Washington Township Health Care District
2000 Mowry Avenue, Fremont, California 94538-1716 | 510.797.1111
Kimberly Hartz, Chief Executive Officer

BOARD OF DIRECTORS MEETING
Wednesday, August 9, 2023 – 6:00 P.M.
Board Room of Washington Hospital, 2000 Mowry Avenue, Fremont and via Zoom
https://zoom.us/j/97895278274?pwd=Nk9YT2lCNUg4bUlqbFZOZ1dPRVBnZz09
Passcode: 570842

Board Agenda and Packet can be found at:
August 2023 | Washington Hospital Healthcare System (whhs.com)

AGENDA

		PRESENTED BY:
I.	**CALL TO ORDER & PLEDGE OF ALLEGIANCE**	Bernard Stewart, DDS Board President
II.	**ROLL CALL**	Cheryl Renaud District Clerk
III.	**COMMUNICATIONS**	
	A. Oral *This opportunity is provided for persons in the audience to make a brief statement, not to exceed three (3) minutes on issues or concerns not on the agenda and within the subject matter of jurisdiction of the Board. "Request to Speak" cards should be filled out in advance and presented to the District Clerk. For the record, please state your name.*	
	B. Written	
IV.	**CONSENT CALENDAR** *Items listed under the Consent Calendar include reviewed reports and recommendations and are acted upon by one motion of the Board. Any Board Member or member of the public may remove an item for discussion before a motion is made.*	Bernard Stewart, DDS Board President
	A. Consideration of Minutes of the Regular Meetings of the District Board: July 12, 17, 24 & 26, 2023	*Motion Required*
	B. Consideration of Capital Equipment: Stryker Hospital Beds and Gurneys	
	C. Consideration of Capital Purchase: Heat Exchanger Rebuild	

V.	**PRESENTATION**	PRESENTED BY:
	A. Preventing CLABSI by Monitoring Chlorhexidine Bath Compliance	Roy Coloma Clinical Nurse III, PICC
VI.	**REPORTS**	
	A. Medical Staff Report	Mark Saleh, MD Chief of Medical Staff
	B. Service League Report	Sheela Vijay Service League President
	C. Quality Report: Quality Dashboard Q/E June 2023	Mary Bowron Chief Quality Officer
	D. Finance Report	Thomas McDonagh Vice President and Chief Financial Officer
	E. Hospital Operations Report	Kimberly Hartz Chief Executive Officer
	F. Healthcare System Calendar Report	Kimberly Hartz Chief Executive Officer
VII.	**ACTION**	
	A. Consideration of Resolution No. 1254: Memorandum of Understanding between Washington Hospital and Local 6	*Motion Required*
	B. Consideration of Resolution No. 1255: Approving the Issuance of and Determining to Proceed with the Negotiated Sale of Certain Revenue Bonds of the District in an Aggregate Principal Amount not to Exceed $40,000,000, Approving the Execution and Delivery of a Supplemental Indenture, a Continuing Disclosure Agreement, a Preliminary Official Statement and Certain Other Actions Related Thereto	*Motion Required*

C. Consideration of Resolution No. 1256: Authorizing the Issuance and Determining to Proceed with Negotiated Sale of Certain General Obligation Bonds of the District in an Aggregate Principal Amount not to Exceed $125,000,000, and Approving Certain Other Matters Relating to the Bonds — *Motion Required*

VIII. **ANNOUNCEMENTS**

IX. **ADJOURNMENT** — Bernard Stewart, DDS
Board President

In compliance with the Americans with Disabilities Act, if you need assistance to participate in this meeting, please contact the District Clerk at (510) 818-6500. Notification two working days prior to the meeting will enable the District to make reasonable arrangements to ensure accessibility to this meeting.

A meeting of the Board of Directors of the Washington Township Health Care District was held on Wednesday, July 12, 2023 in the Board Room at 2000 Mowry Avenue, Fremont and Zoom access was provided. Director Stewart called the meeting to order at 6:00 p.m. and led those in attendance of the meeting in the Pledge of Allegiance.

CALL TO ORDER

PLEDGE OF ALLEGIANCE

Roll call was taken: Directors present: Bernard Stewart, DDS; Michael Wallace; William Nicholson, MD; Jacob Eapen, MD

ROLL CALL

Attending Remote Via Zoom: Jeannie Yee

In conformance with District Board Policy Number A-017, Director Jeannie Yee provided a written request of "just cause" to attend this Board Meeting remotely by Zoom due to providing childcare for her grandchildren.

Also present: Kimberly Hartz; Cheryl Renaud; Tom McDonagh; Paul Kozachenko; Larry LaBossiere; Shirley Ehrlich

Guests: Kristin Ferguson; Kel Kanady; Gina Arguelles; Donald Pipkin; Carmen Agcaoili, MD; Angus Cochran; Michelle Hudson; Sheela Vijay; Mary Bowron; Jerri Randrup; Brian Smith, MD; Ramin Beygui, MD; Mark Saleh, MD; Marcus Watkins; Lynda Antes; Nick Legge; Dan Nardoni; John Lee; Walter Choto; Srikar Boddar

Director Stewart welcomed any members of the general public to the meeting.

OPENING REMARKS

Director Stewart noted that Public Notice for this meeting, including Zoom information, was posted appropriately on our website. This meeting was recorded for broadcast at a later date.

There were no Oral communications.

COMMUNICATIONS: ORAL

There were no Written communications.

COMMUNICATIONS: WRITTEN

Director Stewart presented the Consent Calendar for consideration:

CONSENT CALENDAR

A. Consideration of Minutes of the Regular Meetings of the District Board: June 14, 19, 26 & 28, 2023

B. Consideration of the Credentialing Policy

C. Consideration of the OPPE Policy

Director Eapen moved that the Board of Directors approve the Consent Calendar, Items A through C. Director Nicholson seconded the motion.

Roll call was taken:

Bernard Stewart, DDS – aye
Michael Wallace – aye
William Nicholson, MD – aye
Jacob Eapen, MD – aye
Jeannie Yee – aye

Motion Approved.

PRESENTATION: 2023 PHILIPPINES MEDICAL MISSION

Kimberly Hartz, Chief Executive Officer, introduced Dr. Carmen Agcaoili, Medical Director of the Intensivist Program for Critical Care and Dr. Shekar Srinivas, Emergency Medicine Physician, who presented the 2023 Philippines Medical Mission.

Dr. Agcaoili reported on the 2023 Philippines Medical Mission that took place in the small community of Pangasinan, Philippines for those who have limited access to healthcare. Washington Hospital Healthcare Foundation donated a surplus of substandard Personal Protective Equipment such as face masks, shields, gloves and scrubs and the Hospital provided previously used laparoscopic parts. On this mission, Dr. Agcaoili and Dr. Srinivas were accompanied by several staff members from Washington Hospital and reported that the services provided, included medical, dental, pediatric, pharmacy and radiology. Over 1,500 Optometric services were provided as well as 100 cataract surgeries. Educational services included First Aid/CPR and Mental Health.

MEDICAL STAFF REPORT

Dr. Mark Saleh, Chief of Staff, reported there are 590 Medical Staff members, including 333 active members.

Dr. Saleh stated that he is the new Chief of Staff as of July 1, 2023 for the next 24 months and Dr. Aaron Barry is the Chief of Staff-Elect.

LEAN REPORT: WTMF TECHNOLOGY ENHANCEMENT

Kimberly Hartz introduced Michelle Hudson, MPA, Chief Operating Officer, Washington Township Medical Foundation (WTMF), who began her presentation with a background of WTMF. There are now 24 sites, 91 physicians and 16 advanced practice providers providing services to over 180,000 patients per year. The Medical Foundation provides a wide range of comprehensive care, including primary care and specialty services, while partnering with Washington Hospital providing inpatient critical care, surgical, orthopedic and obstetric hospitalist care. The Lean Principles align the improvement work to the organization priorities. The purpose of the Daily Management Visibility Boards assists in defining priorities and indicates progress towards established goals. One of the goals includes increasing MyChart registration, which encourages patients to utilize the electronic format when accessing clinical services such as scheduling appointments, completing pre-appointment forms and messaging. There has been significant increase of MyChart logins of more than 5 times per year, MyChart messages closed within 72 hours and E-Check In within the last 12 months.

SERVICE LEAGUE REPORT

Sheela Vijay, the Service League President reported for June that there were 216 members of the Service League who contributed 2,399 hours to the Hospital. There was an orientation of new Service League Members made up of 12 high school students, 26 college students and 9 adults.

In the month of June, Mended Hearts volunteers spoke with 34 heart patients and interacted with 12 family members and caregivers.

As part of the goal that Sheela has made to become acquainted with each of the different volunteer assignments we offer, Sheela shadowed Will Berdos a future nurse and a volunteer in the Birthing Center. Will visits each room with offerings of refreshments, baby diapers and/or handmade gifts from the volunteers. It is a pleasant reminder that a simple gesture can go a long way in patient satisfaction.

Sheela also attended the Celebration of Life event for John Mena who passed away on June 12, 2023. John began as a volunteer for Washington Hospital in 1992 for 28 years until 2017.

QUALITY REPORT: WHHS CARDIOTHORACIC SURGERY PROGRAM

Kimberly Hartz introduced Dr. Ramin Beygui, Medical Director of the UCSF-WHHS Cardiac Surgery Program. Washington Hospital treats patients with the following heart conditions: Coronary Artery Disease (CAD), Valve Disease, Aortic Aneurysm and Dissection, Arrhythmias, Congenital Heart Disease and Advanced Heart Failure. Procedures performed include, but not limited to, are Coronary Artery Bypass Surgery/Cardiopulmonary Bypass, Maze procedures, Left Atrial Appendage Closures and Heart Transplants. Washington Hospital conducts on average 118 CT surgeries each fiscal year since 2013. The Coronary Artery Bypass Surgery is the most common procedure with 85 procedures in the Calendar Year of 2022. The Average Total Length of Stay is 10 days.

A Transcatheter Aortic-Valve Replacement (TAVR) procedure is a minimally invasive/catheter procedure that eliminates the need for open heart surgery. Washington Hospital has performed 56 TAVR's to date and has reduced the length of stay from 2 days to 1 day.

In 2021, WHHS contracted with UCSF cardiologists specializing in Structural Heart, Electrophysiology and Advanced Heart Failure. Clinic dates began in early 2021 and is located in the Civic Center Building in what is now called the WHHS/UCSF Cardiac Services Department, where over 2,000 patients have been seen.

Washington Hospital's affiliation with UCSF Health provides the latest in state-of-the-art technology and advanced cardiac care. Renowned academic doctors and surgeons work alongside our community physicians on precise diagnoses and treatment plans for the best possible outcome. Minimally invasive procedures that result in quicker recovery to complex surgeries are usually only performed at major academic medical centers, our patients receive world-class cardiac care right in their own community.

FINANCE REPORT

Tom McDonagh, Vice President & Chief Financial Officer, presented the Finance Report for May 2023. The average daily inpatient census was 146.8 with admissions of 887 resulting in 4,550 patient days. Outpatient observation equivalent days were 313. The average length of stay was 5.30 days. The case mix index was 1.521. Deliveries were 144. Surgical cases were 394. The Outpatient visits were 9,633. Emergency visits were 5,147. Cath Lab cases were 182. Joint Replacement cases were 189. Neurosurgical cases were 25. Cardiac Surgical cases were 11. Total FTEs were 1,624.8. FTEs per adjusted occupied bed were 6.13.

HOSPITAL OPERATIONS REPORT

Kimberly Hartz, Chief Executive Officer, presented the Hospital Operations Report for June 2023. Preliminary information for the month indicated total gross revenue at approximately $191.9 million against a budget of $189.4. We had 38 COVID-19 discharges and 1 was a newborn. The 37 cases which was 3 fewer cases from the prior month, and 48 less than June of 2022 at 86 discharges.

The Average Length of Stay was 5.40. The Average Daily Inpatient Census was 162.9. There were 9 discharges with lengths of stay greater than 30 days, ranging from 33-54. Still in house at the end of June were 6 patients with length of stays of over 30 days and counting.

There were 4,607 patient days. There were 385 Surgical Cases and 150 Cath Lab cases at the Hospital. It was noted that there were 61 cases at the Peninsula Surgery Center in June.

Deliveries were 124. Non-Emergency Outpatient visits were 8,649. Emergency Room visits were 4,683. Total Government Sponsored Preliminary Payor Mix was 71.4%, against the budget of 71.6%. Total FTEs per Adjusted Occupied Bed were 5.08. The Washington Outpatient Surgery Center had 491 cases and the clinics had approximately 15,520 visits.

There were $167K in charity care adjustments in June.

EMPLOYEE OF THE MONTH

July Employee of the Month: Sandra Ureno, Environmental Services

HOSPITAL CALENDAR

Past Health Promotions & Community Outreach Events:

- May 29: 100 blood pressure screenings for community members in the Concert in the Park
- June 14: Aortic Stenosis
- June 14: Feeding Your Baby During the First Year
- July 4: City of Fremont, 4th of July Parade
- July 9: Alameda County Fair Junior Livestock Auction

- July 11: FDA & Civics Healthcare Workshop
- July 11: Healthcare and Stroke Education for the Fremont Debate Academy

Upcoming Health Promotions & Community Outreach Events:
- Thursday Evenings, June 29-August 10: Fremont Summer Concert Series at Central Park Performance Pavilion at Lake Elizabeth
- July 16: WHHS participating in the Mariachi in the Park Festival
- July 26: Atrial Fibrillation: Symptoms and Treatment Options
- July 29: Road to Wellness: Family Health Fair

9-8-8 Suicide and Crisis Lifeline is a new nationwide telephone number and is a direct connection to accessible care and support for anyone experiencing mental health-related distress. In support of mental health and wellness, Washington Township Medical Foundation's Psychiatry & Behavioral Sciences Team is available for diagnosis and treatment of mental health disorders. The website is www.mywtmf.com/Services/Psyciatry-Behavioral-Sciences. For additional information text 9-8-8 or visit 988lifeline.org.

On Wednesday, June 21, 2023, the Washington Hospital Healthcare Foundation hosted a free charitable giving seminar. The Foundation will continue to host free estate planning seminars in partnership with estate planner Richard Schachtili at Hopkins Carley. The next seminar will be held in November.

The Washington Township's Health Care District Board of Directors represented Washington Hospital at the Summer Concert Series on June 29, 2023 at Central Park's Lake Elizabeth. They also represented Washington Hospital at the City of Fremont's 4th of July Parade.

The Road to Wellness Family Health Fair will take place on Saturday, July 29, 2023 from 10am to 2pm in the parking lot of the Washington West at 2500 Mowry Avenue. This event will include 20 Community Based Organizations, WTMF booths and WHHS clinical services including glucose and cholesterol checks and blood pressure measurements. Entertainment includes the Bay Philharmonic Youth Orchestra and a Bike Rodeo.

The 37th Annual Top Hat Gala is scheduled for Saturday, October 14, 2023.

There being no further business, Director Stewart adjourned the meeting at 7:49 p.m. *ADJOURNMENT*

Bernard Stewart, DDS President	Jeannie Yee Secretary

A regular meeting of the Board of Directors of the Washington Township Health Care District was held on Monday, July 17, 2023 in the Board Room at 2000 Mowry Avenue, Fremont and Zoom access was provided. Director Stewart called the meeting to order at 6:00 p.m. and led those present in the Pledge of Allegiance.

CALL TO ORDER

Roll call was taken. Directors present: Bernard Stewart, DDS; William Nicholson, MD; Jacob Eapen, MD; Jeannie Yee

ROLL CALL

Absent: Michael Wallace

Also present: Kimberly Hartz; Tom McDonagh; Larry LaBossiere; Paul Kozachenko; Cheryl Renaud; Shirley Ehrlich

Guests: Robert Junqua; Jeffrey Sahrbeck; Semone Clarke; Lisalee Wells

Director Stewart welcomed any members of the general public to the meeting.

OPENING REMARKS

Director Stewart noted that Public Notice for this meeting, including Zoom information, was posted appropriately on our website. This meeting is being conducted in the Board Room and by Zoom.

There were no Oral communications.

COMMUNICATIONS ORAL

There were no Written communications

COMMUNICATIONS WRITTEN

CONSENT CALENDAR

There were no Consent Calendar items for consideration.

Kimberly Hartz, Chief Executive Officer, introduced Robert Junqua, Managing Director with BofA Securities and Jeffrey Sahrbeck, Managing Director with Kaufman Hall who presented information on the 2023 Preliminary Plan of Finance Scenarios for 2023 General Obligation Bonds and Revenue Bonds. While the Plan of Finance was presented to the Board at tonight's meeting, the First Reading of the Ordinance 2023-01 Revenue Bonds will be presented at the July 26, 2023 Board of Director's Meeting.

PRESENTATION: 2023 GENERAL OBLIGATION BONDS PLAN OF FINANCE AND REVENUE BONDS PLAN OF FINANCE

ACTION ITEMS

There were no Action Items for consideration.

ANNOUNCEMENTS

There were no announcements.

Director Stewart adjourned the meeting to closed session at 6:42 p.m., as the discussion pertained to a Conference involving Trade Secrets pursuant to Health & Safety Code section 32106 (Strategic Planning Discussion) and Conference with Labor Negotiators pursuant to Government Code Section 54957.6 and Conference with legal counsel – Anticipated Litigation pursuant to Government Code section

ADJOURN TO CLOSED SESSION

54956.9(d)(2). Director Stewart stated that the public has a right to know what, if any, reportable action takes place during closed session. Since this meeting was being conducted in the Board Room and via Zoom, there is no way of knowing when the closed session will end, the public was informed they could contact the District Clerk for the Board's report beginning July 18, 2023. The minutes of this meeting will reflect any reportable actions.

RECONVENE TO OPEN SESSION & REPORT ON CLOSED SESSION

Director Stewart reconvened the meeting to open session at 7:55 p.m. The District Clerk reported that during the closed session, the Board rejected the Claim filed by Gina Council and Elizabeth Drachnik and the Chief Executive Officer was directed to provide claimants with Notice of Rejection of the Claim.

ADJOURNMENT

There being no further business, Director Stewart adjourned the meeting at 7:55 p.m.

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Bernard Stewart, DDS President	Jeannie Yee Secretary

A meeting of the Board of Directors of the Washington Township Health Care District was held on Monday, July 24, 2023 in the Board Room at 2000 Mowry Avenue, Fremont and by Teleconference. Director Stewart called the meeting to order at 7:30 a.m.	*CALL TO ORDER*
Roll call was taken. Directors present: Bernard Stewart, DDS; William Nicholson, MD; Jeannie Yee Absent: Michael Wallace; Jacob Eapen, MD Also present: Kimberly Hartz; Shakir Hyder, MD; Mark Saleh, MD; Aaron Barry, MD; John Romano, MD; Larry LaBossiere; Tim Tsoi, MD; Brian Smith, MD; Jaspreet Kaur	*ROLL CALL*
There were no Oral communications.	*COMMUNICATIONS: ORAL*
There were no Written communications.	*COMMUNICATIONS WRITTEN*
Director Stewart adjourned the meeting to closed session at 7:35 a.m. as the discussion pertained to Medical Audit and Quality Assurance Matters pursuant to Health & Safety Code Section 32155.	*ADJOURN TO CLOSED SESSION*
Director Stewart reconvened the meeting to open session at 7:55 a.m. and reported no reportable action was taken in closed session.	*RECONVENE TO OPEN SESSION & REPORT ON CLOSED SESSION*
There being no further business, the meeting adjourned at 7:55 a.m.	*ADJOURNMENT*

Bernard Stewart, DDS President	Jeannie Yee Secretary

A regular meeting of the Board of Directors of the Washington Township Health Care District was held on Wednesday, July 26, 2023 in the Board Room at 2000 Mowry Avenue, Fremont and Zoom access was provided. Director Stewart called the meeting to order at 6:00 p.m. and led those present in the Pledge of Allegiance.

CALL TO ORDER

Roll call was taken. Directors present: Bernard Stewart, DDS; Michael Wallace; William Nicholson, MD; Jacob Eapen, MD; Jeannie Yee

ROLL CALL

Also present: Kimberly Hartz; Tom McDonagh; Larry LaBossiere; Tina Nunez; Paul Kozachenko; Cheryl Renaud; Shirley Ehrlich

Guests: Robert Junqua; Lisel Wells; Jeffrey Sahrbeck; Erica Luna

Director Stewart welcomed any members of the general public to the meeting.

OPENING REMARKS

Director Stewart noted that Public Notice for this meeting, including Zoom information, was posted appropriately on our website. This meeting is being conducted in the Board Room and by Zoom.

There were no Oral Communications.

COMMUNICATIONS ORAL

There were no Written Communications.

COMMUNICATIONS WRITTEN

Dr. Stewart presented the Consent Calendar for consideration:

CONSENT CALENDAR

A. Consideration of Capital Equipment: Stryker Hospital Beds and Gurneys

B. Consideration of Medical Staff: Assist at Surgery Privileges

C. Consideration of Medical Staff: Critical Care Medicine Privileges

D. Consideration of Medical Staff: Emergency Medicine Privileges

E. Consideration of Medical Staff: Endocrinology, Diabetes and Metabolism Privileges

F. Consideration of Medical Staff: General Surgery Privileges

G. Consideration of Medical Staff: Hematology/Oncology Privileges

H. Consideration of Medical Staff: Hyperbaric Medicine Privileges

I. Consideration of Medical Staff: Internal Medicine Privileges

J. Consideration of Medical Staff: Neurology Privileges

K. Consideration of Medical Staff: Obstetrics Privileges

L. Consideration of Medical Staff: Pathology Privileges

M. Consideration of Medical Staff: Physical Medicine & Rehabilitation Privileges

N. Consideration of Medical Staff: Physician Assistant – Medicine Privileges

O. Consideration of Medical Staff: Physician Assistant – Surgical Privileges

P. Consideration of Medical Staff: Plastic Surgery Privileges

Q. Consideration of Medical Staff: Supervising Physician Privileges

R. Consideration of Medical Staff: Transesophageal Echocardiography (TEE) Privileges

S. Consideration of Medical Staff: Use of Lasers Privileges

T. Consideration of Medical Staff: Vertebroplasty and Kyphoplasty Privileges

Kimberly Hartz, Chief Executive Officer, requested to remove Item A, which will be brought forward to a Board Meeting in the near future.

Director Eapen moved that the Board of Directors approve the Consent Calendar, Items B through T. Director Nicholson seconded the motion.

Roll call was taken:

Bernard Stewart, DDS – aye
Michael Wallace – aye
William Nicholson, MD – aye
Jacob Eapen, MD – aye
Jeannie Yee – aye

Motion Approved.

UCSF – WASHINGTON CANCER CENTER PROJECT

Director Eapen moved to approve the project budget, which will provide for the implementation of the UCSF – Washington Cancer Center Project in an amount not to exceed $21,459,094 and grant the Chief Executive Officer the authority to proceed with the project and completion of the necessary documents. Director Yee seconded the motion.

Roll call was taken:

Bernard Stewart, DDS – aye
Michael Wallace – aye
William Nicholson, MD – aye
Jacob Eapen, MD – aye
Jeannie Yee – aye

Motion Approved.

FIRST READING: ORDINANCE 2023-01 REVENUE BOND SERIES A

Director Stewart stated: Next is Item V. (B) on the agenda. *Ordinance No. 2023-01 Approving a Formal Agreement for the Private Sale of the Washington Township Health Care District Revenue Bonds, 2023-01 Series A. This would need approval by 4/5 of the Members of the Board which is required in order to proceed with the issuance of the said Bonds. This Ordinance approves the form of Bond Purchase Contract for the negotiated sale of the Bonds to the Underwriter pursuant to the California Health and Safety Code. If this Ordinance is adopted, it is subject to public referendum in accordance with Section 32320 of the Health and Safety Code of the State of California and will be returned for a second reading following the expiration of 30 days.*

Director Stewart asked if there were any comments from the members of the public.

There were no questions and no comments regarding this Ordinance.

Director Eapen moved for approval of Ordinance No. 2023-01, "Approving a Formal Agreement for the Private Sale of the Washington Township Health Care District Revenue Bonds, 2023 Series A. Director Wallace seconded the motion.

Roll call was taken:

Bernard Stewart, DDS – aye
Michael Wallace – aye
William Nicholson, MD – aye
Jacob Eapen, MD – aye
Jeannie Yee – aye

Motion Approved.

ANNOUNCEMENTS

There were no announcements.

ADJOURN TO CLOSED SESSION

Director Stewart adjourned the meeting to closed session at 6:10 p.m., as the discussion pertained to reports regarding Medical Audit & Quality Assurance Matters pursuant to Health & Safety Code Sections 32155, Conference involving Trade Secrets pursuant to Health & Safety Code section 32106, and Conference with Labor Negotiators pursuant to Government Code section 54957.6. Director Stewart stated that the public has a right to know what, if any, reportable action takes place during closed session. Since this meeting was being conducted in the Board Room and via Zoom, there is no way of knowing when the closed session will end, the public was informed they could contact the District Clerk for the Board's report beginning July 27, 2023. The minutes of this meeting will reflect any reportable actions.

RECONVENE TO OPEN SESSION & REPORT ON CLOSED SESSION

Director Stewart reconvened the meeting to open session at 7:57 pm. The District Clerk reported that during the closed session, the Board approved the closed session meeting minutes of June 19 & 28, 2023 and the Medical Staff Credentials Committee Report by unanimous vote of all Directors present.

ADJOURNMENT

There being no further business, Director Stewart adjourned the meeting at 7:57 pm.

Bernard Stewart, DDS President	Jeannie Yee Secretary

Washington Hospital Healthcare System
SINCE 1948

Memorandum

DATE: August 3, 2023

TO: Kimberly Hartz, Chief Executive Officer

FROM: Larry LaBossiere, Vice President and Chief Nursing Officer

SUBJECT: **Capital Equipment: Stryker Hospital Beds and Gurneys**

Both an internal and external assessment of the hospital bed 'fleet' has revealed that nearly all of the beds in our current inventory have well exceeded the industry standards for hospital bed useful lifespan. In fact, most of the beds reached obsolescence years ago. This has caused internal and third party repairs to increase and be exceedingly difficult as replacement parts cannot be obtained. We are forced to take parts from similarly aged beds to repair the 'better' beds for use in-house.

At present, there are three basement rooms in Morris Hyman known as the bed barn where we've stored beds we can no longer use, except to strip for parts. Environmental Services frequently is tasked with locating beds that cannot be found because malfunctioned beds enter into the repair service area faster than they are returned into circulation. In the event that a significant surge in hospital census were to occur as does happen in winter months, and may happen with the hospital's move to level II trauma, we would not have enough functioning beds to deploy for all inpatients.

As a result, I recommend the hospital make an investment in our future by entering into a multi-year lease agreement to acquire 230 modern Stryker Procuity hospital beds and 18 gurneys. It is imperative that the hospital have available functional beds that will keep our patients comfortable and safe while under our care. The investment is significant, and requires a multi-year capital expenditure as detailed below:

	Bed Equipment	Software integration	WHHS IS Integration	Contingency	Total
Year 1	$764,145.79	$204,969.13	$18,000	$22,000	$1,009,114.92
Year 2-8	$764,145.79	$ 89,987.50	$0	$0	$ 854,133.29

There are some cost offsets expected with this investment. Pressure reduction features in the new beds eliminate the need to purchase and use EHOB waffle mattress overlays (est. $130k annual savings). It will eliminate parts and mattress replacements (est. $119 annual savings). We will realize a $250k annual expense savings for the hospital once the fleet is in place.

Additionally, a key feature of these beds will allow all beds to be lowered into low-bed position. This significantly reduces the risk of harm caused by a patient either falling out of the bed or attempting to get out of bed without assistance.

The approximate total for the above is $1,009,114.92 for Year 1 (including technology integration, beds, training and maintenance), which is included in the FY 24 capital budget; and $854,133.29 for Years 2-8 (including bed payment, ongoing maintenance and system updates). The total capital outlay over the eight years, which includes Stryker's financing charges is $6,988,047.95. With the elimination of the expenses identified above of $250k annually, total net cost to update our bed fleet is approximately $4,988,048.00.

In accordance with District Law, Polices and Procedures, it is requested that the Board of Directors authorize the Chief Executive Officer to enter into the necessary contracts and proceed with the bed lease to own purchase described above.

Washington Hospital Healthcare System
SINCE 1948

Memorandum

DATE: August 3, 2023

TO: Washington Township Health Care District Board of Directors

FROM: Kimberly Hartz, Chief Executive Officer

SUBJECT: Capital Purchase – Heat Exchanger Rebuild

The Hospital requires the utilization of heat exchangers to produce domestic hot water. Our current Main Hospital system has a setup of one main heat exchanger and a backup, which gives us some redundancy. Currently, our back up unit is not fully functional. If the current working unit were to have an issue, we would struggle to provide hot water to the Main Hospital. We are requesting to send this backup unit to A&B Mechanical to be rebuilt. This will ensure we will not have a major hot water disruption in the event we were to have an issue with an exchanger.

In accordance with District Law, Policies and Procedures, it is requested that the Board of Directors authorize the Chief Executive Officer to proceed with the purchase of a heat exchanger rebuild from A&B Mechanical in the amount of $60,419. This project is included in the FY2024 capital budget.

Washington Hospital Healthcare System

WASHINGTON HOSPITAL

MONTHLY OPERATING REPORT

June 2023

Washington Hospital Healthcare System

WASHINGTON HOSPITAL
INDEX TO BOARD FINANCIAL STATEMENTS
June 2023

Washington Hospital Healthcare System
SINCE 1948

Memorandum

DATE: July 31, 2023

TO: Board of Directors

FROM: Kimberly Hartz, Chief Executive Officer

SUBJECT: Washington Hospital – June 2023
Operating & Financial Activity

SUMMARY OF OPERATIONS – (Blue Schedules)

1. **Utilization – Schedule Board 3**

	June Actual	June Budget	Current 12 Month Avg.
ACUTE INPATIENT:			
IP Average Daily Census	153.6	145.2	158.2
Combined Average Daily Census	163.0	156.4	167.2
# of Admissions	858	789	884
Patient Days	4,607	4,357	4,811
Discharge ALOS	5.40	5.52	5.43
OUTPATIENT:			
OP Visits	8,649	8,921	8,821
ER Visits	4,683	4,543	4,891
Observation Equivalent Days – OP	281	336	272

Comparison of June Actual acute inpatient statistics versus the Budget showed a higher level of admissions, and a higher level of patient days. The average length of stay (ALOS) based on discharged days was below Budget. Outpatient visits were lower than Budget. Emergency Room visits were above Budget for the month. Observation equivalent days were lower than Budget.

2. **Staffing – Schedule Board 3**

Total paid FTEs were above Budget. Total productive FTEs for June were 1,408.1, 36.9 above the budgeted level of 1,371.2. Nonproductive FTEs were 39.2 above Budget. Productive FTEs per adjusted occupied bed were 5.50, 0.08 below the budgeted level of 5.58. Total FTEs per adjusted occupied bed were 6.36, 0.04 higher the budgeted level of 6.32.

3. **Income - Schedule Board 1**

For the month of June, the Hospital realized Net Operating Loss of $18,209,000 from Operations, a (37.31%) Margin.

Total Gross Patient Revenue of $174,677,000 for June was 7.8% below Budget.

Deductions from Revenue of $131,017,000 were 75.01% of Total Gross Patient Revenue, below the budgeted amount of 76.96%.

Total Operating Revenue of $48,808,000 was $4,619,000 above the Budget by 10.5%.

Total Operating Expense of $67,017,000 was higher than the Budget by $24,473,000, (57.5%).

The Total Non-Operating Loss of $986,000 for the month includes an unrealized loss on investments of $922,000.

The Net Loss for June was $19,195,000, which was $20,956,000 below the budgeted income of $1,761,000, a (1190.0%) Margin.

The Total Net Loss for June using FASB accounting principles, in which the unrealized loss on investments, net interest expense on GO bonds and property tax revenues are removed from the non-operating income and expense, was $18,741,000 a (38.4% Margin) compared to budgeted income of $1,452,000 for an unfavorable variance of $20,193,000.

4. **Balance Sheet – Schedule Board 2**

The Net Pension Liablity increased by $69,000,000 based on the Milliman valuation reports which was measured as of December 31, 2022.

There were no other noteworthy changes in assets and liabilities when compared to May 2023.

KIMBERLY HARTZ
Chief Executive Officer

KH/TM

Washington Hospital Healthcare System

WASHINGTON HOSPITAL
STATEMENT OF REVENUES AND EXPENSES
June 2023
GASB FORMAT
(In thousands)

June ACTUAL	June BUDGET	June FAV (UNFAV) VAR	June % VAR.			YTD ACTUAL	YTD BUDGET	YTD FAV (UNFAV) VAR	YTD % VAR.
					OPERATING REVENUE				
$ 104,869	$ 112,019	$ (7,150)	-6.4%	1	INPATIENT REVENUE	$ 1,378,012	$ 1,366,163	$ 11,849	0.9%
69,808	77,441	(7,633)	-9.9%	2	OUTPATIENT REVENUE	959,144	922,707	36,437	3.9%
174,677	**189,460**	**(14,783)**	-7.8%	3	**TOTAL PATIENT REVENUE**	**2,337,156**	**2,288,870**	**48,286**	2.1%
(129,567)	(142,194)	12,627	8.9%	4	CONTRACTUAL ALLOWANCES	(1,768,047)	(1,718,211)	(49,836)	-2.9%
(1,450)	(3,607)	2,157	59.8%	5	PROVISION FOR DOUBTFUL ACCOUNTS	(36,060)	(43,577)	7,517	17.2%
(131,017)	**(145,801)**	**14,784**	10.1%	6	**DEDUCTIONS FROM REVENUE**	**(1,804,107)**	**(1,761,788)**	**(42,319)**	-2.4%
75.01%	**76.96%**			7	**DEDUCTIONS AS % OF REVENUE**	**77.19%**	**76.97%**		
43,660	**43,659**	**1**	0.0%	8	**NET PATIENT REVENUE**	**533,049**	**527,082**	**5,967**	1.1%
5,148	530	4,618	871.3%	9	OTHER OPERATING INCOME	18,258	6,236	12,022	192.8%
48,808	**44,189**	**4,619**	10.5%	10	**TOTAL OPERATING REVENUE**	**551,307**	**533,318**	**17,989**	3.4%
					OPERATING EXPENSES				
21,006	20,265	(741)	-3.7%	11	SALARIES & WAGES	262,082	245,441	(16,641)	-6.8%
28,891	5,141	(23,750)	-462.0%	12	EMPLOYEE BENEFITS	94,517	62,153	(32,364)	-52.1%
5,996	5,613	(383)	-6.8%	13	SUPPLIES	70,494	67,091	(3,403)	-5.1%
5,991	5,560	(431)	-7.8%	14	PURCHASED SERVICES & PROF SVCS	70,169	68,187	(1,982)	-2.9%
642	2,025	1,383	68.3%	15	INSURANCE, UTILITIES & OTHER	20,875	24,038	3,163	13.2%
4,491	3,940	(551)	-14.0%	16	DEPRECIATION	44,876	45,330	454	1.0%
67,017	**42,544**	**(24,473)**	-57.5%	17	**TOTAL OPERATING EXPENSE**	**563,013**	**512,240**	**(50,773)**	-9.9%
(18,209)	**1,645**	**(19,854)**	-1206.9%	18	**OPERATING INCOME (LOSS)**	**(11,706)**	**21,078**	**(32,784)**	-155.5%
-37.31%	**3.72%**			19	**OPERATING INCOME MARGIN %**	**-2.12%**	**3.95%**		
					NON-OPERATING INCOME & (EXPENSE)				
459	197	262	133.0%	20	INVESTMENT INCOME	4,635	2,530	2,105	83.2%
(218)	-	(218)	0.0%	21	REALIZED GAIN/(LOSS) ON INVESTMENTS	(1,611)	-	(1,611)	0.0%
(1,721)	(1,774)	53	3.0%	22	INTEREST EXPENSE	(20,197)	(21,281)	1,084	5.1%
(107)	170	(277)	-162.9%	23	RENTAL INCOME, NET	529	1,001	(472)	-47.2%
-	-	-	0.0%	24	FOUNDATION DONATION	635	2,250	(1,615)	-71.8%
-	-	-	0.0%	25	BOND ISSUANCE COSTS	14	-	14	0.0%
-	-	-	0.0%	25	FEDERAL GRANT REVENUE	550	-	550	0.0%
1,523	1,523	-	0.0%	26	PROPERTY TAX REVENUE	18,194	18,194	-	0.0%
(922)	-	(922)	0.0%	27	UNREALIZED GAIN/(LOSS) ON INVESTMENTS	(1,341)	-	(1,341)	0.0%
(986)	**116**	**(1,102)**	-950.0%	28	**TOTAL NON-OPERATING INCOME & EXPENSE**	**1,408**	**2,694**	**(1,286)**	-47.7%
$ (19,195)	**$ 1,761**	**$ (20,956)**	-1190.0%	29	**NET INCOME (LOSS)**	**$ (10,298)**	**$ 23,772**	**$ (34,070)**	-143.3%
-39.33%	**3.99%**			30	**NET INCOME MARGIN %**	**-1.87%**	**4.46%**		
$ (18,741)	**$ 1,452**	**$ (20,193)**	-1390.7%	31	**NET INCOME (LOSS) USING FASB PRINCIPLES****	**$ (13,658)**	**$ 20,151**	**$ (33,809)**	-167.8%
-38.40%	**3.29%**				**NET INCOME MARGIN %**	**-2.48%**	**3.78%**		

**NET INCOME (FASB FORMAT) EXCLUDES PROPERTY TAX INCOME, NET INTEREST EXPENSE ON GO BONDS AND UNREALIZED GAIN(LOSS) ON INVESTMENTS

SCHEDULE BOARD 2

WASHINGTON HOSPITAL
BALANCE SHEET
June 2023
(In thousands)

	ASSETS AND DEFERRED OUTFLOWS	June 2023	Audited June 2022
	CURRENT ASSETS		
1	CASH & CASH EQUIVALENTS	$ 13,792	$ 5,439
2	ACCOUNTS REC NET OF ALLOWANCES	66,748	76,757
3	OTHER CURRENT ASSETS	21,741	13,050
4	TOTAL CURRENT ASSETS	102,281	95,246
	ASSETS LIMITED AS TO USE		
6	BOARD DESIGNATED FOR CAPITAL AND OTHER	178,095	199,979
6	GENERAL OBLIGATION BOND FUNDS	19,399	18,778
7	REVENUE BOND FUNDS	6,726	6,610
8	BOND DEBT SERVICE FUNDS	34,708	32,494
9	OTHER ASSETS LIMITED AS TO USE	9,792	9,543
10	**TOTAL ASSETS LIMITED AS TO USE**	248,720	267,404
12	**OTHER ASSETS**	319,098	272,341
13	**PREPAID PENSION**	0	36,970
14	**OTHER INVESTMENTS**	18,952	15,386
15	**NET PROPERTY, PLANT & EQUIPMENT**	574,905	600,578
16	**TOTAL ASSETS**	**$ 1,263,956**	**$ 1,287,925**
17	**DEFERRED OUTFLOWS**	70,928	29,208
18	**TOTAL ASSETS AND DEFERRED OUTFLOWS**	**$ 1,334,884**	**$ 1,317,133**

	LIABILITIES, NET POSITION AND DEFERRED INFLOWS	June 2023	Audited June 2022
	CURRENT LIABILITIES		
1	CURRENT MATURITIES OF L/T OBLIG	$ 10,460	$ 10,065
2	ACCOUNTS PAYABLE	29,497	17,948
3	OTHER ACCRUED LIABILITIES	57,203	70,463
4	INTEREST	10,456	10,516
5	TOTAL CURRENT LIABILITIES	107,616	108,992
	LONG-TERM DEBT OBLIGATIONS		
6	REVENUE BONDS AND OTHER	193,400	202,530
6			
7	GENERAL OBLIGATION BONDS	342,150	345,595
	OTHER LIABILITIES		
11	SUPPLEMENTAL MEDICAL RETIREMENT	42,548	37,676
12	WORKERS' COMP AND OTHER	9,732	9,353
13	NET PENSION	69,065	
14	ROU ASSET LONG-TERM	967	
15	**NET POSITION**	535,156	543,971
16	**TOTAL LIABILITIES AND NET POSITION**	**$ 1,300,634**	**$ 1,248,117**
17	**DEFERRED INFLOWS**	34,250	69,016
18	**TOTAL LIABILITIES, NET POSITION AND DEFERRED INFLOWS**	**$ 1,334,884**	**$ 1,317,133**

SCHEDULE BOARD 3

Washington Hospital Healthcare System

WASHINGTON HOSPITAL
OPERATING INDICATORS
June 2023

12 MONTH AVERAGE	June ACTUAL	June BUDGET	June FAV (UNFAV) VAR	June % VAR.			YEAR TO DATE ACTUAL	YEAR TO DATE BUDGET	YEAR TO DATE FAV (UNFAV) VAR	YEAR TO DATE % VAR.
						PATIENTS IN HOSPITAL				
158.2	153.6	145.2	8.4	6%	1	ADULT & PEDS AVERAGE DAILY CENSUS	158.2	147.5	10.7	7%
9.0	9.4	11.2	(1.8)	-16%	2	OUTPT OBSERVATION AVERAGE DAILY CENSUS	9.0	11.0	(2.0)	-18%
167.2	163.0	156.4	6.6	4%	3	COMBINED AVERAGE DAILY CENSUS	167.2	158.5	8.7	5%
8.3	8.3	8.0	0.3	4%	4	NURSERY AVERAGE DAILY CENSUS	8.3	7.8	0.5	6%
175.5	171.3	164.4	6.9	4%	5	TOTAL	175.5	166.3	9.2	6%
3.6	6.0	2.1	3.9	186%	6	SPECIAL CARE NURSERY AVERAGE DAILY CENSUS *	3.6	2.8	0.8	29%
4,811	4,607	4,357	250	6%	7	ADULT & PEDS PATIENT DAYS	57,735	53,834	3,901	7%
272	281	336	(55)	-16%	8	OBSERVATION EQUIVALENT DAYS - OP	3,269	4,007	(738)	-18%
884	858	789	69	9%	9	ADMISSIONS-ADULTS & PEDS	10,603	9,576	1,027	11%
5.43	5.40	5.52	(0.12)	-2%	10	AVERAGE LENGTH OF STAY-ADULTS & PEDS	5.43	5.62	(0.19)	-3%
						OTHER KEY UTILIZATION STATISTICS				
1.542	1.488	1.598	(0.110)	-7%	11	OVERALL CASE MIX INDEX (CMI)	1.542	1.600	(0.058)	-4%
						SURGICAL CASES				
166	170	151	19	13%	12	JOINT REPLACEMENT CASES	1,994	1,794	200	11%
25	25	29	(4)	-14%	13	NEUROSURGICAL CASES	299	354	(55)	-16%
10	8	16	(8)	-50%	14	CARDIAC SURGICAL CASES	118	170	(52)	-31%
173	182	172	10	6%	15	OTHER SURGICAL CASES	2,069	2,012	57	3%
374	385	368	17	5%	16	TOTAL CASES	4,480	4,330	150	3%
166	150	228	(78)	-34%	17	TOTAL CATH LAB CASES	1,989	2,636	(647)	-25%
126	124	116	8	7%	18	DELIVERIES	1,508	1,430	78	5%
8,821	8,649	8,921	(272)	-3%	19	OUTPATIENT VISITS	105,848	104,950	898	1%
4,891	4,683	4,543	140	3%	20	EMERGENCY VISITS	58,697	54,467	4,230	8%
						LABOR INDICATORS				
1,417.8	1,408.1	1,371.2	(36.9)	-3%	21	PRODUCTIVE FTE'S	1,417.8	1,374.8	(43.0)	-3%
205.5	219.7	180.5	(39.2)	-22%	22	NON PRODUCTIVE FTE'S	205.5	183.2	(22.3)	-12%
1,623.3	1,627.8	1,551.7	(76.1)	-5%	23	TOTAL FTE'S	1,623.3	1,558.0	(65.3)	-4%
5.28	5.50	5.58	0.08	1%	24	PRODUCTIVE FTE/ADJ. OCCUPIED BED	5.28	5.56	0.28	5%
6.05	6.36	6.32	(0.04)	-1%	25	TOTAL FTE/ADJ. OCCUPIED BED	6.05	6.30	0.25	4%

* included in Adult and Peds Average Daily Census

RESOLUTION NO. 1254
ILUW, LOCAL 6

Washington Township Health Care District, a local health care district, does hereby resolve as follows:

Attached hereto and incorporated herein are the key terms of a Tentative Agreement to be incorporated into a new Memorandum of Understanding by and between the designated representative of Washington Hospital, that being the Chief Executive Officer, and the ILUW Local 6, a recognized majority representative under the terms of Board Resolution 331A.

The terms and conditions of the Memorandum which outlines the key terms will be implemented in their entirety effective on the various dates specified with the Memorandum.

Passed and adopted by the Board of Directors of Washington Township Health Care District this 9th day of August, 2023, by the following vote:

AYES:

NOES:

ABSENT:

______________________________	______________________________
Bernard Stewart, DDS	Jeannie Yee
President of the Washington Township	Secretary of the Washington Township
Health Care District Board of Directors	Health Care District Board of Directors

Washington Hospital Healthcare System
SINCE 1948

Memorandum

DATE: August 4, 2023

TO: Kimberly Hartz
Chief Executive Officer

FROM: John Zubiena
Chief Human Resources Officer

SUBJECT: **ILUW, Local 6 Agreement**

Staff have been in negotiations with Local 6 to work out a successor contract. Local 6 has 65 members representing Radiology Technicians, Cath Lab Technicians, Sonographers, Ultrasound Technicians, and CT Technicians.

Washington Hospital and Local 6 have reached a Tentative Agreement on a new, 3-year contract which was ratified by the Local 6 membership on August 3, 2023. The recommendation is for the Washington Township Health Care District Board of Directors to approve the Agreement with the key terms as outlined below:

- Wage Increases
  - **Year 1**
    - $5.00 across the board increase to base rate of pay for all positions except CT Technologists and Leads, retroactive to the first pay period beginning on or after January 1, 2023
    - Combine Radiologic Technologists and Sr. Radiologic Technologists into one classification on a single wage scale of nine steps
    - Add CT Technologist as a classification with nine steps that have a salary range equivalent to 5% above the new Radiologic Technologist wage scale. (The two new steps for CT Tech would be added to the front end.)

      Increase the salary range for the Cath Lab Radiologic Technologist position so that Steps 1 through 7 of the Cath Lab wage scale are equivalent to approximately five percent (5%) above the wage scale for the new Steps 3 to 9 of the CT Technologist position. As a result, all Cath Lab Radiologic Technologists will received an additional 3.25% across the board increase retroactive to the first pay period beginning on or after January 1, 2023

    - Lead Technologists to be paid at a wage rate of 12% above Step 6 in their corresponding classifications, or above Step 7 for those Lead Technologists who qualify. Lead Technologists in Radiology and CT will be paid at a wage rate of 12% above Step 8 in their classifications, or above Step 9 for those Lead Radiologic Technologists who qualify. Lead Technologists who qualify in Mammography will be paid at a wage rate of 12% above Step 8 in the CT Technologist classification, or above Step 9 if qualified.

  - **Year 2** – 3% across the board increase for all positions

  - **Year 3** – 2.75% across the board increase for all positions

- New Longevity Step – Addition of a longevity step for 20 years of service with a 3.5% increase above the 15-year step.

- Differentials

  - Lead Technologist relief – Increase from $3.00 to $3.75

  - Evening – Increase from $3.00 to $3.50

  - Night – Increase from $4.25 to $5.25

  - Weekend – Increase from $1.50 to $3.00. If any two hours (instead of the current four hours) fall within between 7:00 a.m. on Saturday and 7:00 a.m. on Monday, then the weekend differential shall apply to the entire shift.

  - Create Preceptor Pay at $2.00 on hours working directly with new hires and cross-training. Preceptor Pay shall not apply to training of students.

  - Clinical Instructor Pay – Keep at $2.50, but pay on "all hours paid"

- Meal and Rest Breaks – Add language to Workweek section to provide for meal and rest breaks and to add penalty pay in accordance with California Senate Bill 1334.

- On-Call and Call-In Work
    - Add Radiologic Technologists to list of classifications that receive time and a half their straight rate of pay, and a guaranteed minimum of 3 hours worked when called-in.
    - Maintain fourth (4th) staff member to the Call Team for the Cath Lab on Saturday and Sunday shifts.
- Call Back for Technologists Not On Call
    - Increase the time for regular full-time and part-time Technologists who are not on call or on a scheduled shift to report for weekday call back from 4 hours to 8 hours in order to be eligible for call back pay.
    - Addition of the following language: "Inquiries for Call-Backs will be made in order of seniority and be filled by the first technologist who answers their phone and is willing to work the shift."
- Educational Leave – Add language to establish parameters for employees who utilize Educational Leave for home study.
- Bereavement Leave – Update to bring into compliance with new California law.
    - Eliminate the restriction on the two additional unpaid days of Bereavement Leave being only for employees who need to attend a funeral outside of CA or outside of 400 miles radius of hospital.[1]
    - Add language to reflect that per diem employees will be granted up to five (5) days of bereavement leave, without pay, in the case of the death of the employee's immediate family member.
- Benefits re-opener: Parties agree that, prior to December 31, 2025, the Hospital may, at its sole discretion, re-open the contract to negotiate benefits between the Hospital, Local 6 and Local 6's members. The Hospital may not re-open the contract more than once prior to December 31, 2025, absent Local 6's agreement.

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[1] New California law requires employers to provide 5 days of bereavement leave for the death of a qualifying family member. If an employer has an existing bereavement leave policy that permits employees to take less than five days of paid bereavement leave (as WHHS does), then the employer must continue to permit its employees to take paid bereavement leave for as long as the existing policy allows, and the employer must, at a minimum, add unpaid bereavement leave days until the total number of bereavement leave days is five days. There cannot be any conditions placed on the receipt of those 5 days of protected leave, such as the existing distance requirement.

RESOLUTION NO. 1255

RESOLUTION OF THE BOARD OF DIRECTORS OF WASHINGTON TOWNSHIP HEALTH CARE DISTRICT APPROVING THE ISSUANCE OF AND DETERMINING TO PROCEED WITH THE NEGOTIATED SALE OF CERTAIN REVENUE BONDS OF THE DISTRICT IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $40,000,000 APPROVING THE EXECUTION AND DELIVERY OF A SUPPLEMENTAL INDENTURE, A CONTINUING DISCLOSURE AGREEMENT, A PRELIMINARY OFFICIAL STATEMENT AND CERTAIN OTHER ACTIONS RELATED THERETO

WHEREAS, the Washington Township Health Care District (the "District"), County of Alameda, State of California (the "State"), a local healthcare district, is duly organized and existing under the laws of the State, particularly the Local Health Care District Law, constituting Division 23 of the Health and Safety Code of the State; and

WHEREAS, the District has previously issued and sold certain of its revenue bonds under and pursuant to that certain Indenture, dated as of July 1, 1993 (the "Original Indenture"), by and between the District and Union Bank, N.A., as the initial trustee, since succeeded by U.S. Bank Trust Company, National Association, as Trustee (the "Trustee"), as subsequently supplemented and amended (as so amended, the "Indenture"); and

WHEREAS, pursuant to the provisions of Section 32315 *et seq*. of the Health and Safety Code of the State (the "Authorizing Law"), the District may issue its revenue bonds to provide funds for the acquisition, construction, improvement, financing or refinancing of its facilities upon favorable terms, subject to certain requirements; and

WHEREAS, this Board of Directors of the District (the "Board") has determined that conditions in the municipal markets are favorable for the authorization, sale and issuance of hospital revenue bonds designated as the Washington Township Health Care District Revenue Bonds, 2023 Series A (the "Bonds") with such insertions as shall be appropriate to describe the authorizations for said Bonds, or any other changes as are agreed to by an Authorized Officer, as evidenced by his or her execution of the purchase contract for the Bonds, previously submitted to and approved by this Board on July 26, 2023 (the "Purchase Contract"), and shall be revenue obligations of the District, secured by the pledge of Revenues, to be issued, in an estimated amount not to exceed $40,000,000 in aggregate principal amount; and

WHEREAS, the Bonds shall be issued as Additional Bonds pursuant to the Indenture; and

WHEREAS, the Board has also determined that market conditions and other factors make it necessary and advisable for the Board to sell the Bonds pursuant to a negotiated sale to BofA Securities, Inc., as underwriter (the "Underwriter"); and

WHEREAS, there have been presented to this meeting of the Board forms of the following documents for consideration in connection with the proposed issuance of the Bonds:

(a) A form of Eleventh Supplemental Indenture (the "Eleventh Supplemental Indenture"), by and between the District and the Trustee;

(b) A form of Preliminary Official Statement (the "Preliminary Official Statement"), pursuant to which the Bonds will be marketed by the Underwriter; and

(c) A form of Continuing Disclosure Agreement (the "Continuing Disclosure Agreement"), to be entered into by the District with [Hilltop Securities] for the purposes of compliance with Rule 15c2-12 of the Securities Exchange Commission promulgated under the Securities Exchange Act of 1934, as amended (the "Rule"); and

WHEREAS, pursuant to Section 5852.1 of the Government Code of the State, the District has disclosed prior to adoption of this Resolution the following good faith estimates of certain information provided to the District by the Underwriter: (a) the true interest cost of the Bonds is estimated to be 5.30%, (b) the finance charge, or amount paid to third parties (which includes Underwriter's discount) in connection with the sale, of the Bonds is estimated to be $500,000, (c) the amount of proceeds received by the District from the sale of the Bonds is expected to be $40,000,000, and (d) the sum total of all payments the District will make to the final maturity of the Bonds is expected to be $100,000,000; and

WHEREAS, all acts, conditions and things required by law to be done or performed have been done and performed in strict conformity with the laws authorizing the issuance of the Bonds, and the indebtedness of the District, including the proposed issue of the Bonds, is within all limits proscribed by law;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Washington Township Health Care District, County of Alameda, State of California, as follows:

1. <u>Recitals</u>. The Board determines that the foregoing recitals are true and correct.

2. <u>Definitions</u>. The capitalized terms as used herein shall, for all purposes of this Resolution, have the meanings set forth in the Recitals hereof, in the Indenture or as ascribed to them below, unless the context clearly requires some other meaning.

(a) "Bond Counsel" means Nixon Peabody LLP, or any other attorney or firm of attorneys nationally recognized for expertise in rendering opinions as to the legality and tax status of securities issued by public entities.

(b) "Closing Date" means the date upon which there is an exchange of Bonds for the proceeds representing the purchase price of the Bonds by the Underwriter.

(c) "Code" means the Internal Revenue Code of 1986, as amended and as in effect on the date of issuance of the Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the Closing Date, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

(d) "Cost of Issuance" means all items of expense directly or indirectly reimbursable to the District relating to the issuance, execution and delivery of the Bonds, including, but not limited to, filing and recording costs, settlement costs, printing costs, reproduction and binding costs, legal fees and charges, fees and expenses of the Trustee, financial and other professional consultant fees, Municipal Advisor and Bond Counsel fees, costs of obtaining credit ratings, municipal bond insurance premiums, if such insurance is determined to be advisable, and all charges and expenses in connection with the foregoing.

(e) "Owner" shall mean the registered owner, as indicated in the registration books of the Trustee, of any Bond.

