergency, heart and vascular, lab, eating disorder, pediatric, maternity, neonatal intensive care, orthopedic, rehabilitation, and senior services. Since opening the original hospital on the Mountain View campus in 1961, the Hospital has grown from 21 medical staff members to almost 1,400 medical staff members. In fiscal year 2016, the Hospital's medical staff treated approximately 199,000 outpatients, had 18,618 discharges, including 10,607 surgeries.

Honors and Distinctions

The quality of the Hospital's services has been recognized by several health care industry organizations and at local, regional, and national levels. The Hospital was named one of the 2016 100 Top Hospitals® by Truven Health Analytics™ and one of 17 Everest Award winners.

The Joint Commission has awarded the Hospital its Gold Seal of Approval as a Primary Stroke Center, Gold Seal of Approval in Hip and Knee Replacement and Spinal Fusion Surgery for the Los Gatos campus and Gold Seal of Approval in Hip and Knee Replacement and Hip Fracture for the Mountain View Campus.

The Hospital has attained the prestigious Magnet® recognition by the American Nurses Credentialing Center® (ANCC) for the third consecutive time. The ANCC Magnet Recognition Program® recognizes hospitals that demonstrate superior patient care, nursing excellence and innovations in professional nursing practice and is considered the highest honor for quality nursing..

The Commission on Cancer of the American College of Surgeons granted a three-year Accreditation with Commendation to the cancer program at El Camino Hospital. To earn accreditation, a cancer program must meet or exceed 34 quality care standards, be evaluated every three years and maintain levels of excellence in the delivery of comprehensive patient-centered care. This accreditation is the highest that can be achieved by a community hospital.

In 2015, El Camino Hospital's After School Program Interventions and Resiliency Education (ASPIRE) Program for teens received the Western Association of Schools and Colleges (WASC) Accreditation. The ASPIRE program received a six-year accreditation, the highest level of accreditation, and teens who complete the program are eligible to receive up to five WASC-approved semester credit hours to be applied toward their high school graduation.

That same year the National Alliance on Mental Illness (NAMI) California Chapter recognized El Camino Hospital as the 2015 Outstanding Treatment Provider for its high quality, compassionate and specialized mental health services. Of particular note were El Camino Hospital's improved access to services and expanded outpatient programs for people with mental health conditions. Collaborating with local community organizations, leaders and families to provide appropriate and necessary care and services was also a factor in the decision to present the Hospital with the Outstanding Treatment Provider Award

Also in 2015, El Camino Hospital achieved "Exemplar" status for its NICHE (Nurses Improving Care for Healthsystem Elders) Program. NICHE is the premier designation indicating a hospital's commitment to excellence in the care of patients 65 years and older. The "Exemplar" status recognizes El Camino Hospital's ongoing dedication to geriatric care and pre-eminence in the implementation and quality of system-wide interventions and initiatives that demonstrate organizational commitment to the care of older adults. Additional awards and recognitions received by the Hospital include:

- Recognition as one of America's Best Hospitals for Obstetrics by the 2016 Women's Choice Award®;

- Accredited as a Chest Pain Center with Percutaneous Coronary Intervention (PCI) by the Society of Cardiovascular Patient Care since 2008;

- Accreditation from the Commission on Accreditation of Rehabilitation Facilities ("CARF") for the stroke and inpatient rehabilitation center at El Camino Hospital Los Gatos;

- Recognition as a Patient-Centered Medical Home Level 3 by the National Committee for Quality Assurance for the Senior Health Program at Silicon Valley Primary Care;• Recognition by the American Association of Cardiovascular and Pulmonary Rehabilitation since 2005 for the Cardiovascular Pulmonary Wellness Center;

- Designated member of Centers of Excellence network in the area of Bariatric Resource Services by Optum™;

- Blue Distinction Center for bariatric surgery, knee and hip replacement, and spine surgery by Blue Shield of California; and

- Attained Get With The Guidelines®-Stroke Gold-Plus Quality Achievement Award since 2009 and Target: Stroke Honor Roll since introduced in 2010 by the American Heart Association and American Stroke Association.

Bed Distribution

The Hospital is currently licensed for 443 beds, 270 of which are currently staffed and operating. The following table shows the existing distribution of licensed and staffed beds by bed category at the Mountain View and Los Gatos campuses as of June 30, 2016.

Types of Service	**Licensed Beds**			**Beds in Operation**		
	Mtn. View	Los Gatos	Total	Mtn. View	Los Gatos	Total
Medical/Surgical/Peds	201	127	328	125	41	166
Maternity	54	14	68	50	7	57
NICU	20	2	22	20	2	22
Psych	25	0	25	25	0	25
Total	**300**	**143**	**443**	**220**	**50**	**270**

The Corporation leases certain facilities at its Mountain View campus to Lucile Salter Packard Children's Hospital at Stanford ("Stanford Children's Hospital"). The current lease is scheduled to end in November 2019. The lease allows for two 5 year extensions at the option of the lessee. The area being leased includes 30 beds on the fourth floor of the hospital building and such beds are not reflected in the table above.

Information Technology Strategy

Starting in fiscal year 2011 the Hospital began participating in the Medicare and Medicaid EHR (Electronic Health Record) Programs that provide financial incentives for the meaningful use of certified EHR technology to improve patient care. To receive an EHR incentive payment for meaningful use, providers must meet certain established thresholds for EHR use. The EHR Incentive Programs meaningful use threshold increase over time in three (3) stages. Eligible hospitals participate in these programs based on the federal fiscal year, which ends September 30. A hospital provider must attest to demonstrating meaningful use and supply documentation every year to receive a meaningful use incentive and to avoid a Medicare payment adjustment. For the federal fiscal years ending in 2011, 2012, and 2013 the Hospital received over $6.1 million in meaningful use incentive payments.

Beginning with the fourth quarter of fiscal year 2013, in an effort to reduce costs and prepare for an anticipated migration to a new state-of-the-art Electronic Medical Record system, the Hospital hired as employees the individuals who were previously employed by the Hospital's provider of out-sourced IT and Health Information Managements Services.

At the end of fiscal year 2013 the Hospital Board approved a $19 million project at its Mountain View campus to build out a 16,000 square foot area of its new hospital to create a new high tech data center with sophisticated and current IT hardware and applications to replace its then-current data center. This new data center was completed in June 2016 and the migration from the old data center was completed in the fall of 2016.

In fiscal year 2014, the Corporation began the process of replacing the Hospital's current electronic health record system. In January 2014, the Hospital entered into a multi-year strategic partnership with the Epic Corporation to install a state of the art electronic system referenced internally as "iCare." The new electronic record system provides the Hospital's health care providers access to lifetime health records for patients across its regional community while delivering real-time bedside clinical decision support on an integrated platform. This platform will provide for exchange of patient medical data with many of the Hospital's strategic service area partners. The projected total capital investment for the implementation of iCare is approximately $73 million. The iCare electronic health record system went "live", as projected, on November 7, 2015, with a current capital investment at June 2016 of $57 million and $8 million in training of employee staff and physicians. Beginning in fiscal year 2017 the Corporation will initiate upgrades and refinements to its iCare system.

Capital Facilities Expenditures [still needs review]

The Project discussed in "PLAN OF FINANCE" in the forepart of this Official Statement, expected to be financed in whole or in part with proceeds of the Bonds, consists primarily of the following Project components, all located at the Mountain View Campus.

- Replacement of the Behavioral Health building began in early 2016, this project is projected to be completed in 2017 at a total cost of approximately $[53] million with approximately $[4.2] million in costs incurred through [June/July/August] 2016.
- Expansion of the North Drive Parking Garage began in late 2015, this project is projected to be completed by the end of 2016 at a total cost of approximately $[15] million with

approximately $[100 thousand] in costs incurred through [June/July/August] 2016. [project]

- Construction of an integrated medical office building and associated parking structure began in [July] 2016, this project is projected to be completed in 2018 at a total cost of approximately $[224] million with approximately in costs $[100 thousand] in costs incurred through [June/July/August] 2016.
- Expansion of the Women's Hospital [is at a preliminary discussion stage with the Corporation Board, the current estimated cost of this project is approximately $90 million.] [update]

In addition to the Project (See "PLAN OF FINANCE" in the forepart of this Official Statement), the Corporation's capital expenditure forecasts include the following potential capital expenditures that may be financed in whole or in part by additional indebtedness. To the extent not financed with indebtedness the Corporation expects to use cash reserves and funds from operations.

- [A project to demolish the main tower of the replaced hospital building as discussed above is projected to enter the design stage in the latter half of 2016 and to be completed in 2019 at an estimated cost of $6 million.] [Bond proceeds?]

At the Los Gatos campus:

- The Corporation is not currently planning any significant capital expenditures on this campus except for projects financed with proceeds of the Series 2015 Bonds. See "INTRODUCTION – Additional Indebtedness" in the forepart of this Official Statement.

The Corporation is financing, or intends to finance, these projects through a combination of cash, operating reserves or additional indebtedness depending on existing results of operation, market conditions and other factors. The Corporation currently anticipates having funds available to finance and/or pay for these projects without incurring additional indebtedness and, accordingly, only intends to incur such indebtedness if it is determined at that time to be a more beneficial source of capital than the use of existing cash or reserves or other sources of available funds. The Corporation currently expects to limit any additional indebtedness incurred to finance these projects to approximately [40]% of total projected capital expenditures subject to market conditions.

Status of Seismic Compliance

The hospital building on the Mountain View campus meets the seismic standards for hospital facilities under the Hospital Seismic Safety Act of 1994 and the Corporation has no further obligations under the Act with respect to the new hospital building. Seismic upgrades which were required to allow all hospital buildings on the Los Gatos campus to remain in operation through 2029 have been completed. The Corporation is aware of the need for a long-term strategic plan for the continued operation of the Los Gatos campus taking into account the seismic standards in the Hospital Seismic Safety Act of 1994 to be met by the year 2030. However, at this early stage the Corporation has yet to develop a plan for the Los Gatos campus after 2030 and is beginning to explore available options.

Licensure and Accreditation

The Hospital is licensed by the State of California Department of Health Services for up to 443 beds and accredited by The Joint Commission, an independent not-for-profit organization that accredits and certifies more than 15,000 health care organizations and programs in the United States. The Mountain View campus and the Los Gatos campus operate under the same tax identification number, state healthcare license number, and various provider numbers. The Hospital is certified for Medicare and Medicaid reimbursement. The Hospital's laboratory services are accredited by The Joint Commission and certified by the College of American Pathologists, as applicable.

PHYSICIANS AND EMPLOYEES

Medical Staff

Appointment to the Hospital Medical Staff is open to physicians, dentists, and podiatrists who are licensed to practice in the State of California and can document, to the satisfaction of the Corporation Board, their background, experience, training and current competence, adherence to the ethics of their profession, their ability to work with others, and that their health status is good enough to permit them to practice the privileges requested. The Corporation Board, upon recommendation of the Medical Staff Executive Committee, makes appointments to the Medical Staff and approves clinical privileges. Initial appointments are for a period of no more than two years. Reappointments are approved for a period not to exceed two years. There is one Hospital Medical Staff and it provides services at both the Mountain View and Los Gatos campuses. The Medical Staff is divided into the following categories: active, provisional, courtesy, consulting, associate, emeritus, honorary, and dialysis-affiliated staff.

As of June 30, 2016, the Hospital's Medical Staff at both campuses comprised 1,373 physicians. Active category staff members include physicians, dentists and podiatrists who utilize the Hospital's services and facilities and participate in the medical activities of the Hospital on a regular basis. Active category members of the Medical Staff have voting rights. All physicians, dentists and podiatrists joining the Medical Staff must first complete a minimum of six months or maximum of two years in the provisional category, during which time their care is subject to review by designated proctors. At the end of the provisional category, a member may proceed to active category status, courtesy category status (limited in the allowable number of patient contacts per year), or may be terminated due to failure to meet requirements for advancement. The consulting staff consists of specialists who come to the Hospital when requested to render opinions within their clinical expertise. Associate staff are practitioners who do not have a hospital-based practice but nonetheless regularly deliver services to persons within the Hospital's local community. Emeritus staff are older physicians who have been members of the active category for at least ten years and who wish to take a less active role on the Medical Staff.

Leading Admitters. The table below shows the top ten admitting physicians by specialty, age, and number of discharges for the year ending June 30, 2016. These top ten admitters accounted for approximately 9% (2,117) of the total discharges at the Hospital for fiscal year 2016.

Specialty	Age	Discharges in Fiscal Year Ended June 30, 2016
Physical Medicine & Rehabilitation	42	312
Internal Medicine	59	243
Orthopedic Surgery	41	240
Obstetrics / Gynecology	52	210
Internal Medicine	59	194
Obstetrics / Gynecology	52	194
Obstetrics / Gynecology	75	183
Obstetrics / Gynecology	49	181
Obstetrics / Gynecology	39	180
Obstetrics / Gynecology	54	180

Specialties. The following tables include all physicians on the Hospital's Medical Staff as of June 30, 2016.

Medical – Specialties	**Number of Physicians**
Allergy and Immunology	14
Cardiology	29
Cardiology – Interventional	28
Critical Care Medicine	2
Dermatology	26
Electrophysiology	4
Endocrinology, Diabetes & Metabolism	10
Female Pelvic Medicine & Reconstructive Surgery	2
Gastroenterology	30
Hematological & Medical Oncology	22
Hospice and Palliative Medicine	3
Infectious Disease	11
Internal Medicine	120
Internal Medicine Hospitalist-CHIPS	2
Internal Medicine Hospitalist-PAMF	14
Internal Medicine Hospitalist-PARAGON	16
Internal Medicine Hospitalist-TeamHealth	15
Medical Genetics	1
Nephrology	19
Neurology	20
Neurophysiologic Monitoring	1
Neurophysiology - Clinical	7
Pain Management	8
Pathology - Clinical	1
Physical Medicine & Rehabilitation	20
Pulmonary Disease	16
Rheumatology	10
Sleep Medicine	4
Telemedicine – Intensive Care	20
Medical Total:	475

Surgical – Specialties	**Number of Physicians**
Dentistry	2
Oral & Maxillofacial Surgery	11
Pediatric Dentistry	3
Podiatry	32
Surgery-Cardiothoracic	11
Surgery-General	40
Surgery-Hand	6
Surgery-Neurological	14
Surgery-Oncological	1
Surgery-Ophthalmology	44
Surgery-Ophthalmology Pediatric	1
Surgery-Oral & Maxillofacial	1
Surgery-Orthopaedic	46
Surgery-Otolaryngology	23
Surgery-Plastic & Reconstructive	31
Surgery-Thoracic	1
Surgery-Urology	32
Surgery-Vascular	7
Surgical Assist	15
Surgical Total	**321**

[BDV Note: how is surgery-Oral & Maxillofacial different than second row of above table?]

Other Specialties	Number of Physicians
Anesthesiology	42
Emergency Medicine	34
Family Medicine	78
Geriatric Psychiatry	2
Gynecologic Oncology	7
Gynecology	6
Hospitalist-OB	10
Maternal and Fetal Medicine	20
Neonatal-Perinatal Medicine	22
Obstetrics & Gynecology	75
Pathology-Anatomic & Clinical	6
Pediatric Allergy	5
Pediatric Cardiology	5
Pediatric Genetics	2
Pediatric Infectious Disease	3
Pediatric Neurology	4
Pediatric Pulmonology	1
Pediatrics	129
Psychiatry	23
Psychiatry – Child	4
Radiation Oncology	14
Radiology-Diagnostic	18
Radiology-Vascular & Intervention	9
Reproductive Endocrinology	5
Telemedicine-Psychiatry	20
Telemedicine-Radiology	33
Other Total	**577**
Medical Staff Grand Total	**1,373**

Physician Relations

In addition to working with physicians through the organized Medical Staff, the Corporation periodically reviews the needs of the community it serves with regard to physician recruitment and retention. The Corporation also maintains communication with several major integrated medical groups practicing in the Hospital's service areas, including Palo Alto Medical Foundation for Health Care, Research and Education, a part of Sutter Health. The Palo Alto Medical Foundation ("PAMF") has a major presence in Palo Alto and Mountain View. The Corporation and PAMF are collaborating on clinical program development, care coordination and population health models including data sharing, community benefit programs and co-location of facilities.

SERVICE AREA AND COMPETITION

Primary Service Areas

The Corporation defines the Hospital's service areas by patient origin, geographic accessibility to the Hospital and location of the majority of physician offices of its medical staff. The Hospital's Primary Service Area for the Mountain View campus includes Mountain View, Los Altos, Los Altos Hills, Sunnyvale and Cupertino. The Hospital's Primary Service Area for the Los Gatos campus includes Campbell, Los Gatos, a portion of San Jose and Saratoga. The Hospital's East Primary Service Area is served by both campuses and includes Alviso, a portion of San Jose, Santa Clara and Sunnyvale. The Hospital's patient discharges from its Primary Service Areas were approximately 75% of its total inpatient discharges for fiscal year 2016. The following map identifies the Primary Service Areas of the Hospital, Secondary Service Areas to the North and the East and the location of certain competitors, see "Market Share" and "Competition" below. The Hospital's patient discharges from its Primary Service

Areas and its Secondary Service Areas were approximately 87% of its total inpatient discharges for fiscal year 2016.

El Camino Hospital Service Area

Service Area/ City	2016 Population
Mountain View Primary	**298,533**
Los Gatos Primary	**536,565**
East Primary	**430,113**
East Secondary	**453,783**
North Secondary	**113,024**
Service Area Total	**1,832,018**

Market Share

In addition to El Camino Hospital, the Hospital's service area is also served by several other acute-care hospitals. Stanford Children's Hospital, a specialty children's hospital, is also in the Hospital's North Secondary Service Area. The following illustrates the market share data for the top nine general acute care providers of service for the Hospital's Service Areas for the calendar years 2012, 2013, and 2014. This data is based solely upon discharges from the Hospital's Service Areas which are determined by zip code.

Hospital	Calendar Year 2012	Calendar Year 2013	Calendar Year 2014
El Camino Hospital	17.6%	17.3%	17.8%
Kaiser Hospitals (Santa Clara and San Jose)(1)	23.4	23.3	20.5
Good Samaritan Hospital(2)	13.6	13.6	13.9
Stanford & Stanford Children's Hospital(3)	9.1	9.1	9.2
Santa Clara Valley Medical Center(4)	16.8	17.1	17.5
O'Connor Hospital(5)	8.5	8.6	7.9
Regional Medical Center of San Jose(2)	5.0	5.0	5.3
All Other	6.1	6.0	7.9

Inpatient Market Share across the Primary Service Area consisting of 75% of the Hospital's discharges.

Source: OSHPD, excludes normal newborns.

(1) Part of the Kaiser Permanente integrated healthcare delivery system.
(2) Part of Hospital Corporation of America.
(3) Affiliated with Stanford University.
(4) Owned and operated by the County of Santa Clara.
(5) Part of Daughters of Charity Health System.

Competition

The following table details geographical information regarding certain key competitors of the Hospital.

Hospital	Location (City)	Distance from the Mountain View Campus	Licensed Beds
Kaiser Foundation Hospital - Santa Clara	Santa Clara	9.4 mi.	286
Stanford Hospital	Palo Alto	11.3	613
Santa Clara Valley Medical Center	San Jose	11.0	574
Good Samaritan Hospital	San Jose	12.0	392
O'Connor Hospital	San Jose	12.0	358
Kaiser Foundation Hospital - Redwood City	Redwood City	14.3	213
Sequoia Hospital	Redwood City	16.4	421
Kaiser San Jose	San Jose	20.5	242

Source: OSHPD.

Demographics

The Hospital is located in the City of Mountain View and the City of Los Gatos, each within Santa Clara County, which lies immediately south of the San Francisco Bay and is the fourth most populous county in California. The following table lists population figures for the County of Santa Clara and the State at various intervals during the fifty-six year period beginning in 1960.

Population Estimates
Certain Calendar Years 1960 through 2016

Calendar Year[1]	County of Santa Clara	State of California
1960	642,315	15,717,204
1970	1,065,313	19,971,022
1980	1,295,071	22,911,000
1990[2]	1,497,577	29,758,213
2000[2]	1,682,585	33,873,086
2010[2]	1,781,642	37,253,956
2011	1,794,337	37,427,946
2012	1,813,702	37,668,804
2013	1,840,895	37,984,138
2014	1,868,558	38,340,074
2015	1,903,074	38,907,642

(1) As of January 1
(2) As of April 1
Source: California Department of Finance.

SELECTED UTILIZATION INFORMATION

Certain of the information in this section concerning the finances of the Corporation or the District is provided as supplementary information only. Although the financial statements of the District are consolidated with those of the Corporation and its other Affiliates, in accordance with Governmental Accounting Standards Board ("GASB") accounting principles, and some of the financial information in this Appendix A is presented on a consolidated basis, the Bonds are not an obligation of any Affiliate. The Bonds are an obligation solely of the District, payable from the proceeds of an ad valorem tax required to be levied by the County in an amount sufficient for the payment of the principal of and interest on the Bonds.