(f) "Resolution" means this Resolution.

(g) "Special Counsel" means Mary K. Norvell, Attorney at Law.

(h) "Tax and Nonarbitrage Certificate" means the certificate of the District to be delivered on the Closing Date, setting forth the requirements of the Code applicable to the Bonds.

3. Purpose of Bonds. That for the purpose of providing funds to (i) finance the acquisition, construction, and improvement of certain District facilities, and (ii) pay the cost of issuance of the Bonds, the Board hereby authorizes the issuance of the Bonds in accordance with the requirements of the Authorizing Law and the Indenture, in an aggregate principal amount not to exceed $40,000,000 which is expected to be issued for such purposes. The true interest cost of the Bonds shall not exceed 6.00% per annum, payable semiannually.

4. Appointment of Consultants; Terms and Conditions of Sale; Approval of Legal Documents.

(a) The Board hereby confirms the appointment of Mary K. Norvell, Attorney at Law, as Special Counsel to the District, Kaufman Hall, as Municipal Advisor to the District, Nixon Peabody LLP, as Bond Counsel to the District, BofA Securities, Inc., as Underwriter in connection with the sale and issuance of the Bonds.

(b) The Bonds shall be issued upon the terms and conditions established in the Eleventh Supplemental Indenture, and shall be issued in fully registered form, in the authorized denominations of $5,000 or any integral multiple thereof, substantially in the form appended to the Tenth Supplemental Indenture.

(c) The Chief Executive Officer of the District, the Vice President and Chief Financial Officer of the District, or any designee of any of the foregoing (each, an "Authorized Officer") and each of them acting alone, is hereby authorized, in the name and on behalf of the District, to execute the Purchase Contract in substantially the same form as previously presented to and approved by this Board, with such additional information included therein as is dependent upon pricing of the Bonds and with such additions, changes or corrections therein as the Authorized Officer executing the same on behalf of the District may approve, in his or her discretion, as being in the best interests of the District, such approval to be conclusively evidenced by such Authorized Officer's execution thereof, so long as the aggregate principal amount of the Bonds shall not exceed Forty Million Dollars ($40,000,000), so long as the Underwriter's discount with respect to the Bonds shall not exceed one percent (1%) of the principal amount of the Bonds and so long as the true interest cost of the Bonds shall not exceed 6.00% per annum. The Bonds shall have a maximum maturity of 30 years and the Bonds may be sold at par, at a discount or with an original issue premium.

(d) The District acknowledges receipt from the Underwriter of its letter respecting compliance with Rule G-17 of the Municipal Securities Rulemaking Board (the "MSRB").

5. Supplemental Indenture. The proposed form of the Eleventh Supplemental Indenture presented to and considered by the Board at this meeting is hereby approved. The Authorized Officers are, and each of them acting alone is, hereby authorized and directed, for and in the name of the District, to execute and deliver to the Trustee the Eleventh Supplemental Indenture in substantially said form, with such changes therein as the Authorized Officer executing the same may require or approve, such requirement or approval to be conclusively evidenced by the execution of the Eleventh Supplemental Indenture by said Authorized Officer. The Bonds may be issued as serial Bonds or term Bonds and shall be subject to optional redemption prior to their respective maturity dates, or mandatory sinking fund redemption, on the dates and at the prices as set forth in the Eleventh Supplemental Indenture.

6. Preliminary Official Statement and Official Statement. The Preliminary Official Statement relating to the Bonds presented to and considered by the Board at this meeting is hereby approved. This Board also hereby authorizes the use and distribution of: (a) a Preliminary Official Statement in substantially the form presented to this Board with such changes as the Authorized Officer executing the certificate described below may approve, such approval to be conclusively evidenced by the execution of such certificate by such Authorized Officer; (b) an official statement in substantially the form of the Preliminary Official Statement with such changes as may be necessary or desirable in connection with the sale of the Bonds as determined by the Authorized Officer executing the same (the "Official Statement"), such determination to be conclusively evidenced by the execution and delivery of the Official Statement by such Authorized Officer and (c) any amendments or supplements to the Preliminary Official Statement or the Official Statement which an Authorized Officer may deem necessary or desirable, such determination to be conclusively evidenced by the execution of such

amendment or supplement or of a certificate as described below by such Authorized Officer. The Authorized Officers are, and each of them acting alone is, hereby authorized to approve such additions, deletions or changes to the Preliminary Official Statement and Official Statement, as are necessary or desirable to effect the purposes of this Resolution and to comply with applicable laws and to deliver copies of the Preliminary Official Statement and the Official Statement to the Underwriter and prospective purchasers of the Bonds, and to execute the Official Statement. Upon approval of the Preliminary Official Statement by an Authorized Officer (such approval to be evidenced by execution of a certificate substantially in the form of Exhibit A attached hereto and by this reference incorporated herein, with such changes as may be necessary or advisable), such Preliminary Official Statement shall be deemed final as of its date except for the omission of certain information as provided in and pursuant to the Rule.

7. Continuing Disclosure Agreement. The form of Continuing Disclosure Agreement, substantially in the form appended to the Preliminary Official Statement and presented to and considered by the Board at this meeting, is hereby approved and the Board hereby authorizes any Authorized Officer to execute the Continuing Disclosure Agreement with such changes therein as may be approved by the Authorized Officer executing the same. The District hereby covenants and agrees that it will comply with and carry out all of the provisions of such Continuing Disclosure Agreement in order to assist the Underwriter in complying with the requirements of the Rule. Any Owner may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the District to comply with its obligations under this Section; however, noncompliance with this Section shall not constitute a default under or cause the acceleration of the Bonds.

8. Purchase Contract. The Authorized Officers are, and each of them acting alone is, authorized and directed to execute and deliver the Purchase Contract for and in the name and on behalf of the District, with such additions, changes or corrections therein as the Authorized Officer executing the same on behalf of the District may approve, in his or her discretion, as being in the best interests of the District including, without limitation (i) such changes as are necessary to reflect the final terms of the Bonds to the extent such terms differ from those set forth in this Resolution, such approval to be conclusively evidenced by such Authorized Officer's execution thereof and (ii) any other documents required to be executed thereunder. The Authorized Officers are, and each of them acting alone is, hereby authorized and directed to determine the specific maturities and amounts of the Bonds, so long as the parameters therefor set forth in Section 4(c) hereof are met, based upon market conditions existing at the time of the pricing of the Bonds.

9. Payment of the Bonds. The Bonds shall be payable solely from the Revenues to be received by the District from the operation of its health care facilities and shall not be deemed to constitute a debt or liability of the District under any constitutional charter or statutory debt limitation. Neither the faith and credit nor the taxing power of the District shall be pledged to the payment of the principal of or interest on the Bonds.

10. Tax Covenants of the District.

(a) The District covenants that it will take any and all actions necessary to assure compliance with Section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such Section is applicable to the Bonds.

(b) 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 Bonds under Section 103 of the Code.

(c) The District covenants that it shall comply with the provisions of the Tax and Nonarbitrage Certificate.

11. Necessary Acts and Conditions. This Board determines that all acts and conditions necessary to be performed by the Board or which have been precedent to in the issuing of the Bonds in order to make them legal, valid and binding revenue bonds of the District have been performed and have been met, or will at the time of delivery of the Bonds have been performed and have been met, in regular and due form as required by law; that no statutory or constitutional limitation of indebtedness or taxation will have been exceeded in the issuance of the Bonds; and that due provision has been made for levying and collecting Revenues in an amount sufficient to pay principal of and interest on the Bonds when due.

12. Approval of Actions. Members of the Board and Authorized Officers of the District are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents, certificates, instruments, and agreements supplemental to the foregoing, which they may deem necessary or advisable in order to proceed with the issuance of the Bonds and otherwise carry out, give effect to and comply with the terms and intent of this Resolution, and to take all additional actions as may do the same in order to permit the issuance of the Bonds in the manner and on the terms set forth in this Resolution. Such actions heretofore taken by such officers, officials and staff are hereby ratified, confirmed and approved.

13. Effective Date. This Resolution shall take effect immediately upon its passage.

PASSED AND ADOPTED at a regular meeting of the Board of Directors of Washington Township Health Care District, duly called and at which a quorum was present and acting throughout, conducted at a location freely accessible to the public this 9th day of August, 2023, in Fremont, California, by the following vote:

AYES: Members: ______________________________

NOES: Members: ______________________________

ABSENT: Members: ______________________________

ABSTENTIONS: Members: ______________________________

____
President, Board of Directors

Attest:

____
Secretary, Board of Directors

EXHIBIT A

FORM OF 15C2-12 CERTIFICATE

With respect to the proposed sale of its Revenue Bonds, 2023 Series A, in the maximum aggregate principal amount of not to exceed $40,000,000, the Washington Township Health Care District (the "**District**") has delivered to you a Preliminary Official Statement, dated as of the date hereof (the "**Preliminary Official Statement**"). The District, for purposes of compliance with Rule 15c2-12 of the Securities Exchange Act of 1934, as amended ("**Rule 15c2-12**"), deems the Preliminary Official Statement to be final as of its date, except for the omission of no more than the information permitted under Rule 15c2-12.

WASHINGTON TOWNSHIP HEALTH
CARE DISTRICT

Dated: ____________ __, 2023

By: ______[form only]___________________
Authorized Officer

WASHINGTON TOWNSHIP HEALTH CARE DISTRICT

and

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION,

as Trustee

ELEVENTH SUPPLEMENTAL INDENTURE

Dated as of September 1, 2023

Respecting

$_______________
WASHINGTON TOWNSHIP HEALTH CARE DISTRICT
REVENUE BONDS
2023 SERIES A

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THIS ELEVENTH SUPPLEMENTAL INDENTURE (the "Eleventh Supplemental Indenture"), made and entered into as of the first day of September, 2023, by and between Washington Township Health Care District, a local health care district of the State of California (the "State"), formerly known as Washington Township Hospital District (the "District"), and U.S. Bank Trust Company, National Association, a national banking association having a corporate trust office in San Francisco, California, and being qualified to accept and administer the trusts hereby created (the "Trustee");

W I T N E S S E T H:

WHEREAS, the District is a political subdivision of the State of California, organized and existing under and pursuant to The Local Health Care District Law, constituting Division 23 of the Health and Safety Code of the State; and

WHEREAS, pursuant to the provisions of Section 32315 *et seq*. of the Health and Safety Code of the State (the "Authorizing Law"), the District may determine to issue revenue bond obligations for the purpose of providing funds for the acquisition, construction, improvement and financing of its facilities, subject to certain requirements; and

WHEREAS, the District has determined that the conditions in the financial markets are favorable for the issuance of its Washington Township Health Care District Revenue Bonds, 2023 Series A (the "2023 Bonds"), in the aggregate principal amount of _____ million dollars ($___________), pursuant to the Authorizing Law to (i) finance the acquisition, construction, improvement and equipping of certain District facilities; and (ii) to pay the costs of issuance of the 2023 Bonds; and

WHEREAS, the District has previously entered into an indenture, dated as of July 1, 1993, with Union Bank, N.A., a national banking association having a principal corporate trust office in San Francisco, California, formerly known as Union Bank of California, N.A., as initial trustee, subsequently amended by certain Supplemental Indentures, dated as of March 15, 1994, April 1, 1999, June 1, 2007, December 1, 2009, November 1, 2010, November 1, 2015, April 1, 2017, June 1, 2017, July 1, 2019 and December 1, 2020 (as so amended, the "Existing Indenture" and, taking into account and including this Eleventh Supplemental Indenture, the "Indenture"); and

WHEREAS, the District has appointed U.S. Bank Trust Company, National Association as successor trustee under the Existing Indenture (the "Trustee"); and

WHEREAS, Section 3.05 of the Existing Indenture provides that the District may by supplemental indenture establish one or more other series of Additional Bonds secured by the pledge made under the Existing Indenture equally and ratably with the bonds then outstanding thereunder; and

WHEREAS, the District desires to issue the 2023 Bonds as Additional Bonds as defined in and permitted pursuant to the Existing Indenture; and

WHEREAS, in order to provide for the authentication and delivery of the 2023 Bonds from time to time, to establish and declare the terms and conditions upon which the 2023

Bonds are to be issued and secured, and to secure the payment of the principal thereof and premium (if any) and interest thereon, the District has authorized the execution and delivery of this Eleventh Supplemental Indenture; and

WHEREAS, the 2023 Bonds, the Trustee's certificate of authentication and the assignment to appear thereon, shall be in substantially the form, respectively, set forth on Exhibit A to this Eleventh Supplemental Indenture, which is incorporated herein by this reference with necessary or appropriate variations, omissions and insertions, as permitted or required by this Eleventh Supplemental Indenture; and

WHEREAS, all acts and proceedings required by law necessary to make the 2023 Bonds, when executed by the District, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal limited obligations of the District, and to constitute this Eleventh Supplemental Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of this Eleventh Supplemental Indenture has been in all respects duly authorized;

NOW, THEREFORE, THIS ELEVENTH SUPPLEMENTAL INDENTURE WITNESSETH, that in order to declare the terms and conditions upon and subject to which the 2023 Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the 2023 Bonds by the holders thereof, and for other valuable consideration, the receipt whereof is hereby acknowledged, the District does hereby covenant and agree with the Trustee as follows:

SECTION 1. Definitions.

Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Indenture. Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of the Indenture and of any certificate, opinion or other document herein or therein mentioned, have the meanings herein specified.

2023 Continuing Disclosure Agreement

"2023 Continuing Disclosure Agreement" means that certain Continuing Disclosure Agreement, dated the date of issuance and delivery of the 2023 Bonds, between the District and Hilltop Securities Inc., Dallas, Texas, as Dissemination Agent, as originally executed and as it may be amended in accordance with its terms.

2023 Bonds

"2023 Bonds" means the Washington Township Health Care District Revenue Bonds, 2023 Series A, issued under this Eleventh Supplemental Indenture.

2023 Tax and Nonarbitrage Certificate

"2023 Tax and Nonarbitrage Certificate" means the Tax and Nonarbitrage Certificate entered into by the District at the time of issuance and delivery of the 2023 Bonds, as the same may be amended or supplemented in accordance with its terms.

SECTION 2. (a) Amendment to Existing Indenture. The definition of "Long-Term Debt Service Coverage Ratio," as provided in the Existing Indenture, is hereby amended to read in its entirety as follows:

"Long-Term Debt Service Coverage Ratio" means, for any period of time, the ratio determined by dividing Income Available for Debt Service by Maximum Annual Debt Service; provided, however, that the District shall not take into account any District obligations described in Government Accounting Standards Board Statements 87 or 96 in making such determinations."

(b) Effective Date of Amendment. The foregoing proposed amendment to the Existing Indenture shall not be effective until (A) the Owners of a majority in aggregate principal amount of all Outstanding Bonds have consented to such amendment and (B) an Authorized Officer of the District has executed and delivered to the Trustee a certificate declaring that all other consents required for such amendment have been obtained and determining that such amendment shall be effective. For this purpose, the initial purchasers and Owners of the 2023 Bonds shall have provided their consent to the proposed amendment by their purchase and acceptance of such 2023 Bonds. In the event that insufficient numbers of consents to the foregoing amendment are received, the proposed amendment shall be deemed null and void and of no effect.

SECTION 3. Terms of the 2023 Bonds.

(a) Terms of the 2023 Bonds. A Series of Bonds is hereby created and additionally designated as the "Washington Township Health Care District Revenue Bonds, 2023 Series A." The aggregate principal amount of 2023 Bonds which may be issued and Outstanding under this Eleventh Supplemental Indenture shall not exceed _________ million dollars ($__________). The 2023 Bonds shall be issued as fully registered Bonds in denominations of $5,000 or any integral multiple thereof. The 2023 Bonds shall be dated as of and bear interest from their date of delivery, and interest thereon shall be payable on January 1, 2024, and semiannually thereafter on January 1 and July 1 in each year (each, an "Interest Payment Date"). The 2023 Bonds shall mature on the following dates in the following amounts and shall bear interest at the following rates per annum (based upon a 360-day year comprised of twelve thirty-day months):

Maturity Date (July 1)	**Principal Amount**	**Interest Rate**
2024		
2025		
2026		
2027		
2028		
2029		
2030		

Maturity Date (July 1)	**Principal Amount**	**Interest Rate**
2031		
2032		
2033		
2034		
2035		
2036		
2037		
2038		
2039		
[2040		
2041		
2042		
2043		
2044		
2045		
2046		
2047		
2048		
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2052		
2053		
2054]		

(b) Additional Terms of the 2023 Bonds. The 2023 Bonds shall be registered initially in the name of "Cede & Co.," as nominee of the Securities Depository, and shall be evidenced by one 2023 Bond for each maturity of the 2023 Bonds in the principal amount of such maturity of the 2023 Bonds. Registered ownership of the 2023 Bonds, or any portion thereof, may not thereafter be transferred except as set forth herein. The 2023 Bonds shall bear such distinguishing numbers and letters as may be specified by the Trustee.

The principal or Redemption Price of the 2023 Bonds shall be payable in lawful money of the United States of America at the Principal Corporate Trust Office. Payment of the interest on any 2023 Bond shall be made to the person whose name appears on the bond registration books of the Trustee as the registered owner thereof as of the close of business on the Record Date for each Interest Payment Date, such interest to be paid by check mailed on the Interest Payment Date to the registered owner at his or her address as it appears on such registration books or at such address as may have been filed with the Trustee for that purpose; provided that upon a written request received by the Trustee on or before the Record Date preceding the Interest Payment Date from a Bondholder of $1,000,000 or more in principal amount of 2023 Bonds, a payment shall be made on the Interest Payment Date by wire transfer in immediately available funds to an account designated by such Bondholder to the Trustee.

Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Bondholder on such Record Date and shall be paid to the Person in whose name the 2023 Bond is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee, notice whereof being given to the Bondholders not less than ten (10) days prior to such Special Record Date.

The 2023 Bonds shall be subject to redemption as provided in Section 5 of this Tenth Supplemental Indenture and in Article IV of the Existing Indenture.

SECTION 4. Issuance of the 2023 Bonds.

At any time after the execution of this Eleventh Supplemental Indenture, the District may execute and the Trustee shall manually authenticate and, upon order of the District, deliver the 2023 Bonds in the aggregate principal amount of ___________ million dollars ($_____________).

SECTION 5. Application of Proceeds of the 2023 Bonds.

The proceeds received from the sale of the 2023 Bonds shall be deposited in trust with the Trustee, who shall forthwith set aside or apply such funds as follows:

(a) The Trustee shall set aside in the Costs of Issuance Fund the sum of $___________;

(b) The Trustee shall deposit the amount of $________ into the 2023 Project Account, which the Trustee shall establish and maintain as a special trust account within the Project Fund.

(c) The Trustee shall apply amounts in the 2023 Project Account pursuant to requisitions submitted by an Authorized Officer of the District from time to time to finance betterments to District facilities, as provided in the Existing Indenture.

SECTION 6. Terms of Redemption of the 2023 Bonds.

(a) Optional Redemption. The 2023 Bonds maturing on or after July 1, 20__, are subject to redemption prior to their respective stated maturities, at the option of the District, in whole or in part on any date (in such maturities as are designated by the District, or if the District fails to designate such maturities, in inverse order of maturity, and by lot within a maturity), from any source of available moneys, on or after July 1, 20__, at a redemption price equal to 100% of the principal amount thereof, together with interest accrued thereon to the date fixed for redemption.

The redemption notice to be mailed by the Trustee in connection with such optional redemption of the 2023 Bonds (in accordance with Section 4.03 of the Existing Indenture) shall include language to the effect that such redemption notice may be rescinded at the option of the District and that such redemption shall be conditioned upon sufficient monies being on deposit in either the Optional Redemption Account of the Redemption Fund or in an escrow fund to effect such a redemption on the applicable redemption date in accordance with the redemption provisions of the Existing Indenture.

(b) Mandatory Sinking Fund Redemption of 2023 Term Bonds. The 2023 Bonds maturing on Jully 1, 20__ (the "Term Bonds") are subject to mandatory sinking fund redemption prior to their stated maturity in part (by lot) from mandatory sinking fund payments on July 1 of each year, on and after July 1, 20__, at a redemption price equal to the principal amount thereof, together with accrued interest thereon to the date fixed for redemption, without premium, on the dates and in the aggregate principal amounts listed below:

Mandatory Sinking Fund Redemption Payment Date	**Mandatory Sinking Fund Payment**
July 1, 202__	

(c) Notice of Redemption. Notwithstanding the provisions of Section 4.03 of the Existing Indenture, and pursuant to Section 5(a) of the Eighth Supplemental Indenture, the Trustee shall mail a notice of redemption of the 2023 Bonds no less than twenty (20) and no more than forty-five (45) days prior to any date scheduled for the optional redemption thereof.

SECTION 7. Additional Covenants.

(a) The District shall at all times do and perform all acts and things permitted by law and the Indenture which are necessary or desirable in order to assure that interest paid on the 2023 Bonds (or any of them) will be excluded from gross income for federal income tax purposes and shall take no action that would result in such interest not being so excluded. Without limiting the generality of the foregoing, the District agrees to comply with the provisions of the 2023 Tax and Nonarbitrage Certificate. This covenant shall survive payment in full or defeasance of the 2023 Bonds.

(b) The District hereby undertakes all responsibility for compliance with continuing disclosure requirements set forth in the 2023 Continuing Disclosure Agreement. Notwithstanding any other provision of this Tenth Supplemental Indenture, failure of the District to comply with the 2023 Continuing Disclosure Agreement shall not be considered as an Event of

Default; however, the Trustee, at the request of any Participating Underwriter (as defined in the 2023 Continuing Disclosure Agreement) or the Holders of at least twenty-five percent (25%) in aggregate principal amount of Outstanding 2023 Bonds shall, but only to the extent indemnified to its satisfaction from any liability or expense, including fees and expenses of its attorneys, or any Holder or Beneficial Owner (as defined in the 2023 Continuing Disclosure Agreement) 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 or to cause the Trustee to comply with its obligations under this Section.

SECTION 8. Amendments.

In accordance with the provisions of Section 12.01(B)(1) of the Existing Indenture, the District hereby amends Item 1 of Exhibit C of the Existing Indenture to add the following Permitted Encumbrances, evidenced by UCC Financing Statements on file with the California Secretary of State**: [UPDATE FOR ANY FILINGS SINCE 2020:]**

CA S/S File No:	19-7717045607
Filing Date :	06/11/2019
Debtor	Washington Township Health Care District 2000 Mowry Avenue Fremont CA 94538
Secured Party :	Stryker Sales Corporation 600 South 4th Street Minneapolis, MN 55415
CA S/S File No:	19-7729859198
Filing Date :	08/27/2019
Debtor	Washington Township Health Care District 2000 Mowry Avenue Fremont CA 94538
Secured Party :	Stryker Sales Corporation P.O. Box 35701 Billings, MT 59107
CA S/S File No:	19-7744721800
Filing Date :	11/04/2019
Debtor	Washington Township Health Care District 2000 Mowry Avenue Fremont CA 94538
Secured Party :	Zimmer US, Inc. 200 West Ohio Avenue, Suite 100 Dover, OH 44622

SECTION 9. Ratification.

This Eleventh Supplemental Indenture is entered into to provide for the issuance of the 2023 Bonds. As amended and supplemented hereby, the Existing Indenture is in all respects ratified and confirmed, and the Existing Indenture as so amended and supplemented hereby shall be read and construed as one and the same instrument.

SECTION 10. Execution in Counterparts.

This Eleventh Supplemental Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed an original; and all such counterparts, or as many of them as the District and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, WASHINGTON TOWNSHIP HEALTH CARE DISTRICT has caused this Eleventh Supplemental Indenture to be signed in its name by the Chief Executive Officer and attested by the Secretary of its Board of Directors, and the Trustee, in token of its acceptance of the trusts created hereunder, has caused this Eleventh Supplemental Indenture to be signed in its corporate name all as of the day and year first above written.

WASHINGTON TOWNSHIP HEALTH CARE DISTRICT

By: ______________________________
Chief Executive Officer

ATTEST:

____
Secretary, Board of Directors

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, as Trustee

By______________________________
Authorized Officer

EXHIBIT A

[FORM OF 2023 BOND]

NUMBER R-___ $_________

WASHINGTON TOWNSHIP HEALTH CARE DISTRICT
REVENUE BOND
2023 SERIES A

INTEREST RATE:	DATE OF DELIVERY:	MATURITY DATE:	CUSIP:
____%	September __, 2023	July 1, 20__	940204___

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: ____DOLLARS

WASHINGTON TOWNSHIP HEALTH CARE DISTRICT (the "District"), a local health care district of the State of California (the "State"), organized and existing under and pursuant to The Local Health Care District Law, constituting Division 23 of the Health and Safety Code of the State (the "Law"), for value received, hereby promises to pay with respect to the above-entitled bonds (the "Bonds") (but only out of the Revenues and other assets pledged therefor as hereinafter mentioned) to Cede & Co. or registered assigns, on the maturity date stated above (subject to any right of prior redemption hereinafter mentioned), the principal sum stated above, in lawful money of the United States of America; and to pay interest thereon (but only out of the Revenues and other assets pledged therefor) in like lawful money from the date hereof until payment of such principal sum shall be discharged as provided in the Indenture hereinafter mentioned, at the rate per annum stated above, payable on January 1, 2024, and semiannually thereafter on January 1 and July 1 in each year. The principal (or redemption price) hereof is payable at the principal corporate trust office of U.S. Bank Trust Company, National Association (together with any successor, the "Trustee"), in San Francisco, California, or at such place as may be designated by the Trustee pursuant to the Indenture. Interest is payable by check or draft mailed on each interest payment date to the registered holder hereof as of the 15th day of the month preceding each interest payment date (except as otherwise provided in the Indenture) at the address shown on the registration books maintained by the Trustee; provided, however, that the holder of $1,000,000 or more in aggregate principal amount of Bonds may be paid by wire transfer to an account upon written request filed with the Trustee on or before the record date for the applicable interest payment date.

This Bond is one of a duly authorized issue of bonds of the District designated as "Washington Township Health Care District Revenue Bonds, 2023 Series A," issued in the aggregate principal amount of _________ million dollars ($_________),as otherwise provided in the Indenture hereinafter mentioned, which issue consists or may consist of one or more series of varying dates, maturities, interest rates, redemption and other provisions, issued pursuant to

Section 32315 *et seq*. of the Health and Safety Code of the State (the "Authorizing Law"), and pursuant to an indenture, originally dated as of July 1, 1993, as amended, by and between the District and the predecessor to the Trustee, and as supplemented by a supplemental indenture, dated as of March 15, 1994, a second supplemental indenture, dated as of April 1, 1999, a third supplemental indenture, dated as of June 1, 2007, a fourth supplemental indenture, dated as of December 1, 2009, a fifth supplemental indenture, dated as of November 1, 2010, a sixth supplemental indenture, dated as of November 1, 2015, and a seventh supplemental indenture, dated as of April 1, 2017, an eighth supplemental indenture dated as of June 1, 2017, a ninth supplemental indenture, dated as of July 1, 2019, a tenth supplemental indenture, dated as of December 1, 2020, and an eleventh supplemental indenture, dated as of September 1, 2023, each by and between the District and the Trustee (such indenture, as so amended and supplemented, is referred to herein as the "Indenture").

Reference is hereby made to the Indenture (a copy of which is on file at said office of the Trustee) and to the Authorizing Law for a description of the rights thereunder of the registered holders of the Bonds, of the nature and extent of the security, of the rights, duties and immunities of the Trustee and of the rights and obligations of the District thereunder. The registered holder of this Bond, by acceptance hereof, assents and agrees to all the provisions of the Indenture.

The Bonds and the interest thereon are payable from Revenues (as that term is defined in the Indenture) and are secured by a pledge and assignment of said Revenues and of amounts held in the funds and accounts established pursuant to the Indenture (other than the Rebate Fund), subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

The Bonds are limited obligations of the District and are not a lien or charge upon the funds or property of the District, except to the extent of the aforesaid pledge and assignment. Neither the faith and credit nor the taxing power of the District are pledged to the payment of the principal of or interest on the Bonds. The Bonds are not a debt of the State of California or any other political subdivision thereof, and neither said State nor any other political subdivision thereof is liable for the payment thereof.

The Bonds are subject to redemption prior to their respective stated maturities at the option of the District as a whole on any date, or in part on any interest payment date, from certain moneys derived from hazard insurance or condemnation proceeds received with respect to the Facilities (as that term is defined in the Indenture), in each case under the circumstances prescribed and as provided in the Indenture, at the principal amount thereof, together with interest accrued thereon to the date fixed for redemption, without premium.

The Bonds maturing on or after July 1, 20__, are subject to redemption prior to their respective stated maturities, at the option of the District, in whole or in part on any date (in such maturities as are designated by the District, or if the District fails to designate such maturities, in inverse order of maturity, and by lot within a maturity), from any source of available moneys, on or after July 1, 20__, at a redemption price equal to 100% of the principal amount thereof, together with interest accrued thereon to the date fixed for redemption.

The Bonds maturity on July 1, 20__, are subject to mandatory sinking fund redemption prior to their stated maturity in part (by lot) from mandatory sinking fund payments on July 1 of each year, on and after July 1, 20__, at a redemption price equal to the principal amount thereof, together with accrued interest thereon to the date fixed for redemption, without premium, on the dates and in the aggregate principal amounts listed below:

Mandatory Sinking Fund Redemption Payment Date	**Mandatory Sinking Fund Payment**
July 1, 202__	

If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption.

If an Event of Default (as that term is defined in the Indenture) shall occur and be continuing, the principal of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture. The Indenture provides that in certain events such declaration and its consequences may be rescinded by the holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding or by the Trustee.

The Bonds are issuable as fully registered bonds in denominations of $5,000 or any integral multiple thereof. Subject to the limitations and upon payment of the charges, if any, provided in the Indenture, Bonds may be exchanged, at the designated office of the Trustee, for a like aggregate principal amount of Bonds of the same series and maturity of other authorized denominations.

This Bond is transferable by the registered holder hereof, in person or by his attorney duly authorized in writing, at the designated office of the Trustee or such other place as designated by the Trustee pursuant to the Indenture, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the Indenture, and upon surrender and cancellation of this Bond. Upon such transfer a new Bond or Bonds, of authorized denomination or denominations, of the same series and maturity for the same aggregate principal amount, will be issued to the transferee in exchange herefor.

The District and the Trustee may treat the registered holder hereof as the absolute owner hereof for all purposes, and the District and the Trustee shall not be affected by any notice to the contrary.

The Indenture and the rights and obligations of the District and of the registered holders of the Bonds and of the Trustee may be modified or amended from time to time and at any time in the manner, to the extent, and upon the terms provided in the Indenture; provided that no such modification or amendment shall (i) extend the fixed maturity of this Bond, or reduce the amount of principal hereof, or extend the time of payment or reduce the amount of any mandatory sinking account payment provided for in the Indenture for the payment of the Bonds of this maturity, or reduce the rate of interest hereon, or extend the time of payment of interest hereon, or reduce any premium payable upon the redemption hereof, without the consent of the registered holder hereof, or (ii) reduce the percentage of Bonds the consent of the registered holders of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged as security for the Bonds prior to or on a parity with the lien created by the Indenture, or deprive the registered holders of the Bonds of the lien created by the Indenture on such Revenues and other assets (except as expressly provided in the Indenture), without the consent of the registered holders of all Bonds then Outstanding, all as more fully set forth in the Indenture.

It is hereby certified and recited that any and all conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by the Authorizing Law and by the Constitution and laws of the State of California, and that the amount of this Bond, together with all other indebtedness of the District, does not exceed any limit prescribed by the Authorizing Law, or by the Constitution and laws of the State of California, and is not in excess of the amount of all Bonds permitted to be issued under the Indenture.

This Bond shall not be entitled to any benefit under the Indenture, or become valid or obligatory for any purpose, until the certificate of authentication hereon endorsed shall have been manually signed by the Trustee.

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY TO THE BOND REGISTRAR FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY), 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.

IN WITNESS WHEREOF, WASHINGTON TOWNSHIP HEALTH CARE DISTRICT has caused this Bond to be executed in its name and on its behalf by the facsimile signature of the President of its Board of Directors and attested by the facsimile signature of the Secretary of its Board of Directors, all as of the date of delivery specified above.

WASHINGTON TOWNSHIP HEALTH CARE DISTRICT

By: /form only/
President, Board of Directors

ATTEST:

/form only/
Secretary, Board of Directors

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Indenture, which has been authenticated on the date set forth below.

Dated: _____________ , 2023

U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION,
as Trustee

By: /form only/______________________________
Authorized Officer

ASSIGNMENT AND TRANSFER

For value received, the undersigned do(es) hereby sell, assign and transfer unto ______________________ the within-mentioned Bond and hereby irrevocably constitute(s) and appoint(s) ______________________, attorney, to transfer the same on the books of the within-named Trustee, with full power of substitution in the premises.

Dated: ___________________________________

By: ______________________________________

Social Security Number or Other Taxpayer Identification Number of Transferee:

____

Signature Guaranteed By:

____

NOTE: Signature must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

NOTICE: The signature to this Assignment must correspond with the name as it appears upon the face of this Bond in every particular, without alteration, enlargement or any change.

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST __, 2023

NEW ISSUE — BOOK-ENTRY ONLY **Rating[s][†]: Moody's: [___] ([_______] Outlook)**
[Fitch: [___] ([_______] Outlook)]

In the opinion of Nixon Peabody, LLP, Bond Counsel, under existing law and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by the District described herein, interest on the 2023 Series A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code. Bond Counsel is further of the opinion that, interest on the 2023 Series A Bonds is exempt from personal income taxes of the State of California (the "State") under present State law. See "TAX MATTERS" herein regarding certain other tax considerations. [To be updated by Bond Counsel.]

$[PAR AMOUNT][*]
Washington Township Health Care District
Revenue Bonds
2023 Series A

Dated: Date of Delivery **Due:** July 1, as shown on the inside cover hereof.

The Washington Township Health Care District (the "District") is issuing its Revenue Bonds, 2023 Series A (the "2023 Series A Bonds"), pursuant to an Indenture, dated as of July 1, 1993, between the District and U.S. Bank Trust Company, National Association, San Francisco, as successor Trustee (the "Trustee"), as supplemented and amended to date and as further supplemented and amended in connection with the issuance of the 2023 Series A Bonds (as so supplemented, the "Indenture"). The 2023 Series A Bonds are issuable in the form of fully registered bonds and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). As long as the 2023 Series A Bonds are in book-entry form, DTC will act as securities depository for the 2023 Series A Bonds, and individual purchases will be made in book-entry form only in denominations of $5,000 or any integral multiple thereof. Beneficial owners of the 2023 Series A Bonds will not receive physical certificates representing the 2023 Series A Bonds purchased but will receive a credit balance on the books of the nominees of such beneficial owners. Principal of, premium, if any, and interest on the 2023 Series A Bonds will be paid by the Trustee to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to the DTC participants for subsequent disbursement to the beneficial owners of the 2023 Series A Bonds (see "THE 2023 SERIES A BONDS—Book-Entry System" herein). Interest on the 2023 Series A Bonds is payable semiannually on January 1 and July 1 of each year commencing January 1, 2024.

The 2023 Series A Bonds are subject to optional, mandatory sinking account and special redemption prior to maturity as described herein.[*] See "THE 2023 SERIES A BONDS—Redemption."

The 2023 Series A Bonds will be secured under the provisions of the Indenture, and, together with any Outstanding Bonds (as defined herein) and any Additional Bonds (as defined herein), will be equally and ratably payable from Revenues (as defined herein).

By the purchase of the 2023 Series A Bonds, on the date of issuance, the purchasers and beneficial owners, on behalf of themselves and all subsequent holders of the 2023 Series A Bonds, irrevocably consent and will be deemed to have irrevocably consented to a certain amendment to the Indenture described herein, which amendment may become effective at such time as the District obtains the additional required consents, but without any further consent of the holders of the 2023 Series A Bonds, as further described herein.

THE 2023 SERIES A BONDS ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM REVENUES (DEFINED HEREIN) AND CERTAIN OTHER AMOUNTS HELD IN THE FUNDS AND ACCOUNTS UNDER THE INDENTURE AS DESCRIBED HEREIN. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT ARE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, OR PREMIUM, IF ANY, OR INTEREST ON THE 2023 SERIES A BONDS. THE 2023 SERIES A BONDS ARE NOT A DEBT OF THE STATE OF CALIFORNIA OR ANY OTHER POLITICAL SUBDIVISION THEREOF AND SAID STATE OR OTHER POLITICAL SUBDIVISION THEREOF IS NOT LIABLE FOR THE PAYMENT THEREOF.

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of this bond issue. Investors are instructed to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

SEE MATURITY SCHEDULE HEREIN

The 2023 Series A Bonds are offered when, as and if issued by the District and accepted by the Underwriter, subject to prior sale, withdrawal or modification of the offer without notice, and to the approving legal opinion of Nixon Peabody LLP, Bond Counsel, the approval of certain matters for the District by special counsel to the District, Mary K. Norvell, Attorney at Law, and for the Underwriter by its counsel, Norton Rose Fulbright US LLP. It is expected that the 2023 Series A Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about September __, 2023.

BofA Securities

Dated: ________, 2023

† For an explanation of the ratings, see "RATINGS" herein.
* Preliminary, subject to change.

$[PAR AMOUNT]*
Washington Township Health Care District
Revenue Bonds
2023 Series A

MATURITY SCHEDULE

Due (July 1)	Principal Amount	Interest Rate	Yield	CUSIP†
	$	%	%	

$________ ____% Term Bonds due July 1, 20__; Priced to Yield ___%; CUSIP† ________
$________ ____% Term Bonds due July 1, 20__; Priced to Yield ___%; CUSIP† ________

* Preliminary, subject to change.

† CUSIP is a registered trademark of The American Bankers Association (the "ABA"). CUSIP data is provided by CUSIP Global Services ("CGS"), which is managed on behalf of the ABA by FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. The CUSIP numbers listed above are being provided solely for the convenience of the holders of the 2023 Series A Bonds only at the time of issuance of the 2023 Series A Bonds, and neither the District nor the Underwriter makes any representation with respect to such CUSIP numbers or undertakes any responsibility for the accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2023 Series A Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2023 Series A Bonds.

This Official Statement does not constitute an offer to sell the 2023 Series A Bonds or the solicitation of an offer to buy, nor shall there be any sale of the 2023 Series A Bonds by any person in any state or other jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale in such state or jurisdiction. No dealer, broker, salesperson or any other person has been authorized to give any information or to make any representation other than those contained herein in connection with the offering of the 2023 Series A Bonds, and, if given or made, such information or representation must not be relied upon.

The information relating to DTC and the book-entry system set forth herein under the caption "THE 2023 SERIES A BONDS—Book-Entry System" and in Appendix F – "BOOK-ENTRY SYSTEM" 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 Underwriter or the District. All other information set forth herein has been obtained from the District and other sources that are believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriter. 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 2023 Series A 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. This Official Statement is being provided to prospective investors in connection with the issuance of securities referred to herein and may not be used, in whole or in part, for any other purpose. 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 to investors 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.*

The District maintains a website. However, the information presented on that website is not part of this Official Statement and should not be relied upon in making investment decisions with respect to the 2023 Series A Bonds. The references to internet websites in this Official Statement are shown for reference and convenience only; unless explicitly stated to the contrary, the information contained within the websites is not incorporated herein by reference and does not constitute part of this Official Statement.

CAUTIONARY STATEMENTS 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 generally are identifiable by the terminology used, such as "plan," "expect," "estimate," "budget" or other similar words. Such forward-looking statements include but are not limited to certain statements contained in the information under the captions "PLAN OF FINANCING" and "BONDHOLDERS' RISKS" in the forepart of this Official Statement and the statements contained under the caption "MANAGEMENT'S DISCUSSION AND ANALYSIS OF RECENT FINANCIAL OPERATIONS" in Appendix A – "INFORMATION CONCERNING WASHINGTON TOWNSHIP HEALTH CARE DISTRICT."

The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that 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 those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur.

WASHINGTON TOWNSHIP HEALTH CARE DISTRICT

Board of Directors
[TO BE UPDATED/CONFIRMED]

Director	Term Expires	Occupation
Bernard Stewart, D.D.S., President	[November 20___]	Dentist, retired
Michael J. Wallace, First Vice President	[November 20___]	Chairman, Fremont Bank
William F. Nicholson, M.D., Second Vice President	[November 20___]	Physician, Cardiologist
Jacob Eapen, M.D., Treasurer	[November 20___]	Physician, Pediatrician
Jeanette Yee, R.N., Secretary	[November 20___]	Registered Nurse

District Officials
[TO BE UPDATED/CONFIRMED]

Kimberly Hartz, Chief Executive Officer
Ed Fayen, Executive Vice President and Chief Operating Officer
Thomas McDonagh, Vice President and Chief Financial Officer
Larry LaBossiere, Vice President and Chief Nursing Officer
Tina Nunez, Vice President of Ambulatory and Administrative Services

Bond Counsel

Nixon Peabody LLP
San Francisco, California

Special Counsel to the District

Mary K. Norvell, Attorney at Law
La Jolla, California

[Municipal][Financial] Advisor

Kaufman, Hall & Associates, LLC
Skokie, Illinois

Trustee

U.S. Bank Trust Company, National Association
San Francisco, California

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INTRODUCTORY STATEMENT

The following introductory statement is subject in all respects to the more complete information set forth in this Official Statement. All descriptions and summaries of documents referred to herein do not purport to be comprehensive or definitive and are qualified in their entirety by reference to each document. All capitalized terms used in this Official Statement and not otherwise defined herein have the same meanings as in the Indenture (as defined herein). See Appendix C – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE INCLUDING THE ELEVENTH SUPPLEMENTAL INDENTURE—Definitions."

Purpose of this Official Statement

This Official Statement, including the cover page and Appendices hereto (the "Official Statement"), is provided to furnish information with respect to the sale and delivery of the $[PAR AMOUNT][*] aggregate principal amount of the Washington Township Health Care District Revenue Bonds, 2023 Series A (the "2023 Series A Bonds").

The District

Washington Township Health Care District (the "District") is a California local health care district, formed in 1948, and organized pursuant to Division 23 of the Health and Safety Code (the "Local Health Care District Law") of the State of California (the "State"). The District's boundaries encompass an area of approximately 124 square miles in southern Alameda County. The District operates as the Washington Hospital Healthcare System, consisting of Washington Hospital, which is a 415-licensed bed acute care hospital located in Fremont, California (the "Hospital"), the Washington Outpatient Surgery Center, the Washington Township Medical Foundation's multi-specialty clinics, outpatient urgent care clinics, an outpatient rehabilitation center, an outpatient wound healing and hyperbaric oxygen center, an outpatient infusion center, an outpatient imaging center, an outpatient laboratory, an outpatient women's health center, a radiation oncology center, and an outpatient diabetes clinic (collectively, the "Facilities"). Through the Facilities, the District offers a full range of primary and secondary acute care health services. See Appendix A – "INFORMATION CONCERNING WASHINGTON TOWNSHIP HEALTH CARE DISTRICT" for further information concerning the District and the Facilities.

On December 1, 2020, Alameda County certified the passage of Measure XX, which sought voter approval for the District to issue up to $425 million in aggregate principal amount of its general obligation bonds to fund the acquisition or improvement of real property. Measure XX required the "yes" votes of 2/3 of the qualified voters voting at the November 3, 2020, election. The proceeds of the bonds authorized under Measure XX will be used to make the District Hospital facilities earthquake safe, as well as provide additional modern operating rooms, intensive care for infants and modern patient facilities at the Hospital. In April 2022, the District issued its 2020 Election General Obligation Bonds, 2022 Series A, under Measure XX. The Board of Directors anticipates issuing a second series of bonds under Measure XX concurrently with the issuance of the 2023 Series A Bonds. General obligation bonds of the District are

[*] Preliminary, subject to change.

repaid from *ad valorem* property taxes levied throughout the District, and not from Hospital revenues. See "THE DISTRICT—Passage of Measure XX" herein.

The 2023 Series A Bonds

The 2023 Series A Bonds will be issued pursuant to and secured by an Indenture, dated as of July 1, 1993, as supplemented by a Supplemental Indenture, dated as of March 15, 1994, a Second Supplemental Indenture, dated as of April 1, 1999, a Third Supplemental Indenture, dated as of June 1, 2007, a Fourth Supplemental Indenture, dated as of December 1, 2009, a Fifth Supplemental Indenture, dated as of November 1, 2010, a Sixth Supplemental Indenture, dated as of November 1, 2015, a Seventh Supplemental Indenture, dated as of April 1, 2017, an Eighth Supplemental Indenture, dated as of June 1, 2017, a Ninth Supplemental Indenture, dated as of July 1, 2019, a Tenth Supplemental Indenture, dated as of December 1, 2020 (as supplemented, the "Existing Indenture"), and an Eleventh Supplemental Indenture, dated as of September 1, 2023 (the "Eleventh Supplemental Indenture" and, together with the Existing Indenture, the "Indenture"), each between the District and U.S. Bank Trust Company, National Association, as successor trustee (the "Trustee"). The proceeds of the 2023 Series A Bonds will be used by the District for the following purposes: (i) to finance the acquisition, construction, improvement, betterments and equipping of District facilities (the "2023 Project"), as described under "PLAN OF FINANCING – 2023 Project" herein, and (ii) to pay the costs of issuing the 2023 Series A Bonds. See "PLAN OF FINANCING" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

Outstanding Bonds

In November 2015, pursuant to the Indenture, the District issued its Revenue Refunding Bonds, 2015 Series A (the "2015 Bonds"), in the aggregate principal amount of $30,290,000, of which $15,430,000 currently are outstanding. The proceeds of the 2015 Bonds were used to (i) refund the District's Revenue Bonds, Series 1999, and (ii) finance the costs of issuing the 2015 Bonds.

In April 2017, pursuant to the Indenture, the District issued its Revenue Bonds, 2017 Series A (the "2017A Bonds"), in the aggregate principal amount of $37,655,000, of which $33,460,000 currently are outstanding. The proceeds of the 2017A Bonds were used to (i) finance certain capital expenditures for the Facilities and (ii) finance the costs of issuing the 2017A Bonds.

In June 2017, pursuant to the Indenture, the District issued its Revenue Refunding Bonds, 2017 Series B (the "2017B Bonds"), in the aggregate principal amount of $66,690,000, of which $59,145,000 currently are outstanding. The proceeds of the 2017B Bonds were used to (i) refund the District's Revenue Refunding Bonds, 2007 Series A, and (ii) pay the costs of issuing the 2017B Bonds.

In July 2019, pursuant to the Indenture, the District issued its Refunding and Revenue Bonds, 2019 Series A (the "2019 Bonds"), in the aggregate principal amount of $49,445,000, of which $43,455,000 currently are outstanding. The proceeds of the 2019 Bonds were used to (i) finance or reimburse the District for certain capital expenditures, (ii) refund, on a current basis, the District's Revenue Bonds, Series 2009A, and (iii) pay the costs of issuing the 2019 Bonds.

In December 2020, pursuant to the Indenture, the District issued its Revenue Refunding Bonds, 2020 Series A (the "2020 Bonds" and, together with the 2015 Bonds, the 2017A Bonds, the 2017B Bonds and the 2019 Bonds, the "Outstanding Bonds"), in the aggregate principal amount of $40,865,000, of which $35,055,000 currently are outstanding. The proceeds of the 2020 Bonds were used to (i) refund the District's Revenue Bonds, 2010 Series A, and (ii) pay the costs of issuing the 2020 Bonds.

The Outstanding Bonds are secured by a pledge of the District's Revenues (as defined herein) on a parity with the 2023 Series A Bonds and any Additional Bonds (as defined herein) that may be issued in the future.

Additional Bonds

The District, upon compliance with the provisions of the Indenture, may issue Additional Bonds, secured on a parity with the 2023 Series A Bonds and the Outstanding Bonds, to construct projects, or to refund or advance refund any series of Outstanding Bonds or other Long-Term Indebtedness. See Appendix C – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE INCLUDING THE ELEVENTH SUPPLEMENTAL INDENTURE—ADDITIONAL BONDS—Issuance of Additional Series of Bonds." The 2023 Series A Bonds, the Outstanding Bonds and any Additional Bonds that may hereafter be issued under the Indenture are herein collectively referred to as the "Bonds."

Proposed Amendment to Existing Indenture

In connection with the issuance of the 2023 Series A Bonds and the execution and delivery of the Eleventh Supplemental Indenture, the District proposes an amendment to the Existing Indenture. See "SECURITY FOR AND SOURCES OF PAYMENT FOR THE 2023 SERIES A BONDS—Proposed Amendment to Existing Indenture" and APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE INCLUDING THE ELEVENTH SUPPLEMENTAL INDENTURE" for a description of the proposed amendment. The effectiveness of the amendment described in the Eleventh Supplemental Indenture requires, among other things, the consent of the holders of a majority in aggregate principal amount of then Outstanding Bonds to such amendment (the "Springing Amendment").

By the purchase of the 2023 Series A Bonds, on the date of issuance, the purchasers and beneficial owners, on behalf of themselves and all subsequent owners of the 2023 Series A Bonds, irrevocably consent and will be deemed to have irrevocably consented to the Springing Amendment, which amendment may become effective at such time as the District obtains the additional required consents, but without any further consent of the holders of the 2023 Series A Bonds as further described herein.

After giving effect to the issuance of the Series 2023 Series A Bonds and the application of the proceeds thereof, the consent of approximately ___% of holders of Outstanding Bonds will have been obtained for the Springing Amendment.

The Springing Amendment shall not be effective until (1) the holders of a majority in aggregate principal amount of all Outstanding Bonds have consented to such amendment and (2) an Authorized Officer of the District has executed and delivered to the Trustee a certificate declaring that all other consents required for such amendment have been obtained and determining that such amendment shall be effective.

The Existing Indenture may also be amended under other circumstances without bondholder consent. See "APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE INCLUDING THE ELEVENTH SUPPLEMENTAL INDENTURE."

Security

For information concerning the security for the 2023 Series A Bonds, see the caption "SECURITY FOR AND SOURCES OF PAYMENT OF THE 2023 SERIES A BONDS" herein.

Bondholders' Risks

There are risks associated with the purchase of the 2023 Series A Bonds. See the caption "BONDHOLDERS' RISKS" herein for a discussion of certain of these risks. Some of the specific impacts on and risks to the operating and financial condition of the District are outlined under "BONDHOLDERS' RISKS—COVID-19 or Other Public Health Emergency or Crisis" below and APPENDIX A – "INFORMATION CONCERNING WASHINGTON TOWNSHIP HEALTH CARE DISTRICT—MANAGEMENT'S DISCUSSION AND ANALYSIS OF RECENT FINANCIAL OPERATIONS—COVID-19 Pandemic Update."

THE DISTRICT

General

The District is a local health care district, formed in 1948, and organized pursuant to the Local Health Care District Law of the State. The District's boundaries encompass an area of approximately 124 square miles in southern Alameda County. The District operates the Washington Hospital Healthcare System. Included within the District boundaries are the cities of Fremont, Newark and Union City, the southern portions of the City of Hayward and the unincorporated area known as Sunol.

For further information regarding the District, the Facilities and various factors that could adversely affect the District and the Facilities, see "BONDHOLDERS' RISKS" herein and Appendix A – "INFORMATION CONCERNING WASHINGTON TOWNSHIP HEALTH CARE DISTRICT."

Passage of Measure XX

On December 1, 2020, Alameda County certified the passage of Measure XX, which sought voter approval for the District to issue up to $425 million in aggregate principal amount of its general obligation bonds to fund the acquisition or improvement of real property. Measure XX required the "yes" votes of 2/3 of the qualified voters voting at the November 3, 2020, election. The proceeds of the bonds authorized under Measure XX will be used to make the District Hospital facilities earthquake safe, as well as provide additional modern operating rooms, intensive care for infants and modern patient facilities at the Hospital. In April 2022, the District issued $20 million in aggregate principal amount of 2020 Election General Obligation Bonds, 2022 Series A, under Measure XX. The Board of Directors anticipates issuing a second series of bonds under Measure XX concurrently with the issuance of the 2023 Series A Bonds. General obligation bonds of the District are repaid from *ad valorem* property taxes levied throughout the District, and not from Hospital revenues. See APPENDIX B – "AUDITED FINANCIAL STATEMENTS OF THE DISTRICT AS OF AND FOR THE YEARS ENDED JUNE 30, 2022 AND 2021—Notes to Financial Statements—Note 9—Long-Term Debt" for details regarding outstanding general obligation bonds of the District.

THE 2023 SERIES A BONDS

General

The 2023 Series A Bonds will be delivered as fully registered bonds without coupons in denominations of $5,000 or any integral multiple thereof, in book-entry form only. The 2023 Series A Bonds will be dated their date of delivery, and will bear interest at the rates set forth on the cover page of this Official Statement, payable semiannually on January 1 and July 1 of each year commencing January 1, 2024. Interest on the 2023 Series A Bonds shall be computed on the basis of a 360-day year comprised of twelve 30-day months. Subject to the redemption provisions set forth herein, the 2023 Series A Bonds will mature on the dates and in the amounts set forth on the cover page hereof. The principal (or redemption price) of the 2023 Series A Bonds is payable at the principal corporate trust office of U.S. Bank Trust Company, National Association in San Francisco, California, or at such place as may be designated by the Trustee pursuant to the Indenture. Interest is payable by check mailed on each interest payment date to the registered holder thereof as of the 15th day of the calendar month preceding each interest payment date (the "Record Date") (except as otherwise provided in the Indenture) at the address shown on the registration books maintained by the Trustee; provided, however, that the holder of $1,000,000 or more in aggregate principal amount of 2023 Series A Bonds may be paid by wire transfer to an account upon written request filed with the Trustee on or before the Record Date for the applicable interest payment date. Payments of defaulted interest shall be paid to the person in whose name the 2023 Series A Bond is registered at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice whereof being given to the Holders not less than ten (10) days prior to such special record date.

Book-Entry System

DTC will act as securities depository for the 2023 Series A Bonds. The 2023 Series A Bonds will be issued as fully-registered bonds, registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered 2023 Series A Bond will be issued for each maturity of the 2023 Series A Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See Appendix F – "BOOK-ENTRY SYSTEM" for more information regarding DTC and the Book-Entry System.

Redemption*

Optional Redemption. The 2023 Series A Bonds maturing on or after July 1, 20__, are subject to redemption prior to their respective stated maturities, at the option of the District, in whole or in part on any date (in such maturities as are designated by the District, or if the District fails to designate such maturities, in inverse order of maturity and by lot within a maturity), from any source of available moneys, on or after July 1, 20__, at a redemption price equal to 100% of the principal amount thereof, together with interest accrued thereon to the date fixed for redemption.

Special Redemption. The 2023 Series A Bonds are subject to redemption prior to their respective stated maturities at the option of the District as a whole on any date or in part on any interest payment date, from insurance or condemnation proceeds received with respect to the Facilities and required to be deposited in the Special Redemption Account pursuant to the Indenture, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium.

* Preliminary, subject to change.

Mandatory Sinking Account Redemption. The 2023 Series A Bonds maturing on July 1, 20__ are also subject to redemption prior to their respective stated maturities on any July 1 on or after July 1, 20__, in part, by lot, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium, by application of Mandatory Sinking Account Payments in the following amounts and upon the following dates:

Mandatory Sinking Account Payment Date (July 1)	Mandatory Sinking Account Payment
	$
†	

† Maturity.

The 2023 Series A Bonds maturing on July 1, 20__ are also subject to redemption prior to their respective stated maturities on any July 1 on or after July 1, 20__, in part, by lot, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium, by application of Mandatory Sinking Account Payments in the following amounts and upon the following dates:

Mandatory Sinking Account Payment Date (July 1)	Mandatory Sinking Account Payment
	$
†	

† Maturity.

Selection of Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the 2023 Series A Bonds, the Trustee shall select the 2023 Series A Bonds to be redeemed, from all Bonds not previously called for redemption, in minimum denominations of $5,000, by lot in any manner which the Trustee in its sole discretion shall deem appropriate and fair.

Notice of Redemption. Notice of redemption will be mailed by the Trustee not less than 20 nor more than 45 days prior to the redemption date, to (i) the respective Holders of the 2023 Series A Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee, (ii) the Securities Depositories and (iii) one or more Information Services. Each notice of redemption shall state the date of such notice, the date of issue of the 2023 Series A Bonds, the redemption date, the redemption price, the place or places of redemption, the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity, the distinctive certificate numbers of the 2023 Series A Bonds of such maturity, to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that on said date there will become due and payable on each of said Bonds the redemption price thereof or of said specified portion of the principal amount thereof in the case of a Bond to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon will cease to accrue, and will require that such Bonds then be surrendered. In addition, the notice of redemption to be mailed by the Trustee in connection with optional redemption of the 2023 Series A Bonds will include language to the effect that such redemption notice (i) may be rescinded at the option of the District and (ii) that such redemption will be conditional upon sufficient monies being on deposit in the Optional Redemption Account of the Redemption Fund to effect such a redemption on the applicable redemption date in accordance with the redemption provisions of the Indenture.

Failure by the Trustee to give notice of redemption to any one or more of the Information Services or Securities Depositories will not affect the sufficiency of the proceedings for redemption. Failure by the Trustee to mail notice to respective Holders of any 2023 Series A Bonds designated for redemption will not affect the sufficiency of the proceedings for redemption with respect to the Holders to whom such notice was mailed.

Rescission of Notice of Redemption. The District may rescind any notice of redemption to be mailed by the Trustee in connection with optional redemption of the 2023 Series A Bonds.

Effect of Redemption. Notice of redemption having been duly given as required in the Indenture, and moneys for payment of the redemption price of, together with interest accrued to the redemption date on, the 2023 Series A Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, (i) the 2023 Series A Bonds (or portions thereof) so called for redemption shall become due and payable at the redemption price specified in such notice plus interest accrued thereon to the redemption date, (ii) interest on the 2023 Series A Bonds so called for redemption shall cease to accrue, (iii) said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Indenture, and (iv) the Holders of said Bonds shall have no rights in respect thereof except to receive payment of said redemption price and accrued interest to the redemption date.

Acceleration

The 2023 Series A Bonds are subject to acceleration upon the occurrence of certain Events of Default under the Indenture as described in Appendix C – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE INCLUDING THE ELEVENTH SUPPLEMENTAL INDENTURE—EVENTS OF DEFAULT.”

Annual Debt Service Requirements

The following table sets forth, for each year ending July 1, the amounts required to be made available for the payment of principal due on the 2023 Series A Bonds, for the payment of interest on the 2023 Series A Bonds and for the total debt service on the 2023 Series A Bonds and the Outstanding Bonds.

	2023 Series A Bonds				
Year Ending July 1	Principal	Total Interest	Total Debt Service on the 2023 Series A Bonds	Total Debt Service on the Outstanding Bonds [(1)]	Total Debt Service
2024	$	$	$	$15,871,200	$
2025				15,868,450	
2026				15,864,450	
2027				15,866,700	
2028				15,863,325	
2029				15,857,463	
2030				16,208,588	
2031				16,204,488	
2032				16,201,550	
2033				16,208,200	
2034				16,200,250	
2035				16,206,431	
2036				16,210,256	
2037				16,196,256	
2038				8,867,744	
2039				5,778,419	
2040				2,893,081	
2041				2,892,106	
2042				2,896,606	
2043				2,896,156	
2044				2,892,044	
2045				2,894,313	
2046				2,894,981	
2047				2,891,344	
2048				608,400	
2049				-	
2050				-	
2051				-	
2052				-	
2053				-	
Total	**$**	**$**	**$**	**$263,232,801**	**$**

(1) Comprising the 2015 Series A Bonds, the 2017 Series A Bonds, the 2017 Series B Bonds, the 2019 Series A Bonds and the 2020 Series A Bonds.

SECURITY FOR AND SOURCES OF PAYMENT OF THE 2023 SERIES A BONDS

General

The 2023 Series A Bonds are limited obligations of the District payable solely from Revenues and certain other amounts held in the funds and accounts established pursuant to the Indenture. "Revenues" include all revenues, income, receipts and money received by or on behalf of the District (other than tax revenues) including (1) gross revenues derived from its operation and possession of the Facilities (as defined in the Indenture), (2) gifts, grants, bequests, donations and contributions allocated to the Facilities, exclusive of any gifts, grants, bequests, donations and contributions to the extent specifically restricted by the donor to a particular purpose inconsistent with their use for the payment of Annual Debt Service (as defined in the Indenture), and (3) proceeds with respect to or related to the Facilities and derived from (a) Net Proceeds (as defined in the Indenture) of hazard insurance or condemnation awards, (b) accounts receivable, (c) securities and other investments, (d) inventory and other tangible and intangible property, (e) medical reimbursement programs and agreements, and (f) contract rights and other rights and assets now or hereafter owned by the District. The District is not obligated to pay the principal of or premium, if any, and interest on the 2023 Series A Bonds except from Revenues. The issuance of the 2023 Series A Bonds shall not directly or indirectly or contingently obligate the District to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment. Neither the faith and credit nor the taxing power of the District is pledged to the payment of the principal of or premium, if any, or interest on the 2023 Series A Bonds. The 2023 Series A Bonds are not a debt of the State of California or any other political subdivision thereof.

Pledge of Revenues

Pursuant to the Indenture, the District has agreed to create and maintain a Gross Revenue Fund and to deposit therein all of the Revenues. The District, under the Indenture, has pledged and, to the extent permitted by law, granted a security interest to the Trustee in its Revenues and the Gross Revenue Fund to secure payment of principal of and premium, if any, and interest on the Bonds, including the 2023 Series A Bonds. So long as any of the Bonds remain Outstanding, all of the Revenues shall be deposited as soon as practicable upon receipt into the Gross Revenue Fund. See Appendix C – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE INCLUDING THE ELEVENTH SUPPLEMENTAL INDENTURE" for a further discussion of the Gross Revenue Fund.

Pursuant to the Indenture, the District has pledged and granted a security interest to the Trustee in any amounts held in any fund or account established pursuant to the Indenture (other than the Rebate Fund), to secure payment of the principal of and premium, if any, and interest on the Bonds.

The pledge of Revenues of the District may, in several instances, be subordinated to the interests and claims of others. Some examples of cases of subordination or prior claims are (i) rights arising in favor of the United States of America or any agency thereof, (ii) present or future prohibitions against assignment in any federal statutes or regulations, (iii) constructive trusts, equitable liens or other rights impressed or conferred by any state or federal court in the exercise of its equitable jurisdiction, (iv) federal or State bankruptcy laws that may affect the enforceability of the Indenture or pledge of Revenues of the District, (v) provisions prohibiting the direct payment of amounts due to health care providers from Medicare, Medi-Cal (Medicaid) or other governmental programs to persons other than such providers, (vi) statutory liens, and (vii) certain judicial decisions that cast doubt upon the right of the Trustee, in the event of the bankruptcy of the District, to collect and retain accounts receivable from Medicare, Medi-Cal (Medicaid) and other governmental programs. In addition, it may not be possible to perfect a security interest in any manner whatsoever in certain types of Revenues of the District (*e.g.*, gifts, donations, certain insurance proceeds, Medicare and Medi-Cal (Medicaid) payments) prior to actual receipt by the District for deposit in the Gross Revenue Fund. Further, it is uncertain whether a security interest may be granted in Medicare and Medi-Cal (Medicaid) receivables. While health care providers are currently prohibited from assigning such receivables, it is unclear whether this prohibition will be interpreted so as to preclude the granting of security interests.

Proposed Amendment to Existing Indenture; Effectiveness of Springing Amendment

In connection with the issuance of the 2023 Series A Bonds, the District proposes an amendment to the Existing Indenture. Pursuant to the Eleventh Supplemental Indenture, the definition of "Long-Term Debt Service Coverage Ratio" would be amended and restated to read in full as follows:

> "Long-Term Debt Service Coverage Ratio" means, for any period of time, the ratio determined by dividing Income Available for Debt Service by Maximum Annual Debt Service; provided, however, that the District shall not take into account any District obligations described in Government Accounting Standards Board Statements 87 or 96 in making such determinations."

The proposed Springing Amendment shall not be effective until (1) the [Holders][Owners] of a majority in aggregate principal amount of all Outstanding Bonds have consented to such amendment and (2) an Authorized Officer of the District has executed and delivered to the Trustee a certificate declaring that all other consents required for such amendment have been obtained and determining that such amendment shall be effective.

By the purchase of the 2023 Series A Bonds, on the date of issuance, the purchasers and beneficial owners, on behalf of themselves and all subsequent holders of the 2023 Series A Bonds, irrevocably (i) consent and will be deemed to have irrevocably consented to the Springing Amendment, and (ii) waive, and shall be deemed to have waived, any and all other formal notice, implementation, execution or timing requirements that may otherwise be required under the Existing Indenture in order to implement such Springing Amendment. Any such consent will be effective on the date of issuance of the 2023 Series A Bonds, will be binding on any subsequent purchaser of any 2023 Series A Bonds, and may not be revoked after the issuance of the 2023 Series A Bonds.

In the event that insufficient numbers of consents to the Springing Amendment are received, the proposed Springing Amendment shall be deemed null and void and of no effect.

See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE INCLUDING THE ELEVENTH SUPPLEMENTAL INDENTURE."

See "INTRODUCTORY STATEMENT—Outstanding Bonds" herein for a description of certain Outstanding Bonds [and the percentage of Outstanding Bonds represented by and upon issuance of the Bonds]. After giving effect to the issuance of the Series 2023 Series A Bonds, the consent of approximately _____% of holders of Outstanding Bonds will have been obtained for the Springing Amendment.

Limited Obligations of the District

THE 2023 SERIES A BONDS ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM REVENUES AND CERTAIN OTHER AMOUNTS HELD IN THE FUNDS AND ACCOUNTS UNDER THE INDENTURE AS DESCRIBED HEREIN. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT ARE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, OR PREMIUM, IF ANY, OR INTEREST ON THE 2023 SERIES A BONDS. THE 2023 SERIES A BONDS ARE NOT A DEBT OF THE STATE OF CALIFORNIA OR ANY OTHER POLITICAL SUBDIVISION THEREOF AND SAID STATE OR OTHER POLITICAL SUBDIVISION THEREOF IS NOT LIABLE FOR THE PAYMENT THEREOF.

PLAN OF FINANCING

General

The proceeds of the 2023 Series A Bonds will be used by the District: (i) to finance the 2023 Project as described under "2023 Project" below, and (ii) to pay the costs of issuing the 2023 Series A Bonds.

2023 Project

A portion of the proceeds of the 2023 Series A Bonds will be applied to the costs of the 2023 Project, consisting of [the financing or reimbursing of the costs of the acquisition, construction, improvement, betterment and equipping of health facilities] to be owned and operated by the District in connection with capital expenditures the District plans to incur over the next three years.

[Full description of projects to come.]

[The District also anticipates making routine capital investments to support existing operations. If the _____ described above does not occur, the proceeds of the 2023 Series A Bonds will be used to finance other capital programs within the District.]

See Appendix A – "INFORMATION CONCERNING WASHINGTON TOWNSHIP HEALTH CARE DISTRICT—SERVICES—Capital Plans."

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds related to the 2023 Series A Bonds:

Sources of Funds:	
Par Amount of 2023 Series A Bonds	
Net Original Issue Premium/Discount	
Total Sources of Funds	
Estimated Uses of Funds:	
2023 Project Account	
Costs of Issuance[(1)]	
Total Uses of Funds	

(1) Includes legal, printing, consulting, and Trustee's fees, Underwriter's discount and other costs of issuance.

CONTINUING DISCLOSURE

Pursuant to a Continuing Disclosure Agreement, dated the date of issuance and delivery of the 2023 Series A Bonds (the "Continuing Disclosure Agreement"), with Hilltop Securities Inc., as dissemination agent (the "Dissemination Agent"), the District has covenanted for the benefit of holders of the 2023 Series A Bonds (including Beneficial Owners of the 2023 Series A Bonds) to provide for dissemination by the Dissemination Agent of (i) certain financial information and operating data relating to the District (each an "Annual Report") by not later than six months following the end of the District's fiscal year (which date would be January 1 following the end of the District's fiscal year on the prior June 30), commencing with the report for the 2022-23 Fiscal Year, and (ii) notices of the occurrence of certain listed events. The Annual Report and notices of listed events shall be filed by the Dissemination Agent, in electronic form, with the Electronic Municipal Market Access system ("EMMA") of the Municipal Securities Rulemaking Board (the "MSRB"). Additionally, the District has agreed to provide for dissemination by the Dissemination Agent to the MSRB of certain quarterly unaudited financial statements by not later than 75 days after the end of each of the District's first three fiscal quarters. The specific nature of the information to be contained in the Annual Report, the notices of listed events and the quarterly unaudited financial statements is included in Appendix E. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission ("Rule 15c2-12").

During the past five years, the District has not failed to comply, in any material respect, with any prior continuing disclosure undertaking made by the District for purposes of Rule 15c2-12. A failure by the District to comply with any provision of the Continuing Disclosure Agreement will not constitute a default or an Event of Default under the Indenture.

For a more complete description of the content, time, and place of filing of Annual Reports, the circumstances under which provisions of the Continuing Disclosure Agreement may be amended or waived, when Beneficial Owners of 2023 Series A Bonds are entitled to take action to enforce the Continuing Disclosure Agreement, limitations on enforcement of the Continuing Disclosure Agreement, and other provisions of the Continuing Disclosure Agreement, see Appendix E – "FORM OF CONTINUING DISCLOSURE AGREEMENT."

Although not required by the terms of the Continuing Disclosure Agreement or any existing continuing disclosure agreements, it is currently the District's policy to post certain information related to its board meetings on its website (http://www.whhs.com/About/Board-of-Directors.aspx). The District routinely posts certain notices, meeting agendas and board packages, and the board packages often include financial information and operating data not required to be disseminated under the Continuing Disclosure Agreement or any existing continuing disclosure agreements. There can be no assurance that this policy will continue in the future.

BONDHOLDERS' RISKS

The purchase of the 2023 Series A Bonds involves investment risks that are discussed throughout this Official Statement. Prospective purchasers of the 2023 Series A Bonds should evaluate all of the information presented in this Official Statement. This section on Bondholders' Risks focuses primarily on the general risks associated with hospital or health system operations, whereas Appendix A describes the District and the Facilities specifically. These should be read together.

General

Except as noted under "SECURITY FOR AND SOURCES OF PAYMENT OF THE 2023 SERIES A BONDS," the 2023 Series A Bonds are limited obligations of the District, payable solely from and secured by Revenues and amounts on deposit in funds and accounts held under the Indenture. No representation or assurance can be made that Revenues will be realized by the District in amounts sufficient to pay principal of and interest on the 2023 Series A Bonds.

The District is subject to a wide variety of federal and state regulatory actions and legislative and policy changes by those governmental and private agencies that administer Medicare, Medi-Cal (Medicaid) and other payors and is subject to actions by, among others, the National Labor Relations Board, The Joint

Commission, the Centers for Medicare & Medicaid Services ("CMS") of the U.S. Department of Health and Human Services ("DHHS"), the Attorney General of the State, and other federal, state and local government agencies. The future financial condition of the District could be adversely affected by, among other things, changes in the method and amount of payments to the District by governmental and nongovernmental payors, the financial viability of these payors, increased competition from other health care entities, the costs associated with responding to governmental inquiries and investigations, demand for health care, other forms of care or treatment, changes in the methods by which employers purchase health care for employees, capability of management, changes in the structure of how health care is delivered and paid for (*e.g.*, accountable care organizations, value-based purchasing, bundled payments, and other health reform payment mechanisms, including a "single-payor" system), future changes in the economy, demographic changes, availability of physicians, nurses and other health care professionals, and malpractice claims and other litigation. These factors and others may adversely affect payment by the District under the Indenture and, consequently, on the 2023 Series A Bonds.

COVID-19 or Other Public Health Emergency or Crisis

The occurrence or recurrence of a public health emergency or crisis, including an unexpected and widespread outbreak of an infectious disease or contagious virus, including, but not limited to, COVID-19, may put stress on the capacity of all or a part of the District's health care facilities, could result in an abnormally high demand for health care services, require that resources be diverted from one part of operations of the District to another part, disrupt the supply chain for equipment and supplies necessary for the operation of the District's facilities or impair the operation of part or all of those facilities. In addition, unaffected individuals may decide to defer elective procedures or otherwise avoid medical treatment, resulting in reduced patient volumes and operating revenues at the District's facilities. The effect of any future public health emergency or crisis on the District's operations and finances could be material and cannot be predicted at this time.

The widespread outbreak of COVID-19 (coronavirus) in 2020 globally and in the United States caused significant volatility in global and U.S. markets, negative economic growth, substantially increased unemployment and disruption to health care operations, including those of the District. On March 13, 2020, the United States declared a national state of emergency over the coronavirus outbreak.

The District, like other health systems across the nation, experienced a substantial slowdown in patient and operational volumes beginning in March 2020, including in particular the patient volumes related to elective procedures. As federal, state and local officials issued guidelines to avoid hospitalization for non-emergency issues, patient appointment volume, especially for specialty practices, and emergency department volume declined. Declines in volumes caused a reduction in operating revenues. [Update - Furthermore, in response to the potential for additional patients requiring hospitalization due to the significant increase in coronavirus cases, the Hospital experienced issues related to the capacity needed to address increased COVID-19 patient volume. Staff productivity was negatively affected due to additional training and preparatory costs and deployment/reassignment of additional resources or personnel to other facilities or units. Additionally, due to the decline in outpatient volumes and elective procedures, active staff was reduced at the Hospital and outpatient facilities. The COVID-19 pandemic had led to a constrained supply environment which resulted in higher cost to procure, and unavailability of, critical personal protection equipment, pharmaceuticals and medical supplies.] Should a supply disruption result in the inability to obtain especially high-margin drugs and compound components necessary for patient care, the District's financial position could be negatively impacted. The District may experience some or all of these consequences if new surges of COVID-19 cases occur.

Governmental Relief. The federal Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") passed by the United States Congress in May 2020 created a $100 billion Public Health and Social

Services Emergency Fund ("Provider Relief Fund") with a direction to the DHHS to distribute funds through grants or other mechanisms to eligible providers for healthcare related expenses or lost revenues that were attributable to coronavirus. The Hospital participated in the Provider Relief Fund distribution. DHHS generally distributed funding from the Provider Relief Fund as grants, not as loans, and the recipients of the funds were required to agree to certain terms and conditions. Health care providers were required to use these funds only to prevent, prepare for, and respond to coronavirus, and for healthcare-related expenses or lost revenues attributable to coronavirus. The funds were not permitted to be used to reimburse expenses or losses that were reimbursed from other sources or that other sources were obligated to reimburse.

Recognition of Provider Relief Funds. All Provider Relief Fund recipients were required to attest to the Provider Relief Fund Terms and Conditions (the "Terms and Conditions") which, among other things, required the submission of documentation to substantiate that relief funds were used for increased health care-related expenses or lost revenue attributable to coronavirus. Payments in excess of health care-related expenses or lost revenue attributable to coronavirus were required to be repaid. DHHS reserved the right to audit Provider Relief Fund recipients to ensure that the use requirement was met and collect any Provider Relief Fund amounts that were made in error or that exceeded lost revenue or increased expenses due to coronavirus. Failure to comply with the Terms and Conditions may be grounds for recoupment or other penalty or sanction. DHHS is expected to maintain a robust audit program to ensure compliance with the Terms and Conditions. Violations may be pursued as false claims under the federal False Claims Act ("FCA") and may occur as a result of an audit by DHHS or by the filing of a whistleblower complaint under the FCA.

The public health emergency associated with coronavirus ended on May 11, 2023, resulting in the conclusion of many of the regulatory flexibilities and waivers granted by the federal government under its public health emergency authority. Many of the federal and state legislative and regulatory measures allowing for flexibility in delivery of care and financial support for healthcare providers were available only for the duration of the COVID-19 public health emergency. Most states have ended their state-level emergency declarations. Although the federal government may consider future COVID-19 emergency response and relief legislation, the content and passage of any such legislation is uncertain. It is not yet clear what impact the withdrawal of any regulatory flexibilities will have, and there can be no assurance that it will not have a material negative financial impact on the District.

For more information on the impact of COVID-19 on the District, see APPENDIX A – "INFORMATION CONCERNING WASHINGTON TOWNSHIP HEALTH CARE DISTRICT—MANAGEMENT'S DISCUSSION AND ANALYSIS" and APPENDIX B – "AUDITED FINANCIAL STATEMENTS OF THE DISTRICT AS OF AND FOR THE YEARS ENDED JUNE 30, 2022 AND 2021—MANAGEMENT'S DISCUSSION AND ANALYSIS."

Significant Risk Areas Summarized

Certain of the primary risks associated with the operations of the District are briefly summarized in general terms below and are explained in greater detail in subsequent sections. The occurrence of one or more of these risks could have a material adverse effect on the financial condition and results of operations of the District.

Federal Health Care Reform and Deficit Reduction. The healthcare industry is subject to changing political, regulatory, and economic influences that often affect the District's business. In recent years, the healthcare industry has undergone significant changes, many of which have been aimed at reducing costs and government spending. The U.S. Congress and certain state legislatures have introduced and passed a large number of proposals and legislation affecting the healthcare system, including laws intended to impact access to health insurance. The most prominent of these efforts, the Patient Protection and Affordable Care Act (the "ACA") was enacted in March 2010. The ACA has been, and continues to be, subject to legislative and regulatory changes and court challenges.

On December 14, 2018, a Texas Federal District Court judge, in the case of *Texas v. Azar* declared the ACA unconstitutional, reasoning that the individual mandate tax penalty was essential to and not severable from the remainder of the ACA. The matter was ultimately appealed to the U.S. Supreme Court, which rejected the challenge on June 15, 2021, ruling that Texas and the other plaintiff states did not have standing to challenge the provision, leaving the ACA fully intact. On September 7, 2022, the same Texas Federal District Court judge, in the case of *Braidwood Management v. Becerra*, ruled that the requirement that certain health plans cover services with an "A" or "B" recommendation from the U.S. Preventive Services Task Force without cost sharing violates the Appointments Clause of the U.S. Constitution and that the coverage of certain HIV prevention medication violates the Religious Freedom Restoration Act. The government has appealed the decision to the U.S. Circuit Court of Appeals for the Fifth Circuit. Management of the District is unable to predict the outcome of this litigation or the potential impact on it at this time. It is not possible to predict with any certainty whether or when the ACA or any specific provision or implementing measure will be repealed, withdrawn or modified in any significant respect, but a unified administration and majority in both chambers of Congress could enact legislation, withdraw, modify or promulgate rules, regulations and policies, or make determinations affecting the healthcare industry and the District, any of which individually or collectively could have a material adverse effect on the operations, financial condition and financial performance of the District.

The Inflation Reduction Act of 2022 ("IRA") was passed on August 16, 2022, which among other things, allows for CMS to negotiate prices for certain single-source drugs and biologics reimbursed under Medicare Part B and Part D, beginning with 10 high-cost drugs paid for by Medicare Part D starting in 2026, followed by 15 Part D drugs in 2027, 15 Part B or Part D drugs in 2028, and 20 Part B or Part D drugs in 2029 and beyond. The IRA also continued the expanded subsidies for individuals to obtain private health insurance under the ACA through 2025. The effect of the IRA on hospitals and the healthcare industry in general is not yet known.

Management of the District is analyzing the ACA and the IRA, relevant regulations, and supplemental guidance, and will continue to do so to assess its effects on current and projected operations, financial performance and the financial condition of the District. However, management of the District cannot predict with any reasonable degree of certainty or reliability any interim or ultimate effects of the legislation. Moreover, the full ramifications of the ACA may also become apparent only over time and through later regulatory and judicial interpretations. Portions of the ACA have already been limited, delayed or nullified as a result of executive action, legislative amendments and judicial interpretations and future actions may further change its impact. The uncertainties regarding the implementation of the ACA create unpredictability for the strategic and business planning efforts of health care providers, which in itself constitutes a risk.

A significant component of the ACA is reformation of the sources and methods by which consumers will pay for health care for themselves and their families and by which employers will procure health insurance for their employees and dependents and, as a consequence, expansion of the base of consumers of health care services. One of the primary drivers of the ACA is to provide or make available, or subsidize the premium costs of, health care insurance for some of the millions of currently uninsured (or underinsured) consumers who fall below certain income levels.

The ACA is intended to expand the base of consumers for health care services through various provisions, summarized as follows: (i) the creation of active markets ("exchanges") in which individuals and small employers can purchase health care insurance for themselves and their families or their employees and dependents, (ii) providing subsidies for premium costs to individuals and families based upon their income relative to federal poverty levels, (iii) mandating that individual consumers obtain and certain employers provide a minimum level of health care insurance, and providing for penalties or taxes on consumers and employers that do not comply with these mandates, (iv) expansion of private commercial insurance coverage generally through such reforms as prohibitions on denials of coverage for pre-existing conditions and elimination of lifetime or annual cost caps, and (v) expansion of existing public programs, including Medicaid, for individuals and families.

Beginning in federal fiscal year 2014, the ACA created "health insurance exchanges" on which health insurance can be purchased by certain groups and segments of the population, expanded the availability of subsidies and tax credits for premium payments by some consumers and employers, and required that certain terms and conditions be included by commercial insurers in contracts with providers. The type and number of health plans offered by any exchange continually evolve. The ACA also imposed many new obligations on states related to health insurance.

Executive branch actions can also have a significant impact on the viability of the ACA. President Biden issued an Executive Order on January 28, 2021 to reverse the impact of previous executive actions intended to weaken the ACA. Based on this Executive Order, DHHS opened HealthCare.gov for a "Special Enrollment Period," from February 15, 2021 – May 15, 2021, to provide Americans needing health care coverage during the pandemic the opportunity to sign up. The order also directed federal agencies to reconsider rules and other policies that limit Americans' access to health care, and consider actions that will protect and strengthen that access. On March 11, 2021, President Biden signed the American Rescue Plan Act of 2021 ("ARP") into law. The ARP extends eligibility for ACA health insurance subsidies to people buying their own health coverage on the Marketplace who have household incomes above 400% of the federal poverty level. ARP also increased the amount of financial assistance for people at lower incomes who were already eligible under the ACA. On September 17, 2021, CMS finalized the 2022 ACA rules. Some rules are direct reversals of the rule changes made by the Trump administration; others are new ideas intended to increase access to affordable health insurance. An extra month of open enrollment has been finalized, as has a year-round open enrollment period for households earning up to 150% of the poverty level. CMS notes this special enrollment period will only remain in effect as long as the ARP's subsidy enhancements are available, which will expire at the end of 2025. In addition, CMS has taken steps to streamline the process by which states obtain waivers of Medicaid coverage mandates. CMS has also permitted the implementation of work and community engagement requirements as a condition of eligibility for Medicaid benefits.

It is unclear how the increased federal oversight of state health care may affect future state oversight or affect the District. The health insurance exchanges may have a positive impact on hospitals by increasing the availability of health insurance to individuals who were previously uninsured. Conversely, employers or individuals may shift their purchase of health insurance to new plans offered through the exchanges, which may or may not reimburse providers at rates at least equal to rates the providers currently receive. The exchanges could alter the health insurance markets in ways that cannot be predicted, and exchanges might, directly or indirectly, take on a rate-setting function that could negatively impact providers. Because the exchanges and plans offered are continually changing, the effect of the ACA upon the financial condition or financial performance of any third-party payor that offers health insurance, rates paid by third-party payors to providers and, thus, the District's revenues and the impact on the District's financial condition and results of operations cannot be predicted.

As of the date of this Official Statement, no proposed bills seeking repeal of the ACA have passed both chambers of Congress. Management of the District cannot predict the likelihood of any repeal bills or other health care reform bills becoming law, or the subsequent effects of any such laws, though such effects could materially impact the District's financial condition or results of operations.

The ACA addresses almost all aspects of hospital and provider operations and health care delivery, and has changed and is changing how health care services are covered, delivered, and reimbursed. These changes have resulted, and will continue to result, in new payment models with the risk of lower health care provider reimbursement from Medicare, utilization changes, increased government enforcement and the necessity for health care providers to assess, and potentially alter, their business strategy and practices, among other consequences. While most providers are receiving reduced payments for care, millions of previously uninsured Americans may have coverage. "Health insurance exchanges" could fundamentally alter the health insurance market and negatively impact health care providers, enabling insurers to aggressively negotiate rates.

In recent years, federal policymakers have undertaken various efforts to reduce the federal deficit, principally by reducing federal spending on entitlement programs, including Medicare and Medicaid. Beginning in 2013, pursuant to a law enacted in 2011, Medicare payments to providers have been cut by 2% annually through fiscal year 2032.

There is a substantial risk that Congress could act to extend or increase these across-the-board reductions. See "—Patient Service Revenues" below.

Additional attempts to curb federal entitlement program spending are likely, and federal deficit reduction efforts will likely reduce federal Medicare and Medicaid spending further to the detriment of hospitals, physicians and other health care providers. See "—Health Care Reform," below.

Rate Pressure from Insurers and Purchasers. Certain health care markets, including many communities in California, are strongly impacted by large health insurers and, in some cases, by major purchasers of health services. In those areas, health insurers may have significant influence over the rates, utilization and competition of hospitals and other health care providers. Rate pressure imposed by health insurers or other major purchasers, including managed care payors, may have a material adverse impact on health care providers, particularly if major purchasers put increasing pressure on payors to restrain rate increases. Mergers and other consolidation activities by health insurers could also materially adversely affect the ability of hospitals and other health care providers to negotiate favorable rates. Business failures by health insurers also could have a material adverse impact on contracted hospitals and other health care providers in the form of payment shortfalls or delays, and/or continuing obligations to care for managed care patients without receiving payment. In addition, disputes with non-contracted payors may result in an inability to collect billed charges from these payors.

Capital Needs vs. Capital Capacity. Hospital and other health care operations are capital intensive. Regulation, technology and expectations of physicians and patients require constant and often significant capital investment. In California, seismic safety standards mandated by the State may require that many hospital facilities be substantially modified, replaced or closed. Nearly all hospitals in California are affected. Estimated construction costs are substantial and actual costs of compliance may exceed estimates. Total capital needs may exceed capital capacity. Additionally, the technology needs of hospitals also present significant capital needs, including acquisition and implementation of electronic health record ("EHR") technology. Furthermore, capital capacity of hospitals and health systems may be reduced as a result of any credit market dislocations.

Construction Risks. Construction projects are subject to a variety of risks, including but not limited to delays in issuance of required building permits or other necessary approvals or permits, including environmental approvals, strikes, shortages of materials, and labor, and adverse weather conditions. Such events could delay occupancy. Cost overruns may occur due to change orders, delays in the construction schedule, scarcity of building materials and labor and other factors. Cost overruns could cause the costs of any project to exceed available funds. See Appendix A – "INFORMATION CONCERNING WASHINGTON TOWNSHIP HEALTH CARE DISTRICT—SERVICES—Capital Plans."

Government Fraud Enforcement. Fraud in government-funded health care programs is a significant concern of federal and state regulatory agencies overseeing health care programs, and is one of the federal government's prime law enforcement priorities. The federal government and, to a lesser degree, state governments impose a wide variety of extraordinarily complex and technical requirements intended to prevent over-utilization based on economic inducements, misallocation of expenses, overcharging and other forms of fraud in the Medicare and Medicaid programs, as well as other state and federally-funded health care programs. This body of regulation impacts a broad spectrum of hospital and other health care provider commercial activity, including billing, accounting, recordkeeping, medical staff oversight, physician contracting and recruiting, cost allocation, clinical trials, discounts and other functions and transactions.

Violations and alleged violations may be deliberate, but also frequently occur in circumstances where management is unaware of the conduct in question, as a result of mistake, or where the individual participants do not know that their conduct is in violation of law. Violations may occur and be prosecuted in circumstances that do not have the traditional elements of fraud, and enforcement actions may extend to conduct that occurred in the past. Violations carry significant sanctions. Both federal and state governments periodically conducts widespread investigations covering categories of services or certain accounting or billing practices.

The government and/or private "whistleblowers" often pursue aggressive investigative and enforcement actions. The government has a wide array of civil, criminal and monetary penalties, including withholding essential hospital and other health care provider payments from the Medicare or Medicaid programs, or exclusion from those programs. Aggressive investigation tactics, negative publicity and threatened penalties can be, and often are, used to force settlements, payment of fines and prospective restrictions that may have a materially adverse impact on hospital and other health care provider operations, financial condition, results of operations and reputation. Multi-million dollar fines and settlements are common. These risks are generally uninsured. Government enforcement and private whistleblower suits may increase in the hospital and health care sector. Many large hospital and other health care provider systems are likely to be adversely impacted.

Personnel Shortage. From time to time, shortages of physicians and nursing and other technical personnel occur, which may affect hospitals and health care systems. The COVID-19 pandemic exacerbated personnel shortages in health care. As reimbursement amounts are reduced to health care facilities and organizations that employ or contract with physicians, nurses and other health care professionals, pressure to control and possibly reduce wage and beneft costs may further strain the supply of those professionals. In California, regulation of nurse staff ratios can intensify the potential shortage of nursing personnel. In addition, shortages of other professional and technical staff such as pharmacists, therapists, laboratory technicians, billing coders and others may occur or worsen. A new influx of patients with insurance coverage, as a result of any health care reform initiatives, may exacerbate personnel shortage issues. Hospital operations, patient and physician satisfaction, financial condition and future growth could be negatively affected by physician and nursing and other technical personnel shortages, resulting in material adverse effect to hospitals and health care systems.

Technical and Clinical Developments. New clinical techniques and technology, as well as new pharmaceutical and genetic developments and products, may alter the course of medical diagnosis and treatment in ways that are currently unanticipated, and that may dramatically change medical and hospital care. These developments could result in higher costs, reductions in patient populations, lower utilization of hospital service and/or new sources of competition for hospitals.

Costs and Restrictions from Governmental Regulation. Nearly every aspect of hospital operation and health care delivery is regulated, in some cases by multiple governmental agencies. The level and complexity of regulation and compliance audits appear to be increasing, imposing greater operational limitations, higher staffing and training requirements, enforcement and liability risks, and significant and sometimes unanticipated costs.

Proliferation of Competition. Hospitals increasingly face competition from specialty providers of care and ambulatory care facilities. Such competition may cause hospitals to lose essential inpatient or outpatient market share. Competition may be focused on services or payor classifications where hospitals realize their highest margins, thus negatively affecting programs that are economically important to hospitals. Specialty hospitals may treat only profitable classifications of patients, leaving full-service hospitals with higher acuity and/or lower paying patient populations. These new sources of competition may have a material adverse impact on hospitals, particularly where principal physician admitters may curtail their use of a hospital service in favor of a competitor's facilities.

Increasing Consumer Choice. Hospitals and other health care providers face increased pressure to be transparent and provide information about cost and quality of services, which may lead to a loss of business as consumers and others make choices about where to receive health care services based upon published information.

Labor Costs and Disruption. The delivery of health care services is labor intensive. Labor costs, including salary, benefits and other liabilities associated with the workforce, have significant effects on hospital and health care provider operations and financial condition. Hospital and health care employees are increasingly organized in collective bargaining units and may be involved in work actions of various kinds, including work stoppages and strikes. Overall costs of the hospital workforce are high, and turnover is high. Pressure to recruit, train and retain qualified employees is expected to accelerate. These factors may materially increase hospital costs of operation. At the same time, health care organizations will be under increasing pressure to reduce the cost of delivering care to patients, including the cost of salary and benefits, in order to compete in a transparent price market. These factors may materially increase hospital costs of operation. Workforce disruption may negatively affect hospital revenues and reputation.

Reliance on Medicare. Inpatient hospitals rely to a high degree on payment from the federal Medicare program. Recent, as well as future, changes in the underlying law and regulations, as well as in payment policy and timing, create uncertainty and could have a material adverse impact on hospitals' payment stream from Medicare. With health care and hospital spending reported to be increasing faster than the rate of general inflation, Congress and/or CMS may take action in the future to decrease or restrain Medicare outlays for hospitals.

State Medicaid Program. The State's Medicaid program (known as "Medi-Cal") and other state health care programs are an important payor source for many hospitals and other health care providers and are likely to become a proportionately larger source of revenue as federal health care reform is implemented, expanding Medicaid coverage, in those states that choose to expand Medicaid, to significant numbers of uninsured Americans. These programs often pay hospitals and physicians at levels that may be below the actual cost of the care provided. As Medi-Cal and other State health care programs are partially funded by the State, the financial condition of the State may result in lower funding levels and/or payment delays in the future.

General Economic Conditions; Bad Debt, Indigent Care and Investment Performance. Hospitals and health care providers are economically influenced by the environment in which they operate. Any national, regional or local economic difficulties may constrain corporate and personal spending, limit the availability of credit and increase the national debt and federal and certain state government deficits. To the extent that unemployment rates are high, employers reduce their workforces and their budgets for employee health care coverage, or private and public insurers seek to reduce payments to health care providers or curb utilization of health care services, health care providers may experience decreases in insured patient volume, decreases in demands for services and reductions in payments for services. In addition, to the extent that state, county or city governments are unable to provide a safety net of medical services, pressure is applied to local hospitals and health care providers to increase free care. Economic downturns and lower funding of federal Medicare and state Medicaid and other state health care programs may increase the number of patients who are unable to pay for some or all of their medical and hospital services. These conditions may give rise to increases in health care providers' uncollectible accounts, or "bad debt," uninsured discount and charity care and, consequently, to reductions in operating income. Declines in investment portfolio values may reduce or eliminate non-operating revenues. Investment losses (even if unrealized) may trigger debt covenant violations and may jeopardize hospitals' economic security. Losses in pension and other postretirement benefit funds may result in increased funding requirements for hospitals and health systems. Potential failure of lenders, insurers or vendors may negatively impact the results of operations and the overall financial condition of health care providers. Philanthropic support may also decrease or be delayed. These factors may have a material adverse impact on hospitals and health care providers. For a discussion of these risks with regard to the District, in particular the District's recent results of operations and statement of financial position and performance of the District's investments, see APPENDIX A – "INFORMATION CONCERNING WASHINGTON TOWNSHIP HEALTH CARE DISTRICT—SELECTED FINANCIAL INFORMATION."

Pension and Benefit Funds. As large employers, hospitals may incur significant expenses to fund pension and benefit plans for employees and former employees, and to fund required workers' compensation benefits. Plans are often underfunded, or may become underfunded, and funding obligations in some cases may be erratic or unanticipated and may require significant commitments of available cash needed for other purposes.

Medical Liability Litigation and Insurance. Medical liability litigation is subject to public policy determinations and legal and procedural rules that may be altered from time to time, with the result that the frequency and cost of such litigation, and resultant liabilities, may increase in the future. Hospitals may be affected by negative financial and liability impacts on physicians. Costs of insurance, including self-insurance, may increase dramatically.

Facility Damage. Hospitals are highly dependent on the condition and functionality of their physical facilities. Damage from earthquakes, floods, fires, other natural causes, deliberate acts of destruction, or various facilities system failures may have a material adverse impact on hospital operations and financial condition.

Federal Budget Cuts

The Budget Control Act of 2011 set in place a capped 2% reduction in Medicare spending, among other reductions, which took effect in March 2013, resulting in Medicare payment reductions of up to 2% per fiscal year with a uniform percentage reduction across all Medicare programs. Subsequent legislation has extended this sequestration through 2032. The CARES Act, as amended, temporarily suspended or limited the application of this sequestration from May 1, 2020 through June 30, 2022, with a return to the full 2% Medicare payment reduction thereafter.

Congress has not taken action to eliminate some or all of the reductions, but it is possible that Congress will take action to eliminate some or all of the reductions in the future and any Congressional action could be made retroactive in order to eliminate some or all of the cuts even to the extent they were imposed. However, there is no certainty that Congress will take any action. Ultimately, these reductions or alternatives could have a disproportionate impact on hospital providers and could have a material adverse effect on the financial condition of the District.

Debt Limit Increase

The federal government has through legislation created a debt "ceiling" or limit on the amount of debt that may be issued by the United States Treasury. In the past several years, political disputes have arisen within the federal government over whether to authorize further increases in the federal debt ceiling. Any failure by Congress to increase the federal debt limit may impact the federal government's ability to incur additional debt, pay its existing debt instruments and to satisfy its obligations relating to the Medicare and Medicaid programs. The Fiscal Responsibility Act of 2023 suspended the debt ceiling until January 1, 2025.

Management of the District is unable to determine at this time what impact any future failure to increase the federal debt limit may have on the operations and financial condition of the District, although such impact may be material. Additionally, the market price or marketability of the 2023 Series A Bonds in the secondary market may be materially adversely impacted by any failure to increase the federal debt limit.

Health Care Reform

Federal Health Care Reform. The ACA addresses almost all aspects of hospital and provider operations and health care delivery, and has changed and is changing how health care services are covered, delivered, and reimbursed. These changes have resulted, and are expected to continue to result, in new payment models with the risk of lower health care provider reimbursement from Medicare, utilization changes, increased government enforcement and the necessity for health care providers to assess, and potentially alter, their business strategy and practices, among other consequences. As a result of the ACA, substantial changes have occurred and are anticipated to continue to occur in the United States health care system. Generally, the ACA affects the delivery of health care services, the financing of health care costs, reimbursement of health care providers and the legal obligations of health insurers, providers, employers and consumers. While most providers will receive reduced payments for care, millions of previously uninsured Americans have gained, and many more may gain, insurance coverage. "Health insurance exchanges" could fundamentally alter the health insurance market and negatively affect health care providers, enabling insurers to aggressively negotiate rates. Nevertheless, initiatives to repeal the ACA, in whole or in part, to delay elements of implementation or funding, and to offer amendments or supplements to modify its provisions, have been persistent and may increase as a result of future presidential and congressional elections.

Several attempts to amend and repeal provisions of the ACA have been made since its passage. It is not possible to predict whether the ACA will be modified further in any significant respect or wholly repealed. Any legislative action that (i) reduces federal health care program spending, (ii) increases the number of individuals without health insurance, (iii) reduces the number of people seeking health care, or (iv) otherwise significantly alters the health care delivery system or insurance markets could have a material adverse effect on the business, results of operations, cash flow, capital resources, and liquidity of the District.

It remains unclear at this time what portions of the ACA may remain, or what any replacement or alternative programs may be created by any future legislation. Any such future repeal or replacement may have significant impact on the reimbursement for health care services generally, and may create reimbursement for alternative health care services competing with the services offered by the District. Accordingly, there can be no assurance that the adoption of any future federal or state health care reform legislation will not have a negative financial impact on the District, including its ability to compete with alternative health care services funded by such potential legislation, or for the District to receive payment for services.

The changes in the health care industry brought about by the ACA thus far may have both positive and negative effects, directly and indirectly, on the nation's hospitals and other health care providers, including the District. For example, under the ACA, the projected increase in the numbers of individuals with health care insurance occurring as a consequence of Medicaid expansion, creation of health insurance exchanges, subsidies for insurance purchase and the penalty on certain individuals who do not purchase insurance could result in lower levels of bad debt and increased utilization or profitable shifts in utilization patterns for hospitals. However, these benefits may be offset to the extent that Medicaid expansion, which is now optional on a state-by-state basis, is either not pursued or results in a shifting of significant numbers of commercially-insured individuals to Medicaid, or other health insurance options on exchanges are limited or unaffordable, or as a result of the cost containment measures and pilot programs that the ACA requires. A negative impact to the hospital industry overall will likely result from currently scheduled substantial cumulative reductions in Medicare payments. Currently, the ACA's cost-cutting provisions to the Medicare program include reduction in Medicare market basket updates to hospital reimbursement rates under the inpatient prospective payment system, as well as additional reductions to or elimination of Medicare reimbursement for certain patient readmissions and hospital-acquired conditions. Industry experts also expect that private insurers and payors may follow with similar actions.

Beginning in 2014, the ACA created state "health insurance exchanges" in which health insurance can be purchased by certain groups and segments of the population, expanded the availability of subsidies and tax credits for premium payments by some consumers and employers, and required that certain terms and conditions be included by commercial insurers in contracts with providers. In addition, the ACA imposed many new obligations on states related to health insurance. It is unclear how the increased federal oversight of state health care may affect future state oversight or affect the District. The health insurance exchanges may have positive impact for hospitals by increasing the availability of health insurance to individuals who were previously uninsured. Conversely, employers or individuals may shift their purchase of health insurance to new plans offered through the exchanges, which may or may not reimburse providers at rates equivalent to rates the providers currently receive. The exchanges could alter the health insurance markets in ways that cannot be predicted, and exchanges might, directly or indirectly, take on a rate-setting function that could negatively impact providers. The effects of these changes upon the financial condition of any third party payor that offers health insurance, rates paid by third-party payors to providers and, thus, the revenues of the District, and upon the operations, results of operations and financial condition of the District cannot be predicted.

High-deductible insurance plans have become more common in recent years, and the ACA has encouraged the increase in high-deductible insurance plans as the health care exchanges include a variety of plans, several of which offer lower monthly premiums in return for higher deductibles. Many plans offered on the exchanges have high deductibles. High-deductible plans may contribute to lower inpatient volumes as patients may forgo or choose less expensive medical treatment to avoid having to pay the costs of the high deductibles. There is also a potential concern that some patients with high-deductible plans will not be able to pay their medical bills as they may not be able to cover their high deductible. Employers have implemented a variety of strategies to offset high deductibles under these plans, including offering supplemental voluntary insurance products, such as per-diem hospitalization, critical illness or cancer insurance policies and/or enabling employees to contribute to health savings accounts.

The ACA affects some health care organizations differently from others, depending, in part, on how each organization has adapted to the legislation's emphasis on directing more federal health care dollars to integrated provider organizations and providers with demonstrable achievements in quality care.

The ACA proposed a value-based purchasing system for hospitals under which a percentage of payments are contingent on satisfaction of specified performance measures related to common and high-cost medical conditions, such as cardiac, surgical and pneumonia care. The ACA has also established a mechanism by which the government develops and tests various demonstration programs and pilot projects and other voluntary and mandatory programs to evaluate and encourage new provider delivery models and payment structures, including "accountable care organizations" and bundled provider payments. CMS continues to propose new payment models and evaluate the impact of existing ones, which has led to some confusion in the industry.

The ACA contains amendments to existing criminal, civil and administrative anti-fraud statutes and increases in funding for enforcement and efforts to recoup prior federal health care payments to providers. Under the ACA, a broad range of providers, suppliers and physicians are required to adopt a compliance and ethics program. While the government has already increased its enforcement efforts, failures to implement certain core compliance program features provide new opportunities for regulatory and enforcement scrutiny, as well as potential liability if an organization fails to prevent or identify improper federal health care program claims and payments.

As the regulatory environment for health care is subject to changes depending on which political parties control the executive and legislative branches, the following discussion should be read with the understanding that significant changes could occur in 2023 and beyond in many of the statutory and regulatory matters discussed. See also "—Regulatory Environment," below.

California Health Care Reform. The State enacted several laws to implement the ACA within the required federal timeframes. Among the steps taken to date to implement or advance the ACA:

- The State established a state health insurance exchange within a year of the passage of the ACA. The California Health Benefit Exchange operates under the name "Covered California."

- The State approved expansion of Medi-Cal coverage, effective January 1, 2014, to include adults with incomes up to 138% of the federal poverty level who are under age 65, not pregnant and not otherwise currently eligible for Medi-Cal. In addition, legislation was enacted prohibiting insurers from denying health coverage based on preexisting conditions.

- Approval of an expansion of the Children's Health Insurance Program ("CHIP") to cover children in families with income up to 317% of the federal poverty level in three counties and up to 411% of the federal poverty level in one county.

- The State is also running a dual-eligible pilot program with federal funding, called the "Cal MediConnect Program."

- Legislation enacted extending health care benefits to individuals 19 to 25 years of age, regardless of their immigration status; increased eligibility for subsidies to purchase health plans through Covered California; and implementation of a State version of the individual mandate.

- Medi-Cal expansion to provide full-scope eligibility to low-income adults 50 years or older, regardless of immigration status.

In addition to premium increases, insurers may seek to offset the effects of increasingly costly services by "narrowing" their provider networks, which requires hospitals to accept smaller per-service reimbursements in return for a higher volume of patients. The increasing prevalence of "narrow" networks has resulted in additional confusion over which providers are "in network" versus "out of network" for a given health plan. Over 1.7 million consumers selected a health plan for 2023 coverage during open enrollment. California currently provides temporary additional financial assistance to offset the costs of health insurance to eligible consumers with household income up to 600% of the federal poverty level. Additional subsidies were made available through the ARP, further reducing the cost of insurance premiums for certain Covered California enrollees. It is currently estimated that Medi-Cal covers close to 12.5 million Californians, including nearly 4 million adults.

Patient Service Revenues

The Medicare Program. Medicare is the federal health insurance system under which health care providers are paid for health care services. Under Part A of the Medicare program, hospitals receive payments for services provided to eligible senior and disabled persons or those who qualify under the End Stage Renal Disease Program. Medicare is administered by CMS, which delegates to the states the process for certifying hospitals to which CMS will make payment. In order to achieve and maintain Medicare certification, hospitals must meet CMS's "Conditions of Participation" on an ongoing basis, as determined by the hospital's state survey agency and/or CMS, and comply with the standards of The Joint Commission or other CMS-approved accrediting organization. The requirements for Medicare certification are subject to change, and, therefore, it may be necessary for hospitals to effect changes from time to time in their facilities, equipment, personnel, billing, policies and services to ensure continued compliance. The District is certified to participate in the Medicare program.

As the population ages, more people will become eligible for the Medicare program. Current projections indicate that demographic changes and continuation of current cost trends will exert significant and negative forces on the overall federal budget. Part A of the Medicare program reimburses hospitals based on a fixed schedule of rates based on categories of treatments or conditions. These rates change over time and there is no assurance that these rates will cover the actual costs of providing services to Medicare patients. The ACA institutes multiple mechanisms for reducing the rate of increase in the costs of the Medicare program, including the following:

> ***Value-Based Purchasing Program***. Medicare inpatient payments to hospitals are determined, in part, based on a program under which value-based incentive payments are made in a fiscal year to hospitals that meet certain performance standards during that fiscal year. The program is funded through the reduction of hospital inpatient care payments. Hospitals that perform poorly under the value-based purchasing program will receive reduced Medicare inpatient hospital payments. This reduction may be offset by incentive payments for hospitals that meet or exceed quality standards. In each federal fiscal year, the total amount collected from these reductions will be pooled and used to fund payments to reward hospitals that meet certain quality performance standards established by DHHS.
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> ***Market Basket Reductions***. Generally, Medicare payment rates to hospitals are adjusted annually based on a "market basket" of estimated cost increases. In recent years, market basket adjustments for inpatient hospital care have averaged approximately 2% to 4% annually. The ACA provides for "market basket" adjustments based on overall national economic productivity statistics calculated by the Bureau of Labor Statistics. The market basket updates, and the productivity adjustments may not reflect the increased cost of providing hospital services and, therefore, have had, and will continue to have, a disproportionately negative effect upon those providers that are relatively more dependent upon Medicare than other providers. The combination of reduced market basket updates and the imposition of the productivity adjustments may result in reductions in Medicare payment per discharge on a year-to-year basis. The reductions in market basket updates and the productivity

adjustments will have a disproportionately negative effect upon those providers that are relatively more dependent upon Medicare than other providers.

Market Productivity Adjustments. In federal fiscal year 2012 and thereafter, the ACA provides for "market basket" adjustments based on overall national economic productivity statistics calculated by the Bureau of Labor Statistics. This adjustment is currently anticipated to result in an approximately 0.3% additional reduction to the annual "market basket" update.

Hospital-Acquired Conditions Penalty. Medicare inpatient payments to hospitals that are in the top quartile nationally for frequency of certain HACs identified by CMS are reduced by 1% of what would otherwise be payable to each hospital for the applicable federal fiscal year.

Readmission Rate Penalty. Medicare inpatient payments to those hospitals with excess readmissions compared to the national average for specified conditions/procedures (*i.e.*, acute myocardial infarction, heart failure, pneumonia, chronic obstructive pulmonary disease, coronary artery bypass graft, and total hip arthroplasty/total knee arthroplasty) are reduced based on the dollar value of that hospital's percentage of excess preventable Medicare readmissions within 30 days of discharge for such medical conditions. Hospital performance is assessed separately for each measure. The current maximum penalty is 3%. It is expected that CMS will continue to expand and refine the patient conditions that can lead to readmission payment adjustments.

Medicare/Medicaid DSH Payments. The ACA provided that, beginning in federal fiscal year 2014, hospitals receiving supplemental disproportionate share hospital ("DSH") payments from Medicare (*i.e.*, those hospitals that care for a disproportionate share of low-income Medicare beneficiaries) would see their DSH payments reduced significantly. This reduction potentially would be offset by new, additional payments based on the volume of uninsured and uncompensated care provided by each such hospital, and is anticipated to be offset by a higher proportion of covered patients, if all other provisions of the ACA go into effect. Commencing in federal fiscal year 2024, and through 2028, a state's Medicaid DSH allotment from federal funds will be reduced. Such reductions have been delayed several times, most recently under the Consolidated Appropriations Act, 2021. During the reduction period, state Medicaid DSH allotments from federal funds will be reduced by $8 billion annually. Reductions are imposed on states based on percentage of uninsured individuals, Medicaid utilization, and uncompensated care. See also "—Disproportionate Share Payments" below.

Medicare Advantage. Hospitals also receive payments from health plans under the Medicare Advantage program. Medicare Advantage is the managed option for Medicare beneficiaries. Federal policymakers have been attentive to the cost of the Medicare Advantage program, relative to traditional fee-for-service Medicare, and fluctuations in Medicare Advantage payments by the federal government are common, which may result in increased premiums or out-of-pocket costs to Medicare beneficiaries enrolled in Medicare Advantage plans. Those beneficiaries may terminate their participation in those plans and opt for the traditional Medicare fee-for-service program. The reduction in payments to Medicare Advantage programs may also lead to decreased payments to providers by managed care companies operating Medicare Advantage programs, depending on the contractual arrangement between the Medicare Advantage program and the provider. All or any of these outcomes could have a disproportionately negative effect upon those providers with relatively high dependence on Medicare Advantage program revenues.

For the fiscal years ended June 30, 2020, 2021 and 2022, Medicare represented approximately 51%, [___]% and [___]%, respectively, of the District's gross patient service revenues. See Appendix A –

"INFORMATION CONCERNING WASHINGTON TOWNSHIP HEALTH CARE DISTRICT—SELECTED FINANCIAL INFORMATION—Sources of Revenues."