Historical Utilization

The Hospital's utilization statistics for the last three fiscal years are presented below.[1]

	Fiscal Year Ended June 30		
	2014[2]	2015[2]	2016[2]
Licensed beds	443	443	443
Discharges	18,567	19,081	18,618
Births	5,207	5,113	4,742
Patient days	86,883	89,787	88,700
Occupancy %	54%	94%	93%
Average daily census	238	246	242
Average length of stay (days)	4.7	4.7	4.8
Inpatient surgical procedures	4,571	4,488	4,508
Outpatient surgical procedures	6,385	6,474	6,099
Emergency room visits	57,839	61,286	60,433
Total outpatient visits	227,798	201,580	198,733

____

(1) Does not include utilization statistics for facilities leased to Stanford Children's Hospital. See "HOSPITAL FACILITIES AND SERVICES – Bed Distribution" herein.

(2) Unaudited.

Sources of Patient Services Revenue

The Corporation derives a significant portion of its revenues from Medicare, Medi-Cal, managed care providers, commercial insurance carriers, and others. The following table sets forth the payor mix, based on gross patient revenues, for the last three fiscal years.

	Fiscal Year Ended June 30		
	2014	2015	2016
Medicare	45%	46%	47%
Medi-Cal	6	7	7
HMO & PPO	44	43	42
Others	5	4	4

The Corporation is subject to governmental regulations applicable to health care providers and the receipt of future revenues from the operation of the Hospital is subject to, among other factors, federal and State policies affecting the health care industry and other conditions that are impossible to predict. Such conditions may include decreasing revenues while maintaining an appropriate amount and quality of health services, changes in reimbursement or prospective payment policies and unanticipated competition from other health care providers. The effect on the Corporation of recently enacted laws and regulations and of future changes in federal and State laws and policies cannot be fully or accurately determined at this time.

In addition, future economic and other conditions, including inflation, demand for hospital services, the capability of management of the Hospital, the ability of the Hospital to provide the services required or requested by patients, physicians' confidence in the Hospital and management, economic developments in the service area served by the Hospital, employee relations and unionization, competition, rates, increased costs, availability of professional liability insurance, hazard losses, third-party reimbursement and changes in governmental regulation may adversely affect operating revenues. See "BONDHOLDERS' RISKS" in the forepart of this Official Statement.

MANAGEMENT'S DISCUSSION OF FINANCIAL OPERATIONS

Although this section includes information concerning the financial operation of the Corporation and the District's other Affiliates on a consolidated basis in accordance with GASB accounting principles, the Bonds are not an obligation of any Affiliate. The Bonds are an obligation solely of the District, payable from the proceeds of an ad valorem tax required to be levied by the County in an amount sufficient for the payment of the principal of and interest on the Bonds.

Fiscal Year Ended June 30, 2016 Compared to Fiscal Year Ended June 30, 2015

See the District's audited consolidated financial statements for the years ended June 30, 2016 and 2015, included in Appendix B to this Official Statement for Management's Discussion and Analysis for the Years Ended June 30, 2015 and 2016. This management discussion and analysis relates to the consolidated financial statements of the District and Affiliates.

Investment

The Hospital utilizes an Investment Consultant to assist the Hospital and its subsidiaries in managing its investments. The investment policy for surplus cash has been approved by the Hospital Board of Directors. The policy includes a diversified asset allocation program to balance the need for liquidity with a long-term investment focus in order to improve investment returns and the organization's financial strength. In fiscal year 2013, an Investment Committee was formed to perform the following responsibilities, among others: monitor performance of investment managers, monitor allocations across investment styles and investment managers, review compliance with the policies, and make recommendations for revisions to the policies. Throughout fiscal years 2014 and 2013, the number of money managers expanded from two money managers for surplus cash to approximately twenty-nine managers. As of fiscal year-end 2016 the number of money managers was twenty-nine for the surplus cash account.

The investment policy for surplus cash allows for the use of equity securities, fixed income securities, and alternative investments, such as real estate and hedge fund investments. The target asset allocation policy approved by the Board on February 11, 2015, consists of a 25% allocation to publicly traded U.S. equity securities, a 15% allocation to publicly traded international equity securities, a 30% allocation to fixed income securities, primarily U.S. based and intended to be of similar risk exposure to the Barclays U.S. Aggregate Bond Index, a 10% allocation to short-duration fixed income securities, primarily U.S. based and intended to be of similar risk exposure to the Barclays 1-3 Year Government Credit Index, and a 20% allocation to alternative investments inclusive of hedge fund and real estate investment strategies. The alternative investment portfolio is diversified across 19 investment managers to mitigate the impact of any one individual manager, whereas the equity portfolio consists of eight investment managers, and the fixed income portfolio consists of four investment managers.

The actual asset allocation as of June 30, 2016 varies marginally from the target allocation. The asset allocation as of June 30, 2016 consisted of the following: 26% allocation to publicly traded U.S. equity securities, a 15% allocation to publicly traded international equity securities, a 31% allocation to fixed income securities, primarily U.S. based and intended to be of similar risk exposure to the Barclays U.S. Aggregate Bond Index, a 10% allocation to short-duration fixed income securities, primarily U.S. based and intended to be of similar risk exposure to the Barclays 1-3 Year Government Credit Index, and an 18% allocation to alternative investments inclusive of hedge fund and real estate investment strategies.

The investment of surplus cash may incorporate the use of both active and passive strategies and separate account, mutual fund, and commingled fund vehicles within equity and fixed income strategies. Although most strategies within the equity and fixed income strategies are subject to daily liquidity, the least liquid of the investment vehicles allow for monthly liquidity.

The market value of the Corporation's investments may continue to experience volatility in the future due to continued changing market conditions.

OTHER INFORMATION

Employees

As of June 30, 2016, the Corporation had 3,279 employees, certain of which are represented by bargaining units as noted below:

Labor Relations

Labor Organization	Number of Employees In Organization	Contract Expiration Date
Professional Resources for Nurses	1,261	[August 2016]
United Healthcare Workers West, Local 750	1,281	June 2017
International Union of Operating Engineers, Stationary Engineers	39	[October 2016]

The Corporation and Professional Resources for Nurses, have agreed to begin negotiations in [August 2016] for a new contract to replace or extend the one scheduled to expire on [August 31, 2016]. The Corporation expects to complete negotiations in early/mid/ late [month] and to have a ratified contract in place prior to _____ __, 2016. The Corporation and International Union of Operating Engineers, Stationary Engineers, have agreed to begin negotiations in [August 2016] for a new contract to replace or extend the one scheduled to expire on [October __, 2016]. The Corporation expects to complete negotiations in early/mid/ late [month] and to have a ratified contract in place prior to ______ __, 2016. [BDV: Need Update]

Employee Benefit Plans

The Hospital sponsors a cash-balance pension plan (the "Plan"), which has been in effect since January 1, 1995. The Plan covers employees who are 21 years of age and have completed one year of credited service. Participants are entitled to a lump-sum distribution or monthly benefits at age 65 based on a predetermined formula that considers years of service and compensation. Effective July 1, 1999, employer contributions to the Plan are calculated as 5% of a participant's annual plan compensation, and the annual interest is an indexed rate based on the return on ten-year U.S. treasury securities. Participants are fully vested in their account balances after three pension years.

Certain retired and terminated employees and certain participants covered by a collective bargaining agreement continue to participate under provisions of a defined-benefit formula in effect prior to January 1, 1995.

Components of pension activity (in thousands) for fiscal years 2014 through 2016 consist of the following:

	2014	2015	2016
Pension expense	$8,767	$7,193	9,272
Employer contributions	12,000	14,400	10,800
Benefits paid	9,316	9,982	11,252

Eligible employees of the Hospital may also elect to participate in a separate deferred compensation plan (the "403(b) plan") pursuant to Section 403(b) of the Code. The Hospital acts as the administrator and sponsor, and the 403(b) plan's assets are held by trustees designated by the Hospital's management. Employees are eligible to participate upon employment, and participants are immediately vested in their elective contributions plus actual earnings thereon. The Hospital will match employee contributions to the 403(b) plan, subject to a maximum of 4% to 6% based on longevity of each participant's annual plan compensation. Participants are eligible for employer match in the second plan year in which they work at least 1,000 hours, and they must be on the payroll at the end of the plan year (December 31) and be at least 21 years of age. Employer matching contributions under the 403(b) plan are made directly into the employee's established account at the investments provider. Employer matching contributions to the 403(b) plan of $,9,853,277, $9,182,941, and $8,167,000 in fiscal years 2016, 2015, and 2014, respectively, are included in benefits expense.

Post-Retirement Medical Benefits

The Hospital provides health care benefits and life insurance for certain retired employees who meet eligibility requirements. Employees hired on or before July 1, 1994 are eligible for health coverage upon retirement after attaining age 55 with 20 or more years of service and enrolled in one of the health plans for 20 or more years. Eligibility for retiree life insurance is age 55 with 20 or more years of service.

If a participant terminates from the Hospital after 20 years of service but prior to reaching age 62, they can choose to contribute to the Plan between ages 55 and 61 to retain the Plan's health benefits.

Employees who retired January 1, 1993 or before are covered under the El Camino Hospital District Plan (not part of this valuation).

Benefits are funded by the Hospital on a pay-as-you-go basis. As of June 30, 2015, approximately 621 employees and former employees and dependents were or could become eligible to participate in the plan.

The net period postretirement benefit activity (in thousands) for fiscal years 2014 through 2016 included the following components:

	2014	2015	2016
Benefit expense (Annual OPEB Cost)	$1,420	$1,432	$1,652
Employer contributions	526	525	592
Plan participants' contributions	335	286	223
Benefits paid	861	811	815

As of June 30, 2016, the postretirement benefit obligation (Net OPEB Obligation) in connection with such benefits was approximately $18,256,000. As of July 1, 2015, the most recent actuarial valuation date, the unfunded actuarial accrued liability of these benefits was $25,665,000.

Insurance Plans

Professional, general, automobile, and directors and officers liability insurance for the District and its Affiliates is purchased from BETA Health Care Group ("BHG"). BHG was formed in 1979 for the purpose of operating a self-insurance program for the above insurance coverage for certain hospital districts of the Association of California Hospital Districts ("ACHD"). Effective October 1, 1989, BHG became a separate joint powers authority, establishing itself as a public agency distinct from ACHD. BHG is managed by a board of 16 representatives, 14 of whom are elected by the members.

Other insurance needs of the District and its Affiliates are brokered by Driver-Alliant Insurance Services ("Driver-Alliant"). This relationship was developed by BHG. Through Driver-Alliant, the District purchases its all-risk property insurance (including limited flood), cyber-security, fiduciary, crime and excess workers' compensation coverage. Given the high costs and high deductible of acquiring earthquake insurance, the District has developed a board-designated self-funded earthquake "catastrophic fund." The fair market value of this fund was $13,614,000, $14,149,000 and $14,125,000 at June 30, 2014, 2015 and 2016, respectively.

The Corporation is self-funded for its workers compensation and has been issued by the State of California, Department of Industrial Relations, a Certificate of Consent to Self-Insure. The Corporation purchases excess workers' compensation insurance coverage.

Litigation

No litigation is pending or threatened concerning the validity of the Bonds. The Corporation is not aware of any litigation pending or threatened questioning the existence of the Corporation or contesting the Corporation's ability to receive or to collect revenues or contesting the Corporation's ability to borrow the proceeds of the Bonds and make loan payments to retire the Bonds.

From time to time there are lawsuits and claims pending against the Corporation, the District or the other Affiliates. In the opinion of the Corporation, the aggregate amount of the uninsured liabilities of the Corporation under these lawsuits and claims will not materially adversely affect the operations of the Corporation.

Regulatory Environment

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medi-Cal fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers.

The Corporation is subject to routine surveys, inquiries and reviews by federal, state and local regulatory authorities. Management continually works in a timely manner to implement operational changes and procedures to address all corrective action requests from regulatory authorities. Breaches of these laws and regulations and non-compliance with survey corrective action requests could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF EL CAMINO HEALTHCARE DISTRICT FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

APPENDIX C

COUNTY OF SANTA CLARA ECONOMIC AND DEMOGRAPHIC INFORMATION

El Camino Healthcare District (the "District") is a political subdivision of the State of California, formed by a vote of the District's electorate on October 20, 1956, and organized pursuant to Division 23 of the Health and Safety Code of the State of California. The District's boundaries encompass an area of approximately 48 square miles in northern Santa Clara County, California ("Santa Clara County" or the "County"). The information in this Appendix C provides investors with economic and demographic information concerning the County.

Employment and Industry

The following table lists wage and salary employment in the County by industry from 2011 to 2015.

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SANTA CLARA COUNTY
WAGE AND SALARY EMPLOYMENT BY INDUSTRY
ANNUAL AVERAGE(1)

	2011	2012	2013	2014	2015
Civilian Labor Force	940,600	961,500	975,000	995,300	1,018,400
Civilian Employment	853,200	885,200	911,400	943,500	976,100
Civilian Unemployment	87,400	76,300	63,700	51,700	42,300
Civilian Unemployment Rate	9.3%	7.9%	6.5%	5.2%	4.2%
Total, All Industries	876,700	911,400	950,400	993,400	1,032,200
Total Farm	3,400	3,300	3,300	3,400	3,600
Total Nonfarm	873,300	908,100	947,100	990,100	1,028,600
Goods Producing	183,700	187,400	189,700	195,000	201,800
Mining and Logging	200	200	300	300	200
Construction	30,900	33,900	36,400	38,300	42,100
Manufacturing	152,600	153,300	153,100	156,300	159,400
Durable Goods	143,200	143,600	143,300	146,200	149,100
Nondurable Goods	9,400	9,700	9,800	10,200	10,300
Service Providing	689,600	720,700	757,400	795,100	826,800
Trade, Transportation & Utilities	125,100	129,200	132,200	134,400	135,800
Wholesale Trade	33,600	34,600	35,900	36,400	36,000
Retail Trade	79,700	81,900	82,500	83,400	84,900
Transportation, Warehousing & Utilities	11,800	12,700	13,700	14,600	15,000
Information	51,200	54,100	58,600	66,300	74,700
Financial Activities	32,100	33,000	33,500	34,800	35,000
Finance & Insurance	19,200	20,200	20,700	21,500	21,800
Real Estate & Rental & Leasing	12,900	12,800	12,800	13,300	13,200
Professional & Business Services	166,000	177,200	190,100	202,600	214,900
Professional, Scientific & Technical Services	109,400	117,200	125,100	133,700	141,600
Management of Companies & Enterprises	9,000	9,800	10,800	11,600	12,700
Administrative & Support & Waste Services	47,700	50,300	54,200	57,300	60,600
Educational & Health Services	124,900	132,700	142,700	149,700	155,400
Educational Services	37,200	38,600	39,800	42,600	44,200
Health Care & Social Assistance	87,700	94,200	102,900	107,100	111,100
Leisure & Hospitality	76,300	81,300	86,300	90,500	94,500
Other Services	24,100	24,400	25,000	26,000	26,700
Government	89,900	88,700	89,000	90,900	89,900
Federal Government	10,000	9,700	9,800	9,800	9,800
State Government	6,200	6,200	6,100	6,200	6,400
Local Government	73,700	72,800	73,100	74,900	73,600

(1) The unemployment rate is calculated using unrounded data. Totals may not add up due to independent rounding.

Source: State of California Information Division, Employment Development Department, Labor Market.

Major Employers

Santa Clara County is home to numerous high technology and computer software and hardware manufacturing companies, which, together with public sector employers, continue to top the list of the largest employers in the County. The table below lists the 10 largest employers in the County in fiscal year 2014-15.

SANTA CLARA COUNTY
TEN LARGEST EMPLOYERS

Rank	Employer Name	Estimated No. of Full-Time Employees
1	Apple Computer, Inc.	16,000 – 23,400
2	Santa Clara County	16,837
3	Cisco Systems Inc.	15,800
4	Stanford University	15,053
5	Kaiser Permanente	13,500
6	Google Inc.	11,000 – 16,500
7	Stanford Healthcare	7,689
8	Lockheed Martin Space Systems Co.	7,000
9	Intel Corporation	6,277
10	City of San Jose	5,759

Source: County of Santa Clara Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2015.

Income

Owing to the presence of relatively high-wage skilled jobs and wealthy residents, the County historically achieves high rankings relative to the rest of the State and the nation on a variety of income measurements. According to the U.S. Census Bureau, the median household income in the County from 2010-2014 was $93,854, compared to the State level of $61,489 and the national level of $53,482. Per capita income in the County from 2010-2014 (measured by the U.S. Census Bureau in 2014 dollars) was $42,666, compared to the State level of $29,906 and the national level of $28,555.

Commercial Activity

Santa Clara County is an important center of commercial activity. Taxable sales activity at business and personal service outlets, as well as at other non-retail commercial establishments, are a significant component of the County's commercial activity. The following table provides a summary of taxable transactions by sector for the calendar years 2010 through 2014 (the most recent annual data available).

SANTA CLARA COUNTY
TAXABLE TRANSACTIONS BY SECTOR
CALENDAR YEAR 2010 THROUGH 2014
(In Thousands)

	2010	2011	2012	2013	2014
Retail and Food Services					
Motor Vehicle and Parts Dealers	$2,538,029	$2,894,898	$3,480,485	$4,039,030	$3,959,149
Furniture and Home Furnishings	474,002	523,999	573,328	604,982	716,357
Electronics and Appliance Stores	1,355,839	1,459,039	1,487,911	1,362,785	1,411,732
Bldg. Matrl. and Garden Equip. and Supplies	1,245,941	1,316,953	1,406,177	1,574,275	1,757,717
Food and Beverage Stores	984,824	1,022,790	1,066,463	1,110,420	1,169,209
Health and Personal Care Stores	523,221	564,261	591,347	628,733	645,241
Gasoline Stations	2,104,764	2,559,500	2,679,491	2,598,458	2,526,502
Clothing and Clothing Accessories Stores	1,824,590	1,997,291	2,189,462	2,312,465	2,417,856
Sporting Goods, Hobby, Book, Music Stores	644,612	676,571	714,368	711,235	709,433
General Merchandise Stores	2,368,820	2,448,046	2,532,297	2,558,623	2,593,287
Miscellaneous Store Retailers	635,019	675,873	744,431	702,801	746,622
Nonstore Retailers	147,373	182,963	295,853	551,710	587,190
Food Services and Drinking Places	2,848,824	3,097,359	3,355,097	3,669,125	4,031,458
Total Retail and Food Services	$17,695,858	$19,419,542	$21,116,708	$22,424,642	$23,271,753
All Other Outlets	12,827,464	14,011,675	15,103,737	15,196,964	16,356,902
Totals All Outlets[(1)]	$30,523,322	$33,431,217	$36,220,445	$37,621,606	$39,628,655

(1) Totals may not add up due to independent rounding.
Source: State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Construction Activity

The following tables provide a summary of residential building permit valuations and the number of new dwelling units authorized in the County since 2011.

SANTA CLARA COUNTY
BUILDING PERMIT VALUATIONS
2011 TO 2015

Year	Single Family	Multiple Family	Residential Alteration & Addition	Total[(1)]
2011	$366,126,366	$315,852,996	$323,905,080	$1,005,884,442
2012	678,168,771	558,544,104	288,105,125	1,524,818,000
2013	694,884,637	941,420,413	423,739,588	2,060,044,638
2014	594,472,707	1,196,127,752	439,747,109	2,230,347,568
2015	640,331,859	713,321,700	501,069,779	1,854,723,338

(1) Totals may not add up due to independent rounding.
Source: Construction Industry Research Board.

SANTA CLARA COUNTY
NUMBER OF NEW DWELLING UNITS
2011 TO 2015

Year	Single Family	Multiple Family	Total
2011	978	2,234	3,212
2012	1,432	4,245	5,677
2013	1,859	6,009	7,868
2014	1,602	8,310	9,912
2015	1,675	3,477	5,152

Source: Construction Industry Research Board.

APPENDIX D

BOOK-ENTRY ONLY SYSTEM

DTC, New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Bonds in the aggregate principal amount of each maturity of the Bonds and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company of DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others, such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct Participants and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participants or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct Participants or Indirect Participants acting on behalf of Beneficial Owners. BENEFICIAL OWNERS WILL NOT RECEIVE CERTIFICATES REPRESENTING THEIR OWNERSHIP INTERESTS IN THE BONDS, EXCEPT IN THE EVENT THAT USE OF THE BOOK-ENTRY SYSTEM FOR THE BONDS IS DISCONTINUED.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them. THE DISTRICT AND THE PAYING AGENT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DIRECT OR INDIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE BONDS.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Bond Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, redemption proceeds and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Bond Trustee on payment dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Bond Trustee, the Corporation or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, redemption proceeds and interest on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Bond Trustee. Disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct Participants and Indirect Participants.

DTC may discontinue providing its services as depository with respect to any Bonds at any time by giving reasonable notice to the District and the Paying Agent. Under such circumstances, in the event that a successor Securities Depository is not obtained, Bond certificates are required to be printed and delivered as described in the Paying Agent Agreement.