Hospital Inpatient Reimbursement. Hospitals generally are paid for inpatient services rendered to Medicare beneficiaries under the inpatient prospective payment system ("IPPS"). Under the IPPS, for each covered hospitalization, Medicare pays a predetermined base operating payment and a separate predetermined base payment for capital-related costs. Hospitals are generally paid for inpatient services provided to Medicare beneficiaries based on established categories of treatments or conditions known as diagnosis related groups ("DRGs"). Each DRG has its own predetermined rate, which, in the case of the service component, is based upon the national average costs to care for patients for the specific DRG, adjusted for geographic wage differences and, in the case of the capital component, at a per-case federal rate, adjusted for limited hospital-specific characteristics. The actual cost of care, including capital costs, may be more or less than the DRG rate. DRG rates are subject to adjustment by CMS, including reductions mandated by the ACA and the BCA, and are further subject to federal budget considerations. There is no guarantee that DRG rates, as they change from time to time, will cover actual costs of providing services to Medicare patients. For information regarding the impact of the ACA on payments to hospitals for inpatient services, see "—The Medicare Program" and "—Market Basket Reductions," above.

Medicare Bad Debt Reimbursement. Under Medicare, the costs attributable to the deductible and coinsurance amounts which remain unpaid by the Medicare beneficiary can be added to the Medicare share of allowable costs as cost reports are filed. Hospitals generally receive interim pass-through payments during the cost report year which were determined by the MAC from the prior cost report filing. Bad debts must meet the following criteria to be allowable:

- the debt must be related to covered services and derived from deductible and coinsurance amounts;
- the provider must be able to establish that reasonable collection efforts were made;
- the debt was actually uncollectible when claimed as worthless; and
- sound business judgment established that there was no likelihood of recovery at any time in the future.

The amounts uncollectible from specific beneficiaries are to be charged off as bad debts in the accounting period in which the accounts are deemed to be uncollectible. In some cases, an amount previously written off as a bad debt and allocated to the program may be recovered in a subsequent accounting period. In these cases, the recoveries must be used to reduce the cost of beneficiary services for the period in which the collection is made. In determining reasonable costs for hospitals, the amount of bad debts otherwise treated as allowable costs is reduced by 35%. Amounts incurred by a hospital as reimbursement for bad debts are subject to audit and recoupment by the MAC. Bad debt reimbursement has been a focus of MAC audit/recoupment efforts in the past.

Hospital Outpatient Reimbursement. Hospitals are generally paid for outpatient services provided to Medicare beneficiaries based on established categories of treatments or conditions known as ambulatory payment classifications ("APC"). The actual cost of care, including capital costs, may be more or less than the Medicare reimbursements. Generally, Medicare payment rates to hospitals for outpatient hospital services are adjusted annually based on estimated cost increases and other factors, including productivity and budget neutrality adjustments. These adjustments are typically positive, and often range from 0.5% to 2.5%. However, occasionally, because of statutory formulas and other legislative and administrative actions, these adjustments can be negative, and Medicare payments to hospitals can be reduced as a result.

Moreover, Congress often takes action to specify payment update reductions, which can have the effect of constraining or reducing hospital payments. There is no guarantee that APC rates, as they change from time to time, will cover actual costs of providing services to Medicare patients.

Price Transparency. On January 1, 2021, the CMS Price Transparency Rule (the "Price Transparency Rule") went into effect, requiring hospitals to publish gross charges, discounted cash prices, payor-specific negotiated charges, and minimum and maximum negotiated charges for all items and services provided by the hospital. Hospitals are also required to publish a consumer-friendly list of standard charges for at least 300 shoppable services – generally, non-emergency services that patients can schedule in advance. Failure to comply with these requirements may result in daily monetary penalties to the hospital. Initially, the penalty for noncompliance by a hospital was a maximum of $109,500 annually. However, the Biden administration, in response to widespread noncompliance with the Price Transparency Rule, finalized a rule change in 2022 that increased the maximum penalty for hospitals with over 550 beds to $2,007,500, and for hospitals with a range of 31 beds through 549 beds, a civil monetary penalty of $10 per bed per day, with the total maximum penalty being just under $2 million. The Price Transparency Rule could result in further legislative or regulatory action to restrain hospital rates or charges. Additionally, the availability of competitively sensitive rate information among hospitals, insurers, and employer sponsors of group health plans could lead to market distortions and possible anti-competitive effects that could affect hospital rates and revenue. The publication of hospital standard charges, including negotiated charges, could also result in changes to patient choice that may negatively affect the District. Accordingly, compliance with the Price Transparency Rule could have a material adverse effect upon the future financial condition and operations of the District.

The "No Surprises Act" was passed as part of the omnibus bill on December 27, 2020, to address costly bills patients may receive after unknowingly receiving out-of-network care. The No Surprises Act requires that health plans hold patients harmless from surprise bills, requiring individuals to pay only the in-network cost-sharing amount for out-of-network emergency care, ancillary services provided at in-network facilities by out-of-network providers, and out-of-network care provided at in-network facilities without a patient's informed consent. The law provides for a 30-day negotiation period for providers and payers to settle out-of-network claims. If no agreement is reached after this period, either party may opt for a binding independent dispute resolution process. In addition, the No Surprises Act includes transparency requirements for health plans to communicate in-network and out-of-network deductibles, as well as out-of-pocket caps. The statute also includes language requiring health plans to have publicly available, online, and up-to-date directories for their in-network providers and to offer a price comparison tool for consumers.

To the extent the provisions of the ACA produce the intended result, an increase in utilization of health care services by those who are currently avoiding or rationing their health care can be expected. Bad debt expenses may be reduced because reimbursement for otherwise uncompensated care will be received; however, the net impact of such an increase in utilization of health care services is difficult to predict, due to the rates of reimbursement under the Medicaid and Medicare programs, which could be further reduced. Associated with increased utilization will be increased variable and fixed costs of providing health care services, which may or may not be offset by increased revenues, and a risk of physician shortages, especially in specialties necessary to provide critical intervention or chronic disease management (e.g., primary care).

Off-Campus Provider-Based Departments. Beginning January 1, 2017, under provisions of the Bipartisan Budget Act of 2015, and regulations proposed by CMS, most new off-campus hospital outpatient departments ("HOPDs") and services that first billed Medicare as a hospital service on or after November 2, 2015, are no longer eligible for payment under the OPPS for non-emergency services. A hospital outpatient department is considered to be "off-campus" if it is located more than 250 yards from a main provider hospital or a remote location of a hospital. Instead, non-emergency services performed at these facilities will be paid under the Medicare Physician Fee Schedule ("PFS") at a set of PFS payment rates that are specific to hospitals. Effective January 1, 2018, these hospital specific PFS rates are based on 40% of the comparable OPPS rate. Beginning January 1, 2019, CMS began applying the PFS equivalent pay rate for certain evaluation and management services when provided at an off-campus HOPD that is paid under the OPPS, including at those HOPDs grandfathered under Bipartisan Budget Act of 2015, stepping down from 70% of OPPS rates in 2019 and 40% of OPPS rates in 2020 and thereafter.

Medicare Physician Payment. In April 2015, the Medicare and CHIP Reauthorization Act ("MACRA") established the Quality Payment Program ("QPP"), which repealed the sustainable growth rate methodology for updates to the Medicare PFS, changed the way that Medicare rewards clinicians for services, streamlined existing quality and value programs, and provided for bonus payments to physicians and other clinicians for participating in certain payment models. The QPP provides incentive payments to eligible clinicians participating in Medicare Part B through two tracks: the Merit-based Incentive Payment System ("MIPS") and Advanced Alternative Payment Models ("Advanced APMs"). In calculating physician payment adjustments, MIPS streamlines existing quality and value programs, accounting for physician performance under the meaningful use of electronic health records incentive program, the value-based modifier, and physician quality reporting system. Payments to physicians participating in APMs similarly account for performance under such programs. Beginning January 1, 2026, and effective January 1 of each subsequent calendar year, physician payments will be increased 0.75% for physicians who adequately participate in APMs, and 0.25% for those in MIPS. 2017 was the first MIPS performance period and 2019 was the first year Part B payment adjustments were applied for eligible clinicians. The outcomes of these programs, including the likelihood of being revised or expanded or their effect on health care organization revenues or financial performance cannot be predicted, and it remains unclear what effect this legislation will have on the District. For example, these programs may encourage more physicians to retire or not accept Medicare (or only accept Medicare Advantage). Alternatively, or in addition to other externalities of the implementation of these programs, increased focus and performance scoring on resource use may affect utilization of health care resources across the District. Furthermore, implementation of a quality payment system will likely require regular reporting to CMS and greater internal resources to monitor performance and prevent payment reductions.

Other Medicare Service Payments. Medicare payment for skilled nursing services, psychiatric services, inpatient rehabilitation services, general outpatient services and home health services are based on regulatory formulas or pre-determined rates. There is no guarantee that these rates, as they may change from time to time, will be adequate to cover the actual cost of providing these services to Medicare patients.

Reimbursement of Hospital Capital Costs. Hospital capital costs apportioned to Medicare patient use (including depreciation and interest) are paid by Medicare on the basis of a standard federal rate (based upon average national costs of capital), subject to limited adjustments specific to the hospital. There can be no assurance that future capital-related payments will be sufficient to cover the actual capital-related costs of the Facilities applicable to Medicare patient stays or will provide flexibility for hospitals to meet changing capital needs.

Recovery Audit Contractor Program. CMS implemented a Recovery Audit Contractor ("RAC") program on a nationwide basis pursuant to which CMS contracts with private contractors to conduct pre- and post-payment reviews to detect and correct improper payments in the fee-for-service Medicare program. The ACA expanded the RAC program's scope to include managed Medicare plans and Medicaid claims. CMS also employs Medicaid Integrity Contractors to perform post-payment audits of Medicaid claims and identify overpayments. These programs tend to result in retroactively reduced payment and higher administration costs to hospitals. See "—Regulatory Environment—Medicare and Medicaid Audits" below.

Medicaid Program. Medicaid is a program of medical assistance, funded jointly by the federal government and the states, for certain needy individuals and their dependents. Under Medicaid, the federal government provides limited funding to states that have medical assistance programs that meet federal standards. The ACA provides significantly enhanced federal funding for states to expand their Medicaid program to virtually all non-elderly, non-disabled adults with incomes up to 133% of the federal poverty level. Further attempts to balance or reduce the federal budget, along with balanced-budget requirements in the State, will likely negatively impact Medicaid funding. Payments made to health care providers under the Medicaid program are also subject to change as a result of federal or state legislative and administrative actions, including changes in the methods for calculating payments, the amount of payments that will be made for covered services, the eligibility requirements for Medicaid coverage, and the types of services that will be covered under the program. Such changes have occurred in the past and may be expected to occur in the future, particularly in response to federal and state budgetary constraints and increased fiscal pressure on the Medicaid program in periods of high unemployment. CMS has granted, and may grant in the future, additional Section 1115 demonstration waivers providing for work and community engagement requirements as a condition of eligibility for certain Medicaid-eligible individuals. It is anticipated this will lead to reductions in coverage, and likely increases in uncompensated care, in states where these demonstration waivers are granted. Reduction in coverage of persons under Medicaid, by changes in the poverty level threshold required for eligibility or otherwise, to eliminate groups of currently eligible California residents, could increase the number of uninsured persons treated by health care providers and increase the risk of unreimbursed expenses.

Medi-Cal Program. Medi-Cal is the California Medicaid program. The State has traditionally lagged behind other states in the amounts it pays to providers. The Medi-Cal program operates under two primary care delivery models: Fee-For-Service ("FFS") Medi-Cal and Medi-Cal Managed Care. In the FFS Medi-Cal model, health care providers are reimbursed through a Medi-Cal Fiscal Intermediary. In the Medi-Cal Managed Care model, the California Department of Health Care Services ("DHCS") contracts with health insurance organizations to provide services to groups of Medi-Cal eligible persons in specific counties. Benefits paid under the Medi-Cal Managed Care plan vary by contract, and any non-covered managed care services are paid through the FFS Medi-Cal delivery model. Specialty Medi-Cal programs such as Mental Health, Developmental Services and Personal Care Services are administered through other state departments. In 2022, approximately 13 million Medi-Cal beneficiaries received coverage from managed care plans or traditional fee-for-service programs. During the COVID-19 public health emergency, the California DHCS delayed the processing of Medi-Cal annual redeterminations and delayed discontinuances and negative actions for Medi-Cal and other state and county healthcare programs. DHCS has resumed redeterminations, which may cause some of our patients to lose their coverage.

At this time, a significant amount of legislation regarding Medi-Cal has been proposed and management is unable to determine the impact that such legislation may have on the financial condition of the District.

For the fiscal years ended June 30, 2020, 2021 and 2022, Medi-Cal represented approximately 18%, [__]% and [__]%, respectively, of the District's gross patient service revenues. See Appendix A – "INFORMATION CONCERNING WASHINGTON TOWNSHIP HEALTH CARE DISTRICT—SELECTED FINANCIAL INFORMATION—Sources of Revenues."

California Hospital Provider Fee Program. In 2009, the State legislature enacted the Medi-Cal Hospital Provider Rate Stabilization Act and the Quality Assurance Fee Act, which imposed a "quality assurance fee" on California's general acute care hospitals, as a condition for participation in the Medi-Cal program, except for public hospitals and certain exempt hospitals. The Medi-Cal Hospital Provider Rate Stabilization Act and the Quality Assurance Fee Act governs supplemental payments made to providers from the fund established to accumulate the quality assurance fees and matching federal funds. The quality assurance fee ("QAF") is essentially a tax on hospitals to raise funds for provider payments. The proceeds are used to earn federal matching funds for Medi-Cal, and to increase Medi-Cal payments to hospitals. Under this program, some California hospitals receive more funding in increased Medi-Cal reimbursement than the quality assurance fees paid, while other California hospitals receive less money in Medi-Cal payments than the fees paid. The California Medi-Cal Hospital Reimbursement Initiative, or Proposition 52, which passed in November 2016, extended the hospital fee program indefinitely and put projections in place to prevent diversion of funds from the program. CMS issued formal approval of the 2019-21 Hospital Fee Program in February 2020 retroactive to July 1, 2019 and effective through December 31, 2021. On September 29, 2022, CMS approved a new 12-month extension of the Hospital Fee Program effective January 1, 2022. Delays in State or CMS approval could have adverse effects on the financial condition of the District. Because it operates a "public hospital," the District is exempt from making payments under the Provider Fee program. For information about the District's revenues under the Provider Fee program, see APPENDIX A – "INFORMATION CONCERNING WASHINGTON TOWNSHIP HEALTH CARE DISTRICT—SELECTED FINANCIAL INFORMATION—Sources of Revenues—*Supplemental Funding*."

Disproportionate Share Payments. The federal Medicare and the State Medi-Cal programs each provide additional payment for hospitals that serve a disproportionate share of certain low-income patients. The District currently does not qualify as a disproportionate share hospital under the Medi-Cal program. The ACA substantially reduces Medicare and Medicaid payments to disproportionate share hospitals. See also "—Medicare/Medicaid DSH Payments" above.

California State Budget. In recent years, the State budget has been balanced, with the expectation that it would remain so for the foreseeable future. State cash reserves have been increasing to historically high levels. However, the State may be required to use cash reserves and other funds to support vital government programs and services that may become underfunded as a result of the economic turmoil caused by the COVID-19 outbreak. The impact of the COVID-19 outbreak on the State's future budgets, while currently uncertain, could be materially adverse. The below discussion is qualified by such uncertainty.

The State fiscal year 2023-24 budget was enacted in June 2023. The budget renewed the Managed Care Organization Tax that is expected to generate $19.4 billion in state revenue from 2023 through 2027. It also provides for $2.7 billion of Medicaid reimbursement rate increases and other investments annually beginning in 2025 through 2029. The budget extends comprehensive Medi-Cal coverage to all low-income undocumented Californians ages 26 to 49. By January 1, 2024, all qualifying Californians will have access to comprehensive Medi-Cal coverage. However, it is impossible to predict the impact of future financial challenges to the California economy, including threat of future recessions, changes in federal spending policy and other events that could result in budget deficits. It is also impossible to predict actions that the Governor, the State legislature or voters — via ballot initiative — may take in the future. It is reasonable to expect, however, that cost containment measures, including aggressive management of the State's health care spending, will be pursued to keep the State's budget in balance, which may have an adverse effect on the financial condition of the District.

Health Plans and Managed Care. Most private health insurance coverage is provided by various types of "managed care" plans, including health maintenance organizations ("HMOs") and preferred provider organizations ("PPOs") that generally use discounts and other economic incentives to reduce or limit the cost and utilization of health care services. Medicare and Medicaid also purchase hospital care using managed care options. Payments to hospitals from managed care plans typically are lower than those received from traditional indemnity or commercial insurers.

In California, managed care plans have replaced indemnity insurance as the primary source of non-governmental payment for hospital services, and hospitals must be capable of attracting and maintaining managed care business, often on a regional basis. Regional coverage and aggressive pricing may be required. However, it is also essential that contracting hospitals be able to provide the contracted services without significant operating losses, which may require multiple forms of cost containment.

Many HMOs and PPOs currently pay providers on a negotiated fee-for-service basis, on a fixed rate per day of care or on a fixed-rate per hospital stay, which, in each case, usually is discounted from the usual and customary charges for the care provided. As a result, the discounts offered to HMOs and PPOs may result in payment to a provider that is less than its actual cost. Additionally, the volume of patients directed to a provider may vary significantly from projections, and/or changes in the utilization may be dramatic and unexpected, thus jeopardizing the provider's ability to manage this component of revenue and cost.

Some HMOs employ a "capitation" payment method under which hospitals are paid a predetermined periodic rate for each enrollee in the HMO who is "assigned" or otherwise directed to receive care at a particular hospital. The hospital may assume financial risk for the cost and scope of institutional care given. If payment is insufficient to meet the hospital's actual costs of care, or if utilization by such enrollees materially exceeds projections, the financial condition of the hospital could erode rapidly and significantly. In addition to this standard managed care risk sharing approach, private health insurance companies are increasingly adopting various additional risk sharing/cost containing measures, sometimes similar to those introduced by government payors. Providers may expect health care cost containment and its associated risk sharing to continue to increase in the coming years amongst all payors.

Often, HMO contracts are enforceable for a stated term, regardless of hospital losses and may require hospitals to care for enrollees for a certain time period, regardless of whether the HMO is able to pay the hospital. Hospitals from time to time have disputes with HMOs, PPOs and other managed care payors concerning payment and contract interpretation issues. Such disputes may result in mediation, arbitration or litigation.

Failure to maintain contracts could have the effect of reducing a hospital's market share and net patient services revenues. Conversely, participation may result in lower net income if participating hospitals are unable to adequately contain their costs. In part to reduce costs, health plans are increasingly implementing, and offering to purchasing employers, tiered provider networks, which involve classification of a plan's network providers into different tiers based on care quality and cost. With tiered benefit designs, plan enrollees are generally encouraged, through incentives or reductions in copayments or deductibles, to seek care from providers in the top tier. Classification of a hospital in a non-preferred or lower tier by a significant payor may result in a material loss of volume. The new demands of dominant health plans and other shifts in the managed care industry may also reduce patient volume and revenue. Thus, managed care poses one of the most significant business risks (and opportunities) that health care organizations face.

In addition to tiered provider networks, managed care plans have implemented narrow provider networks in which only a select group of providers participate as in-network providers. Managed care plans often look at quality performance and cost in selecting providers to participate in their narrow networks. A provider's exclusion from a narrow network may result in a material loss of volume. Managed care plans may offer lower reimbursement for providers in their narrow network(s) in exchange for additional volume expected from being one of a select group of network providers. This reimbursement may be insufficient to cover a network provider's cost in providing the services. The new demands of dominant health plans and other shifts in the managed care industry may also reduce patient volume and revenue. Thus, managed care poses one of the most significant business risks (and opportunities) that health care organizations face.

In addition, the current trend of consolidation in the health care industry is likely to increase the leverage of commercial insurers when negotiating rates with health care providers. Large health insurers that assume dominant positions in local markets threaten to increase health insurer concentration, reduce competition and decrease choice. If the District were to terminate its agreement with any of the major managed care payors or reject terms proposed by such payors, it could have a significant material adverse impact on the financial condition of the District.

With implementation of the ACA, substantial numbers of individuals are choosing health insurance under the health insurance exchanges, increasing the number of individuals covered in the individual market. Approximately 12 million individuals enrolled in 2023 exchange coverage through the federally-facilitated Exchange and Covered California enrolled 1,739,360 1.7 million individuals. Individuals choosing their own coverage may be highly price sensitive, which could increase the number of enrollees in plans with narrow provider networks, increasing the use of capitation, and making price negotiations with HMO and other insurance plans more difficult.

For the fiscal years ended June 30, 2020, 2021 and 2022, managed care represented approximately 29%, [___]% and [___]%, respectively, of the District's gross patient service revenues. See Appendix A – "INFORMATION CONCERNING WASHINGTON TOWNSHIP HEALTH CARE DISTRICT—SELECTED FINANCIAL INFORMATION—Sources of Revenues."

Negative Rankings Based on Clinical Outcomes, Cost, Quality, Patient Satisfaction and Other Performance Measures. Health plans, Medicare, Medicaid, employers, trade groups and other purchasers of health services, private standard-setting organizations and accrediting agencies increasingly are using statistical and other measures in efforts to characterize, publicize, compare, rank and change the quality, safety and cost of health care services provided by hospitals and health care providers. The ACA shifted payments from paying for volume to paying for value, based on various health outcome measures. Published rankings such as "score cards," "pay for performance" and other financial and non-financial incentive programs are being introduced to affect the reputation and revenue of hospitals, the members of their medical staffs and other providers and to influence the behavior of consumers and providers. Currently prevalent are measures of quality based on clinical outcomes of patient care, reduction in costs, patient satisfaction and investment in health information technology. Measures of performance are set by others that characterize a hospital or a health care provider negatively may adversely affect its reputation and financial condition.

340B Drug Pricing Program. Hospitals that participate in the prescription drug discount program established under Section 340B of the federal Public Health Service Act (the "340B Program") are able to purchase certain outpatient prescription drugs for their patients at a reduced cost. Effective January 1, 2018, CMS imposed large cuts on such discounts in the 340B Program. These cuts were challenged by the American Hospital Association, and the U.S. Supreme Court issued an opinion on June 15, 2022 in *American Hospital Association et al. v. Becerra* that stated CMS had acted in an unlawful manner when it reduced the reimbursement rates for hospitals participating in the 340B Program. Under the statute governing the 340B Program, CMS must conduct a survey of hospitals' acquisition costs of 340B Program drugs. However, CMS reduced the reimbursement rates in 2018 and 2019 for the 340B Program without surveying acquisitions costs, which led to a reimbursement reduction of approximately $1.6 billion annually for 340B Program hospitals. As a result of the Supreme Court's decision, CMS finalized for calendar year 2023 a payment rate of average sales price plus 6% for 340B Program drugs, consistent with CMS policy for drugs not acquired through the 340B Program. CMS further implemented a 3.09% reduction to payment rates for non-drug services to achieve budget neutrality for the 340B Program payment rate change for calendar year 2023. CMS has proposed an additional one-time lump sum payment for calendar years 2018-2022 for the approximately 1,600 affected hospitals. To meet the statutory requirement of budget neutrality, CMS also proposes to reduce future non-drug item and service payments by adjusting the OPPS conversion factor by a negative 0.5 percent beginning in 2025, estimating that it will take 16 years to accomplish the offset. Whether CMS will ultimately implement these proposed revisions cannot be predicted, nor can any potential impact on the District.

Additionally, Congressional and administrative efforts have also been made in the past, seeking to tighten 340B Program eligibility requirements and reduce the scope of the program. Future legal, legislative or administrative changes to the 340B Program which result in a loss of 340B Program eligibility, or further decreases in 340B Program drug discounts, could have a material adverse effect on the District. In addition, the rules and regulations applicable to participation in the 340B Program are technical, complex, numerous and may not fully be understood or implemented by billing or reporting personnel. Failure to comply with the 340B Program requirements or rules could result in exclusion from the 340B Program thus significantly increasing costs for drugs as well as creating a repayment obligation, which in either case could have a material adverse effect on the operations or financial condition of the District.

Regulatory Environment

"Fraud" and "False Claims." Health care "fraud and abuse" laws at the federal and state levels broadly regulate providers of services to government program beneficiaries and the methods and requirements for submitting claims for services rendered. Hospitals and others can be penalized for a wide variety of conduct, including submitting claims for services that are not provided, billing in a manner that does not comply with government requirements or including inaccurate billing information, billing for services deemed to be medically unnecessary, or billings accompanied by certain proscribed inducements to utilize or refrain from utilizing a service or product.

Federal and state governments have a broad range of criminal, civil and administrative sanctions available to penalize and remediate health care fraud, including the exclusion of a hospital from participation in the Medicare/Medicaid programs, civil monetary penalties, and suspension of Medicare/Medicaid payments. Fraud and abuse cases may be prosecuted by one or more government entities and private individuals, and more than one of the available sanctions may be, and often are, imposed for each violation. The ACA authorizes the Secretary of DHHS to exclude a provider's participation in Medicare and Medicaid, as well as suspend payments to a provider pending an investigation or prosecution of a credible allegation of fraud against the provider.

The Health Insurance Portability and Accountability Act of 1996 ("HIPAA") added additional criminal sanctions for health care fraud and applies to all health care benefit programs, whether public or private. HIPAA also provides for punishment of a health care provider for knowingly and willfully embezzling, stealing, converting or intentionally misapplying any money, funds, or other assets of a health care benefit program. A health care provider convicted of health care fraud could be subject to mandatory exclusion from Medicare.

Laws governing fraud and abuse may apply to a hospital and to nearly all individuals and entities with which a hospital does business. Fraud investigations, settlements, prosecutions and related publicity can have a material adverse effect on hospitals. See "—Enforcement Activity," below. Major elements of these often highly technical laws and regulations are generally summarized below.

False Claims Act. The federal False Claims Act (the "FCA") makes it illegal to knowingly submit or present a false, fictitious or fraudulent claim for payment or approval for which the federal government provides, or reimburses at least some portion of, the requested money or property. A person may be charged with knowledge of the falsity of a claim based not only on actual knowledge but also based on deliberate ignorance or reckless disregard of the relevant facts. The FCA has become one of the federal government's primary weapons against health care fraud. Due to the broad range of conduct covered by the statute, FCA investigations and cases have become common in the health care field and may cover a range of activity from submission of intentionally inflated billings, to highly technical billing infractions, to allegations of inadequate care. Penalties under the FCA are severe and may include damages equal to three times the amount of the alleged false claims, as well as substantial civil monetary penalties. As a result, violation or alleged violation of the FCA frequently results in settlements that require multi-million dollar payments and costly corporate integrity agreements. In June 2016, the DOJ issued a rule that more than doubled civil monetary penalties under the FCA, which are subsequently adjusted for inflation on an annual basis. The penalty range significantly increases the potential financial exposure resulting from an FCA violation. As a result, violation or alleged violations of the FCA frequently result in settlements involving multi-million dollar payments and compliance agreements.

The FCA also permits individuals to initiate civil actions on behalf of the government in lawsuits called "qui tam" actions. Qui tam plaintiffs, or "whistleblowers," can share in the damages recovered by the government. FCA violations or alleged violations could lead to settlements, fines, exclusion or reputation damage that could have a material adverse impact on hospitals and other health care providers. In June 2016, the U.S. Supreme Court announced its decision in *Universal Health Services, Inc. v. United States ex. Rel. Escobar*, No. 15-7 (U.S. June 16, 2016). Prior to *Escobar*, lower courts had split on the issue of whether the FCA extended to so-called "implied certification" of compliance with laws, and whether such compliance was limited to express conditions of payment or extended to conditions of participation. The Supreme Court affirmed the theory of "implied certification" and rejected the distinction between conditions of payment and conditions of participation for these purposes, ruling that the relevant inquiry is whether the alleged noncompliance, if known to the government, would have in fact been material to the government's determination as to whether to pay the claim. There is considerable uncertainty as to the application of the *Escobar* holding and lower courts remain split in their interpretation, but depending on how it is interpreted by the lower courts, it could result in an expanded scope of potential FCA liability for noncompliance with applicable laws, regulations and sub-regulatory guidance. It is anticipated that these questions will again reach the U.S. Supreme Court.

Under the ACA, the FCA has been expanded to include overpayments that are identified by a health care provider and not timely reported or refunded to the applicable federal health care program, even if the claims relating to the overpayment were initially submitted without any knowledge that they were false. The 2016 Medicare Overpayments Final Rule, which took effect on March 14, 2016 (the "Final Rule"), requires that providers report and return identified overpayments by the later of 60 days after identification, or the date the corresponding cost report is due, if applicable. If the overpayment is not reported and returned as described, it becomes an "obligation" under the FCA. This expansion of the FCA exposes hospitals and other health care providers to liability under the FCA for a considerably broader range of claims than in the past. CMS clarified that the 60-day timeframe for report and return begins when either reasonable diligence is completed (including determination of the overpayment amount) or on the day the person received credible information of a potential overpayment (if the person failed to conduct reasonable diligence and the person in fact received an overpayment). Failure to report and return overpayments as described herein may result in false claims liability. That same Final Rule also established a six-year lookback period, meaning that providers have the obligation to evaluate potential overpayments dating back six years from the point of discovery. In December 2022, CMS proposed to change the standard for identification and instead would require the report and return of an overpayment if a provider or supplier has actual knowledge of the existence of an overpayment or acts in reckless disregard or deliberate ignorance of an overpayment. Whether CMS will ultimately implement the December 2022 revisions to the Final Rule as proposed cannot be predicted, nor can any potential impact on the District.

Anti-Kickback Law. The federal "Anti-Kickback Law" is a statute with both civil and criminal liability, that prohibits anyone from soliciting, receiving, offering or paying any remuneration, directly or indirectly, overtly or covertly, in cash or in kind, in return for referral of a patient (or to induce a referral) for or the ordering or recommending of the purchase (or lease) of any item or service that is paid by any federal or state health care program. This prohibition has been broadly applied by the courts. The Anti-Kickback Law potentially applies to many common health care transactions between persons and entities with which a hospital does business, including hospital-physician joint ventures, medical director arrangements, physician recruitments, physician office leases and other transactions with persons or entities in a position to provide federal health care program business to hospitals. The ACA amended the Anti-Kickback Law to provide explicitly that a claim that includes items or services resulting from a violation of the Anti-Kickback Law constitutes a false or fraudulent claim for purposes of the FCA. Another amendment provides that an Anti-Kickback Law violation may be established without showing that an individual knew of the statute's proscriptions or acted with specific intent to violate the Anti-Kickback Law, but only that the conduct was generally wrongful.

Violations or alleged violations of the Anti-Kickback Law may result in settlements that require multi-million dollar payments and onerous corporate integrity agreements. The Anti-Kickback Law can be prosecuted either criminally or civilly. A criminal violation may be prosecuted as a felony, subject to significant fines for each act (which may be each item or each bill sent to a federal program), imprisonment and/or exclusion from the Medicare and Medicaid programs, any of which would have a significant detrimental effect on the financial stability of most hospitals. Civil monetary penalties and administrative sanctions for violating the Anti-Kickback Statute include substantial fines per kickback plus monetary penalties up to three times the amount of damages sustained by government, jail terms, and exclusion from participation in the federal health care programs. Increasingly, the federal government and qui tam relators are prosecuting violations of the Anti-Kickback Statute under the FCA, based on the argument that claims resulting from an illegal kickback arrangement are also false claims for FCA purposes.

Stark Referral Law. The federal "Stark Law" prohibits the referral by a physician of Medicare and Medicaid patients for certain designated health services (including inpatient and outpatient hospital services, clinical laboratory services, and radiation therapy services, radiology and certain other imaging services) to entities with which the referring physician has a financial relationship unless that relationship fits within a Stark exception. It also prohibits a hospital furnishing the designated services from billing Medicare, or any other payor or individual for services performed pursuant to a prohibited referral. The government does not need to prove that the entity knew that the referral was prohibited to establish a Stark violation. If certain substantive and technical requirements of an applicable exception are not satisfied, many ordinary business practices and economically desirable arrangements between hospitals and physicians, which constitute "financial relationships" within the meaning of the Stark Law, result in the prohibition on referrals and billing. While failure to comply with the safe harbors under the Anti-Kickback Statute does not necessarily result in violation of the statute, an arrangement must comply with every requirement of a Stark Law exception or the arrangement is in violation of the Stark Law. Most providers of the designated health services with physician relationships have exposure to liability under the Stark Law.

Medicare may deny payment for all services performed based on a prohibited referral and a hospital that has billed for prohibited services may be obligated to refund the amounts collected from the Medicare program or to make a self-disclosure to CMS under its Self-Referral Disclosure Protocol ("SRDP"). For example, if an office lease between a hospital and a large group of heart surgeons is found to violate Stark, the hospital could be obligated to repay CMS for the payments received from Medicare for all of the heart surgeries performed by all of the physicians of the group for the duration of the lease; a potentially significant amount. As a result, even relatively minor, technical violations of the law may trigger substantial refund obligations. If Stark Law violations were knowing, the government may also seek civil monetary penalties, and in some cases, a hospital may be excluded from the Medicare and Medicaid programs. In addition, violations of the Stark Law increasingly are being prosecuted under the FCA, triggering the FCA penalties discussed above. Potential repayments to CMS, settlements, fines or exclusion for a Stark violation or alleged violation could have a material adverse impact on a hospital.

CMS has established the voluntary SRDP program under which hospitals and other health care providers or suppliers may report potential Stark Law violations and seek a reduction in potential refund obligations. The limited publicly available information with respect to the SRDP suggests that most voluntary self-disclosure submissions remain under consideration by CMS for an extended period of time, and therefore it is difficult to determine at this time how CMS would react to any specific voluntary self-disclosure or whether submitting such a disclosure would provide significant monetary relief to hospitals that discover inadvertent Stark Law violations. The District may make self-disclosures pursuant to this program as appropriate, and may make other disclosures from time to time. Any submission pursuant to the SRDP program does not waive or limit the ability of the Office of Inspector General or the Department of Justice ("DOJ") to seek or prosecute violations of the Anti-Kickback Statute or impose civil monetary penalties.

State "Fraud" and "False Claims" Laws. Hospital and health care providers in California are also subject to a variety of State laws related to false claims (similar to the FCA or that are generally applicable false claims laws), anti-kickback (similar to the federal Anti-Kickback Law or that are generally applicable anti-kickback or fraud laws), and physician referral (similar to the Stark Law). These prohibitions, while similar in public policy and scope to the federal laws, have not in all instances been regularly enforced to date. However, in the future they could pose the possibility of material adverse impact for the same reasons as the federal statutes. See discussion under the subheadings "—False Claims Act," "—Anti-Kickback Law" and "—Stark Referral Law" above.

California also has a false claims law that applies to fraudulent claims presented to an insurance company, and that goes beyond the scope of the FCA and California's directly analogous statute, both of which are limited to fraudulent claims for which the federal government is required to pay or reimburse a portion or all of the claim. Under the California law, codified in Section 1871.7 of the California Insurance Code, a person who submits a fraudulent claim to an insurance company, is subject to civil fines ranging from $5,000 to $10,000 per fraudulent claim, plus an additional assessment of no more than three times the amount of each claim, and may be subject to criminal penalties under the California Penal Code as well. Similar to FCA, actions under this Insurance Code section may be initiated by private parties.

Medicare and Medicaid Audits. Hospitals that participate in the Medicare and Medicaid programs are subject from time to time to audits and other investigations relating to various aspects of their operations and billing practices, as well as to retroactive audit adjustments with respect to reimbursements claimed under these programs. Medicare and Medicaid regulations also provide for withholding reimbursement payments in certain circumstances. New billing rules and reporting requirements for which there is no clear guidance from CMS or state Medicaid agencies could result in claims submissions being considered inaccurate. The penalties for violations may include an obligation to refund money to the Medicare or Medicaid program, payment of criminal or civil fines and, for serious or repeated violations, exclusion from participation in federal health programs. The ACA requires states to institute a RAC program for Medicaid, similar to that conducted for Medicare, in order to search for and recoup improper payments made to Medicare and Medicaid in prior years. The RACs will be private contractors, paid a contingency fee from any recovery of overpayments. Although required to identify both overpayments and underpayments, RACs have in practice collected significantly more in overpayments from providers in proportion to the underpayments to providers.

HIPAA and Other Privacy Requirements. HIPAA, along with privacy rules under federal and various state statutes, addresses the confidentiality of individuals' personal information. For example, HIPAA prohibits the disclosure of certain broadly defined protected health information unless expressly permitted by regulation or authorized by the patient. HIPAA's confidentiality provisions extend not only to patient medical records, but also to a wide variety of individually identifiable health care clinical and financial information. These patient privacy requirements often impose communication, operational, and accounting obligations that add costs and create potentially unanticipated sources of liability.

There are also other federal or state privacy laws that may have more restrictive privacy requirements than HIPAA. For example, the regulations under 42 C.F.R. Part 2 provide a heightened level of privacy of records associated with the provision of substance abuse counseling and treatment by covered alcohol and substance abuse treatment programs. These rules are significantly more restrictive than the privacy provisions set forth in HIPAA. States may also adopt privacy laws that are more restrictive than HIPAA, but not less restrictive. For example, California broadened its data security breach notification laws to cover compromised medical and health insurance information. California also enacted laws that provide greater protection for certain sensitive health information, such as mental health records. Together, all of these laws and regulations create communication, operational, and accounting obligations that add costs and create potentially unanticipated sources of liability for the District.

The HITECH Act. Provisions in the Health Information Technology for Economic and Clinical Health Act (the "HITECH Act"), enacted in 2008 as part of the economic stimulus legislation, increased the maximum civil monetary penalties for violations of HIPAA and grant enforcement authority of HIPAA to state attorneys general. The HITECH Act also (i) extended the reach of HIPAA beyond "covered entities," (ii) imposed a breach notification requirement on HIPAA covered entities, (iii) limited certain uses and disclosures of individually identifiable health information; (iv) increased individuals' rights with respect to protected health information ("PHI"); (v) restricted covered entities' marketing communications; and (vi) increased enforcement of, and penalties for, violations of privacy and security of individually identifiable health information.

The breach notification obligations, in particular, may expose covered entities such as hospitals to heightened liability. Under the HITECH Act, in the event of a breach of PHI, covered entities are required to notify affected individuals within 60 days, the federal government at least annually, and in some cases, the media. If more than 500 residents of a state or jurisdiction are affected by the breach, the covered entity must notify prominent media outlets servicing the state or jurisdiction. If 500 or more individuals are affected in total, the covered entity must notify the federal government within 60 days of discovery, and the federal government will post a description of the breach, identifying the covered entity, on its website. These breach notification obligations increase the risk of government enforcement as well as class action lawsuits, especially if large numbers of individuals are affected by a breach.

The Office for Civil Rights ("OCR") is the administrative office that is tasked with enforcing HIPAA, and is also beginning to perform periodic audits of health care providers and group health plans to ensure that required policies under HIPAA (as amended by the HITECH Act) are in place. OCR is also working to establish a methodology under which an individual who is harmed by an offense punishable under HIPAA may be able to recover a percentage of the civil monetary penalty or settlement collected with respect to the offense. These enforcement actions may significantly increase the number of HIPAA-related complaints from individuals, as well as increase penalty and settlement amounts.

OCR has stated that it has transitioned from education of new HITECH requirements to enforcement in its implementation of the law. Recent settlements of HIPAA violations and civil monetary penalties have reached millions of dollars. Any violation of HIPAA, regardless of intent or scope, may result in penalties or settlement amounts that are material to a covered entity health care provider or health plan.

Security Breaches and Unauthorized Releases of Personal Information. State and local authorities are increasingly focused on the importance of protecting the confidentiality of individuals' personal information, including patient health information. Many states, including California, have enacted laws requiring businesses to notify individuals of security breaches that result in the unauthorized release of personal information. In some states, notification requirements may be triggered even where information has not been used or disclosed, but rather has been inappropriately accessed. For example, in California, businesses and state agencies are required to notify any California resident whose unencrypted personal information has been acquired, or reasonably believed to have been acquired, by an unauthorized person. In some states, notification requirements may be triggered even where information has not been used or disclosed, but rather has been inappropriately accessed. California's Confidentiality of Medical Information Act requires health care providers and others to keep medical information private and secure and, subject to certain exceptions, prohibits disclosure of such medical information without a patient's consent. Pursuant to that statute, violations may result in significant fines and penalties including punitive damages and "nominal" damages, even in the absence of actual damages. State consumer protection laws may also provide the basis for legal action for privacy and security breaches and frequently, unlike HIPAA, authorize a private right of action. In particular, the public nature of security breaches exposes health organizations to increased risk of individual or class action lawsuits from patients or other affected persons, in addition to government enforcement.

In 2018, California passed the California Consumer Privacy Act ("CCPA"), which took effect on January 1, 2020. The law provides new rights regarding the collection and use of personal information. The law applies to all entities with data on over 50,000 consumers, with over $25 million in annual gross revenue, or that derive 50% or more of their revenue from the sale of consumers' personal information. The District meets the second of these tests. The CCPA implements significant new requirements, including additional notice requirements, increased disclosure to consumers, the right for consumers to opt-out of data sharing, the right to be forgotten, and provides for damages in data breach cases to $750 per consumer per incident. Enforcement of the CCPA began July 1, 2020.

State consumer protection laws may also provide the basis for legal action for privacy and security breaches and frequently, unlike HIPAA, authorize a private right of action. In particular, as discussed in "—The HITECH Act" above, the public nature of security incidents exposes health organizations to increased risk of individual or class action lawsuits from patients or other affected persons, in addition to government enforcement. Failure to comply with restrictions on patient privacy or to maintain robust information security safeguards, including taking steps to ensure that contractors who have access to sensitive patient information maintain the confidentiality of such information, could consequently damage a hospital's reputation and materially adversely affect business operations.

Business Associates. Under existing HIPAA regulations, covered entities must include certain required provisions in their contractual relationships with organizations that perform functions on their behalf which involve use or disclosure of protected health information. These organizations are called business associates, and prior to the HITECH Act, business associates had been indirectly regulated by HIPAA through those contractual obligations. The HITECH Act, including the final rules promulgated thereunder, provide that all of the HIPAA security administrative, physical, and technical safeguards, as well as security policies, procedures and documentation requirements now apply directly to all business associates. In addition, the HITECH Act makes certain privacy provisions directly applicable to business associates. These changes are significant because business associates will now be directly regulated by DHHS for those requirements, and as a result, will be subject to penalties imposed by DHHS and/or state attorneys general. Likewise, to the extent a business associate is deemed to be an agent of the covered entity under the Federal common law, the covered entity will be liable for the breaches of the business associate. Covered entities have had to review and amend their business associate agreements in recent years in order to comply with these changing rules, which can be costly and administratively burdensome.

Civil Monetary Penalties Law. The federal Civil Monetary Penalties Law ("CMPL") provides for administrative sanctions against health care providers for a broad range of billing and other abuses. For example, penalties may be imposed for the knowing presentation of claims that are (i) incorrectly coded for payment; (ii) for services that are known to be medically unnecessary; (iii) for services furnished by an excluded party; or (iv) otherwise false. A hospital or health care provider that participates in arrangements known as "gainsharing" by paying a physician to limit or reduce services to Medicare fee-for-service beneficiaries also could be subject to CMPL penalties. Further, a hospital or health care provider that provides benefits to Medicare or Medicaid beneficiaries that such provider knows or should know are likely to induce the beneficiaries to choose the provider for their care could also be subject to CMPL penalties. Civil monetary penalties may also be assessed for (a) knowingly making or using a false record or statement material to a false or fraudulent claim for payment; (b) failing to grant timely access for audits; and (c) failing to report and return a known overpayment within statutory time limits. The ACA also amended the CMPL to establish various new grounds for exclusion and civil monetary penalties, as well as increased penalty thresholds for existing civil monetary penalties.

Health care providers may be found liable under the CMPL even when they did not have actual knowledge of the impropriety of their action. Knowingly undertaking the action is sufficient. Ignorance of the Medicare regulations is no defense. The imposition of civil money penalties on a health care provider could have a material adverse impact on the provider's financial condition.

Exclusions from Medicare or Medicaid Participation. The government may exclude a hospital from Medicare/Medicaid program participation if it is convicted of a criminal offense relating to the delivery of any item or service reimbursed under Medicare or a state health care program, any criminal offense relating to patient neglect or abuse in connection with the delivery of health care, fraud against any federal, state or locally financed health care program or an offense relating to the illegal manufacture, distribution, prescription, or dispensing of a controlled substance. The government also may exclude individuals or entities under certain other circumstances, such as an unrelated conviction of fraud, or other financial misconduct relating either to the delivery of health care in general or to participation in a federal, state or local government program. Exclusion from the Medicare/Medicaid program means that a hospital would be decertified from program participation and no program payments can be made. Any hospital exclusion could be a materially adverse event. In addition, exclusion of hospital employees under Medicare or Medicaid may be another source of potential liability for hospitals or health systems based on services provided by those excluded employees.

Administrative Enforcement. Administrative regulations may require less proof of a violation than do criminal laws, and, thus, health care providers may have a higher risk of imposition of monetary penalties as a result of administrative enforcement actions.

Compliance with Conditions of Participation. CMS, in its role of monitoring participating providers' compliance with conditions of participation in the Medicare program, may determine that a provider is not in compliance with its conditions of participation. In that event, a notice of termination of participation may be issued or other sanctions, such as suspension or executing potentially burdensome corrective action plans, potentially could be imposed. If a corrective action plan is not accepted by CMS, or if the corrective action plan is not successfully implemented, the provider's Medicare provider agreement could be terminated. Other sanctions could potentially be imposed, including, in limited instances, monetary penalties.

EMTALA. The Emergency Medical Treatment and Labor Act ("EMTALA") is a federal civil statute that requires Medicare-participating hospitals with an emergency department to conduct a medical screening examination to determine the presence or absence of an emergency medical condition and to provide treatment sufficient to stabilize such patient's emergency medical condition or active labor prior to discharging or transferring the patient, notwithstanding an individual's ability to pay. A hospital may not delay the provision of a medical screening examination in order to inquire about the patient's ability to pay or method of payment. A hospital that violates EMTALA is subject to civil penalties per offense and termination of its Medicare provider agreement. In addition, the hospital may be liable for any claim by an individual who has suffered harm as a result of a violation and may be liable to the receiving hospital for financial losses suffered as a result of a transfer in violation of EMTALA. See the discussion under the subheading "–False Claims Act," above.

Over the last few years, the federal government has increased its enforcement of EMTALA. Failure to comply with the law can result in exclusion from the Medicare and/or Medicaid programs, as well as civil and criminal penalties. Substantial failure to meet its responsibilities under EMTALA, as applicable, could materially adversely affect the financial condition of the District. Outpatient facilities that are included as part of a hospital by virtue of a provider-based status designation are required to adhere to EMTALA's requirements, regardless of whether they are located on or away from the hospital's main campus.

Licensing, Surveys, Investigations and Audits. Hospitals are subject to numerous legal, regulatory, professional and private licensing, certification and accreditation requirements. These include, but are not limited to, requirements of state licensing agencies and The Joint Commission. Renewal and continuation of certain of these licenses, certifications and accreditations are based on inspections or other reviews generally conducted in the normal course of business of health facilities. Loss of, or limitations imposed on, hospital licenses or accreditations could reduce hospital utilization or revenues, or a hospital's ability to operate all or a portion of its facilities or to bill various third party payors. Certain states, including California, can levy penalties against hospitals that experience certain significant patient care events, including those that are classified as posing "immediate jeopardy" to patient health and safety.

Environmental Laws and Regulations. Hospitals are subject to a wide variety of federal, state and local environmental and occupational health and safety laws and regulations. These include but are not limited to: air and water quality control requirements; waste management requirements; specific regulatory requirements applicable to asbestos and radioactive substances; requirements for providing notice to employees and members of the public about hazardous materials handled by or located at the hospital; and requirements for training employees in the proper handling and management of hazardous materials and wastes.

Hospitals may be subject to requirements related to investigating and remedying hazardous substances located on their property, including such substances that may have migrated off the property. Typical hospital operations include the handling, use, storage, transportation, disposal and discharge of hazardous, infectious, toxic, radioactive, flammable and other hazardous materials, wastes, pollutants and contaminants. As such, hospital operations are particularly susceptible to the practical, financial and legal risks associated with the environmental laws and regulations. Such risks may result in damage to individuals, property or the environment; may interrupt operations and increase their cost; may result in legal liability, damages, injunctions or fines; and may result in investigations, administrative proceedings, civil litigation, criminal prosecution, penalties or other governmental agency actions; and may not be covered by insurance.

Enforcement Activity. Enforcement activity of federal and state authorities against health care providers has increased, and enforcement authorities have adopted aggressive approaches. In the current regulatory climate, it is anticipated that many hospitals and physician groups will be subject to an audit, investigation, or other enforcement action regarding the health care fraud and physician anti-referral laws mentioned above.

Enforcement authorities are often in a position to compel settlements by providers charged with or being investigated for false claims violations by withholding or threatening to withhold Medicare, Medicaid and similar payments or to recover higher damages, assessments or penalties by instituting criminal action. In addition, the cost of defending such an action, the time and management attention consumed, and the facts of a case may dictate settlement. Therefore, regardless of the merits of a particular case, a hospital could experience materially adverse settlement costs, as well as materially adverse costs associated with implementation of any settlement agreement. Prolonged and publicized investigations could be damaging to the reputation and business of a hospital, regardless of outcome.

Certain acts or transactions may result in violation or alleged violation of a number of the federal health care fraud laws described above, and therefore penalties or settlement amounts often are compounded. Generally these risks are not covered by insurance. Enforcement actions may involve multiple hospitals or other facilities in a health system, as the government often extends enforcement actions regarding health care fraud to other entities in the same organization. Therefore, Medicare fraud related risks identified as being materially adverse as to a hospital could have materially adverse consequences for a health system taken as a whole.

Antitrust. Antitrust liability may arise in a wide variety of circumstances, including medical staff privilege disputes, payor contracting, physician relations, joint ventures, merger, affiliation and acquisition activities, certain pricing or salary setting activities, as well as other areas of activity. Consolidation transactions among health care providers is an area in which investigation and enforcement activity by federal and state antitrust agencies is particularly frequent and vigorous. The application of the federal and state antitrust laws to health care is evolving as the industry adapts to accountability for the cost and quality of care, and therefore not always clear. Currently, the most common areas of potential liability are joint action among providers with respect to payor contracting and medical staff credentialing disputes, and hospital mergers and acquisitions. The health care industry is expected to experience increased pressure from the Federal Trade Commission ("FTC") after President Biden signed an executive order on July 9, 2021 aimed at encouraging economic competition. The executive order targets health care as one of the sectors that will receive increased FTC enforcement and scrutiny. A primary point of concern is consolidation among hospitals. The executive order calls on the Attorney General and the chair of the FTC to review and consider revising the current horizontal and vertical merger guidelines. Additionally, it reiterates that the FTC and DOJ are allowed to challenge prior mergers that are already consummated. This remains an evolving issue.

Violation of the antitrust laws could result in criminal and/or civil enforcement proceedings by federal and state agencies, as well as actions by private litigants. In certain actions, private litigants may be entitled to treble damages, and in others, governmental entities may be able to assess substantial monetary fines. Investigations and proceedings arising from the application of federal and state antitrust laws can require the dedication of substantial resources by affected providers and can delay or impede proposed transactions even if ultimately it is determined that no violation of applicable law would occur as a result of the proposed transaction.

Business Relationships and Other Business Matters

Integrated Delivery Systems. Hospitals and health care systems often own, control or have affiliations with physician groups and independent practice associations. Generally, the sponsoring health facility or health system is the primary capital and funding source for such alliances and may have an ongoing financial commitment to provide growth capital and support operating deficits. As separate operating units, integrated physician practices and medical foundations sometimes operate at a loss and require subsidy or other support from the related hospital or health system. In addition, integrated delivery systems present business challenges and risks. Inability to attract or retain participating physicians may negatively affect managed care, contracting and utilization. The technological and administrative infrastructure necessary both to develop and operate integrated delivery systems and to implement new payment arrangements in response to changes in Medicare and other payor reimbursement is costly. Hospitals may not achieve savings sufficient to offset the substantial costs of creating and maintaining this infrastructure.

These types of alliances are generally designed to respond to trends in the delivery of medicine to better integrate hospital and physician care, to increase physician availability to the community and/or to enhance the managed care capability of the affiliated hospitals and physicians. However, these goals may not be achieved, and an unsuccessful alliance may be costly and counterproductive to all of the above-stated goals.

These types of alliances have become increasingly important to the success of hospitals in the future as a result of changes to the health care delivery and reimbursement systems that are intended to restrain the rate of increases of health care costs, encourage coordinated care, promote collective provider accountability and improve clinical outcomes. The ACA authorizes several alternative payment programs for Medicare that promote, reward or necessitate integration among hospitals, physicians and other providers.

Whether these programs will achieve their objectives and be expanded or mandated as conditions of Medicare participation cannot be predicted. However, Congress and CMS have clearly emphasized continuing the trend away from the fee-for-service reimbursement model, which began in the 1980s with the introduction of the prospective payment system for inpatient care, and toward episode-based or value-based payment models that reward use of evidence-based protocols, quality and satisfaction in patient outcomes, efficiency in using resources, and the ability to measure and report clinical performance. CMS continues to focus on moving the health care system towards paying for value. This shift is likely to favor integrated delivery systems, which may be better able than stand-alone providers to realize efficiencies, coordinate services across the continuum of patient care, track performance and monitor and control patient outcomes. Changes to the reimbursement methods and payment requirements of Medicare, which is the dominant purchaser of medical services, are likely to prompt equivalent changes in the commercial sector, because commercial payors frequently follow Medicare's lead in adopting payment policies.

While payment trends may stimulate the growth of integrated delivery systems, these systems carry with them the potential for legal or regulatory risks. Many of the risks discussed in "—Regulatory Environment" above, may be heightened in an integrated delivery system. The foregoing laws were not designed to accommodate coordinated action among hospitals, physicians and other health care providers to set standards, reduce costs and share savings, among other things. The ability of hospitals or health systems to conduct integrated physician operations may be altered or eliminated in the future by legal or regulatory interpretation or changes, or by health care fraud enforcement. In addition, participating physicians may seek to maintain their independence for a variety of reasons, thus putting the hospital or health system's investment at risk, and potentially reducing its managed care leverage and/or overall utilization. In October 2011, CMS, the Federal Trade Commission and the DOJ jointly issued guidance regarding waivers and safe harbors to enable providers to participate in the Medicare Shared Savings Program ("MSSP") (see "—Accountable Care Organizations," below). Although CMS issued the MSSP final rule in June 2015, there can be no assurance that such guidance issued will sufficiently clarify the scope of permissible activities in all cases. On February 3, 2023, DOJ withdrew its October 2011 guidance on antitrust enforcement, stating that it was overly permissive on certain subjects, including information sharing. State law prohibitions, such as the bar on the corporate practice of medicine, or state law requirements, such as insurance laws regarding licensure and minimum financial reserve holdings of risk-bearing organizations, may also introduce complexity, risk and additional costs in organizing and operating integrated delivery systems. In affiliating with for-profit entities, tax-exempt hospitals and health systems also face the risk that the IRS will determine that compensation practices or business arrangements result in private benefit or private use or generate unrelated business income for the hospitals and health systems.

Health care providers, responding to health care reform and other industry pressures, have increasingly moved toward integrated delivery systems, managing the health of populations of individuals, patient-centered medical homes, bundled payments, and capitated insurance plans. These trends will require new competencies, including the appropriate mix of physician specialties, new administrative skills, close and aligned relationships between physicians and hospitals, insurance risk management, and new relationships between patients and providers. Providers may be unsuccessful in assembling successful integrated networks, fail to achieve savings sufficient to offset the substantial costs of creating and maintaining the necessary capabilities to support such developments, or otherwise could incur losses or damage reputations from assuming increased risk. Some health care organizations that traditionally operated hospitals may, directly or in partnership, take on actual insurance risk, market various health coverage products, and access patients by way of unknown channels. Such new endeavors could adversely affect the financial and operating condition or reputation of an organization.

Bundled Payment Programs. The ACA established a Medicare bundled payment pilot program, under which Medicare makes a single payment for an episode of care, such as heart bypass surgery, covering some combination of hospital, physician and post-hospital care for the episode. As previously discussed, bundled payment models establish a budgeted payment to cover the entire cost of an episode of care (e.g., a hip or knee replacement). Examples of bundled payment models include, among others, BPCI Initiative models 2, 3 and 4 (which ended September 30, 2018); BPCI Advanced; Comprehensive Care for Joint Replacement; and the Oncology Care Model. Population health models incentivize providers to maintain or improve quality while reducing cost through shared savings or shared loss arrangements. Population health models usually involve a form of capitated payment, which is a per patient payment for the cost of care over a set period of time. While bundled payments offer opportunities to provide better coordinated care and to save costs, they also entail financial risk if the episode is not well managed.

Accountable Care Organizations. The ACA established a Medicare Shared Savings Program that seeks to promote accountability and coordination of care through the creation of Accountable Care Organizations ("ACOs"). The MSSP allows hospitals, physicians and other health care providers to form ACOs and work together to invest in infrastructure and redesign integrated delivery processes to achieve high quality and efficient delivery of services. ACOs that achieve quality performance standards will be eligible to share in a portion of the amounts saved by the Medicare program. DHHS has significant discretion to determine key elements of the program, including what steps providers must take to be considered an ACO, how to decide if Medicare program savings have occurred, and what portion of such savings will be paid to ACOs.

To qualify as an ACO, organizations must agree to be accountable for the overall care of their Medicare beneficiaries, have adequate participation of primary care physicians, define processes to promote evidence-based medicine, report on quality and costs, and coordinate care. The ACO and MSSP final rules were published in November 2011 and June 2015; however, the regulations are complex and it remains unclear whether the qualification requirements will be a formidable barrier to entry for many providers. It is possible that hospital participants in ACOs will have to marshal large upfront financial investments to form unique and untested ACO structures, which may or may not succeed in gaining qualification. For those ACOs that do qualify, it is not clear if the savings will be adequate to recoup the initial investment. In addition, although the regulation provides for waivers of certain federal laws, there may remain regulatory risks for participating hospitals, as well as financial and operational risks. The applicable regulating bodies have published guidance for ACOs to follow in order to comply with the law, but the published guidance is complex.

In particular, because the federal ACO regulations do not preempt state law, California providers participating as a federal ACO must be organized and operated in compliance with California's existing statutes and regulations. Numerous organizations have formed ACOs and been selected by CMS to participate in the MSSP. CMS is also developing and implementing more advanced ACO payment models, such as the Next Generation ACO Model, which require ACOs to assume greater risk for attributed beneficiaries. On December 21, 2018, CMS published a final rule that, in general, requires ACO participants to take on additional risk associated with participation in the MSSP. It remains unclear to what extent providers will pursue federal ACO status or whether the required investment would be warranted by increased payment. Nevertheless, it is anticipated that private insurers may seek to establish similar incentives for providers, while requiring less infrastructural and organizational change.

Providers participating in MSSP and other ACO payment models developed by CMS may not be able to recoup their initial investments and may suffer further losses if they are not able to meet quality targets and sufficiently control the cost of care for their attributed beneficiaries. In addition, it is anticipated that private insurers may seek to establish similar incentives for providers, while requiring change in infrastructure and organization. The potential impacts of these initiatives and the regulation for ACOs are unknown, but introduce greater risk and complexity to health care finance and operations.

Hospital Pricing. Inflation in hospital prices may evoke action by legislatures, payors or consumers. It is possible that legislative action at the state or national level may be taken with regard to the pricing of health care services. California law requires hospitals to implement written policies for charity care and discounted care, which must offer reduced rates to low-to-moderate income patients. Hospitals are required to submit these policies to the State for posting on a publicly accessible State website. California law also requires annual submission of hospital charges for posting on a publicly accessible State website.

Hospital Medical Staff. The primary relationship between a hospital and physicians who practice in it is through the hospital's organized medical staff. Medical staff bylaws, rules and policies establish the criteria and procedures by which a physician may have his or her privileges or membership curtailed, denied or revoked. Physicians who are denied medical staff membership or certain clinical privileges or who have such membership or privileges curtailed or revoked often file legal actions against hospitals and medical staffs. Such actions may include a wide variety of claims, some of which could result in substantial uninsured damages to a hospital. In addition, failure of the hospital governing body to adequately oversee the conduct of its medical staff may result in hospital liability to third parties.

Physician Supply. Sufficient community-based physician supply is important to hospitals and other health care facilities. CMS annually reviews overall physician reimbursement formulas for Medicare and Medicaid. Changes to physician compensation under these programs could lead to physicians ceasing to accept Medicare and/or Medicaid patients. Regional differences in reimbursement by commercial and governmental payors, along with variations in the costs of living, may cause physicians to avoid locating their practices in communities with low reimbursement or high living costs. Hospitals and health systems may be required to invest additional resources in recruiting and retaining physicians, or may be compelled to affiliate with, and provide support to, physicians in order to continue serving the growing population base and maintain market share. The physician-to-population ratio in certain parts of the State is below the national average, and the shortage of physicians could become a significant issue for hospitals and health care systems in the State.

Competition Among Health Care Providers. Increased competition from a wide variety of sources, including specialty hospitals, other hospitals and health care systems, HMOs, inpatient and outpatient health care facilities, long-term care and skilled nursing services facilities, clinics, physicians and others, may adversely affect the utilization and/or revenues of hospitals. Existing and potential competitors may not be subject to various restrictions applicable to hospitals, and competition, in the future, may arise from new sources not currently anticipated or prevalent. [The strong market position of Kaiser Permanente, a closed managed care system in California, presents additional challenges - TO BE CONFIRMED].

Freestanding ambulatory surgery centers may attract away significant commercial outpatient services traditionally performed at hospitals. Commercial outpatient surgery services, currently among the most profitable services for hospitals, may be lost to competitors who can provide these services in an alternative, less costly setting. Full-service hospitals rely upon the revenues generated from commercial outpatient services to fund other less profitable services, and the decline of such business may result in the significant reduction of profitable income. Competing ambulatory surgery centers, more likely for-profit businesses, may not accept indigent patients or low paying programs and would leave these populations to receive services in the full-service hospital setting. Consequently, hospitals are vulnerable to competition from ambulatory surgery centers.

Additionally, scientific and technological advances, new procedures, drugs and appliances, preventive medicine and outpatient health care delivery may reduce utilization and revenues of the hospitals in the future or otherwise lead the way to new avenues of competition. In some cases, hospital investment in facilities and equipment for capital-intensive services may be lost as a result of rapid changes in diagnosis, treatment or clinical practice brought about by new technology or new pharmacology.

Action by Purchasers of Hospital Services and Consumers. Major purchasers of hospital services could take action to restrain hospital charges or charge increases. As a result of increased public scrutiny, it is also possible that the pricing strategies of hospitals may be perceived negatively by consumers, and hospitals may be forced to reduce fees for their services. Decreased utilization could result, and hospitals' revenues may be negatively impacted. In addition, consumers and groups on behalf of consumers are increasing pressure for hospitals and other health care providers to be transparent and provide information about cost and quality of services that may affect future consumer choices about where to receive health care services.

Employer Status. Hospitals are major employers with mixed technical and nontechnical workforces. Labor costs, including salary, benefits and other liabilities associated with a workforce, have significant impacts on hospital operations and financial condition. Developments affecting hospitals as major employers include: (i) imposing higher minimum or living wages; (ii) enhancing occupational health and safety standards; (iii) imposing joint employer status on employers using contract, staffing agency or other temporary labor; and (iv) penalizing employers of undocumented immigrants. Legislation or regulation on any of the above or related topics could have a material adverse impact on the District.

Labor Relations and Collective Bargaining. Many hospitals are large employers with a wide diversity of employees. Increasingly, employees of hospitals are becoming unionized, and many hospitals have collective bargaining agreements with one or more labor organizations. Employees subject to collective bargaining agreements may include essential nursing and technical personnel, as well as food service, maintenance and other trade personnel. Renegotiation of such agreements upon expiration or negotiation of a first agreement following a union organization may result in significant cost increases to hospitals. Employee strikes or other adverse labor actions may have an adverse impact on operations, revenue and hospital reputation. Certain employees of the District are currently covered by collective bargaining agreements. See APPENDIX A – "INFORMATION CONCERNING WASHINGTON TOWNSHIP HEALTH CARE DISTRICT—OTHER INFORMATION—Employees."

Class Actions. Hospitals and health systems have long been subject to a wide variety of litigation risks, including liability for care outcomes, employer liability, property and premises liability, and peer review litigation with physicians, among others. In recent years, consumer class action litigation has emerged as a potentially significant source of litigation liability for nonprofit hospitals and health systems. These class action suits have most recently focused on hospital billing and collections practices, and they may be used for a variety of currently unanticipated causes of action. Since the subject matter of class action suits may involve uninsured risks, and since such actions often involve alleged large classes of plaintiffs, they may have material adverse consequences on nonprofit hospitals and health systems in the future.

Wage and Hour Class Actions and Litigation. Federal law and many states, including notably California, impose standards related to worker classification, eligibility and payment for overtime, liability for providing rest periods and similar requirements. Large employers with complex workforces, such as hospitals, are susceptible to actual and alleged violations of these standards. In recent years there has been a proliferation of lawsuits over these "wage and hour" issues, often in the form of large class actions. For large employers, such as hospitals and health systems, such class actions can involve multi-million dollar claims, judgments and settlements. A major class action decided or settled adversely to the District could have a material adverse impact on its financial conditions and results of operations.

Health Care Worker Classification. Health care providers, like all businesses, are required to withhold income taxes from amounts paid to employees. If the employer fails to withhold the tax, the employer becomes liable for payment of the tax imposed on the employee. On the other hand, businesses are not required to withhold federal taxes from amounts paid to a worker classified as an independent contractor. The IRS has established criteria for determining whether a worker is an employee or an independent contractor for tax purposes. If the IRS were to reclassify a significant number of hospital independent contractors (*e.g.*, physician medical directors) as employees, back taxes and penalties could be material.

Staffing. In recent years, the healthcare industry has suffered from a scarcity of primary care physicians, nursing personnel, respiratory therapists, pharmacists and other trained healthcare technicians, and a number of such trained healthcare professionals and technicians are expected to retire in the next several years. In addition, aging medical staffs and difficulties in recruiting individuals to the medical profession are predicted to result in physician shortages Significant factors underlying this trend include a decrease in the number of persons entering such professions and changing work expectations among new entrants into the workplace. This may intensify in the future, aggravating the general shortage and increasing the likelihood of hospital-specific shortages. The COVID-19 pandemic has amplified and exacerbated these existing trends, with practitioners deciding to leave healthcare or retire early. In addition, a number of COVID-19 related factors, such as fears of exposure to COVID-19 in the workplace, vaccination mandates and difficulties in finding child and elder care options outside the home, have led to a tight job market. Many employers in a variety of sectors are struggling to fill available positions at pre-pandemic wages, and costs of labor have increased. Hospitals, like other employers, have found it difficult to find employees for jobs of all types, with lower-wage workers having more well-paying employment options, and clinical and hospital staff suffering for a lengthy time with difficult working conditions during the COVID-19 pandemic. Competition for employees, coupled with increased recruiting and retention costs for permanent staffing and the high cost of contract labor to address temporary staffing needs will increase hospital operating costs, possibly significantly, and growth may be constrained. This trend could have a material adverse impact on the financial conditions and results of operations of hospitals. As reimbursement amounts are reduced to healthcare facilities and organizations that employ or contract with physicians, nurses and other healthcare professionals, pressure to control and possibly reduce wage and benefit costs may further strain the ability to attract and retain those professionals. Hospital operations, patient and physician satisfaction, financial condition and future growth could be negatively affected by physician and nursing and other technical personnel shortages, resulting in material adverse impact to hospitals and health systems.

California imposes mandatory nurse staffing ratios for all hospital patient care areas. The nurse to patient ratio standards increased effective January 1, 2008. It is possible that the State may take further action to regulate nurse to patient staffing and the impact on California hospitals will vary by department and facility, but the increased required staffing, in aggregate, could incur higher costs for hospitals.

Professional Liability Claims and General Liability Insurance. In recent years, the number of professional and general liability suits and the dollar amounts of damage recoveries have increased in health care nationwide, resulting in substantial increases in malpractice insurance premiums, higher deductibles and generally less coverage. Professional liability and other actions alleging wrongful conduct and seeking punitive damages are often filed against health care providers. Insurance does not provide coverage for judgments of punitive damages.

CMS does not reimburse hospitals for medical costs arising from certain "never events," which include specific preventable medical errors. Certain private insurers and HMOs followed suit. The occurrence of "never events" is more likely to be publicized and may negatively impact a hospital's reputation, thereby reducing future utilization and potentially increasing the possibility of liability claims.

Litigation also arises from the corporate and business activities of hospitals, from a hospital's status as an employer or as a result of medical staff or provider network peer review or the denial of medical staff or provider network privileges. As with professional liability, many of these risks are covered by insurance, but some are not. For example, some antitrust claims or business disputes are not covered by insurance or other sources and may, in whole or in part, be a liability of the hospital or other health care provider if determined or settled adversely.

There is no assurance that hospitals will be able to maintain coverage amounts currently in place in the future, that the coverage will be sufficient to cover malpractice judgments rendered against a hospital or that such coverage will be available at a reasonable cost in the future.

Information Systems. The ability to adequately price and bill health care services and to accurately report financial results depends on the integrity of the data stored within information systems, as well as the operability of such systems. Information systems require an ongoing commitment of significant resources to maintain, protect and enhance existing systems and develop new systems to keep pace with continuing changes in information processing technology, evolving systems and regulatory standards. There can be no assurance that efforts to upgrade and expand information systems capabilities, protect and enhance these systems, and develop new systems to keep pace with continuing changes in information processing technology will be successful or that additional systems issues will not arise in the future.

Electronic media are also increasingly being used in clinical operations, including the conversion from paper to electronic medical records, computerization of order entry functions and the implementation of clinical decision-support software. The reliance on information technology for these purposes imposes new expectations on physicians and other workforce members to be adept in using and managing electronic systems. It also introduces risks related to patient safety, and to the privacy, accessibility and preservation of health information. See "—Regulatory Environment—HIPAA and Other Privacy Requirements" above. Technology malfunctions or failure to understand and use information systems properly could result in the dissemination of or reliance on inaccurate information, as well as in disputes with patients, physicians and other health care professionals. Health information systems may also be subject to different or higher standards or greater regulation than other information technology or the paper-based systems previously used by health care providers, which may increase the cost, complexity and risks of operations. All of these risks may have adverse consequences on hospitals and health care providers.

Future government regulation and adherence to technological advances could result in an increased need of the District to implement new technology. Such implementation could be costly and is subject to cost overruns and delays in the application, which could negatively affect the financial condition of the District.

Increasing Cost of Modern Technology. Technological advances in recent years have forced hospitals to acquire sophisticated and costly equipment to remain competitive. Moreover, the growth of e-commerce also may result in a shift in the way that health care is delivered, *i.e*., from remote locations. For example, physicians are able to provide certain services over the internet and pharmaceuticals and other health services may be purchased online. If, due to financial constraints, the District was less able to acquire new equipment required to remain competitive, the District could lose market share, and the financial condition of the District could be materially adversely affected.

Outsourcing of Information Management. The District relies on a number of outside vendors to manage information on its behalf. Pursuant to certain of these arrangements, vendors have access to personal information of the District's patients. Even though the District takes many precautions against the unauthorized use and disclosure of individually identifiable information by its vendors, including through the terms of its contracts and security requirements and through security audits and vulnerability assessments, it does not control the actions and practices of outside entities. In addition, despite the security measures the District has in place to ensure compliance with applicable laws and rules, its facilities and systems and those of its third-party service providers may be vulnerable to security breaches, acts of vandalism or theft, computer viruses, misplaced or lost data, programming and/or human errors or other similar events. Noncompliance with any privacy laws or any security breach involving the misappropriation, loss or other unauthorized use or disclosure of sensitive or confidential health or other personal information, whether by the District or by one of its vendors, could have a material adverse effect on the District's business, reputation and results of operations, and could result in any or all of the following: material fines and penalties; compensatory, special, punitive, and statutory damages; consent orders regarding privacy and security practices; and adverse actions against the District's licenses to do business.

Physician Financial Relationships. In addition to the physician integration relationships referred to above, hospitals and health systems frequently have various additional business and financial relationships with physicians and physician groups. These are in addition to hospital physician contracts for individual services performed by physicians in hospitals. They potentially include: joint ventures to provide a variety of outpatient services; recruiting arrangements with individual physicians and/or physician groups; loans to physicians; medical office leases; equipment leases from or to physicians; and various forms of physician practice support or assistance. These and other financial relationships with physicians (including hospital physician contracts for individual services) may involve financial and legal compliance risks for the hospitals and health systems involved. From a compliance standpoint, these types of financial relationships may raise federal and state "anti-kickback" and federal "Stark" issues (see "—Regulatory Environment," above), tax exemption issues, as well as other legal and regulatory risks, and these could have a material adverse impact on hospitals.

Cybersecurity Risks. Despite the implementation of network security measures by the District, its information technology systems may be vulnerable to breaches, hacker attacks, computer viruses, physical or electronic break-ins and other similar events or issues. Such events or issues could lead to the inadvertent disclosure of protected health information or other confidential information or could have an adverse effect on the ability of the District to provide health care services. Health care providers are highly dependent upon integrated electronic medical record and other information technology systems to deliver high quality, coordinated and cost-effective health care. These systems necessarily hold large quantities of highly sensitive protected health information that is highly valued on the black market for such information. As a result, the electronic systems and networks of health care providers are considered to be likely targets for cyberattacks and other potential breaches of their systems. In addition to certain regulatory fines and penalties, the health care entities subject to the breaches may also be liable for the costs of remediating the breaches, damages to individuals (or classes) whose information has been breached, reputational damage and business loss, and damage to the information technology infrastructure. The District has taken, and continues to take measures to protect its information technology systems against such cyberattacks, but there can be no assurance that the District will not experience a significant breach. If such a breach occurs, the financial consequences of such a breach could have a material adverse impact on the District. See Appendix A – "INFORMATION CONCERNING WASHINGTON TOWNSHIP HEALTH CARE DISTRICT—OTHER INFORMATION—Cybersecurity."

Tax Matters

The Code imposes a number of requirements that must be satisfied for interest on state and local obligations, such as the 2023 Series A Bonds, to be excludable from gross income for federal income tax purposes. The District has covenanted that it will comply with such requirements. Future failure by the District to comply with the requirements stated in the Code and related regulations and rulings may result in the treatment of interest on the 2023 Series A Bonds as taxable, retroactively to the date of issuance. The District has covenanted in the Eleventh Supplemental Indenture that it will at all times do and perform all acts permitted by law and the Indenture which are necessary or desirable in order to assure that interest paid on the 2023 Series A Bonds will be excluded from gross income for federal income tax purposes.

The District believes that the 2023 Series A Bonds properly comply with the tax laws. In addition, Bond Counsel to the District will render an opinion with respect to the tax-exempt status of the 2023 Series A Bonds, as described under the caption "TAX MATTERS." No ruling with respect to the 2023 Series A Bonds has been or will be sought from the IRS, however, and the opinions of counsel are not binding on the IRS or the courts. There can be no assurance that an examination of the 2023 Series A Bonds will not adversely affect the 2023 Series A Bonds or the market value of the 2023 Series A Bonds, nor that future legislative action might limit or remove the tax-exempt status of interest on the 2023 Series A Bonds. See "TAX MATTERS" herein.

Future legislative proposals, if enacted, regulations, rulings or court decisions may cause interest on the 2023 Series A Bonds to be subject, directly or indirectly, to federal income taxation or to State or local income taxation, or may otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. See "TAX MATTERS" herein.

Legislation or regulatory actions and future proposals, whether or not enacted, may also affect the economic value of the federal or state tax exemption or the market value of the 2023 Series A Bonds.

Bankruptcy

Under Chapter 9 of the Federal Bankruptcy Code (Title 11, United States Code) (the "Bankruptcy Code"), no involuntary petitions for bankruptcy relief are permitted. However, California health care districts may petition for bankruptcy relief under Chapter 9 of the Bankruptcy Code. If the District were a debtor in bankruptcy, the parties may be prohibited from taking any action to collect any amount from the District or to enforce any obligation of the District, without the bankruptcy court's permission. This prohibition may also prevent the Trustee from making payments to the Holders of the 2023 Series A Bonds from funds in the Trustee's possession. There may be other possible effects of a bankruptcy of the District that could result in delays or reductions in payments on the 2023 Series A Bonds, which could have an adverse effect on the liquidity and value of the 2023 Series A Bonds.

Other Risk Factors

Earthquakes. Many hospitals in California are in close proximity to active earthquake faults. A significant earthquake in northern California could have a material adverse effect on the District and could result in material damage and temporary or permanent cessation of operations at the Facilities. [The District currently does not carry earthquake insurance coverage. - TO BE CONFIRMED/UPDATED]

California law requires each acute care hospital in the State to evaluate and upgrade its patient care facilities to meet stated seismic standards by 2008 or, in certain cases, by 2030; ultimate deadlines depend on each acute care hospital building's structural performance category. For information about the District's compliance with the State seismic standards, see APPENDIX A – "INFORMATION CONCERNING WASHINGTON TOWNSHIP HEALTH CARE DISTRICT—SERVICES—Conformance with SB 1953 Seismic Standards."

Wildfires. California has faced increasingly destructive wildfires. According to the California Department of Forestry and Fire Protection and the U.S. Forest Service, in 2022, there were approximately 7,477 wildfires that destroyed approximately 331,360 acres. There have been evacuation warnings issued in the past for parts of Alameda County, including the City of Fremont, in connection with the SCU Lighting Complex Fire. Wildfires in Northern California could in the future have a material adverse effect on the District and result in material damage and temporary or permanent cessation of operations at the Facilities. Further, wildfires in Northern California could also result in an abnormally high demand for health care services or otherwise impair the District's operations and the generation of revenues from the Facilities.

Investments. The District has holdings in a broad range of investments. Market fluctuations may affect the value of those investments and those fluctuations may be, depending on the broader market, material. For information regarding the District's investments, see Notes 5 and 6 to the District's audited financial statements included in Appendix B hereto.

Contributions. A negative change in economic conditions, including a recurrence of a recession, or declines in the public equities market or private investment holdings of potential philanthropy sources, may have an adverse impact on the District's total receipt of charitable contributions. Failure to collect committed donations or to receive sufficient additional pledges of support may impair the District's ability to complete projects or to develop programs or services that are dependent on charitable contributions. No assurances can be given that the District will receive charitable contributions as anticipated or consistent with historical levels.

Ratings. There is no assurance that the ratings assigned to the 2023 Series A Bonds will not be lowered or withdrawn at any time, the effect of which could adversely affect the market price for and marketability of the 2023 Series A Bonds. See the information herein under the heading "RATINGS."

Marketability of the 2023 Series A Bonds. There is no assurance as to the liquidity of markets that may develop for the 2023 Series A Bonds, the ability of beneficial owners to sell the 2023 Series A Bonds or the price at which beneficial owners would be able to sell the 2023 Series A Bonds. Neither the Underwriter nor any other financial institution is obligated to make a market in the 2023 Series A Bonds, and any financial institution that does so may discontinue its market-making activities at any time without notice. Any market for the 2023 Series A Bonds may be subject to disruption which could adversely affect the prices at which beneficial owners may sell the 2023 Series A Bonds. The 2023 Series A Bonds may trade at a discount from their original purchase prices depending upon interest rates, the market for obligations similar to the 2023 Series A Bonds, the financial condition of the District and other factors.

Amendments to Indenture. Certain amendments to the Indenture may be made without consent of the Holders of the Outstanding Bonds or with the consent of the Holders of a majority of the aggregate principal amount of the Outstanding Bonds. See "APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE INCLUDING THE ELEVENTH SUPPLEMENTAL INDENTURE–AMENDMENTS."

Other Future Risks. In the future, the following factors, among others, may adversely affect the operations of health care providers, including the District, or the market value of health care revenue bonds, including the 2023 Series A Bonds, to an extent that cannot be determined at this time.

- Adoption of legislation that would establish a national or statewide single-payor health program or that would establish national, statewide or otherwise regulated rates applicable to hospitals and other health care providers.

- Reduced demand for the services of the District that might result from decreases in population or loss of market share to competitors.

- Increased unemployment or other adverse economic conditions in the service area of the District which would increase the proportion of patients who are unable to pay fully for the cost of their care.

- Bankruptcy of an indemnity/commercial insurer, managed care plan or other payor.

- Efforts by insurers and governmental agencies to limit the cost of hospital services, to reduce the number of beds and to reduce the utilization of hospital facilities by such means as preventive medicine, improved occupational health and safety and outpatient care, or comparable regulations or attempts by third-party payors to control or restrict the operations of certain health care facilities.

- New clinical techniques and technology as well as new pharmaceutical and genetic developments and products, may alter the course of medical diagnosis and treatment in ways that are currently unanticipated and that may dramatically change medical and hospital care. These could result in higher health care costs, lower utilization of hospital services and/or new sources of competition for hospitals.

- Regulatory actions which might limit the ability of the District to undertake capital improvements at its facilities or to develop new institutional health services.

- The occurrence of a natural or man-made disaster, a pandemic or an epidemic that could damage the Facilities, interrupt utility service to the facilities, result in an abnormally high demand for health care services or otherwise impair the District's operations and the generation of revenues from the facilities.

- Limitations on the availability of, and increased compensation necessary to secure and retain, nursing, technical and other professional personnel.

- Cost and availability of any insurance, such as professional liability, fire, automobile and general comprehensive liability coverages, which health care facilities of a similar size and type generally carry.

LITIGATION

[TO BE CONFIRMED/UPDATED]

There is no action, suit or proceeding pending or threatened restraining or enjoining the issuance of the 2023 Series A Bonds or questioning or affecting the validity of the 2023 Series A Bonds or the proceedings or authority under which they are to be issued, the pledge or application of any moneys pledged to the payment of the 2023 Series A Bonds, or challenging the validity of the creation, organization or existence of the District.

Professional liability and other actions alleging wrongful conduct and seeking punitive damages are often filed against hospitals. Professional liability insurance does not provide coverage for judgments for punitive damages. The District has not had to pay any punitive damage claim.

Litigation also arises from the corporate and business activities of the District, from its status as an employer or as a result of medical staff peer review or the denial of medical staff privileges. Many of these risks are covered by insurance, but some are not. For example, some antitrust claims, business disputes and workers' compensation claims are not covered by insurance or other sources and may, in whole or in part, be a liability of the District if determined or settled adversely. As noted above, claims for punitive damages are not covered by insurance.

There is no governmental action or litigation pending or threatened against the District, which, if successful, would have a material and adverse effect on the operations or financial condition of the District.

FINANCIAL ADVISOR

The District has retained Kaufman, Hall & Associates, LLC ("Kaufman Hall"), Skokie, Illinois, a municipal advisory firm registered with the U.S. Securities and Exchange Commission and the Municipal Securities Rulemaking Board, as financial advisor in connection with the issuance of the 2023 Series A Bonds. Although Kaufman Hall has assisted in the preparation of this Official Statement, Kaufman Hall was not and is not obligated to undertake, and has not undertaken to make, an independent verification and assumes no responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

INDEPENDENT ACCOUNTANTS

The financial statements as of June 30, 2022 and June 30, 2021, and for each of the two years in the period ended June 30, 2022, included in Appendix B to this Official Statement, have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report appearing herein.

TAX MATTERS

[BOND COUNSEL TO CONFIRM/UPDATE]

Federal Income Taxes

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met subsequent to the issuance and delivery of the 2023 Series A Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the 2023 Series A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the 2023 Series A Bonds. Pursuant to the Indenture and the tax and nonarbitrage certificate executed by the District in connection with the issuance of the 2023 Series A Bonds (the "Tax Certificate"), the District has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the 2023 Series A Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the District has made certain representations and certifications in the Indenture and the Tax Certificate. Bond Counsel (defined herein) will not independently verify the accuracy of those representations and certifications.

In the opinion of Nixon Peabody LLP, Bond Counsel to the District ("Bond Counsel"), under existing law and assuming compliance with the aforementioned covenant, and the accuracy of certain representations and certifications made by the District described above, interest on the 2023 Series A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code. In rendering these opinions, Bond Counsel has relied upon representations and covenants of the District in the Tax Certificate concerning the property financed with 2023 Series A Bond proceeds, the investment and use of 2023 Series A Bond proceeds and the rebate to the federal government of certain earnings thereon. In addition, Bond Counsel has assumed that all such representations are true and correct and that the District will comply with such covenants. Bond Counsel has expressed no opinion with respect to the exclusion of the interest on the 2023 Series A Bonds from gross income under Section 103(a) of the Code in the event that any of such District representations are untrue or the District fails to comply with such covenants, unless such failure to comply is based on the advice or the opinion of Bond Counsel.

State Taxes

Bond Counsel is also of the opinion that interest on the 2023 Series A Bonds is exempt from personal income taxes of the State of California under present State law. Bond Counsel expresses no opinion as to other state or local tax consequences arising with respect to the 2023 Series A Bonds nor as to the taxability of the 2023 Series A Bonds nor the income therefrom under the laws of any state other than California.

Original Issue Discount

Bond Counsel is further of the opinion that the excess of the principal amount of a maturity of the 2023 Series A Bonds over its issue price (i.e., the first price at which price a substantial amount of such maturity of the 2023 Series A Bonds was sold to the public, excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) (each, a "Discount Bond" and collectively the "Discount Bonds") constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the 2023 Series A Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such issue price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount Bonds, even though there will not be a corresponding cash payment. Owners of the Discount Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Discount Bonds.

Original Issue Premium

2023 Series A Bonds sold at prices in excess of their principal amounts are "Premium Bonds". An initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such 2023 Series A Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

Ancillary Tax Matters

Ownership of the 2023 Series A Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, individuals receiving Social Security or Railroad Retirement benefits, individuals seeking to claim the earned income credit, and taxpayers (including banks, thrift institutions and other financial institutions) who may be deemed to have incurred or continued indebtedness to purchase or to carry the 2023 Series A Bonds. Prospective investors are advised to consult their own tax advisors regarding these rules.

Interest paid on tax-exempt obligations such as the 2023 Series A Bonds is subject to information reporting to the Internal Revenue Service (the "IRS") in a manner similar to interest paid on taxable obligations. In addition, interest on the 2023 Series A Bonds may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Bond Counsel is not rendering any opinion as to any federal tax matters other than those described in the opinion attached as Appendix D. Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the 2023 Series A Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Changes in Law and Post Issuance Events

Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the 2023 Series A Bonds for federal or state income tax purposes, and thus on the value or marketability of the 2023 Series A Bonds. This could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest on the 2023 Series A Bonds from gross income for federal or state income tax purposes, or otherwise. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the 2023 Series A Bonds may occur. Prospective purchasers of the 2023 Series A Bonds should consult their own tax advisors regarding the impact of any change in law on the 202 Series A Bonds.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the 2023 Series A Bonds may affect the tax status of interest on the 2023 Series A Bonds. Bond Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the 2023 Series A Bonds, or the interest thereon, if any action is taken with respect to the 2023 Series A Bonds or the proceeds thereof upon the advice or approval of other counsel.

APPROVAL OF LEGALITY

The issuance of the 2023 Series A Bonds is subject to the approval of their legality by Nixon Peabody LLP, Bond Counsel. A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix D. Certain legal matters will be passed upon for the District by special counsel to the District, Mary K. Norvell, Attorney at Law, and for the Underwriter by its counsel, Norton Rose Fulbright US LLP. The fees of Bond Counsel are contingent upon the sale and delivery of the 2023 Series A Bonds.

UNDERWRITING

The 2023 Series A Bonds are being purchased by the Underwriter, BofA Securities, Inc. The Underwriter has agreed to purchase the 2023 Series A Bonds at an aggregate purchase price of $__________, representing the par amount of the 2023 Series A Bonds, plus/less [net] original issue premium/discount of $__________, less the Underwriter's discount of $__________. The Bond Purchase Contract provides that the Underwriter will purchase all of the 2023 Series A Bonds, if any are purchased. The Bond Purchase Contract provides that the fees of counsel for the Underwriter will be paid by the District.

The 2023 Series A Bonds are being offered for sale to the public at the prices shown on the inside cover page hereof. The Underwriter reserves the right to lower such initial offering prices as it deems necessary in connection with the marketing of the 2023 Series A Bonds. The Underwriter may offer and sell the 2023 Series A Bonds to certain dealers (including dealers depositing the 2023 Series A Bonds into investment trusts) and others at prices lower than the initial public offering price or prices set forth in the Official Statement. The Underwriter reserves the right to join with dealers and other underwriters in offering the 2023 Series A Bonds to the public. The obligation of the Underwriter to accept delivery of the 2023 Series A Bonds is subject to the terms and conditions set forth in the Bond Purchase Contract, the approval of legal matters by counsel and other conditions. The Underwriter may over-allot or effect transactions which stabilize or maintain the market price of the 2023 Series A Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Under certain circumstances, the Underwriter and its affiliates may have certain creditor and/or other rights against the District and its affiliates in connection with such activities. In the various course of their various business activities, the Underwriter and its affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively traded securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the District (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the District. The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

BofA Securities, Inc. ("BofA Securities"), the underwriter of the 2023 Series A Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"). As part of this arrangement, BofA Securities may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities may compensate MLPF&S as a dealer for their selling efforts with respect to the 2023 Series A Bonds.

RATING[S]

Moody's Investors Service ("Moody's") has assigned the 2023 Series A Bonds a rating of "[____]" ([________] Outlook), [and Fitch Ratings, Inc. ("Fitch") has assigned the 2023 Series A Bonds a rating of "[____]" ([________ Outlook)]. No application was made to any other rating agency for the purpose of obtaining an additional rating on the 2023 Series A Bonds. Such rating[s] reflect[s] only the views of Moody's and Fitch, as applicable, and any explanation of the significance of such rating[s] may only be obtained from Moody's at 7 World Trade Center at 250 Greenwich Street, New York, New York 10007 [and Fitch at _________]. The District furnished to Moody's [and Fitch] certain information and materials concerning the 2023 Series A Bonds and itself, including information that may not be included in this Official Statement. Generally, rating agencies base their ratings on information and materials furnished to them and on investigations, studies and assumptions by the rating agencies. There is no assurance that the rating[s] mentioned above will remain in effect for any given period of time or that the rating[s] might not be lowered or withdrawn entirely by Moody's, if in its judgment circumstances so warrant. The District and the Underwriter have undertaken no responsibility either to bring to the attention of the owners of the 2023 Series A Bonds any proposed change in or withdrawal of the rating[s] or to oppose any such proposed revision or withdrawal. Any such downward change in or withdrawal of the rating[s] might have an adverse effect on the market price or marketability of the 2023 Series A Bonds.

MISCELLANEOUS

The foregoing and subsequent summaries or descriptions of provisions of the 2023 Series A Bonds, the Indenture and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof and do not purport to summarize or describe all of the provisions thereof. Reference is made to said documents for full and complete statements of the provisions of such documents. The appendices attached hereto are a part of this Official Statement. Copies, in reasonable quantity, of the Indenture, may be obtained during the offering period upon request to the Underwriter and thereafter upon request to the District at 2000 Mowry Avenue, Fremont, California 94538-1716, Attention: Chief Financial Officer. The District may impose copying, shipping and handling fees.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or Owners of any of the Bonds.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

The District has authorized and consented to the execution and distribution of this Official Statement.

WASHINGTON TOWNSHIP HEALTH CARE DISTRICT

By: : ____

Chief Executive Officer
Washington Township Health Care District

APPENDIX A

INFORMATION CONCERNING
WASHINGTON TOWNSHIP HEALTH CARE DISTRICT

The information contained in this Appendix has been obtained from Washington Township Health Care District and certain other sources. 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.

TABLE OF CONTENTS

INTRODUCTION

History and Organization

Washington Township Health Care District (the "District") is a political subdivision of the State of California, organized pursuant to the Health and Safety Code of the State of California (the "Health & Safety Code").

The District was founded in 1948, and Washington Hospital (the "Hospital") opened its doors ten years later on November 24, 1958. In January 1995, the District's name was changed from Washington Township Hospital District to Washington Township Health Care District to reflect the District's mission to provide broad health care services in addition to hospital-based services.

The District's boundaries encompass an area of approximately 124 square miles in southern Alameda County (the "County"). Included within the District's boundaries are the cities of Fremont, Newark, Union City, southern portions of Hayward and an unincorporated area of the County known as Sunol. In 2022, the estimated population living within the primary service area was [________].

The District operates the health system known as Washington Hospital Healthcare System ("WHHS"), consisting of the Hospital, which is a [415]-bed acute care hospital, [update - the Washington Outpatient Surgery Center, the Washington Township Medical Foundation's multi-specialty clinics, an outpatient urgent care clinic, an outpatient rehabilitation center, an outpatient wound healing and hyperbaric oxygen center, an outpatient infusion center, an outpatient imaging center, an outpatient laboratory, an outpatient women's health center, a radiation oncology center, and an outpatient diabetes clinic] (collectively, the "Facilities"). Through the Facilities, the District offers a full range of primary and secondary acute care health services. See "SERVICES" below for additional information about the services offered through the District's Facilities.

Affiliates

The following are affiliated entities of the District: (i) Washington Township Hospital Development Corporation ("DEVCO"), (ii) Washington Township Medical Foundation (the "Medical Foundation") and (iii) Washington Hospital Healthcare Foundation ("WHHF" and, together with DEVCO and the Medical Foundation, the "Affiliates"). *No revenues or assets of any Affiliates are pledged to secure repayment of the 2023 Series A Bonds.*

Washington Township Hospital Development Corporation. Formed in 1984, DEVCO is a California nonprofit public benefit corporation. The District appoints DEVCO's Board of Directors. DEVCO was incorporated in response to California legislation that provided authority for hospitals to transact business for the benefit of the District through affiliated nonprofit corporations. DEVCO trains medical personnel, develops medical treatment programs, performs medical research and development, and renders medical services to the general public. DEVCO holds a majority interest in an ambulatory surgical center (the "Washington Outpatient Surgery Center" or "WOSC") located across the street from the main Hospital. DEVCO also provides management and administrative services for a radiation oncology center, an outpatient urgent care clinic, and an outpatient physical therapy service center.

[TO BE UPDATED - In November 2019, DEVCO agreed to participate indirectly in the ownership and operation of the Peninsula Surgery Center ("PSC"), an ambulatory surgery center located in Redwood City, California, through a holding company and an operating company controlled by DEVCO. On October 28. 2020, the Board of Directors of the District authorized the guarantee of a $9,400,000 loan from a commercial bank to the operating company to pay for improvements at the PSC. Subsequent to such authorization, the commercial bank agreed to accept a guarantee of the loan from DEVCO, instead of the District. Because the terms of the guarantee are currently under negotiation, the covenants by and the obligations of DEVCO have not been determined at this time. District management has determined that the District will not be a party to and will not be executing the guarantee provided to the bank by DEVCO.]

[Discuss PSC and PSP – ALSO DISCUSS ANY OTHER AFFILIATES, AND NOTE WHETHER THEY ARE INCLUDED IN THE AUDITED FINANCIALS]

Washington Township Medical Foundation. Formed on November 1, 2010, the Medical Foundation is a California nonprofit public benefit corporation created for the benefit of DEVCO, which is the sole member of the Medical Foundation, and to support DEVCO's charitable health care functions by operating multi-specialty medical clinics under applicable provisions of the Health & Safety Code, engaging in charitable health care, educational and medical research programs, and conducting other programs that improve community health and promote access to community health care services. The Medical Foundation has entered into a professional services agreement with Washington Township Medical Group, a California professional corporation (the "Medical Group"), under which the Medical Group provides multi-specialty professional services to patients and conducts educational and medical research programs in the community served by the District. [TO BE UPDATED - As of June 2022, the Medical Foundation operated [29] clinic sites, including [4] hospitalist programs, staffed by [96] physician and other providers to serve patients of the District].

The District's audited financial statements included in Appendix B to this Official Statement and, unless otherwise noted, the financial information included under the heading "SELECTED FINANCIAL INFORMATION—Summary Financial Information for the District" included in this Appendix A include the accounts and transactions of DEVCO and the Medical Foundation. *Neither DEVCO nor the Medical Foundation is liable for the District's obligations arising under the Indenture, the 2023 Series A Bonds or related bond documents.*

Washington Hospital Healthcare Foundation. Founded in 1982, WHHF is a California nonprofit public benefit corporation created to serve as a guardian of gifts and bequests to the District. The District and WHHF are discrete financial entities, operating as a financial whole. WHHF is a discretely presented component unit, and therefore, is not blended in the District's financial statements. WHHF is designed to support the District by increasing public awareness and providing financial support. Through contributions from companies and individuals, WHHF has funded many important projects of the District. [As of June 30, 2022, WHHF's net assets were $4,612,000. WHHF received or accrued contributions for the benefit of the District of $1,342,000 and $2,746,000 in fiscal years ended June 30, 2021 and 2022, respectively. WHHF distributed funds to the District of $3,345,000 and $1,056,000 in fiscal years ended June 30, 2021 and 2022, respectively.] *The accounts and transactions of WHHF are not included in the District's audited financial statements and WHHF is not liable for the District's obligations arising under the Indenture, the 2023 Series A Bonds or related bond documents.*

Collaboration with the University of California, San Francisco ("UCSF")

The District has developed a strategic relationship with UCSF Medical Center and UCSF Benioff Children's Hospital. In June 2013, the District entered into a collaboration agreement with The Regents of the University of California, on behalf of UCSF Medical Group and UCSF Medical Center. The purpose of the collaboration is to create a comprehensive and integrated regional health care network. Currently, the District's strategic collaboration with UCSF Medical Center and UCSF Benioff Children's Hospital has resulted in a number of new programs being offered at the Hospital.

- The Washington Special Care Nursery is staffed by UCSF neonatologists and operates an 11-bed unit. UCSF pediatric hospitalists provide 24/7 coverage for the Hospital's pediatric patients.

- The District opened a Perinatal Diagnostic Center in 2017 at the Hospital that is staffed by a UCSF perinatologist as well as a UCSF genetic counselor to provide prenatal care, diagnostic testing, and genetic counseling.

- The Washington Cancer Genetics Program provides cancer risk assessments, genetic counseling, and genetic testing in a clinic staffed by a UCSF genetic counselor and a local community physician.

- In January 2017, the UCSF-Washington Hospital Healthcare System Cancer Center, staffed by UCSF physicians, opened at the Hospital and currently provides oncology clinic services and care coordination for cancer patients.

- Specialty outreach programs, including a UCSF Heart Transplant outpatient clinic and a UCSF Liver Transplant outpatient clinic, provide services not previously available within the District.

- UCSF opened a pediatric specialty program at the Hospital, with pediatric specialties including gastroenterology, neurology, cardiology, and high-risk infant follow-up.

- A full-time cardiovascular surgery program at the Hospital is staffed by UCSF surgeons, who also provide 24/7 call coverage.

[TO BE UPDATED/CONFIRMED - During fiscal year 2022, the District and UCSF formed a joint venture to develop the Warm Springs Health Center, providing a combination of primary care services, multi-specialty care services, urgent care and other outpatient services, an ambulatory surgery center and/or an outpatient pharmacy].

[TO BE UPDATED/CONFIRMED - Additionally, on February 1, 2023, the District and UCSF formed the WHHS & UCSF Health Cancer Services Joint Venture, LLC. The purpose of the joint venture is to promote health and provide or expand access to cancer healthcare services to a broad cross section of the community through the development of a regional cancer center in Fremont, California. The District is the majority partner with 51 percent of the investment, with UCSF as the minority investor with 49 percent.].

The District and UCSF continue to collaborate on a diverse set of initiatives, such as cancer services and radiation oncology, oncology clinical trials, adolescent psychiatry, and elective resident rotations in the emergency department, which are expected to roll out during the coming years.

SERVICES

Through its Facilities, the District offers a full range of primary and secondary acute care health services, which include [24-hour emergency care; childbirth and family services; cardiac surgery, catheterization and rehabilitation; nutritional counseling; outpatient surgery; pulmonary function; crisis intervention; respiratory care; rehabilitation services (cardiac, physical therapy, occupational therapy, speech, stress); social services; laboratory; medical imaging; level II nursery, and hospice care]. In addition, a number of specialized programs operated by the District are noteworthy.

The District has been recognized for the high-quality care it provides at the Hospital. It received national recognition for orthopedic care at the Institute for Joint Restoration and Research (the "Institute"). The Institute is dedicated to providing the most advanced protocols for minimally invasive hip and knee joint replacements, and, more recently, shoulder replacements. The Institute also conducts extensive research in these areas. [TO BE UPDATED - Recognized by Blue Cross Blue Shield as a Blue Distinction® Center and a 100 Best Hospitals for Joint Replacement by Healthgrades every year since 2012, the Institute continues to uphold patients' high expectations as a center of excellence. For 14 consecutive years (2007-2020), the Hospital has been a recipient of the Healthgrades Joint Replacement Excellence Award, earning a place among the top 5 percent in the nation for joint replacement. In addition, the Hospital received a five-star designation for total hip replacement for the 17th year in row (2004-2020), and total knee replacement for the 15th year in a row (2006-2020). The Institute performs over 1,600 joint replacements annually.]

[TO BE UPDATED - The Hospital is one of 4 hospitals in the Bay Area to receive a Five Star Distinction in Cranial Neurosurgery from Healthgrades in 2020.]

As part of the Taylor McAdam Bell Neuroscience Institute, the District has also received national recognition for its Stroke Program (the "Stroke Program") at the Hospital. The Stroke Program offers comprehensive approaches for treating stroke patients, not only by using the latest technology but also by maintaining a dedicated team of stroke care providers. The Stroke Program not only offers patients timely, high-quality, effective treatment for an acute stroke, but also provides patients, their families and the community at large the tools necessary to become better informed about the signs and symptoms of stroke. The program also provides recommendations on how to stay as healthy as possible to minimize the risk of stroke. [TO BE UPDATED - In December 2019, the Hospital was granted recertification by The Joint Commission for its Advanced Primary Stroke Program. WHHS also earned the 2019 Get With The Guidelines® – Stroke Gold plus Quality Achievement Award and qualified for recognition on the Target: Stroke Honor Roll. This award recognizes WHHS's commitment and success in implementing a high standard of stroke care by ensuring that its stroke patients receive treatment that meets nationally accepted, evidence-based standards and recommendations.] The Neuroscience Institute includes the Cerebrovascular Neurosurgery Program and is a regional provider of neurointerventional procedures to treat life-threatening brain aneurysms. In addition to caring for local patients, many patients are transported from hospitals throughout Northern and Central California via air ambulance to receive emergency treatment from this well-regarded program. The Hospital is also a designated cardiac receiving center for Alameda County, which means those suffering from a heart attack receive specialized intervention from the County-coordinated EMS system and are received at the Hospital by a specialized cardiac team that provides immediate interventions to the patient.

Accreditation, Awards and Recognition

[Update with latest awards and recognitions.]

The District received its most recent three-year accreditation from The Joint Commission in [_____ 20__]. [TO BE UPDATED/CONFIRMED - The effective term of the accreditation has been extended until The Joint Commission resumes full accreditation surveys which were postponed due to the COVID-19 pandemic.]

In September 2016, the Hospital earned Magnet® Status re-designation from the American Nurses Credentialing Center. Magnet status designates the Hospital as providing a superior level of health care for patients, displaying innovative practices and employing nurses as part of its team who perform excellent work. [TO BE UPDATED - As a recipient of the 2018 Outstanding Achievement award for cancer services from the Commission on Cancer, the Hospital is one of only 26 hospitals nationwide to receive the award and one of only 3 hospitals to receive the award for 4 or more consecutive years. In 2020, the Hospital also received the Quest for Zero Award in Obstetrics as well as Emergency Care from the Beta Healthcare Group for its risk reduction program to improve patient safety.]

Bed Capacity

As of June 30, 2022, the Hospital was licensed for [415] beds, of which [___] beds were available. The following table shows by category the number of licensed and staffed beds at the Hospital.

Type of Service	Licensed Beds at June 30, 2022	Beds Available at June 30, 2022
Medical/Surgical	[302	
Intensive Care	48	
Intermediate Care	12	
Pediatric Services	17	
Perinatal Services	22	
Intensive Care Newborn Nursery	14	
Total	415]	

Source: The District

Historical Utilization

The Hospital's utilization statistics for the [past three fiscal years][OR CONSIDER INSTEAD past two fiscal years and the nine months ended March 31, 2023] are presented below.

	Fiscal Year Ended June 30,			[Nine Months Ended March 31, 2023]
	[2020]	2021	2022	
Inpatient Activity:				
Licensed Beds	415			
Available Beds	385			
Discharges	10,765			
Patient Days	53,235			
Average Daily Census	145.4			
Average Length of Stay	4.95			
Occupancy Rate (Licensed Beds)	35%			
Occupancy Rate (Available Beds)	38%			
Inpatient Surgery Cases	2,418			
Outpatient Activity:				
Hospital Outpatient Total	82,963			
Outpatient Surgery Cases	1,765			
Emergency Room Visits	51,526			
Clinic Office and Ancillary Visits	38,031			

Source: The District

Operations and Quality Initiatives

In the fall of 2014, the District began implementing Lean Principles, based on the extensively proven Toyota Production System. The vision of this strategy is to become the high quality, low-cost provider of choice for patients, employers, and insurers, which is critical to the District's mission of serving the health care needs of the District residents, now and into the future. The District has a multi-year, long-term plan for continued implementation of the Toyota Production System, and has continued the Lean Certification process for executive staff, management staff, physician leadership, and clinical staff. The District has also developed five-day comprehensive training for staff not enrolled in the full Lean Certification program. In addition, a Lean leadership development program has been implemented in order to sustain the improvements achieved through application of Lean principles. Lean activities and principles have already been applied in surgical services, the emergency department, inpatient medical/surgical units, the supply chain, the women's center, the revenue cycle, patient safety, imaging, labor and delivery, medical foundation clinics, and in all departments that recently transitioned to the Hyman Pavilion. [TO BE UPDATED - The laboratory, human resources and the pharmacy began their Lean transformation in March 2020.]

Facilities

Main Hospital Campus

In November 2018, the District opened a major new patient care facility. This three-level, 225,000 square-foot facility, named the Morris Hyman Critical Care Pavilion (the "Hyman Pavilion"), houses the District's emergency services department, its 48-bed critical care unit and 68 acute medical-surgical beds. The Hyman Pavilion's $350 million capital cost was funded primarily through the issuance of $292 million of voter-approved, tax-supported general obligation bonds, with the remainder funded by revenue bonds and by private donations. The Hyman Pavilion substantially expands the District's capacity to serve emergency patients and those with critical care needs. Its design incorporates base-isolation technology, which meets the California seismic safety standards for healthcare facilities. Constructed over a three-year period, the Hyman Pavilion was completed on schedule and within budget.

Outpatient Growth

On January 9, 2017, the District completed the acquisition of a 190,638 square-foot office complex situated on 8.4 acres of land located immediately adjacent to the Hospital. The total acquisition price was approximately $57.8 million, and the District funded the acquisition entirely with unrestricted cash. The office complex is located at 39300 Civic Center Drive and 2201 Walnut Avenue, in Fremont, and is comprised of two separate three-story buildings. Like the Hospital, the office complex is adjacent to the Fremont BART Station, giving it good access to public transportation.

[TO BE UPDATED - The office complex is designed for general commercial use and is currently leased to several commercial tenants, including various technology, finance, legal and medical services companies. No current tenant is related to the District or its affiliates. The complex is currently occupied under several long-term leases. Current tenant leases produce sufficient revenues for the office complex to generate a positive cash flow from operations.]

[TO BE UPDATED - The District intends to renovate the existing space over time for uses appropriate for various Hospital operations, including those of the Medical Foundation. The District has yet to begin specific planning for these renovations; therefore, no details regarding these plans are currently available. The District expects that, once the office complex is fully integrated into its operations, it will realize significant savings in rental expense that it currently incurs at several sites throughout Fremont, while continuing to generate cash flow from non-Hospital affiliated tenants.]

[TO BE UPDATED - The District entered into a purchase contract to acquire land including certain improvements in the southern portion of Fremont, California, near the Bay Area Rapid Transit's Warm Springs station. The acquisition includes a two-story research and development building consisting of approximately 88,000 square feet on approximately five acres of land, which was most recently used in electronics manufacturing. As part of the due diligence process related to the acquisition, the District applied for and secured an approval in December of 2019 for the necessary zoning change from the City of Fremont in order to develop medical office and clinic space in the building. On March 18, 2020, in partnership with UCSF, the District completed the acquisition of the property for approximately $22 million. The District entered into a Tenancy-In-Common agreement with UCSF for the property, of which the District has 51% ownership and UCSF has 49% ownership. The District and UCSF anticipate developing a health services complex on the site that likely would include: primary care services; multi-specialty care services; urgent care and other outpatient services; an ambulatory surgery center; and a pharmacy.]

Conformance with SB 1953 Seismic Standards

The State of California Department of Health Care Access and Information ("HCAI") (formerly the Office of Statewide Health Planning and Development) notified District management that the District's current facilities comply with California State Senate Bill 1953 ("SB 1953") hospital seismic safety standards to January 1, 2030. Since that notification, the District has completed significant construction and expansion. As a result, the District is in compliance beyond January 1, 2030 for the Center for Joint Replacement building, the central utility plant, the loading dock, the utility tunnel and the Hyman Pavilion, which opened in November 2018, and is built on a sophisticated base isolation system that will maintain the District's compliance beyond January 1, 2030. Management is developing plans to ensure that the remainder of the Hospital's buildings are seismically compliant with the new seismic safety standards that will take effect on January 1, 2030. [Discuss GO measure XX proceeds/plans and any additional updates].

Capital Plans

[Please discuss current projects, what is funded with revenue bonds/GO bonds, expected spending over the next 2-3 years.]