The District may decide to discontinue use of the system of book-entry transfers of Bonds through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered as described in the Bond Indenture.

THE INFORMATION UNDER THIS CAPTION "BOOK-ENTRY SYSTEM" HAS BEEN PROVIDED BY DTC. NO REPRESENTATION IS MADE BY THE DISTRICT, THE UNDERWRITER OR THE PAYING AGENT AS TO THE ACCURACY OR ADEQUACY OF SUCH INFORMATION PROVIDED BY DTC OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE OF THIS OFFICIAL STATEMENT.

The Paying Agent, as long as a book-entry only system is used for the Bonds, will send any notice of redemption or other notices to owners of such Bonds only to DTC. Any failure of DTC to advise any Participant, or of any Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the redemption of the Bonds called for redemption or of any other action premised on such notice.

The District, the Underwriter and the Paying Agent cannot and do not give any assurances that DTC will distribute to Participants, or that Participants or others will distribute to the Beneficial Owners, payments of principal of and interest and redemption premium, if any, on the Bonds paid or any redemption or other notices or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. None of the Authority, the Underwriter or the Paying Agent is responsible or liable for the failure of DTC or any Direct Participant or Indirect Participant to make any payments or give any notice to a Beneficial Owner with respect to the Bonds or any error or delay relating thereto.

APPENDIX E

FORM OF CONTINUING DISCLOSURE UNDERTAKING

APPENDIX F

PROPOSED FORM OF OPINION OF BOND COUNSEL

[Closing Date], 2016

Board of Directors
El Camino Healthcare District
Mountain View, California

El Camino Healthcare District 2016 General Obligation Refunding Bonds
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the El Camino Healthcare District, a California local health care district (the "District"), in connection with the issuance by the District of $___________ aggregate principal amount of El Camino Healthcare District 2016 General Obligation Bonds (the "Bonds"). The Bonds are issued issued pursuant to a Paying Agent Agreement, dated as of October 1, 2016 (the "Paying Agent Agreement"), between the District and Wells Fargo Bank, National Association, as paying agent (the "Paying Agent"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Paying Agent Agreement.

In such connection, we have reviewed the Paying Agent Agreement, the Tax Certificate of the District, dated the date hereof (the "Tax Certificate"); certificates of the District, the Paying Agent and others; opinions of counsel to the District and others; and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Paying Agent Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Resolution, the Paying Agent Agreement and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, and to the exercise of judicial discretion in appropriate cases. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement relating to the Bonds, or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding obligations of the District.

2. The Paying Agent Agreement has been duly authorized, executed and delivered by, and constitutes a valid and binding obligation of, the District.

3. The Board of Supervisors of the County of Santa Clara has power and is obligated to levy ad valorem taxes without limitation as to rate or amount upon all property within the District's boundaries subject to taxation by the District (except certain personal property which is taxable at limited rates) for the payment of the Bonds and the interest thereon.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

ATTACHMENT 13

BOARD MEETING AGENDA ITEM COVER SHEET

	Item:	FY16 Community Benefit Dashboard and Annual Report El Camino Healthcare District Board of Directors October 18, 2016
	Responsible Party:	Cecile Currier, VP Corporate and Community Health Services and President, CONCERN, EAP Barbara Avery, Director, Community Benefit
	Action requested:	Motion Required

Background:

We are pleased to present the FY16 El Camino Healthcare District Community Benefit Dashboard and Annual Report. The dashboard includes results of what the District's 37 grants have achieved. As you know there is a separate dashboard for the Hospital that was presented to the Board on October 12, 2016.

El Camino Healthcare District invested $5,789,742 in grants and sponsorships in FY16.

- 68,006 people received services through the community benefit grants
  - Healthcare Access – 22,730 people
  - Mental Health Access – 1,733 people
  - Healthy Eating and Physical Activity – 18,309 people
  - Community Health Education and Health Literacy – 25,214 people

In FY16, 90% of performance metrics were met or exceeded, which represents a 15% increase compared to the outcomes achieved at six months.

At the recommendation of the Community Benefit Advisory Council (CBAC), a small grants program was piloted for FY16. Six proposals were submitted, with five agencies receiving funding.

Access to health care services was improved by introducing the Express Care Clinic that doubles evening clinic hours at Valley Health Center, Sunnyvale. MayView Community Health Center also expanded hours and introduced additional walk-in immunization clinics. The District's meaningful investments help individuals in our District, especially those most at-risk, get the healthcare they need. Thank you for your continued support of our community partners.

Committees that reviewed the issue and recommendation, if any: None.

Summary and session objectives: To review the results for FY16 Community Benefit.

Suggested discussion questions: None

Proposed board motion, if any:

To accept the FY16 Community Benefit Report.

LIST OF ATTACHMENTS:

1. FY16 El Camino Healthcare District Community Benefit Dashboard
2. FY16 Community Benefit Annual Report

Health Priority	Partner	Goals/Metrics	FY16 Annual Target	FY16 Annual Total	🟢 🔴	FY16 Percent of ALL Annual Metrics Met	FY16 Percent of ALL 6-month Metrics Met	FY15 Percent of ALL Annual Metrics Met	FY14 Percent of ALL Annual Metrics Met	FY16 Comments
Health Care Access (Primary, Oral and Chronic Conditions Care)	**Community Service Agency-Mountain View Senior Intensive Case Management** *FY16 Awarded: $133,500* *FY16 Spent: $122,188*	Clients served	98	98	🟢	83%	25%	83%	83%	
		Services provided	2,898	2,917	🟢					
		Patients not readmitted at 1 year for reasons related to a chronic health condition or initial hospitalization	90%	83%	🟢					
		Clients able to maintain independent living outside institutional setting	97%	83%	🟢					
		Patients with hypertension who attained or maintained blood pressure <140/90 mm Hg	85%	83%	🟢					
		Patients who scored at a "high-risk" for falling who reduced their fall level to "moderate-risk" based on 17 point Fall Assessment tool	40%	34%	🔴					Many clients were able to significantly reduce their fall risk, a few however saw their risk increase due to new medications that caused dizziness, worsening balance or worsening vision. Program nurse worked to address these issues with clients.
	Cupertino Union School District CUSD School Nurse Program *FY16 Awarded: $34,411* *FY16 Spent: $34,411*	Students served	740	671	🟢	100%	67%	100%	67%	
		Students who failed a mandated health screening (hearing and vision) who saw a health provider	72%	74%	🟢					
		Students in Kindergarten and 2nd grades who were identified as needing early intervention or urgent dental care through on-site screenings who saw a dentist	55%	79%	🟢					Many parents were not concerned about their child's failed screening because the child's permanent teeth had not yet emerged. Nurses were able to educate the family and ultimately get the child treated by a pediatric dentist.
		Number of teachers accessing Health Teacher and Go Noodle health education curricula and activities	55%	59%	🟢					
	El Camino Hospital RoadRunners- Mountain View *FY16 Awarded: $315,353* *FY16 Spent: $315,353*	Individuals served	1,000	1,528	🟢	75%	75%	100%	50%	Additional outreach attracted more new riders than anticipated.
		Rides provided	10,000	8,237	🔴					Continued challenges in recruiting qualified volunteer drivers.
		"Strongly agree" or "agree" with the statement, having RoadRunners services helped in maintaining my independence	90%	92%	🟢					
		"Strongly agree" or "agree" with the statement, having RoadRunners made it possible to get to my medical appointments	95%	92%	🟢					
	Healthcare Foundation of Northern & Central CA Medical Respite *FY16 Awarded: $55,000* *FY16 Spent: $55,000*	Total program patients	145	250	🟢	100%	100%	100%	100%	Variance was significantly affected by the addition of three overflow beds funded by ECHD.
		Clients linked to primary care home	92%	87%	🟢					
		Clients who complete the program and are discharged to interim or permanent housing	75%	74%	🟢					
		Hospital days avoided (for all hospitals in the project)	530	1,025	🟢					Variance was significantly affected by the addition of three overflow beds funded by ECHD. The improved capacity caused a substantial increase in hospital days saved.
	Lucile Packard Foundation for Children's Health Mobile Adolescent Health Services *FY16 Awarded: $82,000* *FY16 Spent: $82,000*	Patients served	90	63	🔴	67%	75%	100%	100%	NP had to take a medical leave that was longer than anticipated; able to hire per diem replacement but individual required training which resulted in fewer students served.
		Services provided	365	281	🔴					See above.
		Patients who receive necessary vaccinations to complete the 3-part Hepatitis B series	100%	100%	🟢					
		Patients who receive social worker consultation, treatment by a Packard psychiatrist, and/or medications, after screening positive for depression	95%	96%	🟢					
		Patients who use alcohol or drugs and decrease their frequency by 1 level out of 5	55%	55%	🟢					
		Patients who take part in the "Learning to Breathe" mindfulness program	100%	100%	🟢					

*** Community Benefit Dashboard Notes:**

🟢 A metric receives a "green" dot if the target was met, exceeded, or within 10% of the target goal

🔴 A metric receives a "red" dot if the target was not met by an excess of 10% of the target goal

Funds that were awarded, but not spent are always returned

Health Priority	Partner	Goals/Metrics	FY16 Annual Target	FY16 Annual Total	● ●	FY16 Percent of ALL Annual Metrics Met	FY16 Percent of ALL 6-month Metrics Met	FY15 Percent of ALL Annual Metrics Met	FY14 Percent of ALL Annual Metrics Met	FY16 Comments
Health Care Access (Primary, Oral and Chronic Conditions Care)	**MayView Community Health Center** *FY16 Awarded: $137,320* *FY16 Spent: $137,320*	Patients served	1,220	1,134	●	75%	75%	100%	67%	
		Services provided	2,684	2,721	●					
		Diabetes registry patients with Chronic Disease Hypertension: high blood pressure control <140/90	80%	83%	●					
		Children by age 3 with completed immunizations	85%	44%	●					Due to an increase in outreach, many new children were seen but a significant number of the parents did not bring their children's immunization records. Without this information it was not possible to determine if the children were up to date on all of their vaccines. Additionally some parents utilized MayView services to get one or two vaccines because they had access issues with their own pediatricians but unfortunately did not bring the requested records.
	MayView Community Health Center - Support for Uninsured *FY16 Awarded (mid-year): $300,000* *FY16 Spent: $300,000*	Patients served	750	1,596	●	100%	N/A	N/A	N/A	Added new providers and support staff and enhanced outreach.
		Patient visits	1,500	3,870	●					See above.
		Diabetic patients with LDL <130mg/dL	70%	71%	●					
		Diabetic patients with HbA1c levels <9	65%	72%	●					
		Hypertension patients who demonstrate high blood pressure control <140/90	70%	72%	●					
		Children by age 3 with completed immunizations	35%	73%	●					As a mid-year grant, the agency had access to the 6 month data on this metric. Because of the known challenges the target was adjusted. Additionally they added clinic protocols to address the data issues.
	Mountain View Whisman School District **School Nurse Program** *FY16 Awarded: $227,238* *FY16 Spent: $227,238*	Students served	3,500	3,404	●	100%	100%	83%	100%	
		Services provided	7,300	7,879	●					
		Students with failed screenings who saw a provider	85%	77%	●					
		Students needing a Child Health and Disability Program examination who saw a provider	70%	63%	●					
		Students needing an Oral Health Exam who saw a provider	70%	69%	●					
		Students who reported decreased anxiety levels as assessed by the SCARED (Screen for Child Anxiety Disorders) tool.	80%	80%	●					
		Students in compliance with California immunization requirements	100%	100%	●					
	Pathways Home Health & Hospice Pathways Un/Underinsured Home Care Program *FY16 Awarded: $45,000* *FY16 Spent: $45,000*	Patients served	30	45	●	100%	100%	100%	100%	Increased demand for services from the uninsured population.
		Services provided	190	405	●					
		Patients who improved their ability to take oral medications correctly.	50%	61%	●					
		Patients not admitted to a hospital while receiving home health care services	83%	87%	●					
	Peninsula Healthcare Connection New Directions Program *FY16 Awarded: $140,000* *FY16 Spent: $140,000*	Patients served	22	25	●	100%	100%	100%	67%	
		Services provided	525	994	●					Several newly enrolled clients required higher than average number of services to achieve targeted outcomes.
		Enrolled patients with a reduction in Emergency Room visits or inpatient admissions as compared to the year prior to enrollment	65%	86%	●					
		Enrolled patients referred to and seen by a primary medical care provider within three months of enrollment	85%	100%	●					
		Enrolled patients in need of mental health or substance abuse treatment referred to and seen by a provider	65%	67%	●					

*** Community Benefit Dashboard Notes:**

● A metric receives a "green" dot if the target was met, exceeded, or within 10% of the target goal

● A metric receives a "red" dot if the target was not met by an excess of 10% of the target goal

Funds that were awarded, but not spent are always returned

Health Priority	Partner	Goals/Metrics	FY16 Annual Target	FY16 Annual Total	● ●	FY16 Percent of ALL Annual Metrics Met	FY16 Percent of ALL 6-month Metrics Met	FY15 Percent of ALL Annual Metrics Met	FY14 Percent of ALL Annual Metrics Met	FY16 Comments
Health Care Access (Primary, Oral and Chronic Conditions Care)	**Sunnyvale Community Services Case Management** *FY16 Awarded: $65,000* *FY16 Spent: $65,000*	Clients enrolled in comprehensive Case Management	100	101	●	100%	50%	100%	N/A	
		Individuals in case management whose families receive assistance in applying for Social Services Agency, CalFresh, and other government benefits	100	101	●					
		Individuals in case management who rank agency staff and services "4" or higher on a 5-point satisfaction scale	90%	96%	●					
		Case managed individuals who increased in 3 of the 15 domains measured by the case management assessment tool	80%	97%	●					
	Sunnyvale School District School Nurse Program *FY16 Awarded: $265,000* *FY16 Spent: $265,000*	Students served	4,517	4,488	●	100%	100%	100%	80%	
		Students with failed vision or hearing screenings who saw a healthcare provider	77%	72%	●					
		Students chronically absent due to illness (> 10% of school days) who improved attendance	62%	64%	●					
		Students identified as needing urgent dental care through on–site screenings who saw a dentist	77%	75%	●					
	Santa Clara Valley Health and Hospital System *FY16 Awarded: $1,039,000* *FY16 Spent: $849,531*	Patients served in Express Care Clinic	1,300	1,393	●	78%	56%	94%	64%	
		Express Care Clinic total encounters	2,600	3,310	●					
		Patients served by RN Care Coordinator and Financial Counselor	1,300	1,091	●					Difficulty in recruiting qualified Financial Counselor.
		Dental patients served	1,100	979	●					Clinic had an unusually high number of no-shows (despite reminders) and last minute cancelations.
		Dental encounters	3,000	3,367	●					
		Patients identified as high-risk that are contacted by the RN Care Coordinator within 3 business days of referral	80%	100%	●					
		Reduction in VMC ED and/or Express Care visits for patients served by the RN Care Coordinator	30%	39%	●					
		Dental patients who have at least one dental health maintenance procedure completed within 3 months of examination	60%	60%	●					
		Emergency dental patients who return for a non-emergency maintenance appointment within 3 months	70%	70%	●					
	Working Partnerships USA Covered Initiative for the Residual Uninsured *FY16 Awarded: $100,000* *FY16 Spent: $83,706*	Clients served	2,700	4,313	●	100%	25%	N/A	N/A	As a pilot program it was difficult to estimate targets. A number of issues lead to a late start with the project. Aggressive efforts were put in place in the second half of the year to serve as many clients as possible and reach goals.
		Encounters	6,000	8,890	●					See above.
		Individuals educated about coverage plan and given information	2,700	4,313	●					See above.
		Individuals connected directly to enrollment entities for processing	900	1,527	●					
		Doors knocked and identified uninsured	60%	96%	●					
		Uninsured individuals educated about coverage plan	27%	49%	●					
		Uninsured who provided information and were connected directly to enrollment entity	9%	17%	●					

*** Community Benefit Dashboard Notes:**

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● A metric receives a "red" dot if the target was not met by an excess of 10% of the target goal

Funds that were awarded, but not spent are always returned

Health Priority	Partner	Goals/Metrics	FY16 Annual Target	FY16 Annual Total	🟢 🔴	FY16 Percent of ALL Annual Metrics Met	FY16 Percent of ALL 6-month Metrics Met	FY15 Percent of ALL Annual Metrics Met	FY14 Percent of ALL Annual Metrics Met	FY16 Comments
Mental Health Access	**Community Health Awareness Council Prevention Plus** *FY16 Awarded: $142,700* *FY16 Spent: $142,700*	Students served	648	673	🟢	100%	100%	80%	80%	
		Services provided/encounters	5,460	5,801	🟢					
		Hours of direct service (individual/family sessions)	5,092	5,409	🟢					
		Hours of direct service (Just for Kids group sessions)	368	392	🟢					
		Sunnyvale School District students served through individual counseling who show a 20% or more improvement on the Problem Focused Assessment Scale	80%	98%	🟢					
		Sunnyvale School District students served through Just for Kids groups who show a 20% or more improvement on the Just for Kids Survey	80%	82%	🟢					
		Just for Kids (JFK) group participants who complete the 8-week JFK series	80%	97%	🟢					
	Community Health Awareness Council Teen Talk *FY16 Awarded: $50,000* *FY16 Spent: $50,000*	Students served	610	486	🔴	60%	100%	100%	100%	Issues with permission slip distribution at school district resulted in lower than expected participation levels.
		8-week series provided	102	81	🔴					As noted above, issues with permission slip distribution at school district resulted in a lower number of series provided.
		Students served through Teen Talk groups who show a 15% or more improvement on the Teen Talk Risk Behavior Survey	80%	88%	🟢					
		Students served who show a 15% or more improvement on the Teen/Tween Talk Risk Prevention Survey	80%	86%	🟢					
		Teen/Tween Talk group participants who complete the 8-week series	80%	98%	🟢					
	Mental Health Advocacy Project Removing Legal Barriers to Mental Health Access *FY16 Awarded: $50,000* *FY16 Spent: $50,000*	Individuals served	150	178	🟢	100%	100%	N/A	N/A	
		Providers receiving MHAP's training who increase their understanding of their patients' rights to medical benefits and public assistance	75%	100%	🟢					
		Clients receiving MHAP services for benefits issues who successfully access or maintain health and other safety-net benefits	75%	82%	🟢					
	Momentum for Mental Health La Selva Community Clinic *FY16 Awarded: $236,000* *FY16 Spent: $236,000*	Patients served	118	118	🟢	100%	100%	100%	100%	
		Services provided	1,615	1,635	🟢					
		Patients who avoided re-hospitalization during the grant year	95%	99%	🟢					
		Patients showing improvement on the PHQ-9 from admission to discharge	95%	95%	🟢					
	Mountain View Los Altos Union High School District School Mental Health and Support Team *FY16 Awarded: $160,000* *FY16 Spent: $160,000*	Students served	150	199	🟢	83%	100%	100%	83%	Greater demand for services. Therapists worked extra hours to address student needs.
		Service hours provided	2,520	3,157	🟢					Greater demand for services. Therapists worked extra hours to address student needs.
		Students whose GPA is 2.5 or above	10%	24%	🟢					
		Students who report feeling safe on campus	78%	80%	🟢					
		Increase in percentage of students showing reliable change in student life domain needs (abuse, gang, family, and legal issues)	73%	80%	🟢					
		Reduction in high risk behavior that may result in suspension	74%	61%	🔴					Persistent tardiness was the behavior issue that kept the agency from achieving this metric.
	NAMI Santa Clara County Peers on Discharge *FY16 Awarded: $100,000* *FY16 Spent: $88,794*	Patients served in Peers on Discharge (PoD)	60	79	🟢	83%	67%	100%	100%	
		Patients attending presentations	136	250	🟢					Increased the number of presentations part way through the year.
		One-on-one PoD participant visits	1,020	610	🔴					Delay in starting this pilot program as issues of compliance took longer than expected to resolve.
		Patients who report feeling a decrease in level of isolation	80%	87%	🟢					
		Patients who reduce hospitalizations	80%	89%	🟢					
		Patients who are compliant with treatment plan	75%	90%	🟢					

*** Community Benefit Dashboard Notes:**

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Funds that were awarded, but not spent are always returned

Health Priority	Partner	Goals/Metrics	FY16 Annual Target	FY16 Annual Total	🟢 🔴	FY16 Percent of ALL Annual Metrics Met	FY16 Percent of ALL 6-month Metrics Met	FY15 Percent of ALL Annual Metrics Met	FY14 Percent of ALL Annual Metrics Met	FY16 Comments
Healthy Eating, Physical Activity and Obesity Reduction	**BAWSI** **BAWSI Girls** *FY16 Awarded: $15,000* *FY16 Spent: $15,000*	Students served	110	128	🟢	100%	100%	100%	100%	
		Average weekly attendance	80%	87%	🟢					
		Participants who self-report at least 2 positive effects of program after each session	80%	100%	🟢					
	GoNoodle *FY16 Awarded: $21,000* *FY16 Spent: $21,000*	Schools served	26	26	🟢	100%	100%	100%	67%	
		Active GoNoodle users as percentage of school staff	60%	62%	🟢					
		GoNoodle physical activity breaks played	20,000	36,847	🟢					Success attributable to strong teacher adoption and new position focused on staff education and engagement.
		Student physical activity minutes achieved	1,000,000	1,995,165	🟢					See above.
		Teachers who believe GoNoodle benefits their students' focus and attention in the classroom	80%	96%	🟢					
		Teachers who agree that GoNoodle Plus physical activity breaks are a valuable resource in helping their students succeed in core subjects	80%	98%	🟢					
	Living Classroom **MVWSD Garden Based Nutrition Program** *FY16 Awarded: $74,000* *FY16 Spent: $74,000*	Students served	4,500	3,950	🔴	33%	50%	N/A	N/A	Pilot program, experienced delays in garden construction resulting in difficulty achieving targets
		Students trying new fruits and veggies during lessons	3,500	2,914	🔴					See above.
		Students involved in planting and harvesting produce from edible gardens at elementary schools	2,700	2,650	🟢					
	Palo Alto Medical Foundation 5210 *FY16 Awarded: $30,150* *FY16 Spent: $9,478*	Students served	7,403	6,950	🟢	100%	0%	100%	100%	
		Students who report being active one or more hours per day after 5210 engagement	50%	55%	🟢					
		Students who limit sweetened beverage to 0-1 per day after 5210 engagement	70%	71%	🟢					
		Students who report knowing that a balanced diet includes eating 5 fruit vegetables per day after 5210 engagement	80%	79%	🟢					
	Playworks *FY16 Awarded: $261,000* *FY16 Spent: $261,000*	Students served	6,260	6,300	🟢	100%	100%	100%	100%	
		Teacher/administrators reporting an increase in the number of students who are physically active	94%	93%	🟢					
		Teachers/ administrators reporting an increase in level of student cooperation during recess	95%	89%	🟢					
		Teachers/ administrators reporting a decrease in bullying incidents	90%	84%	🟢					
		Teachers/ administrators reporting improvement on overall school climate	90%	88%	🟢					
	Sunnyvale Community Services Comprehensive Emergency Assistance *FY16 Awarded: $75,000* *FY16 Spent: $75,000*	Clients served	780	981	🟢	66%	50%	67%	100%	Greater demand for services than anticipated.
		Individuals receiving one-time financial assistance for medically-related bills.	60	59	🟢					
		Individuals who rate their overall satisfaction with agency a 4 or 5 on a 5-point scale	80%	68%	🔴					Not all surveys had been returned when the report was completed. Agency adjusted metric this year to include ratings of 4 & 5 vs 3, 4 & 5 while leaving target unchanged.