Strategic Initiatives

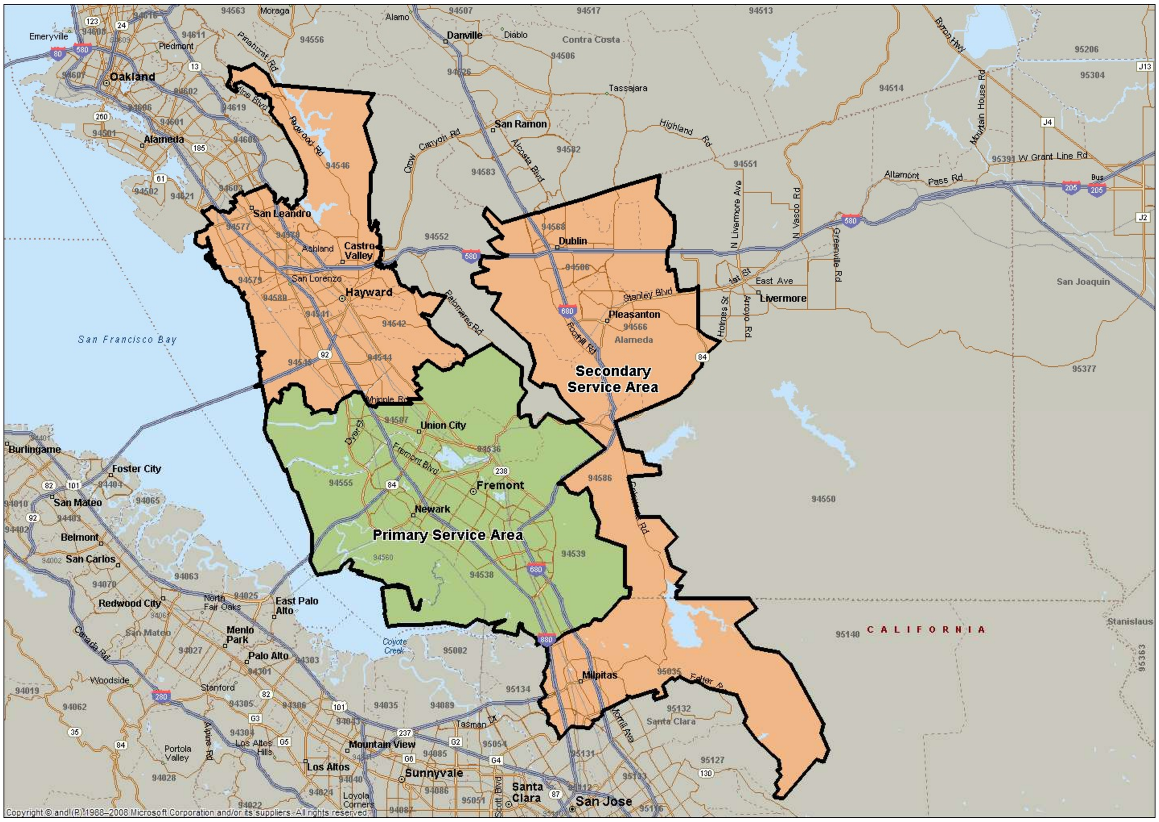
[Please include a few paragraphs on any strategic initiatives – include discussion on labor/staffing and cost controls.]

SERVICE AREA AND COMPETITION

Service Area

The District's primary service area is defined by the Washington Township Health Care District borders and is located in southern Alameda County. This area includes the cities of Fremont, Newark, Union City, a small portion of Hayward and the unincorporated area of the County known as Sunol. [This primary service area accounted for [73.6]% of the District's discharges in the 20[18] calendar year (the most current information available from HCAI).] The District's secondary service area is comprised of the nearby cities of San Leandro, San Lorenzo, Castro Valley, Hayward, Livermore, Milpitas, Pleasanton, and Dublin and accounted for [11.3]% of the District's discharges in the 20[18] calendar year (the most current information available from HCAI). The estimated population of the District's primary service area is [______], and the estimated population of its secondary service area is [______], according to the 20[__] population estimates published by the U.S. Census Bureau.

The map below denotes the District's primary and secondary service areas.



Market Share

The District and Kaiser Permanente Fremont Medical Center and Offices are the only acute care providers located within the District's primary service area. Other hospitals located in the District's secondary service area include Eden Medical Center in Castro Valley, Kaiser – San Leandro Medical Center in San Leandro, St. Rose Hospital in Hayward and Stanford Health Care – ValleyCare Medical Center in Pleasanton. The other significant provider of health services to residents of the District is Stanford University Hospital, located 17.4 miles west, across San Francisco Bay, in Palo Alto. Stanford University Hospital is the nearest comprehensive tertiary medical center for the District's residents.

The table below describes the market share by discharges of patients residing in the District's primary service area for the District and for each of the other area hospitals for calendar years 20[__] through 20[__], the most recent year for which this data is available.

	Percent of Primary Service Area Resident Discharges			
	20[__]	**20[__]**	**20[__]**	**20[__]**
Washington Township Health Care District				
Kaiser – Fremont Medical Center and Offices				
Kaiser – San Leandro Medical Center				
Kaiser – All Others				
St. Rose Hospital				
Alameda County Medical Center				
Stanford University Hospital				
Lucile Packard Children's Hospital				
Eden Medical Center				
Other Providers				
Total	100%	100%	100%	100%

Source: HCAI Inpatient Acute Care Discharge Data, Excludes Normal Newborn DRG

Excluding members of Kaiser Permanente, the District's percentage of primary service area resident discharges was [__]%, [__]%, [__]% and [__]% in 20[__] through 20[__], respectively.

The table below describes the market share by discharges of patients residing in the District's secondary service area for the District and for each of the other area hospitals for calendar years 20[__] through 20[__] , the most recent year for which this data is available.

	Percent of Secondary Service Area Resident Discharges			
	20[__]	**20[__]**	**20[__]**	**20[__]**
Washington Township Health Care District				
Kaiser – Fremont Medical Center and Offices				
Kaiser – San Leandro Medical Center				
Kaiser – All Others				
Eden Medical Center				
Stanford Healthcare – ValleyCare Health System				
St. Rose Hospital				
San Leandro Hospital				
Alameda County Medical Center				
Alta Bates – Alta Bates Campus				
Children's Hospital Oakland				
Alta Bates – Summit Campus				
San Ramon Regional Medical Center				
Stanford University Hospital				
Other Providers				
Total	100%	100%	100%	100%

Source: HCAI Inpatient Acute Care Discharge Data, Excludes Normal Newborn DRG

Excluding members of Kaiser Permanente, the District's percentage of secondary service area resident discharges was [__]%, [__]%, [__]% and [__]% in 20[__] through 20[__], respectively.

Competition

The following table details geographical information regarding certain key competitors of the District. As of June 30, 2022, the Hospital was licensed for 415 beds. [TO BE UPDATED/CONFIRMED]

Hospital	Location (City)	Distance from the Hospital	Licensed Beds
Kaiser– Fremont Medical Center and Offices	Fremont	0.5 miles	100
Kaiser– San Leandro Medical Center	San Leandro	17.3 miles	216
St. Rose Hospital	Hayward	10.0 miles	153
Eden Medical Center	Castro Valley	13.2 miles	130
Lucile Packard Children's Hospital	Palo Alto	17.1 miles	489
Stanford University Hospital	Palo Alto	17.4 miles	575
Stanford Health Care – ValleyCare Medical Center	Pleasanton	21.4 miles	167
Alameda County Medical Center	Oakland	26.3 miles	169

Source: California Health and Human Services Open Data Portal: Current California Healthcare Facility Listing; Google Maps

The District also faces competition from freestanding outpatient surgery centers. At times, these centers have attracted away significant commercial outpatient services that traditionally have been performed at the Hospital.

Demographics

The following table sets forth the most current demographic information available for the District's service areas and Alameda County. [TO BE UPDATED/CONFIRMED]

	Primary Service Area	Secondary Service Area	Combined Service Area	Alameda County
20[10] Population Census (1)				
20[17] Population Estimate (2)				
20[18] Population Estimate (3)				
Population Growth (20[10]–20[18])				
65 years or Older (20[18]) (3)				
Average Household Income (2018) (4)				

Source: U.S. Census Bureau
(1) American Community Survey 5-Year Estimates for Age and Income in Past 12 Months, with 2010 Inflation-Adjusted Dollars.
(2) 2017 American Community Survey 5-Year Estimates for Population.
(3) 2018 American Community Survey 5-Year Estimates for Population.
(4) 2018 American Community Survey 5-Year Estimates for Mean Income in 2018.
(5) Weighted average based on population.

SELECTED FINANCIAL INFORMATION

Summary Financial Information for the District

General. The financial data for the fiscal years ended June 30, 2021 and 2022 have been derived from the audited financial statements and other financial information of the District. This summary should be read in conjunction with the audited financial statements and other financial information of the District, together with the related notes, included in Appendix B to this Official Statement. The financial data for the nine months ended March 31, 2022 and March 31, 2023 have been derived from the District's unaudited interim reports and includes all adjustments which District management considers necessary to present such information in conformity with accounting principles generally accepted in the United States of America. The results of operations for the nine-month periods ended March 31, 2022 and 2023 are not necessarily indicative of the results that may be expected for any other interim period or for the full fiscal year. The preliminary financial data included in this Appendix A for the nine months ended March 31, 2022 and March 31, 2023 has been prepared by, and is the responsibility of, the District. PricewaterhouseCoopers LLP has not audited, reviewed, examined, compiled, nor applied agreed-upon procedures with respect to the preliminary financial data. Accordingly, PricewaterhouseCoopers LLP does not express an opinion or any other form of assurance with respect thereto.

Unless otherwise specified, the accounts and transactions of DEVCO and the Medical Foundation are included in the financial information of the District set forth below, but *no revenues or assets of DEVCO or the Medical Foundation are pledged to secure repayment of the 2023 Series A Bonds, and neither DEVCO nor the Medical Foundation is liable for the District's obligations arising under the Indenture, the 2023 Series A Bonds or related bond documents. DEVCO and the Medical Foundation represent [___]% and [___]% of the net patient revenues, respectively, set forth in the audited financial statements for the fiscal year ended June 30, 2022. The accounts and transactions of WHHF are not included in the District's audited financial statements and therefore are not included in the financial information of the District set forth below.*

[The following GASB-related language to be reviewed and updated.]:

GASB 87. In June 2017, GASB issued GASB Statement No. 87, Leases ("GASB 87"). This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements for this statement are effective for reporting periods beginning after June 15, 2021. The District adopted this statement effective for the District's fiscal year beginning July 1, 2021. In the following [tables], the District's implementation of GASB 87 is reflected only in the financial information for the fiscal years ended June 30, 2021 and 2022. The financial information as of and for the nine-month periods ended March 31, 2022 and 2023 does not reflect the required adoption of GASB 87, and as such has not been prepared in accordance with US GAAP. [The District currently estimates that implementation of GASB 87 could result in lease obligations constituting additional debt of approximately $___ million as of [March 31][June 30], 2023]. The District has not undertaken to restate its financial statements for any period prior to June 30, 2021 to reflect the adoption GASB 87. See Note ___ to the consolidated financial statements for the fiscal years ended June 30, 2022 and 2021 included in APPENDIX B.

GASB 96. In May 2020, GASB issued GASB Statement No. 96, Subscription-Based Information Technology Arrangements ("GASB 96"). This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements ("SBITAs") for government end users (governments). This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in GASB 87. The requirements of this statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Although the effect of GASB 96 will be reflected in the financial statements of the District for the fiscal year ending June 30, 2023, the District has not completed the analysis of the effect of GASB 96 as of March 31, 2023. Accordingly, [long-term] debt of the District as of March 31, 2023 does not include any debt resulting from the implementation of GASB 96. The District currently estimates that implementation of GASB 96 could result in additional debt of approximately $___ million as of June 30, 2023.

Prospective purchasers and beneficial owners of the 2023 Series A Bonds will consent to an amendment to the Indenture excluding the effects of GASB 87 and 96 from the calculation of the Long-Term Debt Service Coverage Ratio under the Indenture, evidenced by their purchase of the 2023 Series A Bonds. See "Security and Sources of Payment for the 2023 Series A Bonds" in the forepart of this Official Statement.

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Statements of Revenues, Expenses and Changes in Net Position. The table below provides a summary of statements of revenues, expenses and changes in net position of the District, the Medical Foundation and DEVCO for the fiscal years ended June 30, 2021 and 2022, and the unaudited statements of revenues, expenses and changes in net position for the nine-month periods ended March 31, 2022 and 2023.

Washington Township Health Care District
Summary Statements of Revenues, Expenses and Changes in Net Position [1]
(in thousands)

	Fiscal Year Ended June 30,		Nine Months Ended March 31,	
	2021	2022	2022 [(Preliminary/Non-GAAP)]	2023 [(Preliminary/Non-GAAP)]
Total operating revenues [2]				
Operating expenses: [2]				
Non-capital				
Depreciation				
Total operating expenses				
Operating income (loss)				
Nonoperating revenues and expenses:				
Federal Grant Revenue				
Investment income				
Net increase/(decrease) in fair value of investments				
Interest expense [3]				
Property tax revenue [4]				
Bond issuance cost				
Others, net				
Total nonoperating revenues and expenses				
Increase (decrease) in net position				
Minority interest – additional contributions from				
Minority interest – distributions to				
Morris Hyman Critical Care Pavilion transition				
Special Use Grant				
Contributions used for capital expenditures				
Increase (decrease) in net position				

Source: The District [UPDATE FOOTNOTES]

(1) The audited financial statements include the results of operations of the District, the Medical Foundation and DEVCO. For the fiscal years ended June 30, 2021 and 2022, respectively, DEVCO's net revenues were [___]% and [___]% of the total net revenues set forth in the audited financial statements. The Medical Foundation's net revenues for June 30, 2021 and 2022, respectively, were [___]% and [___]%. For a description of DEVCO and the Medical Foundation, see "INTRODUCTION—Affiliates" in this Appendix A.

(2) Consistent with guidance per the Governmental Accounting Standards Board ("GASB"), the District excludes revenues for services provided at no cost (charity care) and provisions for doubtful accounts (bad debt) from net patient revenues. See Note 2 to the audited financial statements included in Appendix B to this Official Statement. As a result, provision for doubtful accounts and charity care do not appear as operating expenses in the table above. For the fiscal years ended June 30, 2021 and 2022, respectively, [charity care equaled $2,562,000 and $4,604,000 and bad debt equaled $43,691,000 and $40,918,000].

(3) A portion of the interest cost related to the District's outstanding bonds is being capitalized to construction in progress and, therefore, is not reported as interest expense in the Statements of Revenues, Expenses, and Changes in Net Position. For the fiscal years ended June 30, 2021 and 2022, respectively, interest expense capitalized to construction in progress equaled $[________] and $[________].

(4) "Property tax revenue" are restricted revenues and are pledged solely to and may be used only for the repayment of the District's outstanding general obligation bonds, 2013 Series A Bonds, 2013 Series B Bonds, 2015 Series B Bonds, 2016 Bonds, 2019 Bonds and 2022 Series A Bonds, and any additional series of general obligation bonds.

Statements of Net Position. The table below provides a summary of statements of net position of the District, the Medical Foundation and DEVCO as of June 30, 2021 and 2022, and the unaudited statements of net position as of March 31, 2023.

Washington Township Health Care District
Statements of Net Position
(in thousands)

	June 30, 2021	June 30, 2022	March 31, 2023 [(Preliminary/Non-GAAP)]
ASSETS			
Current assets:			
Cash and cash equivalents			
Short-term investments			
Patient accounts receivable, less allowance for estimated uncollectibles			
[Due from third party payors]			
Supplies			
Other receivables			
Prepaid expenses and other			
Total current assets			
Long-term investment and restricted funds			
Board-designated for capital [and other]			
Held by trustee			
Restricted funds			
Capital assets, net			
Other assets:			
Prepaid pension costs			
Other noncurrent assets			
Total assets			
Deferred outflow of resources			
Deferred outflows of resources - goodwill			
Deferred outflows of resources - postemployment medical benefits (OPEB)			
Deferred outflows of resources - pension			
Total deferred outflows of resources			
Total assets and deferred outflows of resources			
LIABILITIES AND NET POSITION			
Current liabilities:			
Current portion of long-term debt			
Accounts payable and accrued expenses			
Due to Foundation			
Due to third party payors			
Accrued liabilities:			
Payroll related			
Vacation			
Health benefits			
Interest			
Other			
Total current liabilities			
Long-term liabilities:			
Workers’ compensation claims and other			
Long Term Obligations – Leases			
Net postemployment medical benefits (OPEB)			
Long-term debt, other, net of current maturities			
Long-term debt, general obligation bonds, net of current maturities			
Total long-term liabilities			
Total liabilities			
Deferred inflows of resources			
Deferred inflows of resources - postemployment medical benefits (OPEB)			
Deferred inflows of resources – pension			
Deferred inflows of resources – lease obligations			
Total deferred inflows			
Net Position:			
Net investment in capital assets			
Restricted – expendable			
Restricted for minority interest – nonexpendable			
Unrestricted			
Total net position			
Total liabilities, deferred inflows of resources and net position			

Source: The District [UPDATE FOOTNOTES]

[TO INCLUDE IN FOOTNOTES -]For the fiscal years ended June 30, 2021 and 2022, respectively, DEVCO's total assets and deferred outflows were [___]% and [___]% of the total assets and deferred outflows set forth in the audited financial statements. [The net position of DEVCO is negative.] For the fiscal years ended June 30, 2021 and 2022, respectively, DEVCO's net position equaled $[________] and $[________], representing [___]% and [___]% of the total net position set forth in the audited financial statements. For the fiscal years ended June 30, 2021 and 2022, respectively, the Medical Foundation's total assets and deferred outflows were [___]% and [___]% of the total assets and deferred outflows set forth in the audited financial statements. [The net position of the Medical Foundation is negative.] For the fiscal years ended June 30, 2021 and 2022 respectively, the Medical Foundation's net position equaled $[________] and $[________], representing [___]% and [___]% of the total net position set forth in the audited financial statements. For a description of DEVCO and the Medical Foundation, see "INTRODUCTION—Affiliates" in this Appendix A.]

Sources of Revenues

Payments on behalf of certain patients are made to the District by managed care entities and other contracted rate payors, including health maintenance organizations ("HMO") and preferred provider organizations ("PPO"), as well as commercial insurance carriers, self-paying patients, the federal government pursuant to the Medicare program, and the federal government and State of California pursuant to the Medicaid program, which is known as Medi-Cal in California. See "BONDHOLDERS' RISKS—Patient Service Revenues" in the forepart of this Official Statement for a discussion of factors that may affect patient revenues.

The following table sets forth the payor mix for the District, based on gross patient service revenues, for the three preceding fiscal years ended June 30, 2022.

	Fiscal Year Ended June 30,		
	2020	**2021**	**2022**
Medicare and Medicare HMO	51%		
Medi-Cal and Medi-Cal HMO	18		
HMO/PPO	29		
Private Pay	2		
Total	100%	100%	100%

Source: The District

Supplemental Funding. As described in "BONDHOLDERS' RISKS—Patient Service Revenues—California Hospital Provider Fee Program" in the forepart of this Official Statement, California has enacted quality assurance fee programs for hospitals to obtain federal matching funds for Medi-Cal patients. The proceeds of the program and the federal matching funds are to be redistributed to hospitals that treat Medi-Cal beneficiaries to fund certain Medi-Cal coverage expansions. Because the Hospital is a non-designated public hospital, the District is exempt from paying the Quality Assurance Fee; however, the District receives supplemental payments under the Hospital Fee Program. For the years ended June 30, 2020, 2021 and 2022, the District recognized $3.1 million, $[___] million and $[___] million, respectively, under the Hospital Fee Program. These amounts were reported as part of net patient services revenue.

Other Supplemental Funding. The District has received additional supplemental funding under various programs administered by state and federal agencies, including Medicare Disproportionate Share reimbursements. See Note 2 of the audited financial statements of the District included in Appendix B to this Official Statement for details relating to these programs.

Capitalization

The District's actual capitalization as of June 30, 2021, June 30, 2022 and March 31, 2023, with respect to all outstanding District revenue bonds, and the District's capitalization as of March 31, 2023, with respect to all outstanding District revenue bonds, as adjusted to reflect the issuance of the 2023 Series A Bonds, as if such transaction had occurred on June 30, 2022, are set forth in the table below.

Washington Township Health Care District
Capitalization (1)
(in thousands)

	June 30, 2021 (Actual)	June 30, 2022 (Actual)	March 31, 2023 (Actual)	March 31, 2023 (As Adjusted)
2023 Series A Bonds				$ [40,000]
2020 Series A Bonds	$ 44,901	$ 41,558	$ 39,602	39,602
2019 Series A Bonds	50,763	48,818	46,955	46,955
2017 Series B Bonds	65,423	63,792	62,208	62,208
2017 Series A Bonds	36,494	35,662	34,843	34,843
2015 Bonds	22,055	19,915	17,745	17,745
Long-Term Debt Net of Issuance Discounts/Premiums	219,636	209,745	201,353	241,353
Less: Current Maturities	8,145	7,215	7,560	7,560
Net Long-Term Debt(2)	211,491	202,530	193,793	[233,793]
Net Assets(3)	524,174	543,972	551,752	551,752
Total Capitalization	$735,665	$746,502	$745,545	$[785,545]
Percent Debt to Capitalization	28.7%	27.1%	26.0%	[29.8]%

Source: The District [UPDATE FOOTNOTES]

(1) This measure is not defined by generally accepted accounting principles ("GAAP") and may not be comparable to similarly titled measures used by other organizations.

(2) [Include March 31, 2023 information.] Excludes the following debt obligations of the District: loan agreement related to working capital needs of WOSC, outstanding in the amount of $[___] and $[___] as of June 30, 2021 and June 30, 2022, respectively, and capitalized lease agreement related to equipment needs of WOSC, outstanding in the amount of $[___] and $[___] as of June 30, 2021 and June 30, 2022, respectively, each as described in Note 9 to the audited financial statements of the District included in Appendix B to this Official Statement. As of June 30, 2022, there was [$26.4 million outstanding general obligation bonds issued by the District in June 2016; $146.8 million outstanding general obligations bonds issued by the District in November 2015; $143.7 million outstanding general obligation bonds issued by the District in November 2013; $11.1 million outstanding general obligation bonds issued by the District in July 2019; and $20.5 million outstanding general obligation bonds issued by the District in April 2022]. All outstanding amounts are net of issuance discounts/premiums. Funds to make debt service payments with respect to the District's general obligation bonds are provided from *ad valorem* taxes upon property subject to taxation by the District, which *ad valorem* taxes are restricted revenues and are pledged solely to and may only be used for the repayment of such general obligation bonds.

(3) [Include March 31, 2023 information.] Includes the net assets of DEVCO and the Medical Foundation. For the fiscal years ended June 30, 2021 and June 30, 2022, DEVCO's total assets and deferred loans were [___]% and [___]%, respectively of the total assets and deferred loans set forth in the District's audited financial statements. For the fiscal years ended June 30, 2021 and June 30, 2022, the Medical Foundation's total assets and deferred outflows were [___]% and [___]%, respectively, of the total assets and deferred outflows set forth in the District's audited financial statements.

Debt Service Coverage

The table set forth below shows the District's historical coverage of maximum annual debt service on all outstanding District revenue bonds for the fiscal years ended June 30, 2021 and June 30, 2022, and the coverage of maximum annual debt service on all outstanding revenue bonds for the fiscal year ended June 30, 2022, as adjusted to reflect the issuance of the 2023 Series A Bonds, as if such transaction occurred on July 1, 2021, without reflecting any expenses to be incurred or revenues realized in connection with such transaction. *The amounts set forth below are unaudited and are derived by District management from internal financial records, reflect only the operations of the District, and do not include the accounts and transactions of DEVCO or the Medical Foundation, as those entities are not liable for the District's obligations arising under the Indenture, including the debt service coverage covenant contained therein.*

[Consider GASB effect]

Washington Township Health Care District
Debt Service Coverage(1)
(in thousands)

	Year Ended June 30, 2021 (Actual)	Year Ended June 30, 2022 (Actual)	Year Ended June 30, 2022 (As Adjusted)
Excess of revenue over expenses	$ (7,660)	$ 19,797	$ 19,797
Less: Tax Revenues Supporting General Obligation Bonds	(17,317)	(17,298)	(17,298)
Depreciation, amortization and interest expense	71,424	68,841	68,841
Income available for debt service	$ 46,447	$ 71,340	$ 71,340
Maximum annual debt service(2)	$ 16,993	$ 16,088	$ [18,162]
Maximum annual debt service coverage ratio	2.73	4.43	[3.93]

Source: Derived by the District from its internal financial records [UPDATE FOOTNOTES]

(1) This measure is not defined by GAAP and may not be comparable to similarly titled measures used by other organizations.

(2) Maximum annual debt service includes debt service on the District's debt obligations identified in the table under the caption "Washington Township Health Care District Capitalization" but does not include debt service on the following debt obligations of the District: loan agreement related to working capital needs of WOSC, outstanding in the amount of $[___] and $[___] as of June 30, 2021 and June 30, 2022, respectively, as described in Note 9 to the audited financial statements of the District included in Appendix B to this Official Statement. As of June 30, 2022, there was [$26.4 million outstanding general obligation bonds issued by the District in June 2016; $146.8 million outstanding general obligations bonds issued by the District in November 2015; $143.7 million outstanding general obligation bonds issued by the District in November 2013; $11.1 million outstanding general obligation bonds issued by the District in July 2019; and $20.5 million outstanding general obligation bonds issued by the District in April 2022]. All outstanding amounts are net of issuance discounts/premiums. Funds to make debt service payments with respect to the District's general obligation bonds are provided from *ad valorem* taxes upon property subject to taxation by the District, which *ad valorem* taxes are restricted revenues and are pledged solely to and may only be used for the repayment of such general obligation bonds.

Unrestricted Cash-To-Debt

The District's actual cash-to-debt ratio on all outstanding District revenue bonds as of June 30, 2021, 2022 and March 31, 2023, and its cash-to-debt ratio on all outstanding revenue bonds, as adjusted to reflect the issuance of the 2023 Series A Bonds, as if such transaction had occurred on June 30, 2022, are set forth in the table below.

Washington Township Health Care District
Cash-To-Debt[1]
(in thousands)

	June 30, 2021 (Actual)	June 30, 2022 (Actual)	March 31, 2023 (Actual) *[(Preliminary/Non-GAAP)]*	March 31, 2023 (As Adjusted) *[(Preliminary/Non-GAAP)]*
Cash and cash equivalents	$ 31,619	$ 5,713	$ 12,019	$ 12,019
Short-term investments	30,584	29,896	18,581	18,581
Long-term investments	224,792	228,006	209,924	209,924
Total cash and investments[2]	286,995	263,615	240,524	240,524
Less: Investments restricted as to use	9,485	29,150	25,894	25,894
Total unrestricted cash and investments	277,510	234,465	214,630	214,630
Long-Term Debt Net of Issuance Discounts/Premiums [3]	$219,636	$209,745	$201,744	$[241,744]
Unrestricted Cash-To-Debt	126.3%	111.8%	106.4%	[88.8]%

Source: The District [UPDATE FOOTNOTES]
(1) This measure is not defined by GAAP and may not be comparable to similarly titled measures used by other organizations.
(2) Includes the cash and investments of DEVCO and Medical Foundation.
(3) [Include March 31, 2023 information.] Excludes the following debt obligations of the District: loan agreement related to working capital needs of WOSC, outstanding in the amount of $[___]and $[___] as of June 30, 2021 and June 30, 2022, respectively, and capitalized lease agreement related to equipment needs of WOSC, outstanding in the amount of $[___] and $[___] as of June 30, 2021 and June 30, 2022, respectively, each as described in Note 9 to the audited financial statements of the District included in Appendix B to this Official Statement. As of June 30, 2022, there was [$26.4 million outstanding general obligation bonds issued by the District in June 2016; $146.8 million outstanding general obligations bonds issued by the District in November 2015; $143.7 million outstanding general obligation bonds issued by the District in November 2013; $11.1 million outstanding general obligation bonds issued by the District in July 2019; and $20.5 million outstanding general obligation bonds issued by the District in April 2022]. All outstanding amounts are net of issuance discounts/premiums. Funds to make debt service payments with respect to the District's general obligation bonds are provided from *ad valorem* taxes upon property subject to taxation by the District, which *ad valorem* taxes are restricted revenues and are pledged solely to and may only be used for the repayment of such general obligation bonds.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RECENT FINANCIAL OPERATIONS

COVID-19 Pandemic Update

[UPDATE/SHORTEN PRIOR 2020 DISCUSSION TO APPROX. ONE PARAGRAPH, REFERRING TO SOME OF THE TOPICS BELOW AND/OR INTEGRATE COVID FINANCIAL IMPACTS IN MD&A.]

On March 4, 2020, the Governor of the State of California (the "Governor") declared a State of Emergency with respect to COVID-19, and issued subsequent Executive Orders in response to the COVID-19 pandemic. Similar guidelines were issued by the Alameda County Department of Public Health (the "County"). The COVID-19 Public Health Emergency declaration ended on May 11, 2023. See "BONDHOLDERS' RISKS—COVID-19 or Other Public Health Emergency or Crisis" in the forepart to this Official Statement. At this time, it is not possible for the District to ascertain the full impact that the COVID-19 outbreak may have had on the financial condition and operations of the District. Some negative effects may continue.

[Discuss recent adjustments made to address related expenses and staffing.] During the pandemic, the District had not encountered any severe shortages of PPE or other supplies needed to serve COVID [or other] patients. Throughout the pandemic, the District had adequate intensive care and medical-surgical bed capacity and ventilator units to treat all COVID patients that have sought care. District management believes the most significant challenge to the organization's capacity to serve COVID patients during a future "surge" will be the availability of appropriately-trained nurses, physicians and allied health professionals and the availability of PPE.

A variety of federal, state and local government efforts were initiated in response to the COVID-19 outbreak. See "BONDHOLDERS' RISKS—COVID-19 or Other Public Health Emergency or Crisis" in the forepart to this Official Statement. The District received and recognized Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") provider relief of $[___] million and $[___] million in the fiscal years ended June 30, 2021 and June 30, 2022, respectively and received an additional $[___] million ($[___] million recognized) as federal grant revenue on the statement of revenues, expenses and changes in net position. The District also received $[___] million in advanced payments from the Centers of Medicare and Medicaid Services ("CMS") Accelerated and Advanced Payments Program reported as due to third party payors on the statement of net position. [Discuss status of repayments of advanced payments – [expected to be repaid starting in April 2021.]

[TO BE UPDATED/SHORTEN, OR ADDRESS INSTEAD IN MD&A - The District recognized revenue related to CARES Act provider relief funding based on information contained in laws and regulations governing the funding, as well as interpretations issued by the Department of Health and Human Services ("HHS"), that were publicly available at June 30, 2020. In September 2020, HHS issued new reporting requirements for CARES Act provider relief funding. The District performed an analysis and determined that there would be no change to the provider relief revenue recorded as of June 30, 2020 or as of September 30, 2020 based on the new requirements. Subsequent to that, in October 2020, HHS amended the reporting requirements again. The October amendment allows increased flexibility on how the provider relief funding can be applied. No impact to the District's financial statements is expected from this change. Due to the continuing evolution of the reporting requirements, there is at least a reasonable possibility that amounts recorded under the CARES Act provider relief funding recognized by the District may change in future periods.]

Fiscal Years Ended June 30, 2021 and 2022

[TO COME – below is example language based on 2020 Appendix A discussion.]

Overview. [The District's operating results for the three most recently completed fiscal years (each, a "FY") ended June 30, 2021 and 2022 were significantly impacted by (1) the completed construction and opening of the Hyman Pavilion addition to the District's facilities in November 2018; and (2) the multi-faceted operational impact of the COVID-19 outbreak described above beginning in March 2020, which is ongoing.

The completion and occupancy of the Hyman Pavilion resulted in significant increases to the District's depreciation expense and significant increases in the interest expense associated with its general obligation debt (the interest on which was largely capitalized prior to the completion of the project). Interest costs on the general obligation debt are funded by *ad valorem* taxes reflected as "Property tax revenue" on the District's operating statement.

The COVID-19 outbreak has caused significant decreases in patient activity and revenue, and inflated expenses above levels that would otherwise be expected given this reduced level of patient activity. Offsetting these significant negative operational considerations was the $___ million in HHS Grant subsidies that the District received during the fourth quarter of FY2022 as part of the CARES Act national legislation.

The operating loss in FY2022 increased from $___ million in FY2021 to $___ million in FY2022, reflecting the COVID-19 impact as well as a further increase in depreciation expense ($___ million) for the first full year of operation of the Hyman Pavilion. Although not reflected in its operating income, the $___ million HHS Grant that the District received significantly reduced this deficit and augmented cash flow.

Given the significant increase in depreciation that has occurred over this period, the District's operating income before depreciation expense is also a meaningful gauge of operating activity. Operating income before depreciation was $___ million in FY2021 and $___ million in FY2022 ($___ million if the HHS Grant is added).

Operating Results. [Discuss increased costs, impact from COVID] Even though the District's discharges and patient days decreased by ___% and ___% in FY2022, salaries, wages and benefits were essentially unchanged (a decrease of ___% to $___ million). The decline in patient activity was most significant in the months of March, April, May and June 2022, during which the number of patient discharges were less than the year-earlier monthly discharges by ___%, ___%, ___% and ___%, respectively. With the level and nature of patient care requirements remaining unusually difficult to predict during this COVID-19 period, it will continue to be a challenge for the District to control staffing costs while also being prepared for sudden, significant changes in demand for its services.

Overall, the District saw a ___% decline in operating revenue from $___ million in FY2021 to $___ million in FY2022. Total operating expenses increased by ___% from FY2021 to FY2022 (a ___% decrease in non-capital expenses).

Liquidity Position. The District's liquidity position has remained sound during FY2022 despite the impact of the COVID-19 outbreak. Unrestricted cash and investments increased from $___ million at year-end FY2021 to $___ million at year-end FY2022. This increase in liquidity reflected in part the previously-noted advance of $___ million from CMS against future Medicare payments. The District expects to begin repayments on such advance over the course of calendar year 2021.

Debt and Leverage. The District's revenue-supported debt-to-capitalization percentage decreased from ___% at FY2022 to ___% at FY2022. The District's debt service coverage ratio (as defined in its borrowing documents to exclude DEVCO and the Medical Foundation) was ___ times and ___ times for FY2021 and FY2022, respectively. The District's cash to debt ratio increased from ___ times at FY2022 to ___ times for FY2022.]

Nine-Month Periods Ended March 31, 2022 and 2023 (Unaudited)

[TO COME – below is example language based on the 2020 Appendix A discussion.]

For the three months ended March 31, 2023, the District incurred an operating loss of $___ million compared with an operating loss of $___ million for the year-earlier period. The increased operating loss was largely the result of the previously-described decrease in patient care activity levels during the pandemic, with inpatient discharges decreasing by ___% from _____ discharges for the quarter ended March 31, 2022 to _____ discharges for the quarter ended March 31, 2023. During this most recently completed quarter, the District saw both its case-mix index ("CMI") and average length of stay ("ALOS") increase meaningfully, indicative of the increased acuity of patients the District is treating. The District's

CMI and ALOS were ___ and ___ days, respectively, for the three months ended March 31, 2023, compared with a CMI of ___ and ALOS of ___ days for the year-earlier period.

The District's operating revenues decreased by ___% (from $___ million for interim FY2022 to $___ million for interim FY2021), while its total operating expenses increased by ___% (from $___ million to $___ million). The decision to preserve staffing levels adequate to address volatile levels of patient activity during the pandemic, together with the increased acuity of the patients being treated, have resulted in this increase in operating expenses even as operating revenues and patient discharges have decreased.

These operational challenges notwithstanding, the District's unrestricted cash and investment balances were $___ million as of March 31, 2023. This represents a decrease of $___ million from the fiscal year-end balance at June 30, 2022 of $___ million, but an increase of $___ million over the cash and investment balances of $___ million as of March 31, 2022. The District's cash and investment balances include $___ million in accelerated Medicare payments that the District received from CMS during its fourth quarter FY2022, [which the District expect to begin repayments on over the course of calendar year 2021].

GOVERNANCE AND MANAGEMENT

Board of Directors

[TO BE UPDATED/CONFIRMED]

The governing body of the District is the Board of Directors (the "Board") which consists of five members elected at large by the registered voters of the District to two-year or four-year terms. No election is required if a candidate for election to the Board is unopposed. Members of the Board must be registered voters residing within the District. The current members of the Board, their principal occupations and the dates on which their terms expire are shown in the following table:

Director	Term Expires	Occupation
Bernard Stewart, D.D.S., President	[November 20___]	Dentist, retired
Michael J. Wallace, First Vice President	[November 20___]	Chairman, Fremont Bank
William F. Nicholson, M.D., Second Vice President	[November 20___]	Physician, Cardiologist
Jacob Eapen, M.D., Treasurer	[November 20___]	Physician, Pediatrician
Jeanette Yee, R.N., Secretary	[November 20___]	Registered Nurse

All powers and functions of the District not expressly delegated to others are vested in the Board. The Board has ultimate responsibility for oversight of all operations and affairs of the District and the Facilities, including the appointment of the Chief Executive Officer and the appointment of members of the medical staff. [Of the five Board members, only William F. Nicholson, M.D., is on the medical staff of the Hospital. TO BE UPDATED/CONFIRMED]

Senior Management

[TO BE UPDATED/CONFIRMED]

The District employs a Chief Executive Officer who directs and coordinates the ongoing operations of the District.

The senior management personnel of the District are as follows:

Kimberly Hartz, Chief Executive Officer. Ms. Hartz joined WHHS in 1994 and served in numerous leadership roles until July 2019 when she was named CEO. She oversees Washington Hospital Healthcare System, which includes a [415]-bed hospital, Washington Township Medical Foundation and a number of outpatient facilities. Prior to the CEO role, Ms. Hartz had oversight of numerous areas including Human Resources, Medical Imaging, Laboratory, Gamma Knife/Neuroscience Program, Community Relations and Marketing, Off-Site Facilities, Women's Center, Physician Recruitment, Physician Medical Group/Foundation Development, Contracting, Strategic Management, Development Corporation and other Ancillary Services. Before coming to WHHS, she worked overseas as a health care consultant in New Zealand and Australia. In addition to working with numerous volunteer organizations locally, she has been a member of the Niles Rotary Club in Fremont since 2003, which includes the role of club president in 2011-2012. Ms. Hartz holds a Bachelor's Degree in Psychology with a Business Emphasis from Stanford University and a Master's of Science Degree from Oxford University in England.

Ed Fayen, Executive Vice President and Chief Operating Officer. Mr. Fayen is Executive Vice President & Chief Operating Officer. Mr. Fayen oversees Cardiovascular Services, Perioperative Services, Biomedical Engineering, Pharmacy, Food & Nutritional Services, Environmental Services, Facility Services, Purchasing, Central Supply, Security, and Information Systems. Mr. Fayen is also responsible for capital asset budgeting, reducing operating expenses for the health care system, information technology projects and construction and facility projects and renovations. Mr. Fayen has been with WHHS since April 1996 and in his current position since July 2019. Mr. Fayen holds a Bachelor's Degree from University of Notre Dame and a Master's of Business Administration from Cornell University.

Thomas McDonagh, Vice President and Chief Financial Officer. [To come.]

Larry LaBossiere, Vice President and Chief Nursing Officer. Mr. LaBossiere has served as Chief Nursing Officer since July 2021. Mr. LaBossiere oversees all medical/surgical patient care areas as well as the Critical Care, Stroke, Emergency and Maternal Child Health departments. He also oversees Health Information Management, Respiratory Care, Food and Nutrition Services, Patient Experience, and the Palliative and Pain Management programs. Mr. LaBossiere is a Registered Nurse and Clinical Nurse Specialist with both a Master's Degree in Nursing and Business Administration and is a Certified Emergency Nurse.

Tina Nunez, Vice President of Ambulatory and Administrative Services. Ms. Nunez oversees Human Resources, Medical Imaging, Laboratory, Gamma Knife/Neuroscience Program, Community Relations and Marketing, Off-Site Facilities, Women's Center, Physician Medical Group/Foundation Development, Strategic Management, Development Corporation and other Ancillary Services including Wound Care. Ms. Nunez has been with WHHS since 1994 and in her current role since 2013. She holds a Bachelor's Degree from the University of California at San Diego and a Master's Degree in Public Health from The University of California at Los Angeles.

MEDICAL STAFF

As of June 30, 2022, the District's active medical staff included [__] physicians with an average age of [__], of which [__]% are board certified in their clinical specialty or subspecialty. Members of the medical staff with active privileges accounted for [__]% of the District's fiscal year 2022 admissions.

Leading Admitters

The top 10 admitting physicians, based on number of admissions during fiscal year 2022, collectively accounted for [__]% of the District's total admissions, with no single physician accounting for more than [__]% of total admissions. The average age of these top 10 admitters is [__].

The table below shows the top 10 admitting physicians by specialty, age, and number of admissions for the year ended June 30, 2022.

Specialty	Age	Fiscal Year 2022 Admissions	Percentage of Total Admissions

Source: The District

Specialties

The following tables include all physicians on the District's active medical staff as of June 30, 2022.

	Number of Physicians
Medical – Specialties	
Cardiovascular Disease	
Critical Care Medicine	
Dermatology	
Emergency Medicine	
Endocrinology, Diabetes & Metabolism	
Family Medicine	
Gastroenterology	
Hematology/Oncology	
Hospice & Palliative Medicine	
Infectious Disease	
Internal Medicine	
Interventional Cardiology	
Medical Oncology	
Nephrology	
Neurology	
Physical Medicine & Rehab	
Psychiatry	
Pulmonary Disease	
Rheumatology	
Subtotal	
Surgical – Specialties	
Cardiothoracic Surgery	
General Surgery	
Neurosurgery	
Ob/Gyn	
Ophthalmology	
Oral & Maxillofacial Surgery	
Orthopedic Surgery	
Otolaryngology	
Pain Management	
Plastic Surgery	
Podiatrist	
Urology	
Vascular Surgery	
Subtotal	

	Number of Physicians
Other Specialties	
Anesthesia	
Anatomic Pathology & Clinical Pathology	
Diagnostic Radiology	
Gynecology	
Gynecology Oncology	
Maternal & Fetal Medicine	
Neonatology	
Pediatrics	
Radiation Oncology	
Subtotal	
Medical Staff Total	

Source: The District

OTHER INFORMATION

Information Systems

The District has implemented the Epic ("Epic") Electronic Health Record ("EHR") system at all of the Facilities and has worked extensively with its physicians in the process.

After implementing the EHR system in July 2013, the District has continued to invest in enhancements and improvements to the system. The Epic Care Everywhere program has been implemented, which provides for medical record sharing with other Epic hospitals as required for patient care. The Epic system was also rolled out to several physician practices in the community. In addition to maintaining regular Epic updates, the District has added multiple applications to the system for clinical advancement, including Epic Care Link (community physicians), MyChart (patient engagement), Beaker (laboratory), ICON (infection control) and Case Management. The District has also added modules to better support Oncology, bed planning, transport, and environmental services. In 2020, the District rolled out telehealth solutions that enable its clinical teams to continue treating patients safely even during shelter-in-place orders. As of March 2023, the District averaged over [___] telehealth appointments per day. In order to further enhance patient safety, in August 2020, the District implemented an interface between Alaris pumps and the Epic EHR system. [Other updates?]

Employees

As of June 30, 2022, the District employed approximately [___] employees (1,851 Full Time Equivalent Employees ("FTEs")), of which approximately [___]% are represented by collective bargaining organizations. District management believes that the compensation and benefits it offers its employees are competitive and that its relations with employees are good. Part of the District's employee benefit package is a defined benefit retirement plan. Details about this plan and its current funding status are provided in Note 10 of the audited financial statements of the District included in Appendix B to this Official Statement.

[Describe labor/employee retention programs and strategies to address staffing challenges. Refer to "Strategic Initiatives" above.]

The following table sets forth information concerning the District's labor organizations, number of employees represented and contract expiration dates. As shown below, the District's collective bargaining agreement with [Update the following - Engineers and Scientists of California International Federation of Professional and Technical Engineers Local 20 expires on __________, 20___. The District's collective bargaining agreement with California Nurses Association expires on __________, 20___. The District's collective bargaining agreement with Freight Checkers, Clerical Employees and Helpers Union, Local 856 International Brotherhood of Teamsters expires on __________, 20___. The District's collective bargaining agreements with United Healthcare Workers West, Service Employees International Union Local 250 expires on __________, 20___. The collective bargaining agreement with ILWU Local 6 expires on __________, 20___, and the collective bargaining agreement with International Union of Operating Engineers, Stationary Engineers Local 39 expires September 30, 2023.]

Labor Organization	Number of Employees In Organization	Contract Expiration Date
California Nurses Association		
United Healthcare Workers West, Service Employees International Union Local 250		
Freight Checkers, Clerical Employees and Helpers Union, Local 856 International Brotherhood of Teamsters		
Engineers and Scientists of California International Federation of Professional and Technical Engineers Local 20		
Medical Imaging Technologist Unit, ILWU Local 6		
International Union of Operating Engineers, Stationary Engineers Local 39		September 30, 2023

Source: The District

Insurance

The District is self-insured for its hospital professional, general and directors and officers liability insurance up to certain retention levels. The District's hospital professional, general, and directors and officers excess liability insurance is purchased from BETA Health Care Group ("BETA"). BETA was formed in 1979 by the District's then Chief Executive Officer, Richard Warren, for the purpose of operating a self-insurance program for the excess insurance coverage for hospital districts of the Association of California Hospital Districts ("ACHD"). Currently, BETA also provides insurance to other nonprofit health care organizations located within the State of California. Effective October 1, 1989, BETA became a separate joint powers authority, establishing itself as a public agency and distinct from ACHD. BETA is managed by a board of 15 elected representatives (the "BETA Council"). The BETA Council and its six committees meet quarterly to vote on all matters affecting the program. A representative from the District occupies one seat on the BETA Council.

The District is self-funded for its workers' compensation and has been issued a Certificate of Consent to Self-Insure by the State of California, Department of Industrial Relations. The District also purchases excess workers' compensation insurance coverage.

See Note 11 of the audited financial statements of the District included in Appendix B to this Official Statement for details relating to primary insurance coverage types, limits and retention amounts.

[Investigations/Litigation]

[Discuss if any.]

Cybersecurity

[Describe current cybersecurity policy and program and standards adhered to. Discuss any material incidents/breaches.] [The District's cybersecurity policy and program aligns with HIPAA standards [and any others]. The District utilizes the following practices _____ and conducts [annual] audits/assessments. The District has an insurance policy covering cybersecurity incidents.]

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT AS OF AND FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

Washington Township Health Care District

Financial Statements
June 30, 2022 and 2021

Washington Township Health Care District
Index
June 30, 2022 and 2021

Report of Independent Auditors

To the Board of Directors of Washington Township Health Care District

Opinions

We have audited the accompanying financial statements of the business-type activities, the aggregate discretely presented component units, and the aggregate remaining fund information of Washington Township Health Care District (the "District") as of and for the years ended June 30, 2022 and 2021, including the related notes, which collectively comprise the District's basic financial statements as listed in the index.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units, and the aggregate remaining fund information of the District as of June 30, 2022 and 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1 to the Financial Statements - Organization and Summary of Significant Accounting Policies, the District changed the manner in which it accounts for leases in 2022. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS, will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 34 and the required supplementary information on pages 85 through 90 be presented to supplement the basic financial statements. Such information is the responsibility of management, and although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

PricewaterhouseCoopers LLP

San Francisco, California
February 8, 2023

Overview of the Financial Statements

The annual report consists of Management's Discussion and Analysis, financial statements and notes to those statements and required supplementary information. These statements are organized to present the Washington Township Health Care District (the District), the Washington Hospital Healthcare Foundation (the Foundation), and the Warm Springs Health Center (Warm Springs) as discrete financial entities, operating as a financial whole. The Foundation was established to raise funds for the operation, maintenance, and modernization of the facilities of the District, its related corporations, and sponsored programs which benefit the District. Warm Springs was established to provide a combination of primary care, multi-specialty care, urgent care and other outpatient services to the residents of the District. Readers should also review the accompanying notes to the financial statements as they provide additional information that is essential to a full understanding of the District's, Foundation's and Warm Springs' financial statements.

The District is a political subdivision of the State of California organized under the Local Health Care District Law, as set forth in the Health and Safety Code of the State of California, and is considered a Local Government Agency. The District's mission is to provide broad healthcare services to its residents. The District's boundaries encompass an area of approximately 124 square miles in southern Alameda County. The District operates Washington Hospital (the Hospital), a 415-bed licensed acute care hospital located in Fremont, California.

The District is the sole corporate member of Washington Township Hospital Development Corporation (DEVCO). DEVCO was formed in 1984 to train medical personnel, develop medical treatment programs, perform medical research and development, and render medical services to the general public.

DEVCO is the sole corporate member of Washington Township Medical Foundation (WTMF). WTMF was formed in 2010 to operate a multi-specialty medical clinic under the applicable provisions of the California Health and Safety Code. WTMF is considered a component unit of DEVCO and is blended in DEVCO's financial statements. DEVCO is considered a component unit of the District, and is blended in the District's financial statements.

The accompanying financial statements include the accounts and transactions of the Hospital, DEVCO and WTMF. All significant inter-company accounts and transactions have been eliminated in the financial statements.

The statements of net position and the statements of revenues, expenses, and changes in net position, provide an indication of the District's, the Foundation's and Warm Springs' financial health. The statements of net position include all of the District's, Foundation's and Warm Springs' assets, deferred outflows of resources, liabilities and deferred inflows of resources, using the accrual basis of accounting, as well as an indication about which portions of net position can be utilized for general purposes and which are restricted as a result of bond covenants, donor restrictions or other purposes. The statements of revenues, expenses, and changes in net position report all of the revenues and expenses and increases and decreases in net position during the time period indicated that resulted from the District's, the Foundation's and Warm Springs' operating and non-operating transactions during the year. For the District, the statements of cash flows report the cash provided and used by operating activities, as well as other cash sources and uses such as investment income, repayment of bonds, and capital additions and improvements.

In fiscal year 2022, the District adopted GASB Statement No. 87, *Leases*, effective for financial statements for periods beginning after June 15, 2021. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. For the District, these changes primarily impact the accounting for real property and equipment leases.

In fiscal year 2022, the District also adopted GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the end of a Construction Period*, effective for financial statements for periods beginning after December 15, 2020. The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and to simplify accounting for interest cost incurred before the end of a construction period. The new standard requires the recognition of interest expense related to construction of capital assets in the period in which it was incurred. Prior to adoption of the new standard, interest expense was capitalized during the construction period and recognized as depreciation expense over the life of a constructed asset.

The amounts for net differences between projected and actual earnings for pension (and resulting deferred inflows of resources and deferred outflows of resources as of June 30, 2021 and 2020) have been conformed to be consistent with the 2022 presentation.

<u>Washington Township Health Care District</u>

District Financial Highlights for Fiscal Year 2022

- The District generated an operating gain of $4.9 million for fiscal year 2022, compared with an operating loss of $31.0 million for fiscal year 2021, an improvement of $35.9 million. When non-operating income and special items are included, the District's activities resulted in a $4.7 million decrease in net position for fiscal year 2022, as compared to $27.4 million decrease in net position for fiscal year 2021. Federal Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) funding recognized in fiscal year 2021 totaled $4.1 million, including $2.5 million in provider relief funding and a $1.6 million Payroll Protection Program loan for which forgiveness was received in fiscal year 2021. In fiscal year 2022, the District received $1.4 million in CARES Act Funding.

- Major items that impacted the District's operating results for fiscal year 2022, as compared to those for fiscal year 2021, included:

    - In fiscal year 2022, the District, along with all other healthcare providers, continued to be significantly impacted by the COVID-19 (COVID) pandemic, however volumes recovered to near pre-pandemic levels.

    - District experienced volume improvements in fiscal year 2022. Gross inpatient revenues increased by 1.1 percent ($14.3 million) and gross outpatient revenues increased by 21.9 percent ($191.7 million) compared to fiscal year 2021.

    - Admissions increased by 4.1 percent from the fiscal year 2021 level, and the average length of stay decreased by 2.9 percent, resulting in a 3.0% (1,648) increase in adult and pediatric patient days. The decrease in length of stay was largely attributable to the reduction COVID cases, which tended to have higher acuities and longer lengths of stay.

    - As a result of the continued migration of joint replacement surgeries to the outpatient setting, inpatient surgeries were down almost 5.8 percent (108 cases), but outpatient surgeries increased by almost 21.8 percent (530 cases). Outpatient cardiac catheterizations increased by 4 percent (53 cases).

    - Visits at Washington Township Medical Foundation (WTMF) increased by 4,036 (2.0 percent) from 197,830 in fiscal year 2021 to 202,294 in fiscal year 2022. WTMF's telehealth visit platform provided over 41,000 telehealth visits in fiscal year 2021, and almost 30,200 telehealth visits in fiscal year 2022. WTMF also operates a COVID-19 Vaccine and Testing Clinic. Since beginning operations in fiscal year 2021, the clinic has provided approximately 100,000 COVID-19 vaccines and tests to the community.

- Total operating expenses increased by 3.5 percent ($19.7 million), in total, with increases in salary and supply expenses accounting for a combined increase of $30.2 million, which were partially offset by a decrease in benefits expenses of $13.8 million.

- The increase in salary expense was due to contracted increases in wages along with additional costs relating to the nationwide shortage of health care staff. Additionally, the impact of the COVID-19 Supplemental Paid Sick Leave Program (COVID Pay) enacted by the state of California in fiscal year 2021 and extended through fiscal year 2022 was a factor in the increase.

- The reduction in benefit expenses was driven by a $13.5 million decrease in expense related to the District's defined benefit retirement plan for fiscal year 2022. The largest contributor to this decrease was the recognition of significant investment gains on the related asset portfolio.

- The increase in supply expenses were related to volume increases and the effects of the nationwide pharmaceutical supply shortages throughout the year.

- Purchased services and professional fees increased due to an increase in consulting fees.

- Changes in other expense categories were not significant.

- New Activities

In fiscal year 2022, Construction of the Peninsula Surgery Center in Redwood City, California was substantially completed in July 2021. As of June 30, 2022, the DEVCO holds the majority interest in the operating entity, Peninsula Surgery Center LLC (PSC), and the holding company, Peninsula Surgical Partnership LLC (PSP). PSC and PSP are considered component units of DEVCO and are blended in the DEVCO financial statements.

On February 1, 2023, the District and the University of California, San Francisco (UCSF) formed the WHHS & UCSF Health Cancer Services Joint Venture, LLC. The purpose of the joint venture is to promote health and provide or expand access to cancer healthcare services to a broad cross section of the community through the development of a regional cancer center in Fremont, California. The District is the majority partner with 51 percent of the investment, with UCSF as the minority investor with 49 percent.

Analysis of the District's Net Position – Fiscal Year 2022

- Total assets decreased $24.9 million, from $1.13 billion at June 30, 2021 to $1.10 billion at June 30, 2022. Total available cash and investments decreased $27.7 million, from $305.5 million to $277.8 million. Capital assets, net, decreased $42.1 million, from $677.3 million to $635.2 million. Through a conscientious commitment to consistent funding of its pension obligations, the District achieved full funding of its net pension obligation in fiscal year 2021. The net prepaid pension asset, which was $5.2 million as of June 30, 2021, grew to $37.0 million as of June 30, 2022.

- In March 2020, the District and the University of California, San Francisco (UCSF), completed the joint purchase of an 88,000 square foot building and approximately five acres of land in the Warm Springs section of Fremont. The building includes approximately 30,000 square feet of office space. The District and UCSF have formed a joint venture to develop a health services complex on the site, providing a combination of primary care services, multi-specialty care services, urgent care and other outpatient services, an ambulatory surgery center and/or an outpatient pharmacy. The District is the majority partner with 51 percent of the investment, with UCSF as the minority investor with 49 percent. The $14.5 million investment in the joint venture is reflected in other non-current assets in the District's Statement of Net Position as of June 30, 2022. The joint venture is included as a discretely presented component unit in the District's financial statements.

- Total liabilities decreased $38.9 million, from $778.5 million at June 30, 2021 to $739.6 million at June 30, 2022. The majority of this decrease was due to a $42.8 million reduction in current liabilities driven by a reduction in Due to third parties/Government Agencies. This reduction is due to the repayment of $41.5 million of the $59.0 million Medicare Advance Payments Loan received in fiscal year 2020 under the CARES Act. In addition, total long-term debt of $561.1 million at June 30, 2021 was increased by $6.6 million to $567.7 million at June 30, 2022. This increase was due to the issuance of $20 million in 2022 Series A General Obligation Bonds that were approved in November of 2021 with the Passage of Measure Z by the residents of the District.

- Total net position of $305.3 million at June 30, 2022 was $4.7 million less than the net position of $310.0 million at June 30, 2021.

Table 1 provides a summary of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of June 30, 2022, 2021 and 2020:

(in thousands)	**2022**	**2021**	**2020**
Assets			
Current assets	$ 154,903	$ 176,332	$ 192,428
Long-term investment and restricted funds	236,919	234,220	234,880
Capital assets, net	635,182	677,327	697,785
Prepaid pension asset	36,970	5,161	-
Other assets	40,888	36,745	17,765
Total assets	1,104,862	1,129,785	1,142,858
Deferred outflows of resources	22,441	29,186	36,921
Total assets and deferred outflows of resources	$ 1,127,303	$ 1,158,971	$ 1,179,779
Liabilities and Net Position			
Current liabilities	$ 130,444	$ 173,286	$ 170,545
Net pension liability	-	-	31,798
Net postemployment medical benefits (OPEB)	37,676	40,419	42,578
Long-term lease liability	7,322	9,320	-
Long-term debt	556,767	549,533	556,097
Other long-term liabilities	7,414	5,987	6,615
Total liabilities	739,623	778,545	807,633
Deferred inflows of resources	82,412	70,465	34,753
Net position			
Net investment in capital assets	92,850	122,886	142,756
Restricted - expendable	28,817	30,005	29,301
Restricted for minority interest	3,345	4,528	3,666
Unrestricted	180,256	152,542	161,670
Total net position	305,268	309,961	337,393
Total liabilities, net position and deferred inflows of resources	$ 1,127,303	$ 1,158,971	$ 1,179,779

Table 2 provides a summary of total available cash and investments as of June 30, 2022, 2021 and 2020.

(in thousands)	**2022**	**2021**	**2020**
Cash and cash equivalents and short-term investments	$ 40,962	$ 71,281	$ 103,643
Board-designated for capital and debt	198,856	215,307	212,395
Workers' compensation fund	8,912	9,428	9,391
Unexpended capital bond funds, excluding amounts required for current liabilities	29,108	9,443	13,052
Restricted funds	42	42	42
Total available cash and investments	$ 277,880	$ 305,501	$ 338,523

The District maintains sufficient cash, short-term investments and Board-designated balances to cover all short-term liabilities. All excess cash is transferred to Board-designated funds for future needs.

Capital Assets, Net (2022)

Capital assets, net, decreased $42.1 million, from $677.3 million at June 30, 2021 to $635.2 million at June 30, 2022. This decrease resulted from $9.1 million in net capital additions offset by a $51.2 million increase in net accumulation depreciation. The net capital additions included $18.5 million in equipment, building, and land improvements combined with a decrease of $9.4 million in construction in progress.

Debt Administration (2022 and 2021)

As part of the obligations under the bond indentures for the 2009A, 2010A, 2015A, 2017A, 2017B, 2019A, and 2020A Series Revenue Bonds, the District has agreed that the Hospital will maintain a long-term debt service coverage ratio of no less than 1.1 to 1.0 on a yearly basis. As of June 30, 2022, the Hospital's long-term debt service coverage ratio was 4.44 to 1.0. For the year ended June 30, 2021, the Hospital's long-term debt service coverage ratio was 2.73 to 1.0. In its report issued January 10, 2022, Moody's affirmed their rating of these bonds at Baa2, with a negative outlook.

Revenue and Expense Analysis for the District – Fiscal Year 2022

Table 3 shows the revenues, expenses, and changes in net position for the District for the years ended June 30, 2022, 2021 and 2020:

(in thousands)	2022	2021	2020
Operating revenues			
Net patient service revenues	$ 575,825	$ 522,079	$ 499,516
Other	13,438	11,534	13,403
Total operating revenues	589,263	533,613	512,919
Operating expenses			
Salaries and wages	263,643	240,958	229,485
Employee benefits	61,275	75,075	81,813
Supplies	77,982	70,407	63,811
Professional fees	71,683	68,998	66,844
Purchased services	43,617	42,245	39,499
Depreciation	49,972	52,116	49,931
Insurance	3,038	2,265	2,001
Other operating expenses	13,113	12,573	14,912
Total operating expenses	584,323	564,637	548,296
Operating income (loss)	4,940	(31,024)	(35,377)
Non-operating revenues and expenses			
Federal grant revenue	1,410	4,069	29,948
Other non-operating revenues and expenses, net	(10,533)	(2,471)	4,510
Total non-operating revenues and expenses	(9,123)	1,598	34,458
Increase (decrease) in net position before minority interest and restricted funds	(4,183)	(29,426)	(919)
Additional minority interest capital received	500	551	-
Minority interest distributions	(1,684)	(611)	(795)
Special use grant	-	-	1
Contributions used for capital expenditures	674	2,054	1,990
Increase (decrease) in net position	(4,693)	(27,432)	277
Net position			
Beginning of year	309,961	337,393	337,116
End of year	$ 305,268	$ 309,961	$ 337,393

Net Patient Service Revenues

The District receives Federal funds through the Medicare program and State funds through the Medi-Cal program. The District also receives funds through the Alameda County Medi-Cal HMO program. These government payors account for approximately 70.99 percent of the District's gross revenues. Commercial preferred provider organization (PPOs) and health maintenance organizations (HMOs) together comprise approximately 27.35 percent of gross revenues, with the balance of gross revenues attributable to uninsured individuals.

Net patient service revenues increased $53.7 million (10.3 percent), from $522.1 million in fiscal year 2021 to $575.8 million in fiscal year 2022. Net patient revenues in fiscal year 2022 reflected efforts to resume normal operations. Patient service volumes recovered to be at or near pre COVID 19 pandemic levels.

Inpatient Business Activity

The District's gross inpatient revenue increased by $14.3 million (1.1 percent), from $1.361 billion in fiscal year 2021 to $1.375 billion in fiscal year 2022.

Table 4 presents the patient days for each year and the percentage changes:

	2022 Days	2021 Days	% Change
Specialty			
Medical/surgical	44,650	42,495	5.1 %
Critical care	6,346	7,295	(13.0)%
Special care nursery	1,061	883	20.2 %
Pediatrics	215	130	65.4 %
Obstetrics	3,970	3,791	4.7 %
Subtotal adult and pediatric patient days	56,242	54,594	3.0 %
Newborn	2,880	2,697	6.8 %
Total patient days	59,122	57,291	3.2 %

Admissions increased by 386 (4.1 percent) from 9,353 in fiscal year 2021 to 9,739 in fiscal year 2022, however the average length of stay decreased 2.9 percent, from 5.82 to 5.65 days, resulting in an increase in adult and pediatric patient days of 1,648 (3 percent), as indicated in Table 4 above. The decrease in the length of stay was attributable to a fewer number of COVID-19 cases seen during the year, which generally have a higher acuity and longer length of stay.

The overall case mix index for the District, which is a measure of patient acuity, decreased to 1.594 in fiscal year 2022, as compared to 1.632 in fiscal year 2021. The Medicare case mix index for the same period decreased from 1.828 to 1.770

Inpatient surgeries decreased by 108 (5.9 percent), from 1,839 in fiscal year 2021 to 1,731 in fiscal year 2022. The most significant factor in this decrease was the continuing migration of joint replacement procedures from the inpatient to the outpatient setting, with associated reductions to the reimbursement for these procedures. Depending on various risk factors, these procedures may still be done as inpatient procedures; however, this is now the exception, rather than the rule. In fiscal year 2022, 9 percent of joint procedures were classified as inpatient; in fiscal year 2021, 20 percent of these procedures were performed in the inpatient setting.

Deliveries increased by 62 (4.5 percent), from 1,380 in fiscal year 2021 to 1,442 in fiscal year 2022.

Outpatient Business Activity

The District's gross outpatient revenue increased by $191.7 million (21.9 percent), from $876.8 million in fiscal year 2021 to $1.068 billion in fiscal year 2022. A major factor contributing to this increase was the movement of joint procedures from the inpatient to outpatient setting.

Emergency room visits decreased by 754 (1.4 percent) from 54,370 in fiscal year 2021 to 53,616 in fiscal year 2022; however the fiscal year 2021 total includes 11,196 visits to the Rapid Screening and Treatment Unit (RSTU). The RSTU was mobilized in fiscal year 2020 to coordinate COVID-19 intake activities and was deactivated in December 2020.

Non-Emergency Outpatient visits increased by 5,084 (5.9 percent) from 86,486 in fiscal year 2021 to 91,570 in fiscal year 2022.

Outpatient surgeries performed at the hospital in fiscal year 2022 increased by 530 (21.8 percent), from 2,433 in fiscal year 2021 to 2,963 in fiscal year 2022. Outpatient catheterization lab cases increased by 53 (4.7 percent) year-over-year, from 1,121 in fiscal year 2021 to 1,174 in fiscal year 2022.

Visits at Washington Township Medical Foundation increased by 4,464 (2.3 percent) from 197,830 in fiscal year 2021 to 202,294 in fiscal year 2022. WTMF's telehealth visit platform provided over 41,000 telehealth visits in fiscal year 2021, and almost 30,200 telehealth visits in fiscal year 2022. In February 2021, after COVID vaccines became available for the general public, WTMF started a COVID vaccination and testing clinic and has administered almost 100,000 vaccines and tests through June 30, 2022.

Deductions from Revenue

Contractual allowance adjustments (expressed as a percentage of gross revenues) were 74.72 percent and 74.69 percent for fiscal year 2022 and 2021, respectively. The increase resulted from primarily from lower average payment rates from commercial payors due to changes in the mix of payors represented in these categories.

Charity Care

The District provides care without charge to all patients who meet certain criteria under its Charity Care Policy. Charity allowances are based upon the customary charges for the services provided under this program. The District recorded $4.6 million and $2.6 million in foregone charges related to charity care for patient services during fiscal years 2022 and 2021, respectively. Patients who are eligible for charity care are generally those without insurance who also meet income eligibility criteria. Private pay revenues increased from $38.0 million in fiscal year 2021 to $40.6 million in fiscal year 2022.

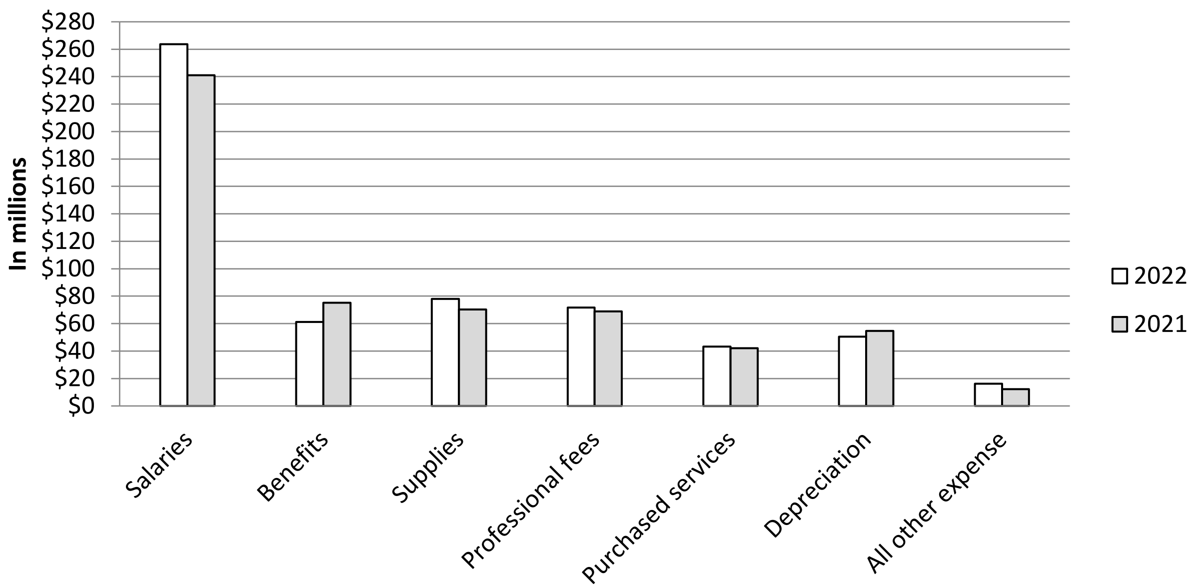
In addition to the charity care described above, the estimated cost in excess of reimbursement for medically indigent patients under Medi-Cal and Medi-Cal managed care programs was estimated at $66 million in 2022 compared to $68 million in 2021. Uncompensated services with an estimated total cost of more than $139 million in fiscal year 2022 and $148 million in fiscal year 2021, were provided to Medicare and Medicare managed care patients.

Provision for Bad Debt

The provision for bad debt (expressed as a percentage of gross revenues) was 1.68 percent in fiscal year 2022, compared to 1.95 percent in fiscal year 2021.

Operating Expenses

Total operating expenses were $584.0 million and $565.0 million for fiscal years 2022 and 2021, respectively, as summarized in the graph below:



Total operating expenses increased by $19.7 million (3.5 percent) from 2021 to 2022, with the largest dollar increase attributable to salaries and wages expense, and the next largest dollar increase attributable to supplies expense. These increases were offset by a decrease in benefits expenses.

Salaries and Benefits

- Salaries and wages increased by $22.7 million (9.4 percent). As of June 30, 2022, approximately 66 percent of the employees of the District are members of collective bargaining groups. These employees receive periodic pay increases through the various Memoranda of Understanding (MOU) that have been approved by the District's Board of Directors. The increase in salaries and wages was attributable to increases in wage rates under the MOUs and increases provided to non-represented employees. The District considers the increases under the MOUs to be in line with the current local wage environment. The nationwide shortage of health care workers increased overtime in fiscal year 2022. COVID-19 Supplemental Paid Sick Leave (COVID Pay) was established by California in 2021 and subsequently extended into 2022, and provides covered employees up to 80 hours of COVID-19 related paid leave. This was also a significant factor in the increase in salaries and wages.

- District-wide full-time equivalent employees (FTEs) at June 30, 2022 were 1,851, which reflects an increase of 69 FTEs (3.9 percent) from the 1,782 FTEs at June 30, 2021. The Hospital FTEs at June 30, 2022 were 1,548, an increase of 49 FTEs (3.3 percent) from the 1,499 FTEs at June 30, 2021.

- Benefits expense decreased by $13.8 million (18.4 percent). The largest component of this decrease was pension expense which decreased by $13.5 million (148.3 percent). Pension expense declined due to investment performance outperforming expectations.

Other Operating Expenses

- Supplies expense increased $7.6 million (10.8 percent) in fiscal year 2022. Factors contributing to this increase included an increase in joint cases of 18% along with increases in pharmaceutical costs.

- Depreciation expense decreased by $2.1 million (4.1 percent).

- Professional Fees and Purchased Services increased $4.1 million (3.6 percent) due to a higher use of consulting and professional services for a variety of program development and operational improvement initiatives.

- The change in other expenses was not significant.

Non-operating Revenues and Expenses, Net

Non-operating revenues and expenses, net, decreased $10.7 million in fiscal year 2022. The most significant changes in non-operating activity include:

- With the downturn in the economy in the 4th quarter, unrealized losses on investments increased $6.4 million.

- Federal grant revenue of $1.4 million in fiscal year 2022 was $2.7 million lower (65.3%) than the $4.1 million received in fiscal year 2021 as several Federal COVID-19 Relief programs wound down.

- The eroding economy also had an unfavorable impact on rental income. Fiscal year 2022 rental income of $235,000 was $1.3 million (84.5%) lower than the $1.5 million realized in fiscal year 2021.

Payments from Federal and State Health Care Programs

Entities doing business with governmental payors, including Medicare and Medicaid (Medi-Cal in California), are subject to risks unique to the government-contracting environment that are difficult to anticipate and quantify. Revenues are subject to adjustment as a result of examination by government agencies as well as auditors, contractors, and intermediaries retained by the federal, state, or local governments (collectively "Government Agents"). Resolution of such audits or reviews often extends (and in some cases does not even commence) for several years beyond the year in which services were rendered and/or fees received.

Moreover, interpretation of the myriad of government regulations and other requirements is subject to a large degree of subjectivity. For example, individual reviewers or auditors might disagree on a patient's principal medical diagnosis, the medical necessity of a clinical procedure or the appropriate code for that procedure. Such disagreements might have a significant effect on the ultimate amount of reimbursement due from the government. Governmental agencies may make changes in program interpretations, requirements, or "conditions of participation," some of which may have implications for amounts previously estimated. In addition to varying interpretation and evolving codification of the regulations, standards of supporting documentation and required data are subject to wide variation.

In accordance with generally accepted accounting principles, to account for the uncertainty around Medicare and Medicaid revenues, the District estimates the amount of revenue that will be received under the Medicare and Medi-Cal programs. Amounts ultimately received or paid may vary from these estimates.

Economic Factors Expected to Affect the District's 2023 Operations

The Board of Directors of the District approved the fiscal year 2022 operating budget at their June 2022 meeting. The operating budget was developed after a review of internal and external forces, key volume indicators and trends. It was based on the best information available during a time of significant uncertainty regarding deteriorating worldwide macro-economic conditions. The budget focuses on the District's continued road to recovery from the impacts of the COVID-19 pandemic, adaptation to a new normal and the implementation of growth strategies meant to secure strong performance for the District for years to come. The budget incorporates the District's current Institutional Agenda as well as economic factors, such as estimated population growth and unemployment rates.

Downward pressures on reimbursement are expected to continue. In estimating net revenues for fiscal year 2023, the District has attempted to incorporate the continued effects of the changes in reimbursement from government, commercial and third party payors, based on the available information. Likewise, the future state of the Bay Area economy, which is also difficult to predict, could have a significant impact on the District's operations. Additional legislation at either the State or Federal level may affect the accuracy of many of the assumptions included in the budget estimate.

The fiscal year 2023 budget anticipates a slight increase in operating revenues combined with a slight decrease in expenditures from the fiscal year 2022 level, primarily related to pension expense. Salaries and wages are expected to remain the same, and supply costs are expected to decrease as the supply chain recovers. Insurance expenses are anticipated to increase significantly due to tightening in the insurance market for fiscal year 2023, and marketing expenses are expected to grow with the promotion of new ventures. All other expense categories are expected to increase or decrease only modestly in fiscal year 2023.

The District continues to pursue opportunities to expand services and profitability, including the new joint venture investment in the Peninsula surgery center and the continued development of the Warm Springs joint venture with UCSF.

Washington Hospital Healthcare Foundation

Foundation Financial Highlights for Fiscal Year 2022

- Total assets of $4.6 million at June 30, 2022 increased by $1.7 million from the balance at June 30, 2021 of $2.9 million. Total cash and investments increased $200,000, from $2.0 million at June 30, 2021 to $2.2 million at June 30, 2022, while net contributions receivable increased $1.5 million, from $0.9 million to $2.4 million.

- The Foundation's net position of $4.6 million at June 30, 2022 was $1.7 million higher than at June 30, 2021.

Foundation Net Position – Fiscal Year 2022

Table 5 provides a summary of the Foundation's assets, liabilities, and net position as of June 30, 2022, 2021 and 2020:

(in thousands)	**2022**	**2021**	**2020**
Assets			
Cash and cash equivalents	$ 813	$ 490	$ 1,494
Short-term investments	423	423	308
Short-term investments held by District on behalf of Foundation	964	1,090	1,364
Contributions receivable, net	2,370	925	1,445
Prepaid expenses and other	42	20	60
Long-term investments, unrestricted	-	-	111
Total assets	$ 4,612	$ 2,948	$ 4,782
Liabilities			
Accounts payable and accrued expenses	$ -	$ -	$ -
Total liabilities	-	-	-
Net position			
Restricted - expendable	4,548	2,892	4,569
Unrestricted	64	56	213
Total net position	4,612	2,948	4,782
Total liabilities and net position	$ 4,612	$ 2,948	$ 4,782

Table 6 provides a summary of cash and investments for the Foundation as of June 30, 2022, 2021 and 2020:

(in thousands)	2022	2021	2020
Cash and cash equivalents	$ 813	$ 490	$ 1,494
Certificates of deposit	423	423	419
	1,236	913	1,913
Short-term investments held by District on behalf of Foundation	964	1,090	1,364
	$ 2,200	$ 2,003	$ 3,277

Revenue and Expense Analysis for the Foundation – Fiscal Year 2022

Table 7 shows the Foundation's changes in net position June 30, 2022, 2021 and 2020:

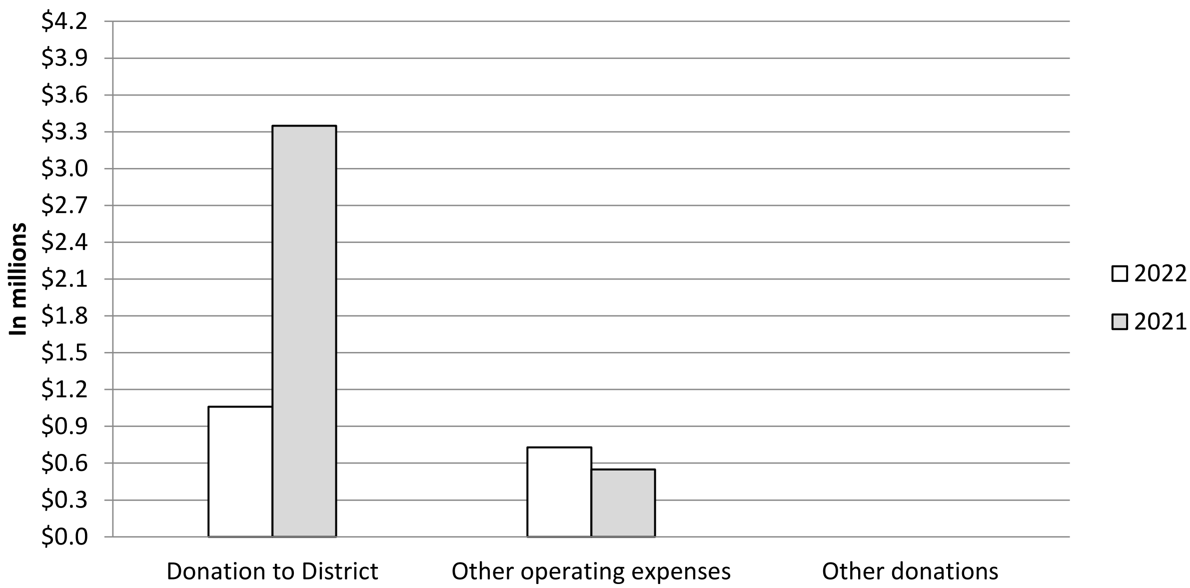
(in thousands)	2022	2021	2020
	Total	Total	Total
Operating revenues			
Contributions	$ 2,746	$ 1,342	$ 1,323
Contributed services	696	715	425
Total operating revenues	3,442	2,057	1,748
Operating expenses			
Donations to District	1,056	3,345	2,056
Donations to others	6	5	-
Other operating expenses	724	552	735
Total operating expenses	1,786	3,902	2,791
Operating income (loss)	1,656	(1,845)	(1,043)
Non-operating revenues and expenses			
Investment income	8	11	49
Total non-operating revenues and expenses	8	11	49
Increase (decrease) in net position	1,664	(1,834)	(994)
Net position			
Beginning of year	2,948	4,782	5,776
End of year	$ 4,612	$ 2,948	$ 4,782

Revenues, Expenses and Changes in Net Position

The Foundation's total operating revenues increased $1.4 million, from $2.1 million in fiscal year 2021 to $3.4 million in fiscal year 2022. Contributions of $2.7 million in fiscal year 2022 were higher than fiscal year 2021 by 1.4 million.

Expenses

Total expenses for the Foundation decreased by $2.1 million, from $3.9 million in fiscal year 2021 to $1.8 million in fiscal year 2022 (including the transfer of $1.1 million in funds designated for activities related to COVID-19), as summarized in the graph below:



Warm Springs Health Center

Warm Springs Health Center Financial Highlights for Fiscal Year 2022

- During fiscal year 2022, the District and UCSF formed a joint venture to develop the Warm Springs Health Center, providing a combination of primary care services, multi-specialty care services, urgent care and other outpatient services, an ambulatory surgery center and/or an outpatient pharmacy. Total assets were $28.6 million at June 30, 2022, including $5.8 million in cash and $22.8 million in capital assets, net.

- The Warm Springs Health Center's net position was $28.4 million at June 30, 2022.

Warm Springs Net Position – Fiscal Year 2022

Table 8 provides a summary of Warm Springs Health Center's assets, liabilities, and net position as of June 30, 2022:

(in thousands)		**2022**
Assets		
Current Assets		
Cash and cash equivalents	$	5,811
Total Current Assets		5,811
Capital assets, net		22,774
Total Assets	$	28,585
Liabilities and Net Position		
Accounts payable and accrued expenses	$	144
Total liabilites		144
Net position		
Net investment in capital assets		11,615
Restricted for minority interest - non-expendible		13,936
Unrestricted		2,890
Total net position		28,441
Total liabilites and net position	$	28,585

District Financial Highlights for Fiscal Year 2021

- The District generated an operating loss of $31.0 million for fiscal year 2021, compared with an operating loss of $35.4 million for fiscal year 2020, an improvement of $4.4 million. When non-operating income and special items are included, the District's activities resulted in a $27.4 million decrease in net position for fiscal year 2021, as compared to an increase of $300,000 in net position for fiscal year 2020. Fiscal year 2020 results included recognition of $29.9 million in provider relief funding under the Federal Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). CARES Act funding recognized in fiscal year 2021 totaled $4.1 million, including $2.5 million in provider relief funding and a $1.6 million Payroll Protection Program loan for which forgiveness was received in fiscal year 2021.

- Major items that impacted the District's operating results for fiscal year 2021, as compared to those for fiscal year 2020, included:

  - In fiscal year 2021, the District, along with all other healthcare providers, continued to be significantly impacted by the COVID-19 (COVID) pandemic.

  - As a result of pandemic shutdowns and COVID case surges, the District was unable to fully resume elective and non-emergent services until early May 2020, at which time a phased re-opening approach was developed, with the implementation of numerous additional safety initiatives for employees and patients. The resumption of services was slowed by limitations on COVID testing capacity, in addition to residual concerns by community members about the risks associated with entering the hospital facilities. These factors continued to impact volume recovery throughout fiscal year 2021.

  - Despite these challenges, the District did experience volume improvements in fiscal year 2021. Gross inpatient revenues increased by 2 percent ($26.4 million) and gross outpatient revenues increased by over 16 percent ($122.0 million) in fiscal year 2021.

  - Although admissions decreased by almost 12 percent from the fiscal year 2020 level, average length of stay increased by almost 18 percent, resulting in a 2.6% (1,363) increase in adult and pediatric patient days. The increase in length of stay was largely attributable to COVID cases, which tended to have higher acuities and longer lengths of stay, but was also related to non-COVID patients having delayed seeking care, due to concerns about COVID infection risk in healthcare settings.

  - As a result of the continued migration of joint replacement surgeries to the outpatient setting, inpatient surgeries were down almost 24 percent (579 cases), but outpatient surgeries increased by almost 38 percent (668 cases). Outpatient cardiac catheterizations increased by over 5 percent (54 cases).

  - Outpatient visits at WTMF increased by over 7 percent in fiscal year 2021. WTMF implemented a telehealth visit platform in April 2020 and provided approximately 14,000 and 41,000 telehealth visits, in fiscal years 2020 and 2021, respectively. Also in February 2021, after COVID vaccines became available to the general public, WTMF initiated a COVID vaccine clinic, administering almost 67,000 injections through June 30, 2021.

  - Total operating expenses increased by 3 percent ($16.3 million), in total, with increases in salary and supply expenses accounting for a combined increase of $18.1 million, which were offset by a decrease in benefits expenses of $6.7 million.

- The increase in salary expenses was due to FTE recovery from the COVID-reduced levels in fiscal year 2020, additional FTEs, such as resource nurses and screeners, required to support implementation of pandemic-related safety protocols, and scheduled wage rate increases.

- The reduction in benefit expenses was driven by an $11.6 million decrease in expense related to the District's defined benefit retirement plan for fiscal year 2021. The significant decrease resulted from several factors, including a reduction in the recognition of net deferred amounts into expense from $9.2 million in fiscal year 2020 to $0.0 million in fiscal year 2021. The largest contributors to this decrease were the recognition of significant prior year investment gains, in excess of the anticipated rate, on the related asset portfolio and increased current year investment gains, attributable to the overall increase in the asset portfolio.

- The increase in supply expenses were partially related to volume increases, but also reflected additional spending for COVID testing supplies, pharmaceuticals and personal protective equipment. Supply cost increases for PPE and other items were driven not only be increased usage but were also impacted by increased demand and global supply chain pressures.

- Purchased services and professional fees increased due to contracted services for screeners and COVID testing performed by external labs.

- Changes in other expense categories were not significant.

- New Activities

  In fiscal year 2021, the District finalized the formation of the Peninsula Surgery Center, a joint venture between DEVCO, WOSC and private physicians. Construction of the related ambulatory surgery center in Redwood City, California was substantially completed in July 2021. As of June 30, 2021, the DEVCO holds the majority interest in the operating entity, Peninsula Surgery Center LLC (PSC), and the holding company, Peninsula Surgical Partnership LLC (PSP). PSC and PSP are considered component units of DEVCO and are blended in the DEVCO financial statements.

Analysis of the District's Net Position – Fiscal Year 2021

- Total assets decreased $13.1 million, from $1.14 billion at June 30, 2020 to $1.13 billion at June 30, 2021. Total available cash and investments decreased $33.0 million, from $338.5 million to $305.5 million. Capital assets, net, decreased $20.5 million, from $697.8 million to $677.3 million. Through a conscientious commitment to consistent funding of its pension obligations, the District achieved full funding of its net pension obligation in fiscal year 2021. The net pension liability, which was $31.8 million as of June 30, 2020, became a prepaid pension asset of $5.2 million as of June 30, 2021.

- In March 2020, the District and the University of California, San Francisco (UCSF), completed the joint purchase of an 88,000 square foot building and approximately five acres of land in the Warm Springs section of Fremont. The building includes approximately 30,000 square feet of office space. The District and UCSF were in the process of forming a joint venture to develop a health services complex on the site, providing a combination of primary care services, multi-specialty care services, urgent care and other outpatient services, an ambulatory surgery center and/or an outpatient pharmacy. The District will be the majority partner with 51 percent of the investment, with UCSF as the minority investor with 49 percent. The investment in this venture is reflected in other non-current assets in the District's Statement of Net Position as of June 30, 2020 and June 30, 2021.

- Total liabilities decreased $29.1 million, from $807.6 million at June 30, 2020 to $778.5 million at June 30, 2021. The majority of this decrease was the achievement of full funding for the defined benefit pension plan as of June 30, 2021, which resulted in the elimination of the net pension liability of $31.8 million as of June 30, 2020 as mentioned above. In addition, total long-term debt of $566.0 million at June 30, 2020 was reduced by $4.9 million to $561.1 million at June 30, 2021. Also in fiscal year 2021, the District began the required repayment of $59 million in Medicare Advanced Payment (MAP) loans received under the CARES Act in fiscal year 2020. As of June 30, 2021, the District has repaid approximately $6 million and the remaining $53 million due is reflected as liabilities due to third party payors on the statement of net position for fiscal year 2021. The District was able to set aside the amounts received under the MAP program and the repayments are being made from the set aside funds.

- Total net position of $310.0 million at June 30, 2021 was $27.4 million less than the net position of $337.4 million at June 30, 2020.

Table 9 provides a summary of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of June 30, 2021 and 2020:

(in thousands)	**2021**	**2020**
Assets		
Current assets	$ 176,332	$ 192,428
Long-term investment and restricted funds	234,220	234,880
Capital assets, net	677,327	697,785
Prepaid pension asset	5,161	-
Other assets	36,745	17,765
Total assets	1,129,785	1,142,858
Deferred outflows of resources	29,186	36,921
Total assets and deferred outflows of resources	$ 1,158,971	$ 1,179,779
Liabilities and Net Position		
Current liabilities	$ 173,286	$ 170,545
Net pension liability	-	31,798
Net postemployment medical benefits (OPEB)	40,419	42,578
Long-term lease liability	9,320	-
Long-term debt	549,533	556,097
Other long-term liabilities	5,987	6,615
Total liabilities	778,545	807,633
Deferred inflows of resources	70,465	34,753
Net position		
Net investment in capital assets	122,886	142,756
Restricted - expendable	30,005	29,301
Restricted for minority interest	4,528	3,666
Unrestricted	152,542	161,670
Total net position	309,961	337,393
Total liabilities, net position and deferred inflows of resources	$ 1,158,971	$ 1,179,779

Table 10 provides a summary of total available cash and investments as of June 30, 2021 and 2020.

(in thousands)	**2021**	**2020**
Cash and cash equivalents and short-term investments	$ 71,281	$ 103,643
Board-designated for capital and debt	215,307	212,395
Workers' compensation fund	9,428	9,391
Unexpended capital bond funds, excluding amounts required for current liabilities	9,443	13,052
Restricted funds	42	42
Total available cash and investments	$ 305,501	$ 338,523

The District maintains sufficient cash, short-term investments and Board-designated balances to cover all short-term liabilities. All excess cash is transferred to Board-designated funds for future needs.

Capital Assets, Net

Capital assets, net, decreased $20.5 million, from $697.8 million at June 30, 2020 to $677.3 million at June 30, 2021. This decrease resulted from $35.4 million in net capital additions offset by a $55.9 million increase in net accumulation depreciation. The net capital additions included $26.2 million in equipment, building, and land improvements combined with a decrease of $9.2 million in construction in progress.

In fiscal year 2021, the District finalized the formation of the Peninsula Surgery Center, a joint venture between DEVCO, WOSC and private physicians. Construction of the related ambulatory surgery center in Redwood City, California was substantially completed in July 2021.

Debt Administration (2021 and 2020)

As part of the obligations under the bond indentures for the 2009, 2010, 2015, 2017A, 2017B, 2019A and 2020A Series Revenue Bonds, the District has agreed that the Hospital will maintain a long-term debt service coverage ratio of no less than 1.1 to 1.0 on a yearly basis. As of June 30, 2021, the Hospital's long-term debt service coverage ratio was 2.73 to 1.0. For the year ended June 30, 2020, the Hospital's long-term debt service coverage ratio was 4.71 to 1.0. During the year ended June 30, 2020, the Moody's credit rating was downgraded to Baa2 (outlook negative) due to weak operating cash flow projections for fiscal year 2020, based on activity through December 2019. During the year ended June 30, 2021, the Moody's credit rating for the Hospital's revenue bonds did not change.

The Hospital's percentage of debt-to-capitalization, excluding general obligation bonds, of 28.7 percent at June 30, 2021, was lower than the percentage of 29.6 percent at June 30, 2020. The decrease in percentage reflects the combined effect of the $12.4 million reduction in outstanding debt, excluding general obligation bonds, and the $7.6 million decrease in the Hospital's net position.

Revenue and Expense Analysis for the District – Fiscal Year 2021

Table 11 shows the revenues, expenses, and changes in net position for the District for the years ended June 30, 2021 and 2020:

(in thousands)	**2021**	**2020**
Operating revenues		
Net patient service revenues	$ 522,079	$ 499,516
Other	11,534	13,403
Total operating revenues	533,613	512,919
Operating expenses		
Salaries and wages	240,958	229,485
Employee benefits	75,075	81,813
Supplies	70,407	63,811
Professional fees	68,998	66,844
Purchased services	42,245	39,499
Depreciation	52,116	49,931
Insurance	2,265	2,001
Other operating expenses	12,573	14,912
Total operating expenses	564,637	548,296
Operating income (loss)	(31,024)	(35,377)
Non-operating revenues and expenses		
Federal grant revenue	4,069	29,948
Other non-operating revenues and expenses, net	(2,471)	4,510
Total non-operating revenues and expenses	1,598	34,458
Increase (decrease) in net position before minority interest and restricted funds	(29,426)	(919)
Additional minority interest capital received	551	-
Minority interest distributions	(611)	(795)
Special use grant	-	1
Contributions used for capital expenditures	2,054	1,990
Increase (decrease) in net position	(27,432)	277
Net position		
Beginning of year	337,393	337,116
End of year	$ 309,961	$ 337,393

Net Patient Service Revenues

The District receives Federal funds through the Medicare program and State funds through the Medi-Cal program. The District also receives funds through the Alameda County Medi-Cal HMO program. These government payors account for approximately 71 percent of the District's gross revenues. Commercial preferred provider organizations (PPOs) and health maintenance organizations (HMOs) together comprise approximately 27 percent of gross revenues, with the balance of gross revenues attributable to uninsured individuals.

Net patient service revenues increased by $22.6 million (4.5 percent), from $499.5 million in fiscal year 2020 to $522.1 million in fiscal year 2021. COVID-19 significantly reduced net patient service revenues from March to June of 2020. Net patient revenues in fiscal year 2021 reflected efforts to resume normal operations, however, patient volumes were slow to recover, in part due to lingering safety concerns by potential patients.

Inpatient Business Activity

The District's gross inpatient revenue increased by $26.4 million (2.0 percent), from $1,334.6 million in fiscal year 2020 to $1,361.0 million in fiscal year 2021.

Table 12 presents the patient days for each year and the percentage changes:

	2021 Days	2020 Days	% Change
Specialty			
Medical/surgical	42,495	40,515	4.9 %
Critical care	7,295	6,808	7.2 %
Special care nursery	883	1,290	(31.6)%
Pediatrics	130	341	(61.9)%
Obstetrics	3,791	4,277	(11.4)%
Subtotal adult and pediatric patient days	54,594	53,231	2.6 %
Newborn	2,697	3,068	(12.1)%
Total patient days	57,291	56,299	1.8 %

Admissions decreased by 1,262 (11.9 percent) from 10,615 in fiscal year 2020 to 9,353 in fiscal year 2021, however the average length of stay increased 17.6 percent, from 4.95 to 5.82 days, resulting in an increase in adult and pediatric patient days of 1,363 (2.6 percent), as indicated in Table 12 above. The increase in the length of stay was attributable to COVID-19 cases, which generally have a higher acuity and longer length of stay, but was also seen in non-COVID patients, which points to patients having delayed seeking care.

The overall case mix index for the District, which is a measure of patient acuity, increased to 1.632 in fiscal year 2021, as compared to 1.480 in fiscal year 2020. The Medicare case mix index for the same period increased from 1.692 to 1.828. As mentioned above, this increase in acuity was seen in both COVID and non-COVID patients.

Inpatient surgeries decreased by 579 (23.9 percent), from 2,418 in fiscal year 2020 to 1,839 in fiscal year 2021. The most significant factor in this decrease was the continuing migration of joint replacement procedures from the inpatient to the outpatient setting, with associated reductions to the reimbursement for these procedures. Depending on various risk factors, these procedures may still be done as inpatient procedures; however, this is now the exception, rather than the rule. In fiscal year 2019, 58 percent of joint procedures were done as inpatients; in fiscal year 2021, only 20 percent of these procedures were performed in the inpatient setting. Inpatient joint surgeries were down by 480 (57.8 percent), year over year, in fiscal year 2021 versus fiscal year 2020.

Deliveries also continued to decline, decreasing by 140 (9.2 percent), from 1,520 to 1,380.

Outpatient Business Activity

The District's gross outpatient revenue increased by $122.0 million (16.2 percent), from $754.8 million in fiscal year 2020 to $876.8 million in fiscal year 2021. While a portion of this increase was attributable to the easing of the pandemic situation, as discussed above, a major factor contributing to this increase was the movement of joint procedures from the inpatient to outpatient setting.

Emergency room visits increased by 2,844 (5.5 percent) from 51,526 in fiscal year 2020 to 54,370 in fiscal year 2021; however the fiscal year 2021 total includes 11,196 visits to the Rapid Screening and Treatment Unit (RSTU) as compared to 4,313 visits in fiscal year 2020. The RSTU was mobilized in fiscal year 2020 to coordinate COVID-19 intake activities and was deactivated in December 2020. Routine emergency department volumes for fiscal year 2021 were down by approximately 4,000 visits.

Outpatient visits increased by 3,523 (4.2 percent) from 82,963 to 86,486 in fiscal 2021.

Outpatient surgeries performed at the hospital in fiscal year 2021 increased by 668 (37.8 percent), from 1,765 to 2,433. Outpatient joint procedures increased by 583 (69.2 percent). Outpatient catheterization lab cases increased by 54 (5.1 percent) from 1,067 to 1,121.

Outpatient visits at Washington Township Medical Foundation increased by 13,340 (7.2 percent) from 184,490 in fiscal year 2020 to 197,830 in fiscal year 2021. WTMF implemented a telehealth visit platform in early April 2020 and provided over 13,500 telehealth visits in fiscal year 2020, and almost 41,000 telehealth visits in fiscal year 2021. In February 2021, after COVID vaccines became available for the general public, WTMF started a COVID vaccine clinic, with 66,893 vaccine visits through June 30, 2021.

Deductions from Revenue

Contractual allowance adjustments (expressed as a percentage of gross revenues) were 74.69 percent and 74.09 percent for fiscal year 2021 and 2020, respectively. The increase resulted from primarily from lower average payment rates from commercial payors due to changes in the mix of payors represented in these categories.

Charity Care

The District provides care without charge to all patients who meet certain criteria under its Charity Care Policy. Charity allowances are based upon the customary charges for the services provided under this program. The District recorded $2.6 million and $3.1 million in foregone charges related to charity care for patient services during fiscal years 2021 and 2020, respectively. Patients who are eligible for charity care are generally those without insurance who also meet income eligibility criteria. Private pay revenues Decreased from $42.7 million in fiscal year 2020 to $38.0 million in fiscal year 2021.

Included in the charity care totals are amounts associated with care for homeless patients. In January 2019, the State of California implemented Senate Bill 1152 (SB-1152). SB-1152 is an additional unfunded mandate requiring California hospitals to provide certain services to homeless patients, including provision of a meal, clothing and transportation services, as needed. In addition, the law also requires that these patients cannot be discharged until a residence or a social services provider is located, and has agreed to accept the patient, which can result in lengthy discharge delays.

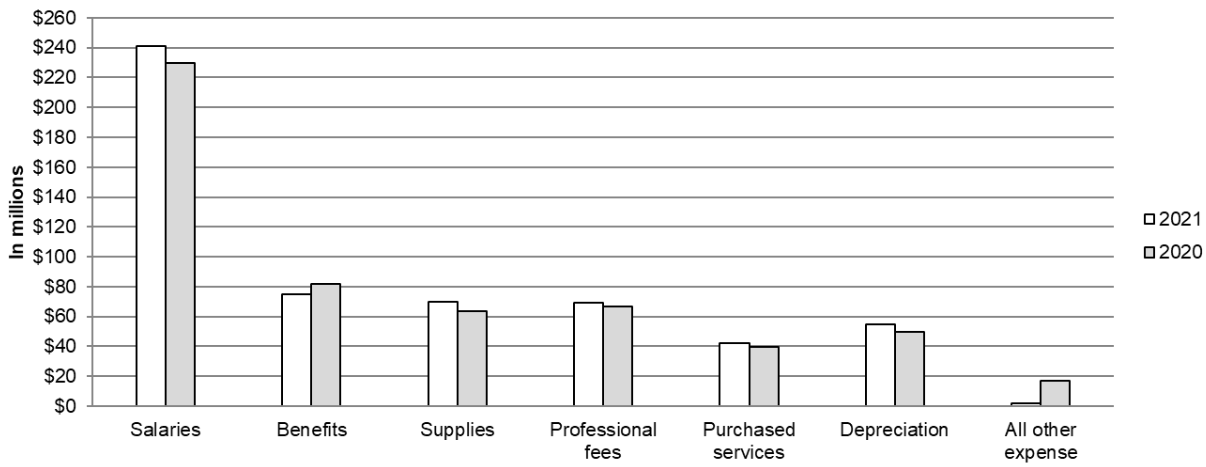
In addition to the charity care described above, the estimated cost in excess of reimbursement for medically indigent patients under Medi-Cal and Medi-Cal managed care programs was $68 million and $64 million in fiscal years 2021 and 2020, respectively, and uncompensated services with an estimated total cost of more than $148 million in fiscal year 2021 and $151 million in fiscal year 2020, were provided to Medicare and Medicare managed care patients.

Provision for Bad Debt

The provision for bad debt (expressed as a percentage of gross revenues) was 1.95 percent in fiscal year 2021, compared to 1.97 percent in fiscal year 2020.

Operating Expenses

Total operating expenses were $565.0 million and $548.3 million for fiscal years 2021 and 2020, respectively, as summarized in the graph below:



Total operating expenses increased by 16.7 million (3.0 percent) from 2020 to 2021, with the largest dollar increase ($11.5 million) attributable to salaries and wage expense, and the next largest dollar increase attributable to supplies ($6.6 million). Benefits expense decreased by $6.7 million.

Salaries and Benefits

- Salaries and wages increased by $11.5 million (5.0 percent). As of June 2021, approximately 65 percent of the employees of the District are members of collective bargaining groups. These employees receive periodic pay increases through the various Memoranda of Understanding (MOU) that have been approved by the District's Board of Directors. The increase in salaries and wages was attributable to increases in wage rates under the MOUs combined with an increase in full time equivalents from the COVID-related reduced levels in fiscal year 2020 (see below). The District considers the increases under the MOUs to be in line with the current local wage environment.

- Total District's full time equivalents (FTEs) at June 30, 2021 were 1,782 which reflects an increase of 35 FTEs (2.0 percent) from the 1,747 FTEs at June 30, 2020. The Hospital FTEs at June 30, 2021 were 1,499, an increase of 23 FTEs (1.6 percent) from the 1,476 FTEs at June 30, 2020. To the extent possible, during the COVID shelter-in-place period from mid-March to mid-May 2020, the District reduced staffing of non-essential personnel.

- Benefits expense decreased by $6.7 million (8.2 percent). The largest component of this decrease was pension expense which decreased by $11.6 million (56.0 percent). Pension expense declined due to recognition of deferred outflows of resources related to prior year investment performance outperforming expectations, combined with increases in current year investment gains due to the continued growth in the overall portfolio. The District's net pension obligation transitioned from a liability of $31.8 million as of June 30, 2020 to an asset of $5.2 million as of June 31, 2021.

Other Operating Expenses

- Supplies expense increased $6.6 million (10.3 percent) in fiscal year 2021. Factors contributing to this increase included fiscal year 2020 expenses being artificially lower due to COVID-related volume reductions, and fiscal year 2021 increases in costs related to personal protective equipment (PPE) caused by increased demand and global supply chain pressures, increased lab and pharmacy supply costs for COVID testing and treatment and higher inpatient days and outpatient visits.

- Depreciation increased by $2.2 million (4.4 percent) and other expenses decreased by $2.3 million (15.7 percent). Insurance expense increased by $300,000 (13.2 percent) in fiscal year 2021 as a result of tightening in the insurance marketplace.

Non-operating Revenues and Expenses, Net

Non-operating revenues and expenses, net, decreased $32.8 million in fiscal year 2021. The most significant changes in non-operating activity for fiscal year 2021 were the following items:

- In fiscal year 2020, the District received federal grants under the CARES Act including $28.8 million for the Hospital, $0.8 million for WTMF and $0.3 million for DEVCO. In addition, Washington Outpatient Surgery Center (WOSC) received a $1.6 million Payroll Protection Plan (PPP) forgivable loan. In fiscal year 2021, the District received an additional $2.6 million in federal grants; WOSC received an additional $1.6 million PPP loan and also received confirmation of the forgiveness of its first PPP loan.

- Net interest expense decreased by $0.7 million. Although total interest cost for fiscal year 2020 was $1.3 million less in fiscal year 2021 than in fiscal year 2020, capitalized interest for fiscal year 2021 was $0.5 million lower than the amount for fiscal year 2020, resulting in higher net interest expense.

- Bond issuance costs of $0.7 million expensed in fiscal year 2021 were related to the December 2020 refinancing of revenue bonds in order to take advantage of favorable market interest rates. No such costs were incurred in fiscal year 2020.

Payments from Federal and State Health Care Programs

Entities doing business with governmental payors, including Medicare and Medicaid (Medi-Cal in California), are subject to risks unique to the government-contracting environment that are difficult to anticipate and quantify. Revenues are subject to adjustment as a result of examination by government agencies as well as auditors, contractors, and intermediaries retained by the federal, state, or local governments (collectively "Government Agents"). Resolution of such audits or reviews often extends (and in some cases does not even commence) for several years beyond the year in which services were rendered and/or fees received.

Moreover, interpretation of the myriad of government regulations and other requirements is subject to a large degree of subjectivity. For example, individual reviewers or auditors might disagree on a patient's principal medical diagnosis, the medical necessity of a clinical procedure or the appropriate code for that procedure. Such disagreements might have a significant effect on the ultimate amount of reimbursement due from the government. Governmental agencies may make changes in program interpretations, requirements, or "conditions of participation," some of which may have implications for amounts previously estimated. In addition to varying interpretation and evolving codification of the regulations, standards of supporting documentation and required data are subject to wide variation.

In accordance with generally accepted accounting principles, to account for the uncertainty around Medicare and Medicaid revenues, the District estimates the amount of revenue that will be received under the Medicare and Medi-Cal programs. Amounts ultimately received or paid may vary from these estimates.

Health Care Reform

In 2012, the Patient Protection and Affordable Care Act (PPACA) and the Health Care and Education Reconciliation Act of 2012 (collectively the "Affordable Care Act" or "the ACA") were signed into law. The Affordable Care Act addressed a broad range of topics affecting the health care industry, including a significant expansion of healthcare coverage. The coverage expansion was accomplished primarily through incentives for individuals to obtain and employers to provide health care coverage and an expansion in Medicaid eligibility. The Affordable Care Act also included 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. The ACA has been the subject of much political debate and disagreement

During the period from 2013 through April 2020, automatic spending reduction provisions of the Budget Control Act of 2011 were in effect. These spending reductions, also known as sequestration reductions, resulted in an on-going 2.0 percent reduction in all Medicare spending. The reductions in reimbursement for fiscal years 2020 and 2019 were $1.8 million and $2.2 million, respectively. As a component of COVID-19 relief under the CARES Act, sequestration reductions were temporarily suspended effective May 1, 2020 and had not been re-instituted as of June 30, 2021.

In addition to sequestration reductions, Medicare Disproportionate Share (DSH) payments to eligible hospitals were significantly reduced in 2014. DSH payments are intended to partially offset the losses that providers incur when serving a disproportionate number of Medicare beneficiaries, as compared to other providers. For fiscal years 2021 and 2020, DSH payments received were $2.7 million and $4.8 million, respectively.

Meaningful Use of Electronic Health Records

The American Recovery and Reinvestment Act of 2009 established incentive payments under the Medicare and Medicaid programs for certain professionals and hospitals that demonstrated meaningfully use of certified electronic health record ("EHR") technology to improve quality, efficiency and patient safety. In fiscal years 2018 through 2020, revenues recognized related to Meaningful Use were not significant. Beginning in fiscal year 2018 for Medicare EHR and in fiscal year 2020 for Medi-Cal EHR, the District is no longer eligible for additional incentive funding, as the Meaningful Use Programs have entered the penalty phase. The District is compliant with all Meaningful Use requirements and has not incurred any penalties. The District will continue to be required to report on a specified list of quality measures; failure to comply with these reporting requirements will result in downward payment adjustments.

Washington Hospital Healthcare Foundation

Foundation Financial Highlights for Fiscal Year 2021

- Total assets of $2.9 million at June 30, 2021 decreased by $1.9 million from the balance at June 30, 2020 of $4.8 million. Total cash and investments decreased $1.3 million, from $3.3 million to $2.0 million, while net contributions receivable decreased $0.5 million from $1.4 million to $0.9 million.

- Net position of $2.9 million at June 30, 2021 was $1.9 million lower than at June 30, 2020.

Foundation Net Position – Fiscal Year 2021

Table 13 provides a summary of the Foundation's assets, liabilities, and net position as of June 30, 2021 and 2020:

(in thousands)	**2021**	**2020**
Assets		
Cash and cash equivalents	$ 490	$ 1,494
Short-term investments	423	308
Short-term investments held by District on behalf of Foundation	1,090	1,364
Contributions receivable, net	925	1,445
Prepaid expenses and other	20	60
Long-term investments, unrestricted	-	111
Total assets	$ 2,948	$ 4,782
Liabilities		
Accounts payable and accrued expenses	$ -	$ -
Total liabilities	-	-
Net position		
Restricted - expendable	2,892	4,569
Unrestricted	56	213
Total net position	2,948	4,782
Total liabilities and net position	$ 2,948	$ 4,782

Table 14 provides a summary of cash and investments for the Foundation as of June 30, 2021 and 2020:

(in thousands)	**2021**	**2020**
Cash and cash equivalents	$ 490	$ 1,494
Certificates of deposit	423	419
	913	1,913
Short-term investments held by District on behalf of Foundation	1,090	1,364
	$ 2,003	$ 3,277

Revenue and Expense Analysis for the Foundation – Fiscal Year 2021

Table 15 shows the Foundation's changes in net position for 2021 and 2020:

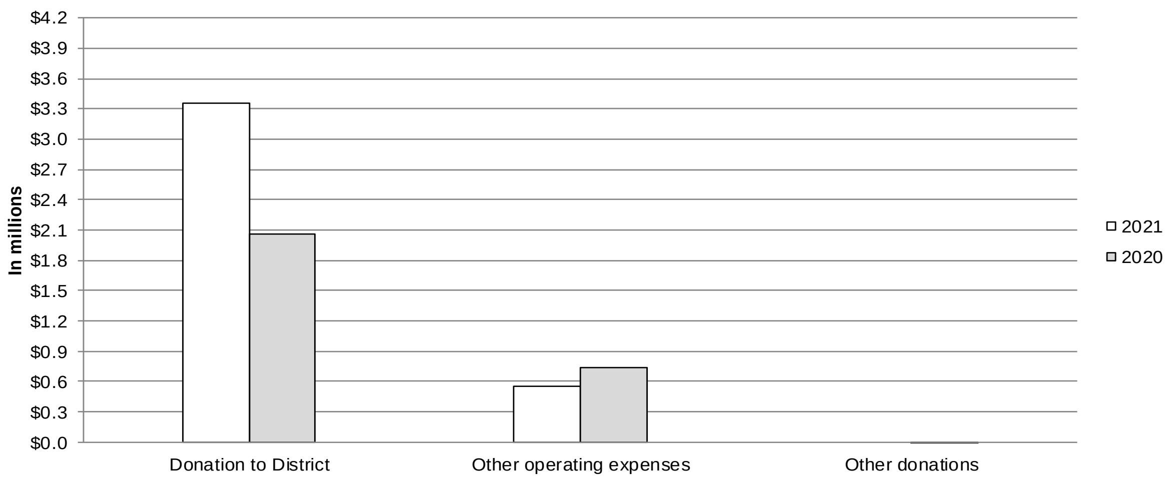
(in thousands)	2021	2020
	Total	**Total**
Operating revenues		
Contributions	$ 1,342	$ 1,323
Contributed services	715	425
Total operating revenues	2,057	1,748
Operating expenses		
Donations to District	3,345	2,056
Donations to others	5	-
Other operating expenses	552	735
Total operating expenses	3,902	2,791
Operating income (loss)	(1,845)	(1,043)
Non-operating revenues and expenses		
Investment income	11	49
Total non-operating revenues and expenses	11	49
Increase (decrease) in net position	(1,834)	(994)
Net position		
Beginning of year	4,782	5,776
End of year	$ 2,948	$ 4,782

Revenues, Expenses and Changes in Net Position

The Foundation's total operating revenues increased $0.3 million from $1.8 million in fiscal year 2020 to $2.1 million in fiscal year 2021. Contributions of $1.3 million in fiscal year 2021 were the same as in fiscal year 2020.