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Health Priority	Partner	Goals/Metrics	FY16 Annual Target	FY16 Annual Total	🟢 🔴	FY16 Percent of ALL Annual Metrics Met	FY16 Percent of ALL 6-month Metrics Met	FY15 Percent of ALL Annual Metrics Met	FY14 Percent of ALL Annual Metrics Met	FY16 Comments
Community Health Education and Health Literacy	**Alzheimer's Association Asian Dementia Initiative** *FY16 Awarded: $60,000* *FY16 Spent: $60,000*	Participants served	820	899	🟢	100%	80%	100%	100%	
		Services provided	1,700	1,844	🟢					
		Participants at the Chinese and Korean Forums and other educational presentations who "agree" or "strongly agree" that the program met their expectations	90%	96%	🟢					
		Chinese Savvy Caregiver participants who "agree" or "strongly agree" that they are more knowledgeable about managing dementia symptoms after attending the classes	90%	100%	🟢					
	South Asian Heart Center *FY16 Awarded: $180,000* *FY16 Spent: $180,000*	Participants served	550	858	🟢	83%	100%	75%	100%	New blog helped to increase participation level.
		Services provided	3,000	2,804	🟢					
		Increase in participants at optimal levels of physical activity (150 min/week)	20%	43%	🟢					New messaging helped to improve participant engagement in healthy lifestyle behaviors.
		Increase in participants at optimal levels of vegetable consumption (3+ servings/day)	25%	44%	🟢					See above.
		Increase in participants with optimal HDL-C levels (≥40 mg/dL male, ≥50 mg/dL female)	12%	16%	🟢					
		Increase in participants with optimal Cholesterol ratios (TC/HDL ≤ 3.5)	20%	15%	🔴					
	Chinese Health Initiative *FY16 Awarded: $190,200* *FY16 Spent: $190,200*	Participants served	625	864	🟢	100%	67%	100%	100%	Outreach efforts increased.
		Services provided	1,450	1,541	🟢					
		Chinese seniors who receive information, resources or referrals through program outreach and call center who report that it helped them access care	160	144	🟢					
		Participants who strongly agree or agree that the program education or screenings helped them better manage their health	95%	96%	🟢					
	Alzheimer's Association Latino Family Connections *FY16 Awarded: $60,000* *FY16 Spent: $60,000*	Participants served	500	508	🟢	100%	100%	100%	N/A	
		Services provided	750	762	🟢					
		Participants attending educational presentations who "agree" or "strongly agree" that the program met their expectations	90%	94%	🟢					
		Participants of Cuidando con Respeto who "agree" or "strongly agree" that they are more knowledgeable about dementia symptom management after attending the classes	90%	97%	🟢					
		Helpline callers who "agree" or "strongly agree" that they know more about dementia or Alzheimer's after speaking with the program staff	90%	96%	🟢					
	El Camino Hospital- Health Library and Resource Center- Mountain View *FY16 Awarded: $393,491* *FY16 Spent: $393,491*	Community members served	24,000	21,985	🟢	100%	100%	100%	100%	
		New members registered to library service	650	628	🟢					
		Community members who strongly agree or agree that eldercare referrals were appropriate to their needs	95%	100%	🟢					
		Community members who strongly agree or agree that the eldercare service increased their knowledge of care options	95%	94%	🟢					
		Community members who strongly agree or agree that library services were valuable in helping them manage their health or that of a friend or family member	75%	74%	🟢					
		Community members who strongly agree or agree that library information was appropriate for their needs	80%	96%	🟢					
	Family and Children's Services *FY16 Awarded: $50,000* *FY16 Spent: $50,000*	Clients served	104	100	🟢	83%	60%	N/A	N/A	
		Services provided	1,210	604	🔴					Pilot program that required additional outreach after key staff member left organization.
		Case management clients who report increased feelings of safety as reported on the Domestic Violence Support Group Survey	80%	100%	🟢					
		Support group clients who report feeling better able to cope with day-to-day life as reported on the Domestic Violence Support Group Survey	80%	100%	🟢					
		Clients who report improved ability to manage their mental health needs (e.g., anxiety and stress) as reported on the Domestic Violence Support Group Survey	75%	68%	🟢					
		Clients who report increased stability/self-sufficiency as reported on the Domestic Violence Support Group Survey	75%	70%	🟢					

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2016
COMMUNITY BENEFIT REPORT

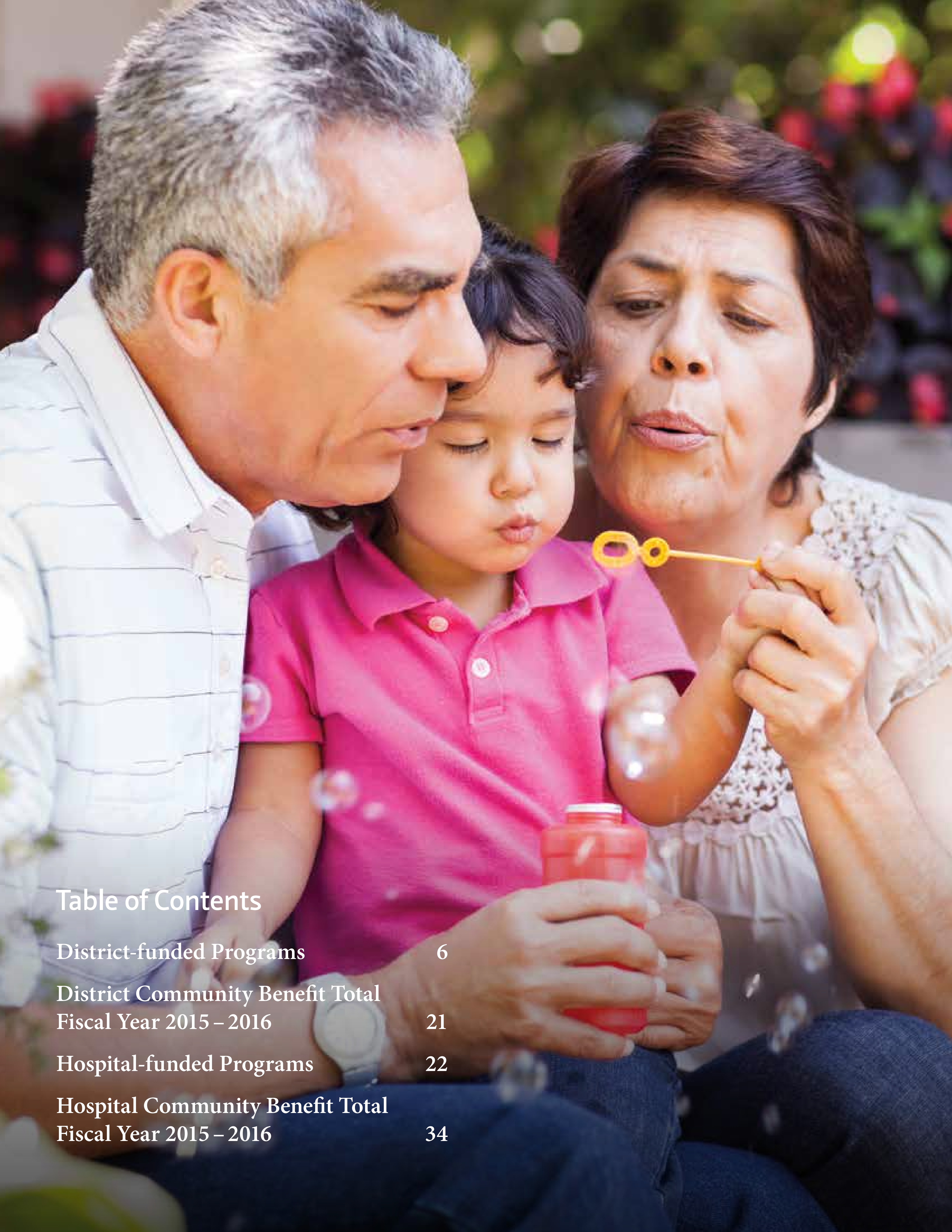
For the fiscal year ending June 30, 2016

Published: October 2016

EL CAMINO HEALTHCARE DISTRICT

El Camino Hospital®

THE HOSPITAL OF SILICON VALLEY



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2016
COMMUNITY BENEFIT REPORT

This report covers Community Benefit activities for El Camino Healthcare District and El Camino Hospital during fiscal year 2015 – 2016. This report is divided into two sections and contains descriptions, success stories, and a financial summary for each entity. Although El Camino Healthcare District and El Camino Hospital have separate, individually funded Community Benefit programs, both strive to improve the health and well-being of our community as a whole by investing in:

- Programs for the uninsured and those with barriers to vital care
- Activities that foster the overall health of the community
- Partnerships and sponsorships that strengthen the capacity of community health services

Additional El Camino Hospital Information

The 2016 Community Benefit Plan, 2016 Community Benefit Report, and Community Health Needs Assessment are available at www.elcaminohospital.org/communitybenefit

Additional El Camino Healthcare District Information

The 2016 El Camino Healthcare District Community Benefit Plan and 2016 Community Benefit Report are available at www.elcaminohealthcaredistrict.org/communitybenefit

El Camino Hospital, Mountain View

COMMITTED TO IMPROVING COMMUNITY HEALTH

El Camino Healthcare District Community Benefit Program

El Camino Healthcare District makes a significant contribution to the health of the surrounding community through the Community Benefit program. The goal is to meet the needs of underserved and at-risk residents in the District boundaries. Through its funding of programs administered by agencies that include nonprofits, school districts, and other community-based organizations, the District makes a significant contribution to addressing unmet health needs in our community.

All funds are approved by the El Camino Healthcare District Board of Directors.

El Camino Hospital Community Benefit Program

El Camino Hospital is an independent, nonprofit organization committed to delivering personalized care that meets the needs of patients, their families, and the community as a whole. Under the umbrella of Community Benefit, the hospital supports other organizations with similar goals throughout the expanded service area, including West San Jose, Campbell, Los Gatos, parts of Cupertino, Saratoga, and Santa Clara. The hospital's Community Benefit efforts cover various categories:

- Providing financial assistance (charity care)
- Subsidizing qualified health services
- Training and education for health professionals
- Covering unreimbursed Medi-Cal costs

All funds are approved by the El Camino Hospital Board of Directors.

What Are the Unmet Health Needs in Our Community?

Every three years, El Camino Hospital conducts a community health needs assessment (CHNA) to identify Santa Clara County's most pressing health concerns. The CHNA combines public health data with community input gathered from public health experts, frontline service providers, clients/patients, and residents. The results are reviewed by the Community Benefit Advisory Council (CBAC), a group of community members with knowledge about the health disparities impacting the local community. The final report helps inform the decisions about which organizations to support with Community Benefit funds.

"Despite our area's great prosperity, many do not have access to doctors, dentists, healthy food or sound health information. We partner with nonprofits, community clinics and school districts to fund critical, culturally appropriate programs. Every year, thousands of people receive primary care, dental care and mental health services. It takes more than a village and we have deepened our ongoing relationships with local organizations to be a key partner in our community."

Cecile Currier, *Vice President of Corporate & Community Health Services,* El Camino Hospital, and CEO of CONCERN:EAP

How Are Community Benefit Funds Allocated to Meet Those Needs?

Once the greatest health needs are identified from the triennial CHNA, El Camino Hospital Community Benefit staff oversees the administration of the program for both the district and the hospital. Each year, they prepare individual plans for El Camino Healthcare District and El Camino Hospital, with valuable input from the CBAC. Prospective grantees submit detailed applications with their goals, budgets, and accountability metrics. Requests for funding are then carefully evaluated. Using the findings of the CHNA as a guide for documented needs, the CBAC reviews the applications and provides recommendations.

Programs selected for funding must address one of the four identified priorities:

OUR COMMUNITY BENEFIT GRANTS

Healthcare Access

15%

OF SANTA CLARA COUNTY RESIDENTS ARE UNINSURED

Our Response:

- School nurses who provide screenings, case management, and link students to care
- Medical services for the uninsured and the homeless
- Dental care for adults
- Transportation to appointments for seniors

Mental Health

20%

OF YOUNG PEOPLE EXPERIENCE MENTAL HEALTH CONDITIONS such as depression, anxiety, eating disorders, academic stress, and substance abuse

Our Response:

- Youth and adult counseling, psychiatric services, and medication management
- Youth emotional development programs
- Crisis intervention
- Domestic violence services

SUPPORT FOUR KEY HEALTH PRIORITIES

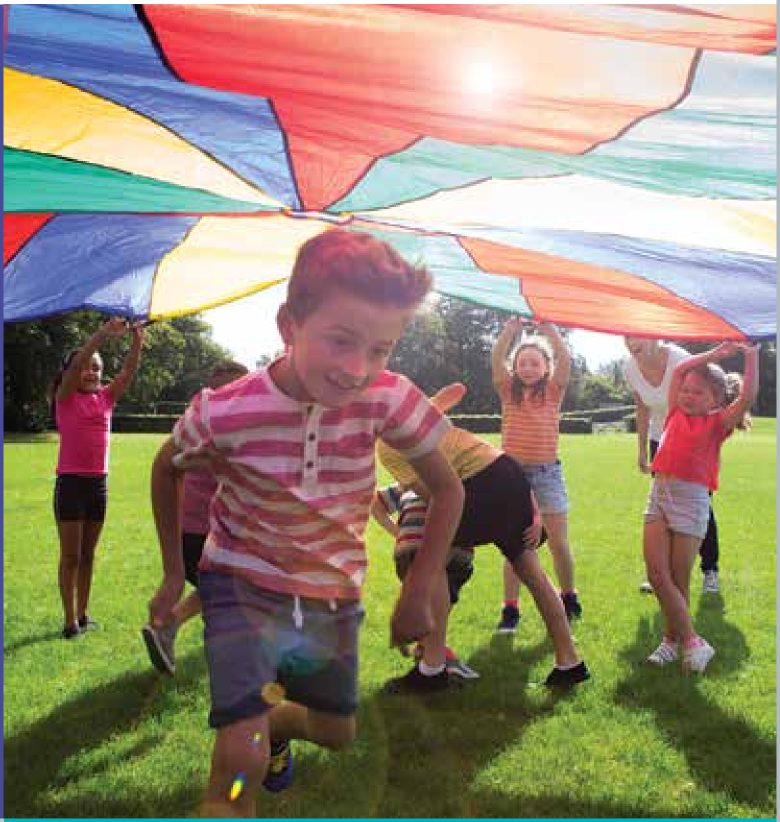
Healthy Eating and Physical Activity

18%

OF SANTA CLARA COUNTY CHILDREN UNDER AGE 6 ARE OBESE, Compared to the state (17%)

Our Response:

- Access to healthy food and nutrition education
- Programs encouraging physical activity and positive behavior in schools
- Raising awareness about consequences of poor nutrition and inactivity



Community Health Education

90%

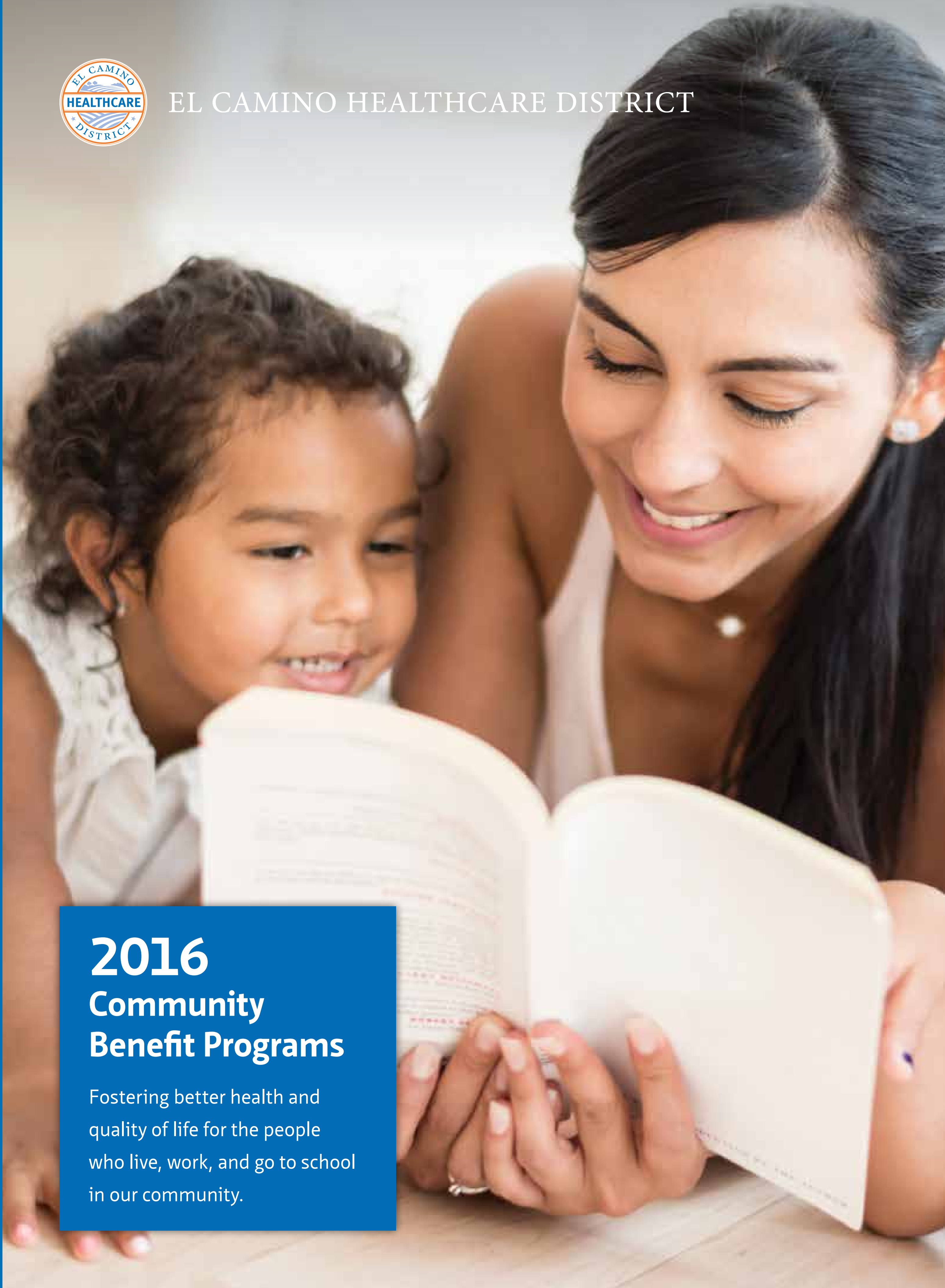
9 OUT OF 10 ADULTS HAVE DIFFICULTY USING EVERYDAY HEALTH INFORMATION available in healthcare facilities, retail outlets, media, and communities

Our Response:

- Health screenings, care referrals, and eldercare consultations
- Community events and culturally appropriate interventions
- Consumer health library and resources

DISTRICT

EL CAMINO HEALTHCARE DISTRICT



2016
Community Benefit Programs

Fostering better health and quality of life for the people who live, work, and go to school in our community.

Dear Community Members,

Since our inception in 1956, the El Camino Healthcare District has sought to address our community's evolving health needs. Good healthcare options are available, but sadly, too many in our community remain underserved, uninsured, or experience other barriers to accessing healthcare and achieving a healthy lifestyle. The health needs in our community have also evolved over time, as has our understanding of the most appropriate, effective interventions and prevention strategies. Chronic conditions (such as diabetes, hypertension, obesity, and depression) present significant challenges to the well-being of our neighbors, and the climate in our schools.

In FY 2016, El Camino Healthcare District Community Benefit funds helped us meet the needs of our most vulnerable neighbors through partnerships with school districts, community service agencies, safety net clinics, and other nonprofits. Our Community Benefit grants supported programs such as the Valley Health Center Sunnyvale and the Lucile Packard Teen Health Van. We funded Medical Respite to give hospitalized homeless people a place to recover after discharge, and Momentum for Mental Health to provide case management for people with mental health conditions. We also continued to support programs providing nutritious meals, health and wellness education and helping to reduce bullying and risky behaviors among youth. In FY 2017 we are launching a District-wide Hypertension Initiative in partnership with the American Heart Association to combat the silent, deadly disease of high blood pressure.

Our Community Benefit partners' efforts have yielded meaningful results that benefit the entire community. It is important to understand that the best treatment of any disease is its prevention. We are honored to continue our ongoing partnerships with so many dynamic and effective organizations and are proud to be a part of these community health solutions.

Sincerely,

Peter C. Fung, MD, MS, FACP, FAAN, FAHA
FY16 Chair, Board of Directors, El Camino Healthcare District

EL CAMINO HEALTHCARE DISTRICT

Fiscal Year 2016 Grant Recipients

HEALTHCARE ACCESS

- Community Services Agency – Mountain View
- Cupertino Union School District
- Immunization Program
- Lucile Packard Foundation – Teen Health Van
- MayView Community Health Center
- Medical Respite Program
- Mountain View Whisman School District
- New Directions
- Pathways Home Health and Hospice
- RoadRunners Patient Transportation
- RotaCare Clinic
- Sunnyvale Community Services
- Sunnyvale School District
- Valley Health Center Sunnyvale
- Working Partnerships USA

MENTAL HEALTH

- Community Health Awareness Council (CHAC)
- Friends for Youth
- Law Foundation of Silicon Valley – Mental Health Advocacy Project
- Momentum for Mental Health
- Mountain View Los Altos Union High School District
- National Alliance on Mental Illness Santa Clara County (NAMI)

HEALTHY EATING AND PHYSICAL ACTIVITY

- 5210 Health Awareness Program
- Bay Area Women's Sports Initiative (BAWSI)
- GoNoodle
- Hope's Corner
- Living Classroom
- Playworks
- Sunnyvale Community Services

COMMUNITY HEALTH EDUCATION

- Alzheimer's Association
- Cancer CAREpoint
- Chinese Health Initiative
- Day Worker Center of Mountain View
- Eating Disorders Resource Center
- Family and Children Services of Silicon Valley
- Health Library & Resource Center Mountain View – El Camino Hospital
- South Asian Heart Center

DISTRICT

DISTRICT

HEALTHCARE ACCESS

PRIORITY 1

22,730
PEOPLE SERVED

50,420
SERVICES PROVIDED

Care When and Where It's Needed Most

Valley Health Center Sunnyvale

Valley Health Center Sunnyvale provides high-quality, cost-effective medical care to low-income families in northern Santa Clara County. The clinic serves as a medical home where patients can receive ongoing healthcare, including integrated mental health services. The partnership with El Camino Healthcare District helps fund the Valley Health Center's evening Express Care Clinics, which provide underserved patients with access to medical services. Dental care is another essential offering: Because the working poor can't afford dental care, they often suffer from dental disease and tooth loss. To make sure patients get the care they need, the Health Center offers appointments all day, five days a week, and extended evening hours.

ONE IN FIVE
MOUNTAIN VIEW RESIDENTS **LIVES BELOW 200%** OF THE FEDERAL POVERTY LEVEL.

Working Partnerships USA

Working Partnerships USA engages and mobilizes community healthcare organizations to provide medical coverage to uninsured individuals and families. Together with their partners and engaged community members, Working Partnerships persuaded the Santa Clara County Board of Supervisors to adopt the Primary Care Access Program, which helped local individuals get health insurance. However, many community members remained uninsured or underinsured. Many were undocumented Spanish speakers with little knowledge of English and South Asian immigrants with temporary work visas. To reach these vulnerable populations, Working Partnerships assembled and trained a Neighborhood Action Team of 20 bilingual and bicultural community outreach workers.

MayView Community Health Center

Were it not for MayView Community Health Center, many low-income individuals would need to seek care at emergency departments, even for non-emergency conditions. Instead, they receive convenient, compassionate care from one of MayView's three clinics. The clinics provide a broad range of services, including primary and preventive care for children and adults, perinatal services, acute care, management of chronic conditions, and health screenings. The clinics also provide counseling in the areas of nutrition, exercise, smoking cessation, and HIV/AIDS and STD prevention. Besides English, care providers also speak Spanish, Hindi, Telugu, Russian, Sinhalese, Farsi, Turkish, Gujarati, and Punjabi. Funding covers support for uninsured community members, immunization services for children, social work services, and chronic disease management.

Lucile Packard Foundation Teen Health Van

About a quarter of California children ages 0 – 17 are uninsured or underinsured. El Camino Healthcare District funds mobile health services to underserved and homeless teens, offering free medical care, counseling, and other vital programs. First-time visits last approximately one hour and include appointments with a doctor or nurse practitioner, social worker, and dietitian. Services range from complete physicals and immunizations, to acute illness and injury care, to gynecological care, STD testing, HIV counseling, and more.

Teens are assessed and referred to specialized counseling, for nutrition education, substance use, risky behavior reduction, and mental health conditions.

Sunnyvale Community Services
Case Management

Sunnyvale Community Services is the safety net agency in Sunnyvale, serving the working poor, seniors, children, and the homeless. Through District funding, Sunnyvale Community Services provides comprehensive case management, advocacy, educational workshops, and benefit application assistance for the community's most vulnerable individuals and families. In its third year, the program has helped clients access medical equipment, eyeglasses, dental care, surgery, medication and housing assistance.

The Language of Caring

A 37-year old woman came to Mayview Community Health Center with breast pain. After her exam, the physician recommended an over-the-counter pain medication (Tylenol) and a referral for a mammogram. The patient was initially scared, fearing the unknown or that she had breast cancer. The physician spent additional time explaining the need to wait for mammogram results, while alleviating the pain with Tylenol. The patient, who did not speak English, was in tears and uncomfortable sharing her personal information. After a 20-minute conversation, the patient revealed that she could not afford Tylenol, prompting the physician to obtain the pain medication from the onsite clinic supply. The patient calmed down, left happier, and went through with her mammogram. The results were negative and everything was normal.

This is a typical story at Mayview — providing care and addressing barriers to wellness with sensitivity and compassion.

"Having this resource at school where I spend much of my time is very convenient. It has been a big help to me and to other kids who come from low-income families and don't have health insurance."

Jessica Villeda, *Former Patient,* Teen Van

10% OF SANTA CLARA COUNTY RESIDENTS LIVE BELOW THE FEDERAL POVERTY LEVEL.

Healthcare Earns High Marks in Schools

Mountain View Whisman School District

Many of the students attending school in the Mountain View Whisman School District come from underserved families and are uninsured or underinsured. In the past, this school district had a high degree of student absenteeism related to uncontrolled or untreated illnesses in the student population. Children who miss a lot of school fall behind academically and are at risk for dropping out before they finish high school.

El Camino Healthcare District Community Benefit funded two of the school district's three full-time nurses, as well as a health aide. This level of staffing helped ensure students were able to receive treatment for minor illnesses and injuries occurring at school. Youth requiring nursing intervention to manage chronic illnesses got the help they needed, such as insulin shots for children with type 1 diabetes. Nurses followed through so that children who failed hearing, vision, or dental screenings saw a doctor for follow-up care. Funding also provided assistance for families who were having difficulty accessing the necessary resources for their children's healthcare.

Sunnyvale School District

The student population at Sunnyvale School District includes a high percentage of families with socio-economic challenges. Currently, 36.8 percent of students receive free or reduced-fee lunches and 24 percent are English learners. Their families may be uninsured or underinsured. Over the past several years, funding from the El Camino Healthcare District Community Benefit Program has increased nursing staff for the Sunnyvale School District by 66 percent. A larger healthcare staff is needed to provide support and in-school management for children who are medically fragile or suffer from chronic conditions, such as muscular dystrophy, cerebral palsy, or neurological impairments. Nurses also worked with families to make sure children who failed health screenings got the timely medical follow-up they needed.

Help for the Homeless

Medical Respite Program

Most people who are hospitalized expect to recover in the comfort of home. But what if someone is homeless? Because they lack a safe, clean place to heal and recuperate, homeless patients are more likely to be hospitalized. El Camino Healthcare District Community Benefit's support of Medical Respite helps both the homeless and the community at large. Medical Respite provides a compassionate place for homeless patients to receive care after a hospital stay. While in Medical Respite, patients get assistance applying for public benefits and get help finding housing and a primary care home.

Serving Seniors Well

Community Services Agency – Mountain View

Santa Clara County is home to over 280,000 adults over the age of 65, accounting for 15.7 percent of the population. By 2030, 27.6 percent of residents will be over age 60. This shift is having a direct effect on community healthcare needs, as seniors typically develop multiple chronic medical conditions over time. Funding from El Camino Healthcare District Community Benefit Program helped Community Services Agency Mountain View and Los Gatos provide an intensive case management program for chronically ill seniors. Through an approach that combines nursing and social work, this agency assists seniors in finding services that help them stay healthy by reducing the risk of falls and avoiding unnecessary emergency room visits and hospitalization.

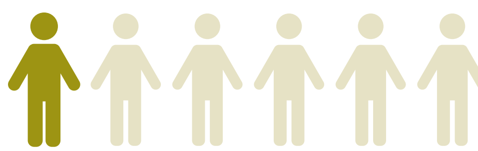
Pathways Home Health and Hospice

People who are uninsured or underinsured are generally unable to pay for the necessary home health services prescribed by their physician. Ending care prematurely can slow their recovery or result in a trip to the emergency department. With this grant, underserved patients obtained vital care through Pathways Home Health and Hospice. Pathways provides compassionate, family-centered, quality care for seriously ill patients. Services cover home healthcare, palliative care, and hospice care, and education for patients and caregivers.

Helping Seniors Get Around

RoadRunners Patient Transportation

Transportation can be a challenge for seniors who no longer drive or lack access to public transportation. In many ways, transportation is key to remaining independent. Without a ride, an older person can't get to a doctor's appointment, pick up prescriptions, or even just go the grocery store. In addition to driving people to medical appointments, RoadRunners provides door-to-door transportation to senior centers, local banks, and markets. The RoadRunners Transportation Program has a fleet of experienced, friendly drivers who provide thousands of rides each year. In addition to seniors, RoadRunners also provides rides to people with disabilities and others in need.



ONE IN SIX

OLDER ADULTS HAVE DIFFICULTY GETTING TO THEIR MEDICAL APPOINTMENTS

and other services needed to maintain independence.

DISTRICT

MENTAL HEALTH

PRIORITY 2

1,733

PEOPLE SERVED

11,712

SERVICES PROVIDED

Filling the Gaps in Mental Healthcare

Momentum for Mental Health

Many people with mental health conditions remain untreated due to lack of insurance or inability to pay. Without Momentum for Mental Health's La Selva Community Clinic, these vulnerable individuals would utilize hospital emergency rooms in times of crisis and risk losing employment when they get sick. Momentum for Mental Health strives to help people struggling with mental health conditions achieve mental and emotional stability, discover and reach their potential, and fully participate in life. This grant included services at La Selva Community Clinic such as psychiatric evaluations, medication management, case management, a medication subsidy program, group therapy, and social activities.

National Alliance on Mental Illness

The National Alliance on Mental Illness Santa Clara County (NAMI) provides education, comfort, and support for people struggling with severe mental health conditions, as well as for their families. NAMI's Peers on Discharge is the beginning of a comprehensive support system designed to help individuals transition from acute care and reintegrate into the community. This year, Peers on Discharge was able to provide part-time program coordinators to match individuals currently residing in psychiatric units with trained peer mentors. Funding also provided part-time salaries for the peer mentors to provide their clients with ongoing support and mentoring.

Mental Health Advocacy Project

People with mental health disabilities often have legal issues that prevent them from accessing health insurance, appropriate healthcare, and other safety-net services. Lack of insurance makes it hard for them to get mental healthcare and generate the medical records they would need to apply for disability benefits. The Law Foundation of Silicon Valley implements the Mental Health Advocacy Project, which provides onsite legal advisors to help people struggling with mental health conditions obtain the care and services they need.

Friends for Youth

Friends for Youth helps at-risk youth ages 8 – 17 avoid risky behaviors, build self-esteem, and develop coping skills and resiliency. Young people are paired with adult volunteers for long-term, one-on-one mentoring. Potential mentors, who go through a rigorous screening and training process, are carefully matched with their mentee. Mentors serve as role models and trusted friends. Mentees have the opportunity for new experiences that show them what is possible for their future while helping to guide them to healthy behaviors.

> *"I have felt more happy since meeting Karen. I get to go out to places I never usually go."*
>
> **Ingrid,** *Mentee*, Friends for Youth

Emotional Support for Children and Teens

Community Health Awareness Council

El Camino Healthcare District Community Benefit Program funded two effective Community Health Awareness Council (CHAC) programs to help support students wrestling with issues such as depression, bullying, stress, and substance abuse. The programs, implemented at the Sunnyvale and Mountain View Whisman School Districts, provided counseling services and information and education about the dangers of substance abuse to students and their families. CHAC's Just for Kids program provided psychoeducation in emotional intelligence aimed at increasing emotional resilience in children.

Mountain View Los Altos High School District Mental Health Services

Students with unmet mental health needs are more likely to skip school. They are at risk for academic failure and some do not graduate. El Camino Healthcare District Community Benefit funds covered the cost for two licensed therapists in the Mountain View Los Altos High School District to help students and their families. Mental health counseling was offered both individually and in small group settings.

DISTRICT

HEALTHY EATING AND PHYSICAL ACTIVITY

PRIORITY 3

18,309

PEOPLE SERVED

5,195

SERVICES PROVIDED

A Taste for Healthy Living

Hope's Corner

Every Saturday at Mountain View's Trinity United Methodist Church, located at the corner of Hope and Mercy Street, the Hope's Corner nutritious meals program serves a free breakfast and bag lunch to homeless and low-income individuals and families. Seniors make up 63 percent of those served. El Camino Healthcare District funds allowed Hope's Corner to serve quality, nutritious food, including plenty of fresh fruit and vegetables.

> *"When you are homeless, you need to stay healthy, and the food at Hope's Corner helps … I am feeling better since you started serving more fruits and greens."*

Homeless guest, Hope's Corner

Living Classroom

The innovative Living Classroom program for grades K – 5 in the Mountain View Whisman School District takes kids “back to the garden” through engaging, hands-on lessons on gardening and nature. Children learn about the nutritional value of fresh fruits and vegetables through lessons that integrate Common Core science, math, and social studies standards. While gardening, students also enjoy outdoor physical activity. In addition, Living Classroom works with school food service personnel to incorporate recently harvested produce into the lunch menu, so that kids can enjoy the fruits — and vegetables — of their labor. Children involved in Living Classroom develop healthier nutritional habits and familiarity with how food grows to share with their parents and siblings, with the added benefit of spending more time outside.

“I’ve seen the kids making better choices in their lunches, and I make a big deal of it when I see them picking salad and other veggies. They tell me that they love the veggies, and they always ask to harvest sugar snap peas when they finish working.”

Patti Berryhill, *Garden Manager,* Living Classroom

Meeting Basic Needs through Partnership and Service

Sunnyvale Community Services

Comprehensive Emergency Assistance

According to the Santa Clara County 2010 Health Profile Report, almost two out of 10 Sunnyvale residents and one out of five children under the age of 18 live below 200 percent of the Federal Poverty Level. Nearly 10 percent of Sunnyvale adults report that members of their household sometimes skip meals due to lack of money. Partnership with the El Camino Healthcare District allows Sunnyvale Community Services to provide food and emergency assistance to individuals and families. Clients get help paying for medication and settling outstanding medical bills.

Moving toward Healthier Youth

5210 Health Awareness Program

When it comes to reducing childhood obesity, 5210 is a magic number. The number is the name of a school-focused health campaign funded by El Camino Healthcare District in collaboration with Palo Alto Medical Foundation. The program promotes a health-enhancing lifestyle for kids, which can be summarized as 5210:

- Eat **five** or more fruits and vegetables
- Reduce recreational screen time to **two** hours or less
- Spend at least **one** hour being physically active
- Drink **zero** sweetened beverages

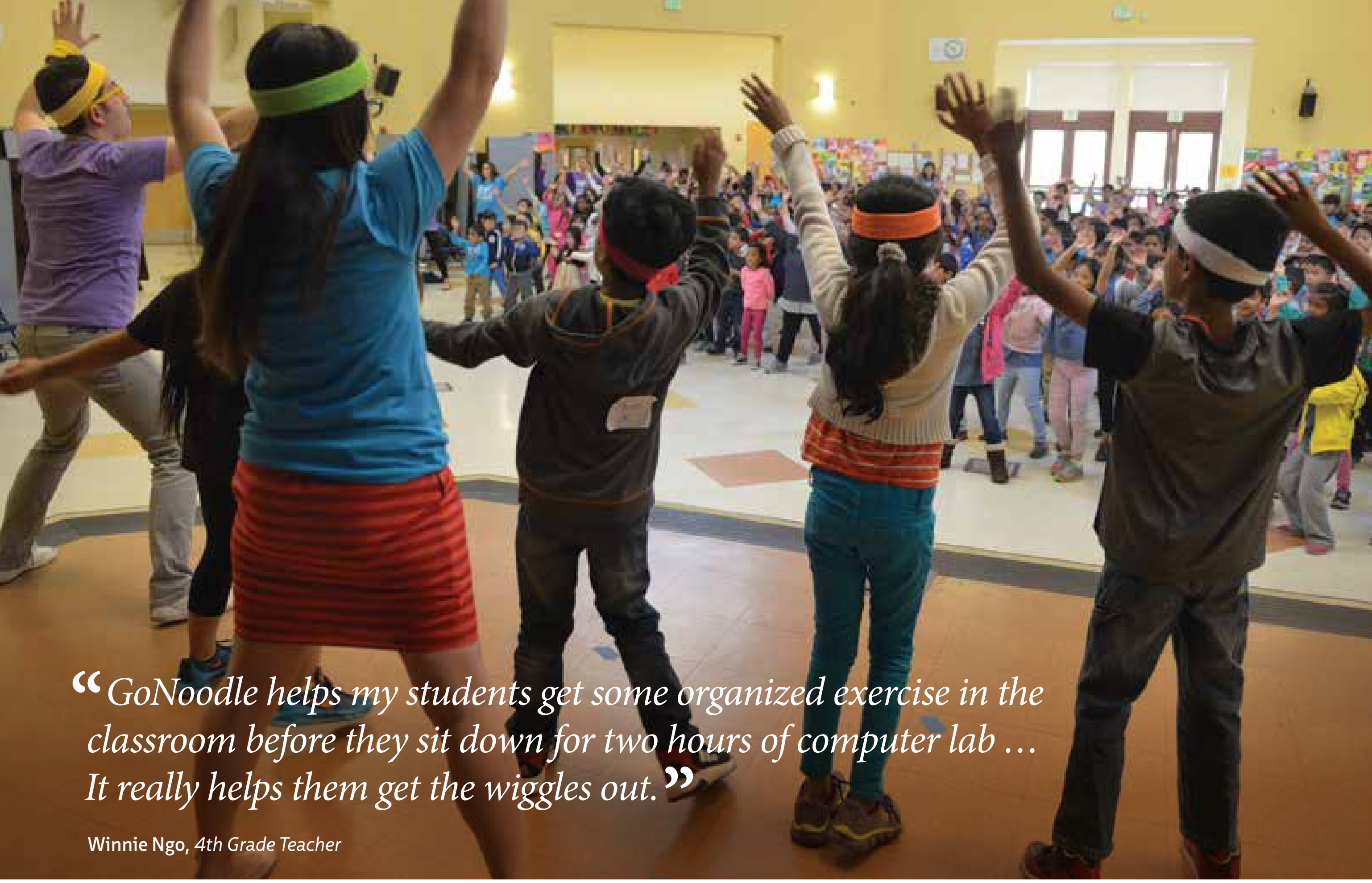
Playworks

Adopted by schools nationwide, Playworks is designed to encourage physical activity and safe, meaningful play during the school day. Playworks helps schools reduce bullying and behavioral issues by fostering a more positive schoolyard atmosphere, teaching children how to handle competition and resolve conflict without resorting to violence or abusive language. The El Camino Healthcare District Community Benefit Program funded Playworks at seven local schools, including the staffing of a full-time program coordinator/coach.

“Playworks gives students skills to make positive choices at recess. They have access to equipment, an understanding of game rules, and problem-solving strategies that allow them to be more active and involved at recess.”

Brian Schmedick, *Teacher,* Rosemary Elementary School

The El Camino Healthcare District also supported the Bay Area Women’s Sports Initiative (BAWSI). See description on page 30.



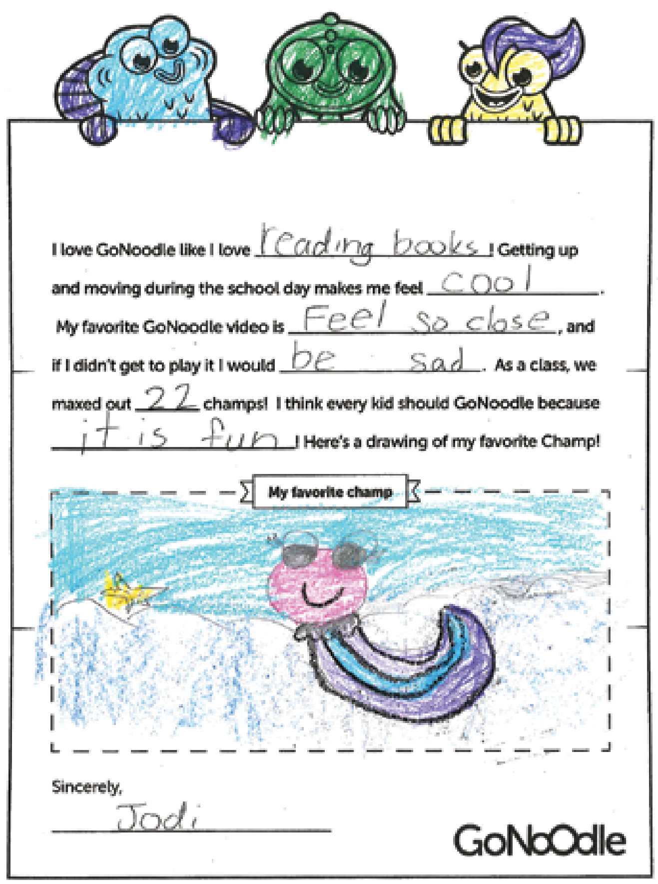
"GoNoodle helps my students get some organized exercise in the classroom before they sit down for two hours of computer lab … It really helps them get the wiggles out."

Winnie Ngo, *4th Grade Teacher*

Helping Kids Focus on Learning

GoNoodle

GoNoodle is a popular component of HealthTeacher, an online health education curriculum that helps K – 12 teachers integrate health information into their teaching. The goal is to increase health literacy, promote exercise and healthy eating, and encourage kids to avoid risky behaviors such as alcohol consumption and tobacco use. GoNoodle was developed to help elementary school children focus and remain engaged during class. Teachers guide the kids through a series of guided "brain breaks," accessed online. The brain breaks feature cartoon characters and Olympic athletes who guide the kids through breathing, stretching, and energizing exercises. Depending on the classroom atmosphere on a given day, breaks can be used to energize the classroom or calm everybody down.



I love GoNoodle like I love reading books! Getting up and moving during the school day makes me feel cool. My favorite GoNoodle video is Feel so close, and if I didn't get to play it I would be sad. As a class, we maxed out 22 champs! I think every kid should GoNoodle because it is fun! Here's a drawing of my favorite Champ!

My favorite champ

Sincerely,
Jodi

GoNoodle

DISTRICT

COMMUNITY HEALTH EDUCATION

PRIORITY 4

25,214

PEOPLE SERVED

6,896

SERVICES PROVIDED

Health Education and Information

Health Library & Resource Center Mountain View – El Camino Hospital

Santa Clara County residents rely on the Health Library & Resource Center (HLRC) at El Camino Hospital for a wide range of educational resources, including the most current health and medical data. Membership is free, and patrons have easy access to extensive medical information in several languages. Knowledgeable librarians are available to help with in-depth medical searches. El Camino Healthcare District funds help pay for services and events offered by the HLRC, including free screenings, participation in community health fairs, and Advance Healthcare Directives. The Health Center also has eldercare consultants onsite to provide one-on-one consultations, referrals, and assistance for families caring for an aging relative.

Eating Disorders Resource Center

The Eating Disorders Resource Center provides screening, treatment, expert advice, support groups, and an online directory of resources for people struggling with anorexia, bulimia, or disordered eating.

Funded by El Camino Healthcare District, the Eating Disorder Awareness, Prevention, and Education Program targeted outreach to healthcare professionals, nonprofit organizations, schools, and community leaders with the goal of promoting the early detection and treatment of eating disorders.

Culturally Appropriate Care

Alzheimer's Association

The mission of the Alzheimer's Association is to enhance care and support for individuals affected by Alzheimer's and related forms of dementia.

Asian Dementia Initiative

This initiative serves to increase early detection and intervention for members of Chinese and Korean communities. Access to resources and support is provided for caregivers in both Mandarin and Cantonese.

Latino Family Connections

Latinos make up 26.8 percent of the population of Santa Clara County. Many Latino families live in multigenerational households with family members serving as caregivers for relatives with Alzheimer's or other dementias. When language is a barrier, access to resources and support can be especially challenging for families. El Camino Hospital funded part-time staff to develop marketing strategies for raising awareness of available programs and to lead outreach to the Latino community. Services included outreach events in Spanish, helpline services, and community presentations.

Chinese Health Initiative

The Chinese Health Initiative (CHI) raises awareness of health issues affecting the Chinese community, including hypertension, lung cancer, hepatitis B, and liver cancer. The initiative collaborates with El Camino Hospital's Stroke Center, Cancer Center, and Women's Hospital to host educational events and screenings for conditions affecting the Chinese community.

To provide Chinese community members with doctors who speak Mandarin or Cantonese, the Chinese Health Initiative launched a Chinese-Speaking Physician Referral Network, which currently is comprised of 100 physicians. The program also distributes bilingual health education information at key Chinese community events, including the September Fall Festival, Alzheimer's Association Annual Chinese Conference, Chinese American Semiconductor Professional Association Annual Conference, and Tzu-Chi Winter Health Fair.

In addition, CHI is collaborating with the Chinese American Coalition for Compassionate Care to provide Chinese patients with culturally sensitive end-of-life care.

The El Camino Healthcare District also provided support for the South Asian Heart Center. *See description on page 32.*

Giving a Family Much Needed Respite

Mrs. P comes from Jalisco, Mexico, a community where there are an unusually high number of early onset Alzheimer's cases. Several of Mrs. P's relatives, including her father, died from the disease. Sadly, Alzheimer's did not spare Mrs. P: she was just 41 when she was diagnosed. At 45, she is now bedridden and can no longer speak.

Mrs. P and her husband have three children ages 21, 18, and 15. The 21-year-old has a job, and the other two children are in school. Mr. P works long hours, and his mother and children take turns caring for his wife. Having heard about the family's situation, a staff member at Alzheimer's Association's Latino Family Connections talked to Mr. P about hospice and sent him an application for a respite grant. As a result, Mrs. P is now under hospice care. Hospice has provided the family with a hospital bed, medical items they need to care for her, and a lift so caregivers don't have to pick Mrs. P up every time she needs to be moved.

When Latino Family Connections staff members visited the family recently, they found Mrs. P sitting in a recliner. Her mother-in-law was feeding her fruit, and her husband was by her side. "My wife knows when I am around," Mr. P explained. "She laughs out loud and gets excited when she hears my voice." He made sure his visitors knew just how grateful he was for Latino Family Connections' assistance. "You don't know how much this means to me that you care."

"Because the consultation was conducted in Chinese, I could fully express myself as well as clearly understand the dietitian's explanations. Thank you for offering such a service. I hope you can continue the program to help more people, especially to those communities who speak Chinese."

Shirley Jeng, *Participant,* Chinese Health Initiative

Reaching Out to Those in Need

Day Worker Center of Mountain View

According the U.S. Department of Health and Human Services, Latino adults are nearly two times more likely to be diagnosed with diabetes than non-Hispanic Caucasians. They also have higher rates of end-stage kidney disease and are 40 percent more likely to die from diabetes. Latinos also have some of the nation's highest rates of obesity, prediabetes, and unhealthy food consumption — even among those who are food-insufficient. The Day Worker Center of Mountain View focuses on helping Latino day workers reduce their risk for obesity, prediabetes, and diabetes. El Camino Healthcare District Community Benefit funds helped the Center provide 300 nutritious breakfasts and lunches six days a week (15,600 meals) during the year. The Center was also able to add healthy, low-cost local produce to its food donations.

Cancer CAREpoint

Roughly 10,000 Silicon Valley residents receive a cancer diagnosis each year. Another 61,000 of our community members are already living with cancer. Cancer CAREpoint's mission is to provide free, non-medical support services to cancer patients and their families, regardless of their cancer type, care provider, or insurance status. Services include counseling, classes in nutrition and movement, educational workshops, support groups for patients and caregivers, survivorship workshops, and access to yoga and other integrative treatments.

"I can't say enough about how wonderful Cancer CAREpoint has been for me and my grandson. We would be lost without them."

Sandra, *Cancer Survivor*

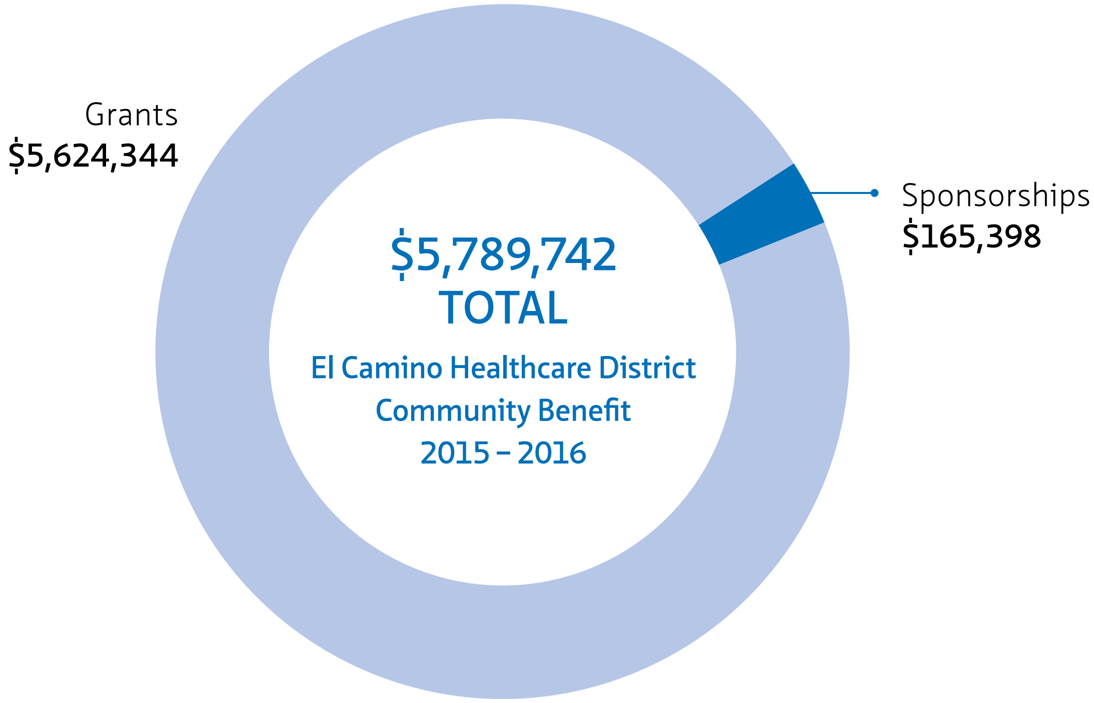
Family and Children's Services of Silicon Valley

According to an estimate by the Centers for Disease Control and Prevention, one third of women in the United States experience physical violence from a partner or spouse at some point in their lifetime. Unfortunately, domestic violence remains greatly underreported by both the victims and hospital emergency departments. Survivor Services, a program of Family & Children Services Silicon Valley, provides individual and family counseling, outreach, advocacy, and support to victims of domestic abuse and their children. With this grant, the organization hired a half-time clinical case manager, and part-time mental health and outreach specialists.

"Before, when I came to the Center in the mornings I always had donuts … I usually had Coke with my breakfast. Now there are no donuts or cakes. Our breakfast has bananas and soups. Now I drink water or skim milk with my meal. I told my wife and son about how we need to eat good food so we don't get fat or have bad blood or diabetes."

Client, Day Worker Center

FINANCIAL ACCOUNTING

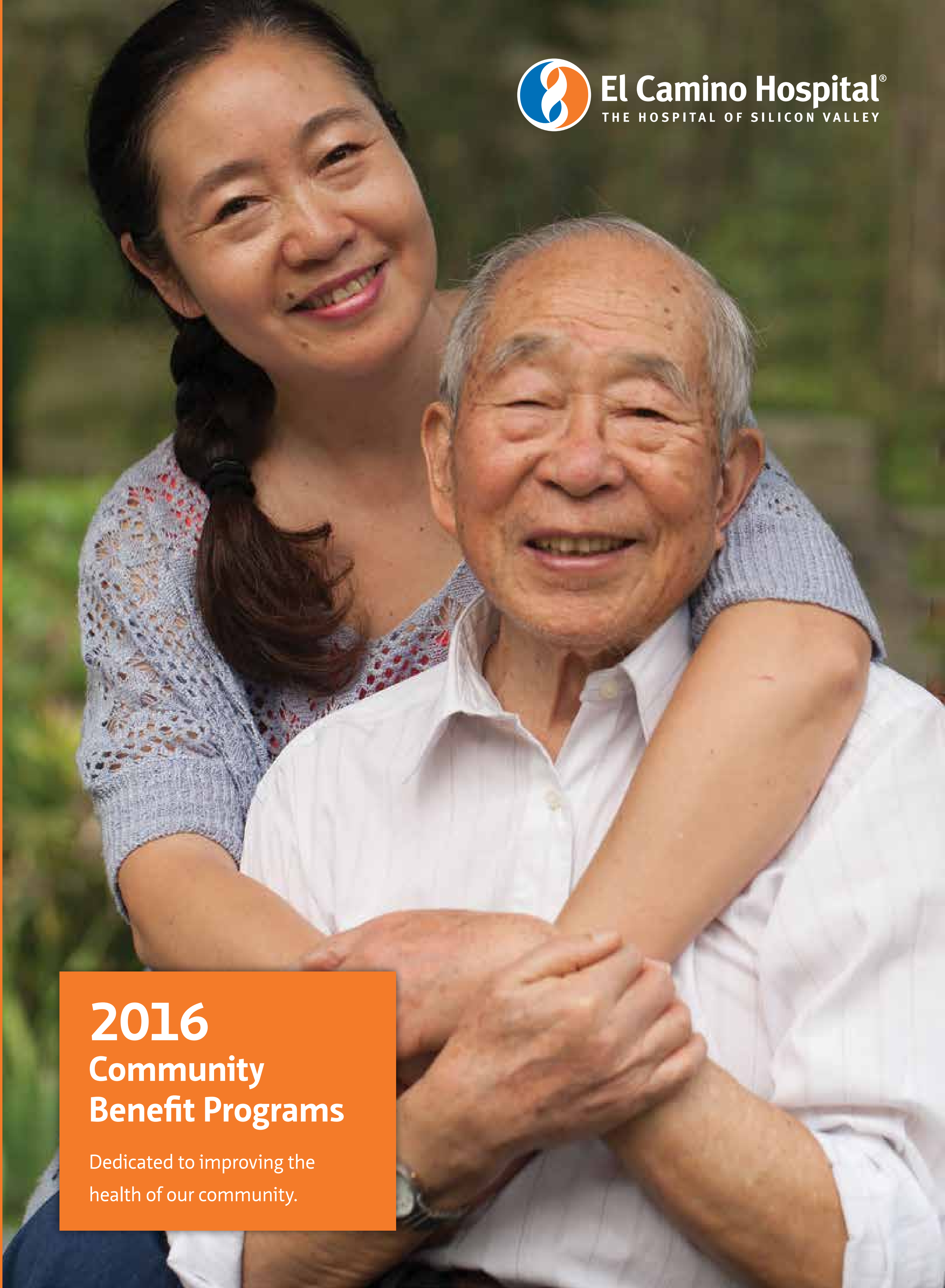


EL CAMINO HEALTHCARE DISTRICT

Fiscal Year 2016 Sponsorship Recipients

A Santé – Support for RotaCare Clinic Mountain View
Adolescent Counseling Services
Alzheimer's Association
Catholic Charities
City of Mountain View – Senior Health Fair
City of Sunnyvale – Senior Health Fair
Community Services Agency Mountain View
Family & Children's Services of Silicon Valley
Foundation for Mental Health
Healthier Kids Foundation
HomeFirst
Hospice of the Valley
Pacific Stroke Association
Pathways Home Health & Hospice
Rebuilding Together Silicon Valley
Silicon Valley Leadership Group – Salad Bars for Schools
Skoolcare
Sunnyvale Community Services
Sunnyvale Fit and Fun Fair
Sunnyvale Police Activities League – Camps for At-Risk Youth
Sunnyvale Rotary Foundation – End Kids Hunger in Sunnyvale
Valley Medical Center Foundation

El Camino Hospital®
THE HOSPITAL OF SILICON VALLEY

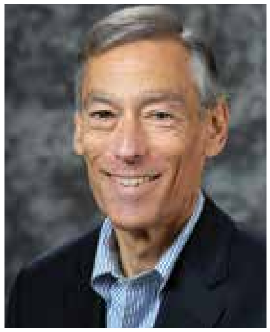


2016 Community Benefit Programs

Dedicated to improving the health of our community.

HOSPITAL

Dear Community Members,



El Camino Hospital has cared for and partnered with this community for over half a century. We are the area's comprehensive resource for 24/7 emergency services, mother-baby care, mental health, men's and women's health, and exceptional cardiovascular and cancer care. Our excellent health outcomes and broad array of awards and certifications have attracted some of the nation's finest physicians, as well as a stellar nursing team. As a nonprofit, locally governed healthcare organization, we never lose sight of our broader mission extending well past our hospital campuses. To this end, the El Camino Hospital Community Benefit program supports educational programs, health-promoting activities, screenings, mental health services, and expanded access to care throughout the community.

In recent years, the San Francisco Bay Area housing crisis has become a major driver of unmet health needs in our community. Rents are up 50 percent since 2010 and have risen 10 percent in just the past year. When people spend half of their income or more on rent, they often need to cut back on other basic needs, such as insurance, healthcare, medicine, and nutritious food. Housing insecurity can also lead to depression, stress, and family strife. In Fiscal Year 2016, El Camino Hospital Community Benefit funds helped address the challenges these circumstances present to maintaining good health. Our grants supported wellness programs, funded school nurses, and allowed uninsured and underinsured individuals of all ages to get medical and dental care. We funded initiatives to educate people about exercise, nutrition, diabetes, hypertension, stroke, substance abuse, and healthy lifestyle choices. In addition, we continue to underwrite the cost of emergency services and other essential community programs.

Looking ahead, the tri-annual Community Health Needs Assessment conducted in FY16 will inform our grantmaking and promote partnerships addressing the most needed interventions and services. We are extremely grateful for the critically important work our grantee partners do to make our community stronger and healthier. We look forward to another year of great service.

Sincerely,

Neal H. Cohen, MD, MPH, MS
FY16 Chair, Board of Directors, El Camino Hospital

El Camino Hospital®
THE HOSPITAL OF SILICON VALLEY

EL CAMINO HOSPITAL
Fiscal Year 2016 Grant Recipients

HEALTHCARE ACCESS

- Cambrian School District
- Campbell Union School District
- Cupertino Union School District
- Early Head Start
- Foster Children's Orthodontic Program
- Medical Respite Program
- RoadRunners Patient Transportation
- West Valley Community Services

MENTAL HEALTH

- Asian Americans for Community Involvement (AACI)
- Cupertino Union School District
- Momentum for Mental Health
- Next Door Solutions to Domestic Violence
- Peninsula HealthCare Connection
- Santa Clara Unified School District
- Seniors Council
- Uplift Family Services

HEALTHY EATING AND PHYSICAL ACTIVITY

- 5210 Health Awareness Program
- Bay Area Women's Sports Initiative (BAWSI)
- Challenge Diabetes Program
- GoNoodle
- Playworks

COMMUNITY HEALTH EDUCATION

- Chinese Health Initiative
- Citizen Insights Pre-diabetes Project
- Falls Prevention in Santa Clara County
- Gardner Family Health Network
- Health Library & Resource Center Los Gatos – El Camino Hospital
- linkAges
- South Asian Heart Center

PRIORITY 1

10,473
PEOPLE SERVED

4,354
SERVICES PROVIDED

Caring for the Community's Most Vulnerable

Financial Assistance

Under the hospital's financial assistance guidelines, qualifying individuals who cannot pay for medically necessary hospital services are eligible for a fee reduction. Some may qualify for elimination of their hospital bill. This policy applies to both inpatients and outpatients whose family income level is less than four times the federal poverty level.

Medi-Cal

Medi-Cal is a public health insurance program that provides needed healthcare services for low-income individuals. Recipients include families with children, seniors, people with disabilities, children in foster care, and pregnant women. Medi-Cal is financed equally by the state and federal government.

Training Tomorrow's Healthcare Professionals

Education and Training

El Camino Hospital provides trainee positions in nursing, radiology, clinical laboratory, behavioral health, cardiac and pulmonary rehabilitation, respiratory medicine, and other specialties. This serves two purposes: to provide new health workers with the valuable experience they need and to ensure that our community has a sufficient number of highly trained healthcare professionals. The hospital also supports interns, practicum students, and post-doctoral fellows in mental health services.

West Valley Community Services

CARE — Senior Case Management

West Valley Community Services (WVCS) offers community-based geriatric case management for low-income older adults. Services include food pantry, clothing, housing, transitions assistance, financial assistance, family support, information, and referrals. With Community Benefit funds, WVCS was able to hire a part-time case manager, perform weekly check-ins and home visits with clients, coordinate services with other local programs targeting seniors, and assess its clients' independence using the self-sufficiency matrix.

CARE Program

West Valley Community Services' CARE program (Community Access to Resources and Education) provides underserved individuals and families with comprehensive case management. Due to the high cost of living in Silicon Valley, many WVCS clients lack health insurance and are unaware of the services that may be available to them. They rely on WVCS to help them access food, family support, housing, and financial assistance. Community Benefit funds support a full-time case manager and program coordinator who provide case management, help community members apply for public benefits, and conduct educational workshops.

A Family Gets Back on Its Feet

Brenda had always been a full-time homemaker when her husband Edwin was laid off unexpectedly from a high-paying job. He spent months looking for work while his family lived off their rapidly dwindling savings. Brenda turned to West Valley Community Services for help. Her case manager enrolled her in the Financial Empowerment Program. She also told Brenda about the Food Pantry and sent her to a benefits clinic where Brenda learned how to obtain Calfresh and Medi-Cal benefits and enroll in programs such as the PG&E low-rate energy program and low-cost Internet services. Within three months, Edwin found a full-time job with benefits through the United States Postal Service. Meanwhile, Brenda attended a career-search workshop at WVCS where she was able to create a resume and refine her interviewing skills. Eventually, Brenda was offered a part-time administrative position at an insurance company.

"This year, El Camino Hospital provided nearly $53 million in Community Benefit, which includes financial assistance, uncompensated MediCal, grants, sponsorships, and other vital services. We partner with organizations that have the expertise to improve the health of our most vulnerable community members. By funding school nurses, mental health services, senior programs, and initiatives to increase awareness about conditions such as pre-diabetes, El Camino Hospital demonstrates a strong commitment to the community it serves."

Barbara Avery, *Director,* Community Benefit, El Camino Hospital

Stay Well to Learn Well

For many of our community's children, healthcare means one of two things: a visit to the school nurse or a trip to the emergency department. Indeed, the school nurse is often the only healthcare provider these young people ever see. For this reason, school-based health programs are essential to the well-being of many of our community's children. To help them stay healthy, El Camino Hospital provided support to various school-based programs in public schools with large numbers of at-risk students.

School Nurses

Traditionally, kids would go to the school nurse with a stomachache or skinned knee. But in our school districts, nurses face bigger challenges:

- Many of the students they see lack pediatric care. Nurses are often the first to diagnose them with health issues like scoliosis, hearing loss, or poor vision. In fact, the school nurse may be the only healthcare professional some students see all year.
- Students often have severe dental problems. Some may have bad dental pain that makes it hard to concentrate on school, while others may have self-esteem issues because of discolored or missing teeth.
- Nurses are often responsible for the care of children who are medically fragile or have serious conditions such as asthma, diabetes, and mental health conditions.

Shrinking budgets require nurses to cover a large number of students within a school district and make these challenges even harder to take on.

"School nurses are critical when the parents don't know what to teach and there may not be a regular dental home for a child. The school nurse is a trusted resource who can emphasize the importance of daily oral health practices, along with many other good health messages."

Candace Roney, *Executive Director,* Santa Clara County Dental Society

Campbell Union School District

El Camino Hospital Community Benefit funds supported two additional full-time school nurses and a health aid for the district's nine elementary and three middle schools. Funding provided case management for children with chronic illnesses and helped the families of students who failed a health screening make sure their child obtained follow-up care. (Dental screenings were provided by dentist volunteers through the SCC Dental Society program). Community Benefit funds also covered CPR and first aid training for the school staff.

Cupertino Union School District

Several schools within the Cupertino Union School District have a high proportion of underserved students. Three schools in particular have a greater number of students who qualify for free and reduced-cost lunches. Funding from El Camino Hospital supported an additional school nurse and a part-time health aide to serve these schools. The School Nurse Program provided services including case management for medically fragile or chronically ill students. School nurses collaborated with the Santa Clara County Dental Society to provide oral health screenings for the students. The nurses also made referrals to health providers, dentists, health insurance programs, and other community health resources.

Good Health Starts Early

Foster Children's Orthodontic Program

Foster children rarely have access to orthodontic services because so few Santa Clara County dentists and orthodontists take Denti-Cal patients. Many of these teens have been abused and neglected and have already gone for lengthy periods of time without medical or dental care. The Superior Court of California, County of Santa Clara, in partnership with the county's Social Services Agency, Department of Family & Children Services, and the orthodontic community, implements the Orthodontic Services for Foster Children and Youth program to help those with serious oral health problems receive much-needed orthodontic care. In its fourth year as an El Camino Healthcare District grant recipient, the program had nearly 70 youth enrolled and completed more than 400 orthodontic appointments.

Early Head Start

It's no secret that children from low-income families are at risk for adverse health and developmental outcomes. What's more, the risk starts before birth, because underserved mothers-to-be may not receive prenatal care, eat properly, or take prenatal vitamins. Early Head Start provides educational, social, medical, dental, nutritional, and mental health services to low-income pregnant women and to children ages 0 – 3. El Camino Hospital Community Benefit Program funded a family advocate for Santa Clara County's Early Head Start Program. The advocate helped families find primary care providers, connected them to available health resources, and coordinated translation and transportation services. As a result, 88 percent of children identified as needing treatment for conditions such as anemia, asthma, and anaphylaxis received the appropriate treatment.

El Camino Hospital also funded RoadRunners Patient Transportation. *See description on page 11.*

HOSPITAL MENTAL HEALTH

PRIORITY 2

6,272
PEOPLE SERVED

27,380
SERVICES PROVIDED

Support and Understanding for Teens

El Camino Hospital's Community Benefit program has a deep commitment to addressing unmet mental health needs among youth in our community. Ongoing partnerships with local school districts include the following school-based counseling programs.

Campbell Union High School District – Uplift Family Services

Underserved youth often wrestle with a host of challenges such as substance abuse, bullying, violence, gang issues, depression, eating disorders, poor school attendance, sexual abuse, and suicidal thoughts. Community Benefit funds supported two vital mental health programs for at-risk youth in the Campbell Union High School District through Uplift Family Services (formerly EMQ FamiliesFirst):

- Addiction Prevention Services provide substance abuse prevention, intervention, and post-intervention services for students. The program conducts individual and group counseling, classroom workshops, education for parents and teachers, and family case management.
- The Child and Adolescent Mobile Crisis Program provides services countywide to young people in crisis. Mobile crisis clinicians trained in therapeutic crisis intervention are on call 24/7 to respond to youth in immediate danger of harming themselves or others.
- Uplift Family Services conducts school-based suicide prevention training for parents, teachers, caseworkers, and coaches. In addition, the program gives classroom presentations on depression and suicide using a program called Linking Education and Awareness of Depression and Suicide. This special curriculum helps young people understand depression and suicide, and learn the warning signs and how to access available resources.

Santa Clara Unified School District Mental Health Services

El Camino Hospital Community Benefit funds were used to hire a licensed therapist for K – 12 schools in the Santa Clara Unified School District, serving 13,000 students in San Jose, Santa Clara, and Sunnyvale. The therapist offers school-based one-on-one and group counseling, classroom intervention using established curriculum, parent education and support, case management, and referral to outside agencies.

Cupertino Union School District Mental Health Services

The Cupertino Union School District encompasses parts of San Jose, Sunnyvale, Saratoga, Santa Clara, and Los Altos and serves over 16,000 K – 8 students. Program funding was used to hire four family therapists. The therapists offer individual and group counseling as well as parent education and support. They also provide early identification of mental health conditions and case management, and refer children and/or their family members to free or low-cost services.

Mental Health Services for the Poor and Vulnerable

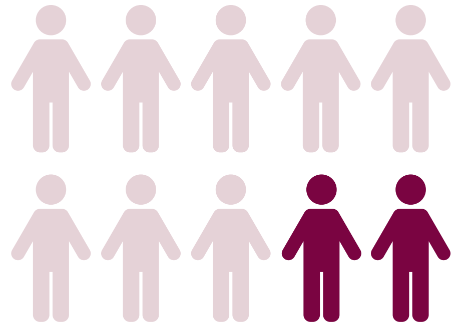
Volunteer physicians at community clinics across Santa Clara County are seeing more and more people in need of psychiatric care and medication management. Accessing mental healthcare is especially difficult for low-income individuals, many with no insurance.

Peninsula HealthCare Connection

According to the 2013 Santa Clara County Homeless Census and Survey, 54 percent of chronically homeless individuals reported having a mental health condition, and 37 percent believe access to mental health services could have prevented them from becoming homeless.

Community Benefit funds supported Peninsula HealthCare Connection, a free clinic that provides primary and mental healthcare to people who are either homeless or at risk for homelessness. Through intensive case management, PHC works to stabilize individuals with mental health conditions. They also seek shelter for the most vulnerable members of the homeless population.

El Camino Hospital also supported Momentum for Mental Health. *See description on page 12.*



In a given year, **20% OF YOUNG PEOPLE** experience mental health conditions such as depression, anxiety, eating disorders, academic stress, and substance abuse.

Asian Americans for Community Involvement

In Santa Clara County, 28 percent of the 280,000 people over age 65 are Asian. According to the Santa Clara County Seniors' Agenda, Asian seniors in our community have the highest poverty rates and one of the highest suicide rates compared to other racial and ethnic groups. In order to identify and aid underserved low-income Asian seniors struggling with depression, Asian Americans for Community Involvement (AACI) implemented the Healthy IDEAS program. After receiving an initial screening, clients participated in a variety of wellness activities and educational programs designed to reduce depressive symptoms. Seniors who exhibited more severe symptoms of depression were referred to medical/mental health providers.

Addressing Domestic Violence

Next Door Solutions to Domestic Violence

Next Door Solutions to Domestic Violence (NDS) provides institutional advocacy, crisis intervention, and education for victims and the community. Its emergency shelter offers 24/7 safe housing and crisis counseling for women and children. Clients receive education about domestic violence, including strategies to protect themselves and their children, and techniques to enhance their self-esteem and emotional resiliency. NDS also offers several support groups, including a new support group added this year for male survivors. A Self-Sufficiency Program trains survivors in job readiness, financial fundamentals, organizational skills, and more. The program is working to change community perceptions of domestic violence among the diverse ethnic and low-income families in Santa Clara County. NDS offers support groups in both English and Spanish, as well as a yoga/meditation support group.

PRIORITY 3

9,465
PEOPLE SERVED

832
SERVICES PROVIDED

Transforming the School Experience

El Camino Hospital is a strong supporter of efforts to increase healthy eating and physical activity throughout the community. Funds from the hospital's Community Benefit program go to some of the same dedicated grantees that are supported by the District:

Playworks strives to make recess a positive experience by giving children opportunities for physical activity and safe, meaningful play.

5210 Health Awareness Program works to educate school kids to make healthy choices in both foods and activities.

GoNoodle helps increase health literacy; encourages kids to embrace good nutrition and exercise; and teaches how to avoid alcohol consumption, tobacco use, and other risky behaviors.

See broader descriptions of these programs on pages 16 – 17.

Bay Area Women's Sports Initiative

Having a "big girl" to look up to inspires and motivates younger girls. That's the idea behind the Bay Area Women's Sports Initiative (BAWSI). This after-school fitness and confidence-building program trains female high school and college athletes to mentor and exercise with young girls in grades 3 – 5. BAWSI emphasizes teamwork, good nutrition, and exercise.

"The girls on our campus have thoroughly enjoyed and benefited from having BAWSI at San Miguel this past year. We have seen that our girls are more confident at recess, more apt to speak up in class, and more physically fit."

Christina Ballantyne, *Principal*, San Miguel Elementary

CHALLENGE DIABETES program

Tackling the Diabetes Epidemic

Challenge Diabetes Program

To help combat the high rate of diabetes in our county, Community Services Agency of Mountain View and Los Altos, Sunnyvale Community Services, and West Valley Community Services have partnered with Second Harvest Food Bank to offer the Challenge Diabetes Program. This free program's goal is to reduce the chances of acquiring or exacerbating type 2 diabetes while increasing participant knowledge about the risks and causes of diabetes, how to manage the disease, nutritious food options, and the value of physical activity. Participants are screened at enrollment for prediabetes or type 2 diabetes and have the opportunity to enroll in the program and receive monthly food bags, educational information, and a referral to local healthcare clinics.

Gaining Control of Her Blood Sugar and Her Life

Iris was working full time as a caregiver when she suffered a heart attack that landed her on permanent disability. With Social Security income barely enough to cover her rent, she sought help from West Valley Community Services. Her case manager connected Iris to the food pantry and helped her gain reliable transportation through the TAP program. Iris learned how to budget, paid off her debt, and began a savings plan. Then, she discovered a WVCS program she'd never even considered: Challenge Diabetes. After enrolling in the program, Iris got so adept at managing her diabetes, her doctor eventually discontinued her medication!

HOSPITAL COMMUNITY HEALTH EDUCATION

PRIORITY 4

7,524

PEOPLE SERVED

10,853

SERVICES PROVIDED

Culturally Appropriate Care

Citizen Insights

Citizen Insights, a project of Great Nonprofits, developed a valuable text message survey on health and diabetes that led to key insights about the incidence and potential reduction of type 2 diabetes in the Hispanic/Latino population:

- Over 70 percent of Latinos have a family history of diabetes/prediabetes
- Latinos are more likely than any other racial group to drink soda and other sweetened beverages such horchata, aguas frescas, and juice
- 40 percent of the survey participants did not have health insurance
- 83 percent expressed an interest in learning new, tasty recipes

These findings point to a need for education and intervention. The conclusion was that messaging should be family-centric, emphasize living longer, and offer healthy recipes. Preferred methods of communication would be video/YouTube, email, and brochures.

South Asian Heart Center

South Asians — people who trace their origins to India, Pakistan, Bangladesh, Nepal, or Sri Lanka — have heart attacks at much younger ages than the general population. Many are mostly vegetarian, maintain a healthy weight, and don't smoke, yet coronary artery disease is the number one cause of death and hospitalizations among California South Asians. In addition, they are four times more likely to develop diabetes. Using a culturally sensitive lifestyle approach, El Camino Hospital's South Asian Heart Center is working to reduce the high incidence of cardiovascular disease and diabetes in the South Asian community through awareness, education, screening, coaching, and research. By evaluating risk factors and encouraging healthier behaviors, the South Asian Heart Center has helped to improve risk profiles and save lives.

El Camino Hospital also supported the Chinese Health Initiative. *See description on page 19.*

Services for Seniors

linkAges

The organization linkAges forges partnerships with local nonprofits, neighborhood associations, faith-based organizations, and businesses to offer a community-based outreach effort that supports aging in place. Offered through the Palo Alto Medical Foundation, linkAges' TimeBank program is a community-based, multigenerational exchange network.

Members "bank" their time by providing services to others and then use those hours to receive services in return. For example, Corinna, a hairstylist, might offer to do hair in the home. Lillian, a senior citizen, might enjoy a hair appointment and in turn offer gardening expertise to Edward, who is retired and looking to plant a drought-friendly garden. Because Edward offers driving services on linkAges, he could end up closing the circle by driving Corinna to the airport. Through this kind of sharing, linkAges builds meaningful intergenerational connections among community members. The sharing of abilities and interests makes people feel useful and valued.

Most of the recipients of linkAges services are seniors, disabled people, and family caregivers — people who are isolated due to their individual circumstances and need services, support, and friendship.

Falls Prevention in Santa Clara County

In Santa Clara County, falls are the number one cause of hospitalizations for adults 65 years and older. Many of these falls are preventable through environmental changes, medication modification, and, where possible, improvements in functional ability. Increasing fall prevention awareness and resources in the community are the goals of Falls Prevention in Santa Clara County (FPSCC), a program supported by El Camino Hospital Community Benefit funds. FPSCC brings together providers of healthcare and aging services, public health officials, experts from the world of academia, funders, and others to develop strategies to reduce falls among older adults. The work includes classes, advocacy, resource development, and community and provider education.

Accessible Health Information

Health Library & Resource Center Los Gatos – El Camino Hospital

For many people in the community, El Camino Hospital's Health Library & Resource Center is a destination for sound print, electronic, and online health information. A librarian is available to steer visitors to the most relevant resources. The Center also conducts outreach to local senior centers and has eldercare consultants on staff who can help family members develop long-range care plans for an elderly relative.

Tools for Disease Management

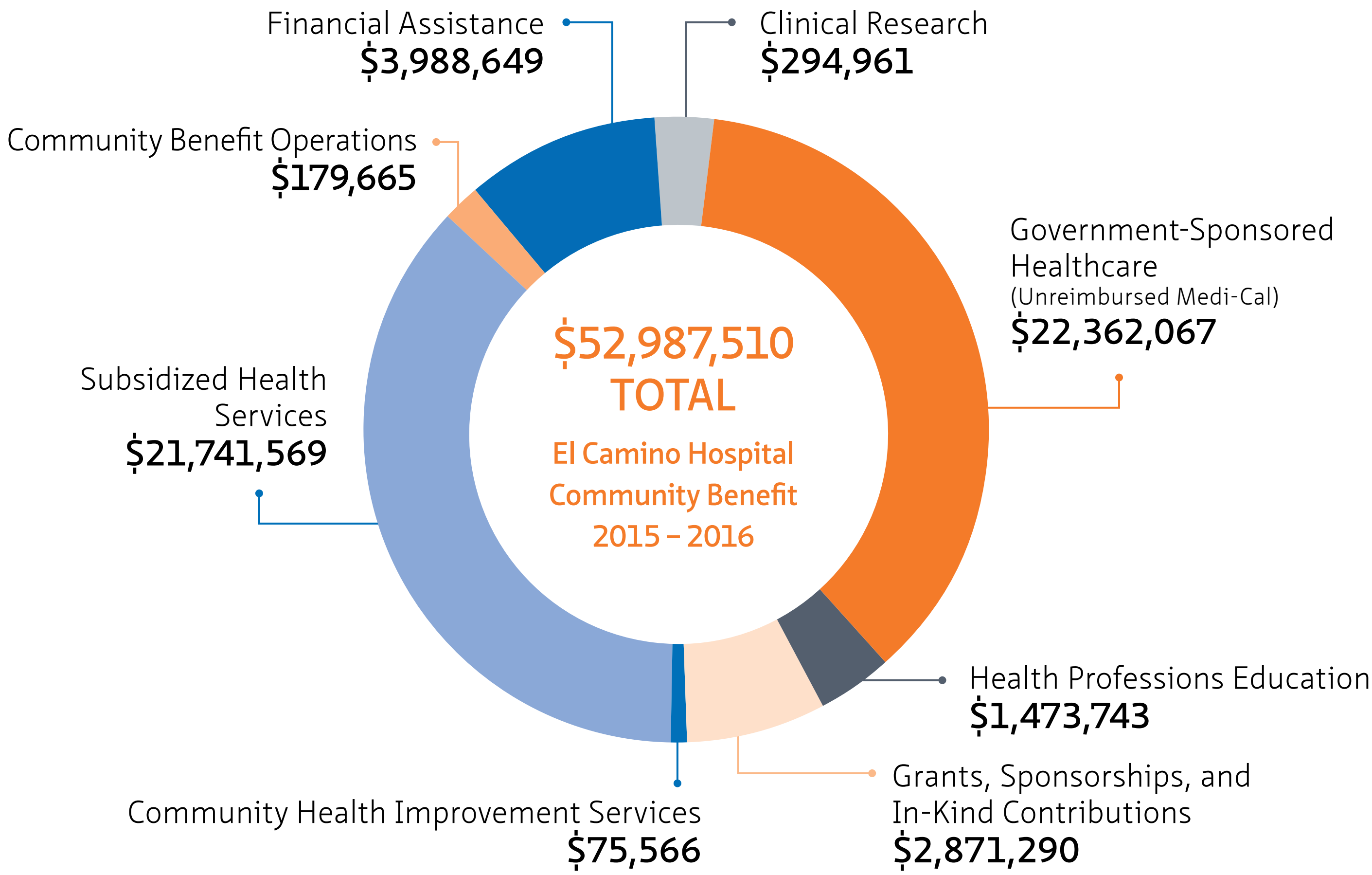
Gardner Family Health Network – Down With Diabetes

For nearly 50 years, Gardner Family Health clinics have provided underserved Santa Clara County residents with medical, dental, and vision care. A grant from El Camino Hospital Community Benefit helped Gardner fund Down With Diabetes, a program designed to teach patients effective diabetes management. Down With Diabetes offers one-on-one consults with experts who are both registered dietitians and certified diabetes educators. In addition to learning about diabetes and its treatment, patients work with the educator to develop a diet and exercise plan. Down With Diabetes also provided patients with the following:

- The Gardner Health Services' Down With Diabetes newsletter, available in English and Spanish. The newsletter is full of tips, fast facts, and healthy recipes.
- $10 food vouchers for fruit and vegetable purchases from Chavez Supermarkets, a local chain serving the Latino community.
- Access to the VeggieRX educational program at the Gardner CompreCare Center. Patients learned about shopping for, storing, and cooking healthy food and techniques for healthy weight loss.

FINANCIAL ACCOUNTING

El Camino Hospital®
THE HOSPITAL OF SILICON VALLEY



In addition, total uncompensated Medicare for Fiscal Year 2016 was $102,104,525.

EL CAMINO HOSPITAL

Fiscal Year 2016 Sponsorship Recipients

Abilities United
Aging Services Collaborative
Alum Rock Counseling Center
American Diabetes Association
Asian Americans for Community Involvement (AACI)
Bay Area Older Adults
Bay Area Women's Sports Initiative (BAWSI)
Campbell United Methodist Church – Parenting Classes for At-Risk Youth
Chinese Americans for Compassionate Care
Congregation Shir Hadash – Health Fair
Cystic Fibrosis Foundation
Gardner Family Health Network
Heart of Hope
HERS Breast Cancer
Hope Services
Indian Health Center
Los Gatos Lion Club – Mental Health Support for Los Gatos High School
Next Door Solutions
People Acting in Community Together (PACT)
Planned Parenthood – Kids in Common
Preeclampsia Foundation
Project Cornerstone
San Jose Parks Foundation
Services for Brain Injury
Silicon Valley Council of Non-Profits
Silicon Valley Leadership Group – Turkey Trot Fundraiser
Strides for Life Colon Cancer
Uplift Family Services
West Valley Community Services

COMMUNITY HEALTH IS A TEAM EFFORT

Community Benefit Advisory Council Members

Barbara Avery, Chair, Director, Community Benefit, El Camino Hospital

Bonnie Broderick, RD, MPH
Director of Chronic Disease and Injury Prevention, Santa Clara County Public Health Department

Cecile Currier, Vice President, Corporate & Community Health Services, El Camino Hospital

Rhonda Farber, PhD, Past Superintendent, Campbell Union High School District

Laura Macias, Past Mayor/Councilmember, City of Mountain View

Cesar Molina, MD, Physician and Medical Director of South Asian Heart Center, El Camino Hospital

Naomi N. Nakano-Matsumoto, LCSW, Assistant Director, Social Sector Ethics, Markkula Center for Applied Ethics, Santa Clara University

Anil Singhal, MD, Physician, El Camino Hospital Foundation Board of Directors

Marilyn Winkleby, PhD, MPH, Professor of Medicine and Director of the Office of Community Health, Stanford University School of Medicine

Community Benefit Advisory Council Board Liaisons

Peter Fung, MD, FACP, FAAN, FAHA
El Camino Hospital Board of Directors, Secretary/Treasurer, CBAC Liaison
El Camino Healthcare District Board of Directors, Chairperson

Julia E. Miller
El Camino Hospital Board of Directors, Member
El Camino Healthcare District Board of Directors, Secretary/Treasurer, CBAC Liaison

Community Benefit Staff

Cecile Currier, Vice President, Corporate & Community Health Services, El Camino Hospital

Barbara Avery, Director, Community Benefit

Anne Boyd Rabkin, Senior Community Benefit Specialist

Sharan Johal, Community Benefit Specialist

Laurie Withers, Sponsorship Coordinator

El Camino Healthcare District Board of Directors

Peter C. Fung, MD, MS, FACP, FAAN, FAHA, FY16 Chair

Dennis W. Chiu, JD, FY16 Vice Chair

Julia E. Miller, FY16, Secretary/Treasurer

David Reeder, MS

John L. Zoglin, MBA

El Camino Hospital Board of Directors

Neal H. Cohen, MD, MPH, MS, FY16 Chair

Tomi Ryba, MHA, President and CEO

Dennis W. Chiu, JD, FY16 Vice Chair

Peter C. Fung, MD, MS, FACP, FAAN, FAHA, FY16 Secretary/Treasurer

Lanhee J. Chen, JD, PhD

Jeffrey M. Davis, MD

Julia E. Miller

David Reeder, MS

John L. Zoglin, MBA

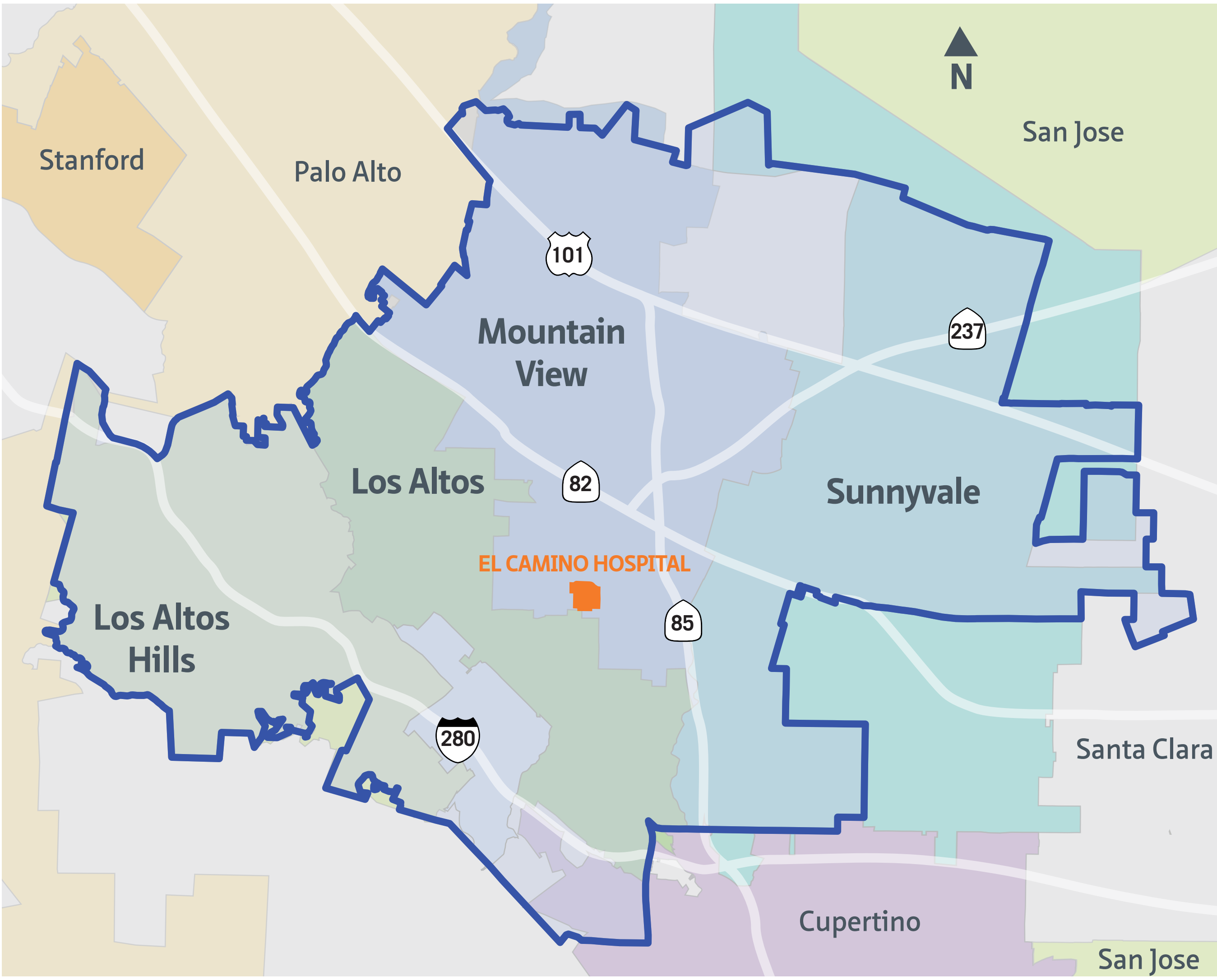
Additional El Camino Hospital Information

The 2016 Community Benefit Plan and Implementation Strategy, 2016 Community Benefit Report, and the Community Health Needs Assessment are available at www.elcaminohospital.org/communitybenefit

Additional El Camino Healthcare District Information

The 2016 El Camino Healthcare District Community Benefit Plan and 2016 Community Benefit Report are available at www.elcaminohealthcaredistrict.org/communitybenefit

EL CAMINO HEALTHCARE DISTRICT



Note: District boundary outline is an approximation.

El Camino Hospital and El Camino Healthcare District Fiscal Year Grant Recipient Contact Information*

5210 Health Awareness Program
Palo Alto Medical Foundation
701 East El Camino Real
Mountain View, CA 94040

Alzheimer's Association
2290 North 1st Street
San Jose, CA 95131

Asian Americans for Community Involvement
(Healthy IDEAS)
2400 Moorpark Avenue, Suite 300
San Jose, CA 95128

Bay Area Women's Sports Initiative (BAWSI)
1922 The Alameda, Suite 420
San Jose, CA 95126

Cambrian School District
4115 Jacksol Drive
San Jose, CA 95124

Campbell Union School District
155 North Third Street
Campbell, CA 95008

Cancer CAREpoint
2505 Samaritan Drive, Suite 402
San Jose, CA 95124

Challenge Diabetes Program
204 Stierlin Road
Mountain View, CA 94043

Chinese Health Initiative
2500 Grant Road
Mountain View, CA 94040

Citizen Insights
330 Twin Dolphin Drive, Suite 131
Redwood City, CA 94065

Community Health Awareness Council (CHAC)
590 West El Camino Real
Mountain View, CA 94040

Community Services Agency – Mountain View
204 Stierlin Road
Mountain View, CA 94043

Cupertino Union School District
10301 Vista Drive
Cupertino, CA 95014

Day Worker Center of Mountain View
113 Escuela Avenue
Mountain View, CA 94040

Eating Disorders Resource Center
15891 Los Gatos-Almaden Road
Los Gatos, CA 95032

Falls Prevention Santa Clara County
One Washington Square
San Jose, CA 95192

Family & Children Services of Silicon Valley
(Survivor Services)
375 Cambridge Avenue
Palo Alto, CA 94306

Fremont Union High School District
589 West Fremont Avenue
Sunnyvale, CA 94087

Friends for Youth
1741 Broadway
Redwood City, CA 94063

Gardner Family Health Network
160 East Virginia Street
San Jose, CA 95112

GoNoodle
209 10th Avenue South, Suite 350
Nashville, TN 37203

Health Library and Resource Center,
Los Gatos – El Camino Hospital
815 Pollard Road
Los Gatos, CA 95032

Health Library and Resource Center,
Mountain View – El Camino Hospital
2500 Grant Road
Mountain View, CA 94040

Hope's Corner
748 Mercy Street
Mountain View, CA 94041

Law Foundation of Silicon Valley
(Mental Health Advocacy Project)
152 North Third Street, 3rd Floor
San Jose, CA 95112

linkAges
Palo Alto Medical Foundation
2350 West El Camino Real
Mountain View, CA 94043

Living Classroom
P.O. Box 3501
Los Altos, CA 94024

Lucile Packard Foundation for Children's Health
400 Hamilton Avenue, Suite 340
Palo Alto, CA 94301

MayView Community Health Center
270 Grant Avenue
Palo Alto, CA 94036

Medical Respite
1215 K Street, Suite 800
Sacramento, CA 95814

Momentum for Mental Health
438 North White Road
San Jose, CA 95127

Mountain View Los Altos
Union High School District
1299 Bryant Avenue
Mountain View, CA 94040

Mountain View Whisman School District
750-A San Pierre Way
Mountain View, CA 94043

National Alliance on Mental Illness,
Santa Clara County (NAMI)
1150 South Bascom Avenue, Suite 24
San Jose, CA 95128

New Directions Program
33 Encina Avenue, Suite 103
Palo Alto, CA 94301

Next Door Solutions
234 East Gish Road, Suite 200
San Jose, CA 95112

Pathways Home Health & Hospice
585 North Mary Avenue
Sunnyvale, CA 94085

Peninsula HealthCare Connection
33 Encina Avenue, Suite 103
Palo Alto, CA 94301

Playworks
2155 South Bascom Avenue, Suite 201
Campbell, CA 95008

RoadRunners
Los Gatos – El Camino Hospital
815 Pollard Drive
Los Gatos, CA 95032

RoadRunners
Mountain View – El Camino Hospital
2500 Grant Road
Mountain View, CA 94040

Santa Clara County Office of Education –
Early Head Start Program
1290 Ridder Park Drive
San Jose, CA 95131

Santa Clara Unified School District
1889 Lawrence Road
Santa Clara, CA 95052

Seniors Council
234 Santa Cruz Avenue
Aptos, CA 95003

South Asian Heart Center
2500 Grant Road
Mountain View, CA 94040

Sunnyvale Community Services
725 Kifer Road
Sunnyvale, CA 94086

Sunnyvale School District
819 West Iowa Avenue
Sunnyvale, CA 94086

Superior Court of CA, Santa Clara County
Foster Children's Orthodontic Program
191 North First Street
San Jose, CA 95113

Uplift Family Services
(formerly EMQ FamiliesFirst)
251 Llewellyn Avenue
Campbell, CA 95008

West Valley Community Services Agency
10104 Vista Drive
Cupertino, CA 95014

Working Partnerships USA
2102 Almaden Road, Suite 112
San Jose, CA 95125

**Some organizations have offices outside of the El Camino Hospital service area or the El Camino Healthcare District boundaries; however, all grants awarded support programs providing services within these geographic areas.*

EL CAMINO HEALTHCARE DISTRICT

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THE HOSPITAL OF SILICON VALLEY

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ATTACHMENT 14

EL CAMINO HEALTHCARE DISTRICT BOARD

FY2017 PACING PLAN (Updated September 21, 2016)

FY17 Q1		
JULY 2016	**AUGUST 10, 2016**	**SEPTEMBER 2016**
No Meeting	Approval of Campus Development Funding	No meeting

FY17 Q2		
OCTOBER 18, 2016	**NOVEMBER 2016**	**DECEMBER 6, 2016**
▪ FY 2017 YTD ECHD Financials ▪ FY 2016 Community Benefit Year End Report ▪ FY 2016 Stand-Alone Financials ▪ FY 2016 Financial Audit Presentation – Consolidated ECH District Financials ▪ Approve FY2016 Hospital Audit ▪ Hospital Board Member Election Ad Hoc Committee Report ▪ GO Bond Re-Financing Approval ▪ Approval of Easement for Melchor and 2500 Hospital Drive Driveway merging ▪ Pacing Plan	No Meeting	▪ Swearing in of District Board Members ▪ Election of El Camino Hospital Board Directors ▪ Affirm and Sign Code of Conduct

<table>
<tr><th colspan="3">FY17 Q3</th></tr>
<tr><th>JANUARY 17, 2017</th><th>FEBRUARY 2017</th><th>MARCH 14, 2017</th></tr>
<tr><td>Recognition (As Needed)
Community Benefit Spotlight (If Time Allows)
FY 2017 YTD ECHD Financials
Hospital Board Member Election Ad Hoc Committee Report (if necessary)
Pacing Plan
Bi Annual By-Laws Review (done last in FY15)
Bi-Annual Reserve Powers Review (done last in FY15)
Tobacco Securitization Authority Report</td><td>No Meeting</td><td>Recognition (As Needed)
Community Benefit Spotlight (If Time Allows)
FY 2017 YTD ECHD Financials
Hospital Board member Election Ad Hoc Committee Report (if necessary).
Affirm Process for Board Officer Election
Pacing Plan</td></tr>
<tr><th colspan="3">FY17 Q4</th></tr>
<tr><th>APRIL 2017</th><th>MAY 2017</th><th>JUNE 20, 2017</th></tr>
<tr><td>No Meeting</td><td>No Meeting</td><td>Recognition (As Needed)
Community Benefit Spotlight (If Time Allows)
2017 YTD ECHD Financials
Tax Appropriation for FY2018
District Capital Outlay Fund
Review and Approve FY 2018 Pacing Plan
Approval of FY 2018 Community Benefit Plan
Approve ECH FY 2018 Budget
Approve ECHD FY 2018 Budget
Appoint Hospital Board Member Election Ad Hoc Committee
Biennial Board Officer Election</td></tr>
<tr><td></td><td></td><td></td></tr>
</table>

ATTACHMENT 16

ECHD BOARD MEETING AGENDA ITEM COVER SHEET

	Item:	Association of California Healthcare Districts ("ACHD") Report El Camino Healthcare District Board of Directors October 18, 2016
	Responsible party:	Julia Miller, ECHD and ACHD Board Member
	Action requested:	For Information

Background:

The Association of California Healthcare Districts (ACHD) Advocacy Committee met on October 12th to review legislation affecting healthcare districts in 2016 and to discuss priorities and plans for 2017. Brenda Taussig, El Camino Hospital's Director of Government and Community Relations, and I participated. The following are the highlights of that meeting:

- In 2016, ACHD sponsored two bills which were signed into law: Senate Bill 957 (Hueso), which grants districts who own or operate a hospital the authority to use the design-build process for construction and rehabilitation of facilities. Assembly Bill 2024 (Wood) allows federally designated critical access hospitals to directly hire physicians. (Note: ECH has the ability to use design-build because the hospital is licensed to the 501(c)(3) Corporation. ECH is not a "critical access" hospital since it is located in a region with many health facilities. However, these new laws are important to many district hospitals in the state.

- In August, the Little Hoover Commission held a hearing to examine the structure, services and value of special districts, updating a report they released in 2000. (The Little Hoover Commission is an independent state oversight agency tasked with promoting efficiency, economy, and improved service in state government.) ACHD testified at the hearing, and ECHD's community benefit program was included as a model of "best practice". Another hearing focusing on healthcare districts is scheduled for November 16th, and at some point thereafter the Commission will issue a report.

- In response to Legislators' concerns about the value to the taxpayers of healthcare districts which no longer provide services or own hospitals, the Assembly Local Government Committee may hold a hearing in Spring 2017. There is a perception that LAFCO may not be doing its job in some areas of that state to provide meaningful oversight or to dissolve districts that no longer serve the public interest.

- ACHD's plans for 2017 include: updating the Healthcare District Enabling Act to require healthcare districts to conduct a community healthcare needs assessment (CHNA) every three years, and to issue a public Community Benefit Report annually. As you know, ECHD/ECH already does both. They also plan to work with LAFCO to improve service reviews of healthcare districts, and may expand their Certified District program by working with the Special District Leadership Foundation. ECHD's "Certificate of Transparency Excellence" was granted by the Special District Leadership Foundation, an affiliate of the California Special District Association.

ECHD BOARD MEETING AGENDA ITEM COVER SHEET

	Ms. Taussig and I are monitoring the work of ACHD, the Little Hoover Commission, and the Assembly Local Government Committee and will update management and Board as needed. She was asked and agreed to assist in the development of the community benefit legislation. I attended the ACHD fall Board meeting in San Diego October 4th – 6th. I was appointed Chair of the Governance Committee and elected Vice Chair of the Board.
	Committees that reviewed the issue and recommendation, if any: None.
	Summary and Session Objectives: To inform the Board about some of ACHD's activities on behalf of Healthcare Districts.
	Suggested discussion questions: None
	Proposed Board motion, if any: None.
	LIST OF ATTACHMENTS: None.