Expenses

Total expenses for the Foundation increased by $1.1 million from $2.8 million in fiscal year 2020 to $3.9 million in fiscal year 2021 (including the transfer of $1.1 million in funds designated for activities related to COVID-19 and $1.2 million additional pledge collections related to the Hyman Pavilion), as summarized in the graph below:



Washington Township Health Care District
Statements of Net Position
June 30, 2022 and 2021

(in thousands)	District 2022	District 2021	Foundation 2022	Foundation 2021	Warm Springs 2022
Assets					
Current assets					
Cash and cash equivalents	$ 11,066	$ 40,697	$ 813	$ 490	$ 5,811
Short-term investments	29,896	30,584	423	423	-
Short-term investments held by District on behalf of Foundation	-	-	964	1,090	-
Patient accounts receivable, less allowance for estimated uncollectibles of $36,129 and $40,885 in 2022 and 2021, respectively	90,483	84,653	-	-	-
Contributions receivable, net	-	-	729	114	-
Supplies	4,438	4,264	-	-	-
Other receivables	11,117	9,347	-	-	-
Prepaid expenses and other	7,903	6,787	42	20	-
Total current assets	154,903	176,332	2,971	2,137	5,811
Long-term investment and restricted funds					
Board-designated for capital, debt and workers' compensation	207,769	224,735	-	-	-
Held by trustee	29,108	9,443	-	-	-
Restricted funds	42	42	-	-	-
Capital assets, net	635,182	677,327	-	-	22,774
Other assets					
Prepaid pension costs	36,970	5,161	-	-	-
Contributions receivable, net	-	-	1,641	811	-
Other noncurrent assets	40,888	36,745	-	-	-
Total assets	1,104,862	1,129,785	4,612	2,948	28,585
Deferred outflows of resources					
Deferred outflows of resources - goodwill	2,016	2,689	-	-	-
Deferred outflows of resources - postemployment medical benefits (OPEB)	7,905	9,141	-	-	-
Deferred outflows of resources - pension	12,520	17,356	-	-	-
Total deferred outflows	22,441	29,186	-	-	-
Total assets and deferred outflows of resources	$ 1,127,303	$ 1,158,971	$ 4,612	$ 2,948	$ 28,585

The accompanying notes are an integral part of these financial statements.

Washington Township Health Care District
Statements of Net Position
June 30, 2022 and 2021

(in thousands)	District 2022	District 2021	Foundation 2022	Foundation 2021	Warm Springs 2022
Liabilities and Net Position					
Current liabilities					
Current portion of long-term debt	$ 10,953	$ 11,550	$ -	$ -	$ -
Accounts payable and accrued expenses	26,298	26,091	-	-	144
Due to foundation	964	1,091	-	-	-
Due to third party payors and unearned revenue	19,817	61,668	-	-	-
Accrued liabilities					
Payroll related	11,311	15,451	-	-	-
Vacation	21,822	19,451	-	-	-
Health benefits	3,439	4,519	-	-	-
Interest	10,516	10,597	-	-	-
Other	25,324	22,868	-	-	-
Total current liabilities	130,444	173,286	-	-	144
Long-term liabilities					
Workers' compensation claims	7,414	5,987	-	-	-
Net postemployment medical benefits (OPEB)	37,676	40,419	-	-	-
Long-term lease liabilities	7,322	9,320			
Long-term debt, net of current maturities	211,172	220,969	-	-	-
Long-term debt, general obligation bonds	345,595	328,564	-	-	-
Total long-term liabilities	609,179	605,259	-	-	-
Total liabilities	739,623	778,545	-	-	144
Deferred inflows of resources					
Deferred inflows of resources - postemployment medical benefits (OPEB)	13,964	17,335	-	-	-
Deferred inflows of resources - pension	46,269	30,374	-	-	-
Deferred inflows of resources - Lease Obligations	22,179	22,756	-	-	-
Total deferred inflows	82,412	70,465	-	-	-
Net position					
Net investment in capital assets	92,850	122,886	-	-	11,615
Restricted - expendable	28,817	30,005	4,548	2,892	-
Restricted for minority interest - nonexpendable	3,345	4,528	-	-	13,936
Unrestricted	180,256	152,542	64	56	2,890
Total net position	305,268	309,961	4,612	2,948	28,441
Total liabilities, deferred inflows of resources and net position	$ 1,127,303	$ 1,158,971	$ 4,612	$ 2,948	$ 28,585

The accompanying notes are an integral part of these financial statements.

Washington Township Health Care District
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 20, 2022 and 2021

	District		Foundation		Warm Springs
(in thousands)	2022	2021	2022	2021	2022
Operating revenues					
Net patient service revenues	$ 575,825	$ 522,079	$ -	$ -	$ -
Other	13,438	11,534	-	-	-
Contributions	-	-	2,746	1,342	-
Contributed services	-	-	696	715	-
Total operating revenues	589,263	533,613	3,442	2,057	-
Operating expenses					
Salaries and wages	263,643	240,958	-	-	-
Employee benefits	61,275	75,075	-	-	-
Supplies	77,982	70,407	-	-	-
Professional fees	71,683	68,998	-	-	-
Purchased services	43,617	42,245	-	-	100
Depreciation	49,972	52,116	-	-	-
Insurance	3,038	2,265	-	-	14
Donations	-	-	1,062	3,350	-
Other operating expenses	13,113	12,573	724	552	163
Total operating expenses	584,323	564,637	1,786	3,902	277
Operating income (loss)	4,940	(31,024)	1,656	(1,845)	(277)
Non-operating revenues and expenses					
Federal grant revenue	1,410	4,069	-	-	-
Investment income	2,574	3,163	8	11	-
Net increase (decrease) in the fair value of investments	(9,264)	(2,041)	-	-	-
Interest expense, including amortization of premiums and discounts on bonds payable	(21,927)	(21,554)	-	-	-
Property tax revenue	17,298	17,317	-	-	-
Bond issuance costs	(456)	(718)	-	-	-
Other non-operating income	1,242	1,362	-	-	-
Total non-operating revenues and (expenses), net	(9,123)	1,598	8	11	-
Increase (decrease) in net position before other changes	(4,183)	(29,426)	1,664	(1,834)	(277)
Minority interest - additional contributions from	500	551	-	-	-
Minority interest - distributions to	(1,684)	(611)	-	-	-
Contributions used for capital expenditures	674	2,054	-	-	-
Capital contributions to joint venture formation	-	-	-	-	28,718
Increase (decrease) in net position after other changes	(4,693)	(27,432)	1,664	(1,834)	28,441
Net position					
Beginning of year	309,961	337,393	2,948	4,782	-
End of year	$ 305,268	$ 309,961	$ 4,612	$ 2,948	$ 28,441

The accompanying notes are an integral part of these financial statements.

Washington Township Health Care District
Statements of Cash Flows
Years Ended June 30, 2022 and 2021

(in thousands)	District 2022	District 2021
Cash flows from operating activities		
Cash received from patient service activities	$ 569,995	$ 505,682
Other cash receipts	13,438	11,534
Cash payments to suppliers	(246,748)	(194,581)
Cash payments to employees and employee benefit programs	(343,628)	(331,758)
Net cash provided by (used in) operating activities	(6,943)	(9,123)
Cash flows from noncapital financing activities		
Donation from Foundation to District	356	1,188
Sale of net assets to minority shareholders in Washington Outpatient Surgery Center, LLC	500	551
Net assets distributed to minority shareholders in Washington Outpatient Surgery Center, LLC	(1,684)	(611)
Federal grant revenue	1,410	4,069
Net cash provided by (used in) noncapital financing activities	582	5,197
Cash flows from capital and related financing activities		
Purchases of capital assets	(10,301)	(21,338)
Payments on leases	(2,789)	(2,878)
Rental income	4,227	3,884
Donation from Foundation to District	674	2,054
Principal paid on debt	(11,565)	(12,208)
Interest paid on debt	(23,933)	(25,057)
Proceeds from debt issuance, net of issuance costs	20,122	9,055
Proceeds from property taxes levied by the County	18,103	17,960
Net cash provided by (used in) capital and related financing activities	(5,462)	(28,528)
Cash flows from investing activities		
Purchases of investments	(183,468)	(234,421)
Sales of investments	162,942	233,860
Investment income	2,558	3,459
Purchase of interest in equity investments	(2,805)	(484)
Other non-operating income (loss)	2,965	(1,298)
Net cash provided by (used in) investing activities	(17,808)	1,116
Net increase (decrease) in cash and cash equivalents	(29,631)	(31,338)
Cash and cash equivalents		
Beginning of year	40,697	72,035
End of year	$ 11,066	$ 40,697
Reconciliation of operating income to net cash provided by (used in) operating activities		
Operating income (loss)	$ 4,940	$ (31,024)
Adjustments to reconcile operating income to net cash		
Adjustments to reconcile operating income to net cash provided by (used in) operating activities		
Depreciation	49,972	52,116
(Gain) loss on disposal of fixed assets	-	18
Provision for doubtful accounts	40,918	43,691
Amortization of goodwill	672	672
Pension funding	(6,675)	(23,100)
Postemployment medical benefits (OPEB) funding	(4,882)	(6,046)
Net change in deferred outflows and inflows	(4,976)	(12,709)
Changes in assets and liabilities		
Accounts receivable	(46,748)	(36,465)
Supplies, prepaid expenses, and other current assets	(7,271)	3,563
Other assets	7,912	12,436
Due to foundation	(127)	(273)
Due from/to third party payors	(41,851)	(5,773)
Accounts payable and accrued expenses	207	10,561
Payroll, vacation, and health accrued liabilities	(2,849)	2,702
Other liabilities	3,815	(19,492)
Net cash provided by (used in) operating activities	$ (6,943)	$ (9,123)
Noncash transactions		
Capitalized interest	$ -	$ 275
Accounts payable and accrued expenses for capital assets	1,122	833
Proceeds from bond issuances deposited in irrevocable escrow accounts	-	46,320
Capital assets aquired via debt	66	188

The accompanying notes are an integral part of these financial statements.

Washington Township Health Care District
Statements of Fiduciary Net Position
December 31, 2021 and 2020[1]

(in thousands)	Pension and OPEB Trust Funds 2021	2020
Assets		
Cash and cash equivalents	$ 5,155	$ 2,085
Investments at fair value:		
Mutual Funds		
Fixed Income Funds	150,754	136,433
Domestic Equity Funds	156,479	144,971
International Equity Funds	119,200	102,317
Commodity Funds	33,422	26,642
Real Estate Funds	29,199	26,923
Infrastructure Funds	10,206	8,764
Total investments	499,260	446,050
Total assets	504,415	448,135
Liabilities and Net Position		
Liabilities		
Accounts payable and other liabilities	-	-
Total liabilities	-	-
Net position		
Restricted for:		
Pensions	480,456	430,112
OPEB	23,959	18,023
Total liabilities and net position	$ 504,415	$ 448,135

[1] Information regarding fiduciary funds is presented as of the measurement date of December 31, the plan year end for the Pension and OPEB Plans.

The accompanying notes are an integral part of these financial statements.

Washington Township Health Care District
Statements of Changes in Fiduciary Net Position
December 31, 2021 and 2020[1]

(in thousands)	Pension and OPEB Trust Funds 2021	2020
Additions		
Contributions:		
Members	$ 2,140	$ 1,919
Employers	11,700	26,400
Total contributions	13,840	28,319
Investment earnings		
Net increase in fair value of investments	$ 46,940	$ 39,537
Interest, dividends, and other	17,064	10,158
Total investment earnings	64,004	49,695
Less investment costs:		
Investment activity costs	238	181
Net investment earnings	63,766	49,514
Total additions	77,606	77,833
Deductions		
Benefits paid to participants or beneficiaries	21,045	19,623
Administrative expense	281	279
Total deductions	21,326	19,902
Net increase (decrease) in fiduciary net position	56,280	57,931
Net position - beginning	448,135	390,204
Net position - ending	$ 504,415	$ 448,135

[1] Information regarding fiduciary funds is presented as of the measurement date of December 31, the plan year end for the Pension and OPEB Plans.

The accompanying notes are an integral part of these financial statements.

1. Organization and Summary of Significant Accounting Policies

Organization

District

Washington Township Health Care District (the District) is a political subdivision of the State of California organized under the Local Health Care District Law, as set forth in the Health and Safety Code of the State of California, and is considered a Local Government Agency (Local Agency). It is exempt from federal and state income taxes. The District's mission is to provide broad healthcare services to its residents. The District's boundaries encompass an area of approximately 124 square miles in southern Alameda County. The District operates Washington Hospital (the Hospital), a 415-bed licensed acute care hospital located in Fremont, California. Included within the District boundaries are the cities of Fremont, Newark and Union City, the southern portions of the city of Hayward and the unincorporated area known as Sunol.

The District is the sole corporate member of Washington Township Hospital Development Corporation (DEVCO). DEVCO was formed in 1984 to train medical personnel, develop medical treatment programs, perform medical research and development, and render medical services to the general public. The DEVCO Board is appointed by the District's Board. DEVCO operates a radiation oncology center and also operates an outpatient rehabilitation center and an urgent care clinic. On July 1, 2010, DEVCO purchased a controlling interest in the Washington Outpatient Surgery Center, LLC (WOSC) and has blended its financial statements since this date. DEVCO is a blended component unit in the District's financial statements.

DEVCO is the sole corporate member of Washington Township Medical Foundation (WTMF). WTMF was formed on November 1, 2010 to operate a multi-specialty medical clinic under the applicable provisions of the California Health and Safety Code. WTMF is a blended component unit in the District's financial statements.

In fiscal year 2022, the District finalized the formation of the Peninsula Surgery Center, a joint venture between DEVCO, WOSC and private physicians. Construction of the related ambulatory surgery center in Redwood City, California was substantially completed in July 2021. As of June 30, 2022, the DEVCO holds the majority interest in the operating entity, Peninsula Surgery Center LLC (PSC), and the holding company, Peninsula Surgical Partnership LLC (PSP). PSC and PSP are considered component units of DEVCO and are blended in the District's financial statements.

The accompanying financial statements include the accounts and transactions of the Hospital, DEVCO, WTMF, PSC and PSP. All significant inter-company accounts and transactions have been eliminated in the financial statements.

Foundation

Washington Hospital Healthcare Foundation (the Foundation), founded in 1982, is a California non-profit corporation exempt from federal and state income tax. The Foundation was established to raise funds for the operation, maintenance, and modernization of the facilities of the District, its related corporations, and sponsored programs which benefit the District. Accordingly, the Foundation is considered a component unit of the District and is discretely presented in the District's financial statements. Complete financial statements for the Foundation can be obtained from the Foundation at 2000 Mowry Avenue, Fremont, CA 94538.

Warm Springs, LLC

Warm Springs Health Center Partnership, LLC (Warm Springs) was established in October of 2021 and is a California limited liability corporation for federal and state tax purposes. Warm Springs LLC is a joint venture between Washington Hospital Healthcare Systems (WHHS) and the University of California at San Francisco (UCSF). This joint venture was established to handle the management, design and construction of the building that these two entities own through a Tenants In Common Agreement.

The District's holding of a majority equity interest in Warm Springs does not meet the definition of an investment and the holding of the majority equity interest results in the District being financially accountable for the organization. Warm Springs does not meet the criteria for blending, and therefore is a discretely presented component unit in the District's financial statements.

Accounting Standards

District

Pursuant to Government Accounting Standards Board ("GASB") Statement 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standards Board ("FASB") and American Institute of Certified Public Accountants ("AICPA") Pronouncements, the accompanying financial statements have been prepared in accordance with the codified pronouncements and all subsequent applicable GASB pronouncements.

Foundation

As a non-profit organization, the Foundation reports under the Financial Accounting Standards Board (FASB) standards, including generally accepted accounting principles for not-for-profit organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. For purposes of the District's financial statements, the Foundation's financial statements have been conformed to GASB presentation.

Warm Springs

As the District's officials appoint a controlling majority of the members of the Warm Springs governing body, the organization is considered governmental. As such, Warm Springs' financial statements have been conformed to GASB presentation.

Fiduciary Component Unit

The District administers a pension plan and an OPEB plan through trust arrangements. The District is obligated to make contributions to the plans and as such the plans meet the criteria for being considered fiduciary component units of the District.

Use of Estimates

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. The District's most significant estimates relate to patient accounts receivable allowances, amounts due to third-party payors, self-insurance liabilities and employee benefit costs. Estimates related to employee benefit costs include actuarial estimates of pension and OPEB obligations. The Foundation's most significant estimates relate to allowances for uncollectible pledges and net present value of contributions receivable. Actual results may differ from those estimates.

Proprietary Fund Accounting

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

Cash and Cash Equivalents
Cash and cash equivalents include highly liquid debt instruments with an original maturity of three months or less. Cash equivalents held in short-term investments and long-term investments and restricted funds are treated as investments and are not included in cash and cash equivalents on the Statement of Cash Flows.

Due to the District's status as a Local Agency, amounts in the District's deposit accounts are considered to be public funds, which, by State statute, are required to be collateralized, with pledged securities, by the depository bank. The value of the pledged securities, in addition to the deposit insurance provided by the Federal Deposit Insurance Corporation, equals or exceeds the District's carrying value. Collateral is held by the depository bank's trust department in the name of the District.

Contributed Services
Certain general and administrative support to the Foundation is provided by the District. The value of the services is recorded as a contribution to the Foundation and an equivalent amount is included in operating expense of the District.

Contributions Received
Contributions are recognized by the Foundation as revenues in the period received.

Promises to Give
The Foundation records unconditional promises to give that are expected to be collected within one year in contributions at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their future cash flows. The discounts on those amounts are computed using rates representative of market participants' perspectives. Among other things, this takes into consideration when the promise to give is expected to be collected, past collection experience, the Foundation's policy on enforcing promises to give, and creditworthiness of the donor. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as revenue until the conditions are substantially met.

Donations Granted
Donations granted by the Foundation are recognized as expenses in the period made and as decreases of assets or increases of liabilities.

Donations received by the District from the Foundation designated for capital expenditures are recognized as other changes in net position. All other donations are reported as non-operating income.

Supplies
The inventory of supplies is valued on a first-in, first-out basis.

Long-Term Investments and Restricted Funds
Long-term investments and restricted funds are invested in corporate debt securities, United States Treasury bonds and government agency debt issues. These investments are measured at fair value, which is determined based upon quoted market prices. These investments are exposed to various risks, such as interest rate, market and credit risks. Investments set aside for future capital improvements, or for funding insurance are considered to be Board-designated funds. These and other investments, whose use has been limited by financial arrangements, are classified as long- or short-term investment funds. Investments whose use by the District has been limited by Foundation donors to a specific time period or purpose are classified as restricted funds.

Capital Assets
Capital assets are recorded at cost. District assets with an original cost of $500 or more are considered capital assets. Depreciation is provided over the useful life of each class of depreciable assets and is computed using the straight-line method. Expenditures that substantially increase the useful lives of existing assets are capitalized. Routine maintenance and repairs are expensed as incurred.

Depreciable lives by property classification are as follows:

Land improvements	2-25 years
Buildings	10-40 years
Equipment	3-20 years

Deferred Inflows and Outflows of Resources
In addition to assets, liabilities and net position, the statement of financial position includes separate sections for deferred outflows of resources and deferred inflows of resources. A deferred outflow represents a consumption or use of net position, applicable to a future period that will not be recognized as an outflow (expense) until that future period. Similarly, a deferred inflow represents an acquisition of net position, applicable to a future period that will not be recognized as an inflow (revenue) until that future period. The District has deferred outflows of resources related to goodwill (described further under Business Combinations and Goodwill below), and both deferred inflows and deferred outflows of resources related to pension and other postemployment medical benefits (OPEB) both of which are described further under Note 10, Employee Benefit Plans. The District also records deferred inflows related to leases.

Business Combinations and Goodwill
The goodwill is associated with the July 2010 purchase of a controlling interest in the WOSC and was assigned a life of fifteen years. *Other operating expenses* for fiscal years 2022 and 2021 each include annual expense of $0.7 million for amortization of this goodwill.

Within the Statements of Net Position, unamortized goodwill is reflected in Deferred outflows of resources – goodwill.

Risk Management
The District 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; employee health, dental, and accident claims; and medical malpractice. The District utilizes both commercial insurance and self-insurance for claims arising from such matters. The District is self-insured with excess insurance above specified retention amounts for workers’ compensation claims, health, vision and dental claims. The District has commercial insurance coverage for professional and general liability, directors’ and officers’ liability, and property damage claims.

Self-Insurance Plans
The District is self-insured for workers' compensation benefits for employees, up to a specified retention amount. An actuarial estimate of future claims payments, up to the retention amount, are accrued as a long-term liability. This estimate is based on the expected, undiscounted payments. Assets have been set aside for future payments of workers' compensation benefits, related expense, and the cost of administering the plan. These assets are classified as long-term investment funds in the accompanying financial statements.

The District provides eligible employees with health, vision and dental benefits through self-insured programs administered by Blue Shield, Vision Service Plan and Delta Dental, respectively. The accrued liabilities for claims arising from these programs are estimated based upon annual actuarial reviews and are recorded at the expected, undiscounted amounts.

The District is a member of and participates in a professional and general liability and also directors' and officers' liability coverage group insurance program through BETA Healthcare Group (BETA). BETA is a joint powers authority whose members are primarily district hospitals and county facilities in California. Amounts paid to BETA by each member represent actuarially determined assessments of claims payable, and estimated incurred, but not reported, claims that are adjusted periodically based on the claims experience for each insured member. Claims in excess of specified insured limits are the responsibility of individual program participants.

The District's BETA professional and general liability insured program is on a "claims-made" basis, with a deductible and $40 million limits. The District converted coverage for these liabilities from occurrence-based to claims-made on July 1, 2004. The District records actuarially-determined liabilities related to this coverage for 1) deductible amounts for currently open claims, 2) tail liability (based on claims associated with occurrences subsequent to July 1, 2004), and 3) unreported claims from occurrences prior to July 1, 2004 (subject to the deductible limit). The accrued liabilities are recorded at the expected, undiscounted amounts.

Net Position
Net position is composed of the following categories:

Net Investment in Capital Assets
Capital assets, net of accumulated depreciation reduced by outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted - Expendable
Net position, whose use is subject to externally-imposed restrictions that can be fulfilled by actions of the District, pursuant to those restrictions, or that expire by the passage of time.

Restricted for Minority Interest – Nonexpendable
The District is involved in several joint ventures with outside entities in which it maintains majority ownership interest. These joint ventures include two ambulatory surgery centers and a multi-specialty outpatient clinic that is currently under development. As of June 30, 2022, the minority interest in these joint ventures includes (in thousands):

Washington Outpatient Surgery Center	$	3,778
Peninsula Surgery Center		(433)
Warm Springs Outpatient Clinic		13,936

Unrestricted
Net position that is neither restricted nor included in net investment in capital assets. Unrestricted net position may be designated for specific purposes by management or the Board of Directors.

When an expense is incurred where both restricted and unrestricted net positions are available for use, the restricted net position is applied first.

Concentration of Credit Risk
District
Financial instruments that potentially subject the District to concentration of credit risk consist principally of cash equivalents and patient accounts receivable.

The District invests its cash and cash equivalents in highly rated financial instruments including insured deposits and the Local Agency Investment Fund (LAIF). All of the District's investments, including assets held by trustees, are collateralized and/or are held by the District, or its agent, in the District's name. Other than U.S. Treasury obligations, LAIF funds, and money market mutual funds, there is no significant concentration in one investment or group of similar investments.

The District's concentration of credit risk relating to patient accounts receivable is limited by the diversity and number of the District's patients and payors. Patient accounts receivable consists of amounts due from governmental programs, commercial insurance companies, private pay patients and other group insurance programs. Reimbursements from the Medicare program accounted for approximately 25 percent and 26 percent of the District's net patient service revenues for the fiscal years ended June 30, 2022 and 2021, respectively. Medicare (14.4 percent) and Blue Cross Prudent Buyer (13.6 percent) are the only payors representing more than ten percent of the District's net patient accounts receivable as of June 30, 2022. The District maintains an allowance for doubtful accounts based on the expected collectability of patient accounts receivable.

Foundation
Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash equivalents and pledged contributions receivable.

The Foundation invests its cash and cash equivalents in highly rated financial instruments including insured deposits. The District holds a portion of the Foundation assets in the District's LAIF account.

The Foundation maintains an allowance for uncollectible pledges based on the expected collectability of pledges. The Foundation had 30 donor pledges, with the largest individual pledge representing approximately 75.3 percent of the total pledge receivable balance, as of June 30, 2022. The Foundation had 44 donor pledges, with the largest individual pledge representing approximately 48.4 percent of the total pledge receivable balance, as of June 30, 2021.

Statements of Revenues, Expenses, and Changes in Net Position
For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as operating revenues and expenses. Peripheral or incidental transactions, which include federal grant revenues, property tax revenues, interest expense, investment income, changes in unrealized gains and losses, rental income and bond issuance costs are reported as non-operating revenues and expenses.

Net Patient Service Revenues
Net patient service revenues are 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. Reimbursement from third-party payors under various methodologies is based on the level of care provided. 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. Retroactive adjustments, related to prior years, including adjustments to prior year estimates, increased net patient service revenues by approximately $6.0 million in fiscal year 2022 and approximately $1.5 million in fiscal year 2021.

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.

Charity Care
The District provides care without charge to all patients who meet certain criteria under its Charity Care Policy. Because the District does not pursue collection of amounts determined to qualify as charity care, they are not included in net patient service revenues. The District subsidizes the cost of treating patients who are on governmental assistance, where reimbursement is below cost.

Other Revenues
Other revenues include revenues from cafeteria, laundry, dietary and certain DEVCO operations. Other revenues also include funding under the State of California's Public Hospital Redesign and Incentives in Medi-Cal (PRIME) program and the Quality Incentive Pool (QIP) program. Amounts recorded for the QIP program were $3.8 million in fiscal year 2022 and $2.4 million in fiscal year 2021 for the PRIME program.

Interest Income and Expense
Interest expense on debt issued for construction projects and income earned on the funds held pending use are recorded as income or expense in the period they are earned or incurred.

Impairment of Long-Lived Assets
The District is required to evaluate material events or changes in circumstances to determine whether an impairment loss should be recorded and that any insurance recoveries be netted with the impairment loss. Based on management's evaluation, there were no material impairment losses in fiscal years 2022 and 2021.

Income Taxes
District
The District operates under the purview of the Internal Revenue Code, Section 115, and corresponding California Revenue and Taxation Code provisions. As such, it is not subject to state or federal taxes on income. However, income from the unrelated business activities of the District may be subject to income taxes.

Foundation
The Foundation is a California non-profit corporation; exempt from federal and state income tax as a 501(c) (3) organization.

Warm Springs, LLC
Warm Springs, LLC is a California limited liability corporation and is subject to state and federal income taxes.

Federal Grant Revenue
In fiscal year 2022, the District received CARES Act provider relief funding of $1.4 million in general provider distributions. The District recognized this amount as fiscal year 2022 revenue based on information contained in laws and regulations governing the funding, as well as interpretations issued by the Department of Health and Human Services (HHS), that were publicly available at June 30, 2022.

In fiscal year 2021, the District received CARES Act provider relief funding of $2.5 million in general provider distributions and the WOSC received approval of its application for forgiveness of $1.6 million in funding received in fiscal year 2020 under the Cares Act Payroll Protection Program (PPP). The District recognized both of these amounts ($4.0 million total) as fiscal year 2021 revenue based on information contained in laws and regulations governing the funding, as well as interpretations issued by the Department of Health and Human Services (HHS), that were publicly available at June 30, 2021.

Due to the continuing evolution of the reporting requirements, there is at least a reasonable possibility that amounts recorded under CARES Act provider relief funding recognized by the District may change in future periods.

Property Tax Revenue
The District receives property taxes that are assessed by Alameda County for the service of the general obligation bond principal and interest payments. The District records these revenues as non-operating income.

Contributions used for Capital Items
Donations received that are restricted as to use, and have been used, for the purchase of capital items are reported as other changes to net position.

New Accounting Pronouncements

Pending Adoption
In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for financial statements beginning after June 15, 2022 (fiscal year 2023 for the District), with earlier adoption encouraged. This Statement provides guidance on the accounting for contracts that convey the right to use another party's information technology software, as specified in the contract for a period of time. Management is currently evaluating the effect of this standard on the District's financial statements.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections-An Amendment of GASB Statement No. 62*, effective for financial statements beginning after June 15, 2023 (fiscal year 2024 for the District), with earlier adoption encouraged. This Statement provides guidance to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Management is currently evaluating the effect of this standard on the District's financial statements.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences,* effective for financial statements beginning after December 15, 2023 (fiscal year 2025 for the District), with earlier adoption encouraged. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. Management is currently evaluating the effect of this standard on the District's financial statements.

Adopted

In fiscal year 2022, the District also adopted GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the end of a Construction Period,* effective for financial statements for periods beginning after December 15, 2020. The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and to simplify accounting for interest cost incurred before the end of the construction period. The new standard requires the recognition of interest expense related to construction of capital assets in the period in which it was incurred. Prior to adoption of the new standard, interest expense was capitalized during the construction period and recognized as depreciation expense over the life of a constructed asset.

In fiscal year 2022 the District adopted GASB Statement No. 87, *Leases*, effective for the District's fiscal year beginning July 1, 2021. This Statement establishes a single approach to accounting for and reporting leases based on the principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Limited exceptions to the single-approach guidance are provided for short-term leases, defined as those leases lasting a maximum of 12 months at inception, including any options to extend, financed purchases, leases of assets that are investments and certain regulated leases.

The effects of adopting GASB 87 in the District's financial statements for the year ended June 30, 2021, were as follows:

Statement of Net Position	**As Previously Reported***	**Impacts of GASB 87**	**As Revised**
(in thousands)			
Assets			
Current assets			
Other receivables	$ 5,681	$ 3,666	$ 9,347
Total current assets	172,666	3,666	176,332
Capital assets, net	666,556	10,771	677,327
Other non-current assets	16,787	19,956	36,743
Total assets	1,095,391	34,394	1,129,785
Total assets and deferred outflows of resources	1,124,577	34,394	1,158,971
Liabilities, Deferred Inflows of Resources and Net Position			
Current liabilities			
Other	20,513	2,355	22,868
Total current liabilities	170,931	2,355	173,286
Long-term liabilities			
Long-term lease liabilities	-	9,320	9,320
Total long-term liabilities	595,939	9,320	605,259
Total liabilities	766,870	11,675	778,545
Deferred inflows of resources			
Deferred inflows of resources - lease obligations	-	22,756	22,756
Total deferred inflows	47,709	22,756	70,465
Net position			
Net investment in capital assets	112,116	10,770	122,886
Unrestricted	163,349	(10,807)	152,542
Total net position	309,998	(37)	309,961
Total liabilities, deferred inflows of resources and net position	$ 1,124,577	$ 34,394	$ 1,158,971

* Certain "As Previously Reported" balances presented reflect the revision adjustments discussed in Note 10.

Statement of Revenues, Expenses and Change in Net Position	**As Previously Reported**	**Impacts of GASB 87**	**As Revised**
(in thousands)			
Operating expenses			
Depreciation	$ 49,416	$ 2,700	$ 52,116
Other operating expenses	15,631	(3,058)	12,573
Total operating expenses	564,995	(358)	564,637
Operating income (loss)	(31,382)	358	(31,024)
Non-operating revenues and expenses			
Other non-operating income	1,757	(395)	1,362
Total non-operating revenues and expenses	1,993	(395)	1,598
Net position			
Increase (decrease) in net position before other changes	(29,389)	(37)	(29,426)
Net investment in capital assets	112,116	10,770	122,886
Unresticted	163,349	(10,807)	152,542
Increase (decrease) in net position	(27,395)	(37)	(27,432)
End of year	$ 309,998	$ (37)	$ 309,961

Statement of Cash Flows	**2021 Previously Reported**	**Impacts of GASB 87**	**2021 Restated**
Cash flows from operating activities			
Cash payments to suppliers	$ (197,459)	$ 2,878	$ (194,581)
Net cash provided by (used in) operating activities	(12,001)	2,878	(9,123)
Cash flows from capital and related financing activities			
Payments on leases	-	(2,878)	(2,878)
Rental income	-	3,884	3,884
Net cash provided by (used in) capital and related financing activities	(29,534)	1,006	(28,528)
Cash flows from investing activities			
Other non-operating income	$ 2,586	$ (3,884)	$ (1,298)
Net cash provided by (used in) investing activities	5,000	(3,884)	$ 1,116
Reconciliation of operating income to net cash provided by (used in) operating activities			
Operating income (loss)	$ (31,382)	$ 358	$ (31,024)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities			
Depreciation	49,416	2,700	52,116
Net cash provided by (used in) operating activities*	$ (12,001)	$ 2,878	(9,123)

* Other immaterial impacts have been omitted.

2. Patient Revenues

Patient revenues consist of the following:

(in thousands)		2022		2021
Gross patient charges				
Routine inpatient services	$	411,656	$	402,881
Ancillary inpatient services		963,638		958,088
Outpatient services		1,068,497		876,793
		2,443,791		2,237,762
Less: Charity care		(4,604)		(2,562)
Gross patient service revenues		2,439,187		2,235,200
Deductions from gross patient service revenues				
Contractual allowances for statutory and negotiated rates		1,822,444		1,669,430
Provision for doubtful accounts		40,918		43,691
		1,863,362		1,713,121
Net patient service revenues	$	575,825	$	522,079

The District has agreements with third-party payors that provide for payments to the District at amounts that differ from established rates. 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 that is based on clinical, diagnostic, and other factors. The District also receives Medicare Disproportionate Share (DSH) reimbursements for services provided to a disproportionate percentage of low-income patients. The Medicare program pays hospitals for outpatient services under the prospective payment system known as Ambulatory Payment Classifications (APCs). Under APCs, the District is paid a prospectively determined rate based on the diagnosis and procedures provided to patients. Outpatient physical therapy, speech therapy, occupational therapy, and laboratory are paid based upon prospectively determined fee schedules. The Hospital is reimbursed for cost reimbursable items at a tentative rate, with final settlements determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's cost reports have been finalized for all fiscal years through June 30, 2019.

Inpatient services provided to Medi-Cal program beneficiaries are reimbursed under an All Patient Refined Diagnosis Related Group (APR-DRG) payment methodology. Outpatient services provided to Medi-Cal beneficiaries are reimbursed according to a State fee schedule.

The District has also entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The methods for payment under these agreements include prospectively determined rates-per-discharge, discounts from established charges, and prospectively determined per diem rates. The District receives reimbursement from various payors under the State of California Division of Workers' Compensation program, based upon a pre-determined fee schedule.

Billings relating to services rendered are recorded as net patient service revenue in the period in which the service is performed, net of contractual and other allowances, which represent differences between gross charges and the estimated receipts under such programs. 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. Receivables for patient care are also reduced for allowances for uncollectible accounts.

The process for estimating the ultimate collection of receivables involves significant assumptions and judgments. Account balances are written off against the allowance when management determines it is probable the receivable will not be recovered. The use of historical collection and payor reimbursement experience is an integral part of the estimation of reserves for uncollectible accounts. Revisions in estimated reserves for uncollectible accounts are recorded as an adjustment to the provision for bad debts.

There is ongoing uncertainty about reimbursements from government programs. The Centers for Medicare and Medicaid Services have proposed reductions in rates, which could result in decreases in Medicare reimbursements. The State budget contains proposed health care budget cuts that may affect reimbursements for Medi-Cal services. The ultimate outcome of these proposals and other market changes cannot presently be determined.

The District participates in several State and Federal supplemental payment programs that allow it and other governmental agencies to draw down unspent Medi-Cal funds, up to the Federal upper payment limit. The primary mechanism used for drawing down these funds is intergovernmental transfers, whereby Districts transfer funds to the State, who then transmits the funds to the Federal government to draw down the Federal matching funds. In fiscal years 2022 and 2021, the District recognized $13.0 million and $10.5 million, respectively, in supplemental funding obtained through these programs, including the following:

(in thousands)	**2022**	**2021**
Hospital Quality Assurance Fee	$ 4,128	$ 5,996
Rate Range	3,000	-
Public Hospital Redesign and Incentives in Medi-Cal Program	3,840	2,444
AB915 Public Hospital Outpatient Services Supplemental Reimbursement Program	1,008	(47)
AB113 Medi-Cal Fee-for-Service Payment Supplement	1,473	2,100
Total gross patient revenues	$ 13,449	$ 10,493

In fiscal year 2020, the State announced that they were recalculating amounts paid to all District Hospitals under the Public Hospital Outpatient Services Supplemental Reimbursement Program from 2003 to 2017 due to an error in the State's original calculations. It is anticipated that these recalculations may result in recoupment of amounts previously recorded, however the State has not yet finalized its analysis. At June 30, 2022 and 2021, the District had recorded a reserve of $2.3 million based on the District's preliminary calculations of the potential recoupment amount.

The composition of gross patient revenues by major payor type is as follows:

(in thousands)		**2022**		**2021**
Medicare and Medicare HMO	$	1,264,821	$	1,160,255
Medi-Cal and Medi-Cal HMO		470,301		433,223
Commercial PPO, HMO and others		668,075		606,318
Private pay		40,594		37,966
Total gross patient revenues	$	2,443,791	$	2,237,762

3. Charity Care

The District maintains records to identify and monitor the level of direct charity care it provides. For fiscal year 2022 and 2021, net patient service revenues exclude charges foregone for charity care services and supplies of approximately $4.6 million and $2.6 million, respectively.

4. Related-Party Transactions

The District held $0.96 million and $1.1 million as of June 30, 2022 and 2021, respectively, of the Foundation's assets in the District's short-term investment account. The Foundation donated $1.1 million and $3.3 million to the District for fiscal years 2022 and 2021, respectively. The District also provides additional support for the Foundation by providing free space, utilities and other operating expenses to the Foundation.

One of the District board members is an officer of the District's primary banking institution. As of June 30, 2022 and June 30, 2021, respectively, the District's balances on deposit with the primary banking institution were as follows: cash and cash equivalents $11.1 million and $40.7 million, Board-designated for capital and workers compensation $143.9 million and $150.5 million. Banking and investment fees paid were $0.6 million for fiscal year 2022 and $0.2 million for fiscal year 2021.

5. Fair Value

The fair value of certain assets has been estimated using available market information and appropriate valuation methodologies. A fair market value hierarchy for valuation inputs has been established to prioritize them into levels based on the extent to which inputs used in measuring fair value are observable in the market. The level assigned to a particular financial instrument is determined by the lowest level input that is significant to the fair value measurement in its entirety.

These levels are as follows:

Level 1 Values are based on quoted prices (unadjusted) available in active markets for identical assets or liabilities as of the measurement date. Level 1 investments include equity securities and other publicly traded securities. The District has no Level 1 assets or liabilities.

Level 2 Values are based on quoted prices in non-active markets, dealer quotations, or alternative pricing sources for similar assets or liabilities, for which all significant inputs are observable, either directly or indirectly. Level 2 investments included fixed- or variable-income securities, commingled funds, certain derivatives and other assets that are valued using market information.

Level 3	Values are based on inputs that are generally unobservable for the asset or liability and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value for Level 3 investments are based upon the best information available and may require significant management judgment. Level 3 investments include private equity investments, real estate and split interest agreements. The District has no Level 3 assets or liabilities.
Net Asset Value (NAV)	Investments whose fair value is measured at NAV are excluded from the fair value hierarchy. Investments in non-governmental entities that do not have a readily determinable fair value may be valued at NAV. Types of investments which are measured at NAV include hedge funds, private equity investments and commingled funds.
Not Leveled	Cash and cash equivalents include cash on hand, deposits in banks, certificates of deposit and money market funds. Due to their short-term nature, the carrying amounts of these assets are considered to approximate their fair value. Certain deposits exceed FDIC limits.

The fair value of the District's, Foundation's and Warm Springs' investment assets, measured on a recurring basis at June 30, 2022, is reflected in the following table:

(in thousands)	Significant Other Observable Inputs (Level 2)	Net Asset Value (NAV)	Cash Equivalents (Not Leveled)	Balance at June 30, 2022
District				
U.S. Treasuries	$ 64,384	$ -	$ -	$ 64,384
U.S. Agencies	19,639	-	-	19,639
Corporate and municipal bonds	55,818	-	-	55,818
Local Agency Investment Fund (LAIF)	-	71,534 [1]	-	71,534
Money market and mutual funds	-	-	55,440	55,440
Total Investments - District	$ 139,841	$ 71,534	$ 55,440	$ 266,815

[1] Amount includes funds held on behalf of the Foundation (below).

Foundation				
Short-term investments Certificates of deposit	$ -	$ -	$ 423	$ 423
Short-term investments held by District on behalf of Foundation	-	964	-	964
Total Investments - Foundation	$ -	$ 964	$ 423	$ 1,387
Warm Springs				
Short-term investments Certificates of deposit	$ -	$ -	$ 5,811	$ 5,811
Total Investments - Warm Springs	$ -	$ -	$ 5,811	$ 5,811

The fair value of the District's and Foundation's investment assets, measured on a recurring basis at June 30, 2021, is reflected in the following table:

(in thousands)	Significant Other Observable Inputs (Level 2)	Net Asset Value (NAV)	Cash Equivalents (Not Leveled)	Balance at June 30, 2021
District				
U.S. Treasuries	$ 60,944	$ -	$ -	$ 60,944
U.S. Agencies	24,799	-	-	24,799
Corporate and municipal bonds	61,392	-	-	61,392
Local Agency Investment Fund (LAIF)	-	81,310 [1]	-	81,310
Money market and mutual funds	-	-	36,359	36,359
Total Investments - District	$ 147,135	$ 81,310	$ 36,359	$ 264,804

[1] Amount includes funds held on behalf of the Foundation (below).

Foundation				
Short-term investments Certificates of deposit	$ -	$ -	$ 423	$ 423
Short-term investments held by District on behalf of Foundation	-	1,090	-	1,090
Total Investments - Foundation	$ -	$ 1,090	$ 423	$ 1,513

Significant Level 2 instruments listed in the fair value hierarchy tables above use the following valuation techniques and inputs:

Fixed income funds consist of government securities and corporate bonds. Where identical quoted market prices are not readily available, fair value is determined using quoted market prices and/or other market data for comparable instruments and transactions in establishing prices, as well as discounted cash flow models and other pricing modes. These inputs to fair value are included in industry-standard valuation techniques such as the income or market approach.

Investments valued at NAV are commingled funds which are highly liquid and for which there are no unfunded commitments. Excluding invested amounts related to bond proceeds, amounts may be withdrawn with 1 to 2 days' notice, depending on the amount. For bond proceeds invested in the commingled funds, withdrawals are subject to a delay of up to 30 days, depending on the timing of the request.

Fair value estimates are made at a specific point in time and are based on relevant market information about the financial instrument therefore changes in assumptions could significantly affect these estimates.

Since the fair value has been estimated as of June 30, 2022 and as of June 30, 2021, the amounts that will actually be realized or paid at settlement or maturity of the instruments could be different.

6. Long-Term Investment and Restricted Funds

District
As of June 30, 2022 and 2021, investment and restricted funds, at fair value, have been set aside as follows:

(in thousands)	2022	2021
Long-term Investment and Restricted Funds		
Board-designated for capital and debt	$ 199,979	$ 215,928
Workers' compensation fund	8,912	9,428
Funds held by trustee under bond indenture	57,882	39,106
Restricted funds	42	42
Total funds	266,815	264,504
Short-term investments – required for current liabilities	(29,896)	(30,584)
Total long-term investment and restricted funds	$ 236,919	$ 233,920

Foundation
Investments as of June 30, 2022 and 2021, at fair value, are summarized below:

(in thousands)	2022	2021
Certificates of deposit	$ 423	$ 423
Short-term investments held by District on behalf of Foundation	964	1,090
Total Investments	$ 1,387	$ 1,513

The District's investment policy permits the following investments:

	Maximum Average Maturity	Maximum Percentage	Maximum Investment
Authorized investment type			
U.S. Treasury obligations	10 years	100%	none
U.S. Government agency securities	10 years	100%	none
State of California or local agency obligations	5 years	100%	none
Corporate bonds	5 years	30%	none
Certificates of deposit	5 years	30%	none
Mortgage pass-throughs	5 years	20%	none
Commercial paper	270 days	40%	10%
Bankers acceptances	180 days	40%	30%
Repurchase agreements	1 year	none	none
Mutual funds	N/A	20%	none
LAIF (State Pool Demand Deposits)	N/A	As permitted by law	As permitted by law

As of June 30, 2022 the District had the following investments with maturities as follows:

		Investment Maturities (in Years)			
(in thousands)	**Fair Value**	**Less Than 1**	**1-5**	**6-10**	**More Than 10**
Investment type					
U.S. Treasuries	$ 64,384	$ 10,195	$ 49,980	$ 4,209	$ -
U.S. Government agencies	19,639	3,361	8,253	2,904	5,121
Corporate bonds	55,818	10,365	44,153	1,300	-
LAIF (State Pool Demand Deposits)	71,534	71,534	-	-	-
Money market and mutual funds	55,440	55,440	-	-	-
Total investments	$ 266,815	$ 150,895	$ 102,386	$ 8,413	$ 5,121

As of June 30, 2021, the District had the following investments with maturities as follows:

		Investment Maturities (in Years)			
(in thousands)	**Fair Value**	**Less Than 1**	**1-5**	**6-10**	**More Than 10**
Investment type					
U.S. Treasuries	$ 60,944	$ 8,481	$ 47,727	$ 4,736	$ -
U.S. Government agencies	24,799	1,363	12,770	2,734	7,932
Corporate bonds	61,392	7,636	51,591	2,165	-
LAIF (State Pool Demand Deposits)	81,310	81,310	-	-	-
Money market and mutual funds	36,359	36,001	358	-	-
Total investments	$ 264,804	$ 134,791	$ 112,446	$ 9,635	$ 7,932

Amounts invested in the State of California Local Agency Investment Fund include funds designated for operations and for Board-designated purposes.

Interest Rate Risk
As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy, for assets that are Board-designated for capital, limits investments made by each investment manager to have an average maturity of not more than five years.

Credit Risk
The District's investment policies are governed by State statutes that require the District to invest in highly rated and secure cash equivalents, and government and corporate debt securities. The District's policy requires that investments in corporate bonds be rated "A-" or its equivalent or better by a nationally recognized rating service under the "prudent man rule" (Civil Code Sect. 2261 et seq.) as long as the investment is deemed prudent and the type of investment is allowable under current legislation of the State of California (Government Code Section 53600 et seq.). Should the rating fall below the required rating, the District's policies provide for a period under which corrective action is to be taken. As of June 30, 2022 and 2021, there were no investments below the required rating.

The District's investments at June 30, 2022 are rated as follows:

(in thousands)	**Fair Value**	**Ratings**
Investment type		
U.S. Treasuries	$ 64,384	Not rated
U.S. Government agencies	19,639	Not rated
Corporate bonds	55,818	See below
Local agency investment fund	71,534	Not rated
Money market and mutual funds	55,440	Not rated
Total Investments	$ 266,815	

(in thousands)	**Amount**
Corporate bonds rating	
AAA	$ 4,419
AA+	2,570
AA	7,974
AA-	7,316
A+	11,928
A	12,569
A-	9,042
Total corporate bonds	$ 55,818

The District's investments at June 30, 2021 are rated as follows:

(in thousands)	Fair Value	Ratings
Investment type		
U.S. Treasuries	$ 60,944	Not rated
U.S. Government agencies	24,799	Not rated
Corporate bonds	61,392	See below
Local agency investment fund	81,310	Not rated
Money market and mutual funds	36,359	Not rated
Total Investments	$ 264,804	

(in thousands)	Amount
Corporate bonds rating	
AAA	$ 5,690
AA+	4,076
AA	11,166
AA-	11,774
A+	12,467
A	10,390
A-	5,829
Total corporate bonds	$ 61,392

7. Capital Assets

The District's capital assets activity for fiscal year 2022 consisted of the following:

(in thousands)	Beginning Balance June 30, 2021	Increase	Decrease	Ending Balance June 30, 2022
Capital assets, not being depreciated				
Land	$ 27,616	$ -	$ -	$ 27,616
Construction in progress	16,668	7,183	(16,615)	7,236
Total capital assets not being depreciated	44,284	7,183	(16,615)	34,852
Capital assets being depreciated				
Land improvements	16,038	162	-	16,200
Buildings	791,184	1,075	(243)	792,016
Right of use asset	16,065	-	-	16,065
Fixed and moveable equipment	391,649	18,531	(1,022)	411,202
Total capital assets being depreciated	1,214,936	19,768	(1,265)	1,233,439
Less: Accumulated depreciation				
Land improvements	(14,967)	(642)	-	(15,609)
Buildings	(263,206)	(32,419)	-	(295,625)
Right of use asset	(5,294)	(2,457)	-	(7,751)
Fixed and movable equipment	(298,426)	(16,531)	833	(314,124)
Total accumulated depreciation	(581,893)	(52,049)	833	(633,109)
Total capital assets being depreciated, net	633,043	(32,281)	(432)	600,330
Total capital assets, net	$ 677,327	$ (25,098)	$ (17,047)	$ 635,182

The District's right of use asset includes both building and equipment leases. The equipment leases are not material.

At June 30, 2022, the District was in the process of completing several construction and renovation projects. Commitments related to these projects totaled approximately $14.8 million.

The increase in the District's accumulated depreciation includes both operating and non-operating depreciation as detailed below:

(in thousands)	2022	2021
Change in accumulated depreciation		
Operating depreciation expense	$ 49,972	$ 52,116
Nonoperating depreciation expense	2,078	2,017
Disposal of fixed assets	(833)	(859)
Total increase in accumulated depreciation	$ 51,217	$ 53,274

The District's capital assets activity for fiscal year 2021 consisted of the following:

(in thousands)	Beginning Balance June 30, 2020	Increase	Decrease	Ending Balance June 30, 2021
Capital assets, not being depreciated				
Land	$ 27,616	$ -	$ -	$ 27,616
Construction in progress	7,424	16,549	(7,305)	16,668
Total capital assets not being depreciated	35,040	16,549	(7,305)	44,284
Capital assets being depreciated				
Land improvements	15,824	214	-	16,038
Buildings	772,641	18,545	(2)	791,184
Right of use assets	16,065	-	-	16,065
Fixed and moveable equipment	384,239	8,285	(875)	391,649
Total capital assets being depreciated	1,188,769	27,044	(877)	1,214,936
Less: Accumulated depreciation				
Land improvements	(14,269)	(698)	-	(14,967)
Buildings	(231,964)	(31,245)	3	(263,206)
Right of use assets	(5,265)	(29)	-	(5,294)
Fixed and movable equipment	(277,121)	(22,161)	856	(298,426)
Total accumulated depreciation	(528,619)	(54,133)	859	(581,893)
Total capital assets being depreciated, net	660,150	(27,089)	(18)	633,043
Total capital assets, net	$ 695,190	$ (10,540)	$ (7,323)	$ 677,327

At June 30, 2021, the District was in the process of completing several construction and renovation projects. Commitments related to these projects totaled approximately $0.8 million.

The Warm Springs assets activity for fiscal year 2022 consisted of the following:

(in thousands)	Beginning Balance June 30, 2021	Increase	Decrease	Ending Balance June 30, 2022
Capital assets, not being depreciated				
Land	$ -	$ 13,200	$ -	$ 13,200
Building	-	9,574	-	9,574
Total capital assets not being depreciated	-	22,774	-	22,774
Capital assets being depreciated	-	-	-	-
Less: Accumulated depreciation	-	-	-	-
Total capital assets, net	$ -	$ 22,774	$ -	$ 22,774

8. Credit Facilities

In fiscal year 2015, the District entered into an Irrevocable Standby Letter of Credit (LOC) in the amount of $2.1 million in connection with the construction of the new parking garage (completed in August 2016) and the Morris Hyman Critical Care Pavilion (completed in November 2018). In fiscal year 2022, the amount was reduced to $1.8 million. No draws have been made under the LOC. The current renewal expires March 2, 2023.

In fiscal year 2021, the District obtained a short term revolving line of credit in the amount of $20.0 million. No draws have been made under this line of credit. The current renewal expires on June 3, 2023.

In fiscal year 2021, Peninsula Surgery Center LLC entered into an Unsecured Revolving Line of Credit with DEVCO for $4.0 million. During fiscal year 2022, the agreement was amended and the line of credit was increased to $10.0 million (2nd Amendment). This amendment expires August 1, 2029. As of June 30, 2022, PSC has drawn approximately $6.6 million on this line of credit.

During the fiscal years 2022 and 2021, WOSC had a short-term $1.0 million revolving line of credit available. No draws have been made under this line of credit which expires September 30, 2023.

9. Long-Term Debt

The District issued general obligation bonds in November 2009 for the purpose of providing funds to pay costs related to the construction of a new Central Utility Plant and other major construction projects. The repayment of the general obligation bonds will be funded through property tax assessments to residents of the District. These bonds were refinanced in July 2019 by the 2019 Series A General Obligation Refunding Bonds – see additional information regarding this refunding transaction later in this footnote.

The District issued revenue bonds in December 2009 to provide funds for the construction of a new building that houses the Center for Joint Replacement and several smaller capital projects. To secure the payment of bond service charges and the performance of its other obligations under the indentures, the District has pledged, assigned, and granted the Hospital's revenues, as a security interest in favor of US Bank N.A. (Trustee), as defined in the Series indentures. These bonds were refinanced in July 2019 by the 2019 Series A Revenue Refunding Bonds – see additional information regarding this refunding transaction later in this footnote.

The District issued revenue bonds in November 2010 to provide funds for construction, renovations and expansion of space for medical use. The funds were also used for the purchase of additional medical equipment and expansion of other service areas around the Hospital campus. To secure the payment of bond service charges and the performance of its other obligations under the indentures, the District has pledged, assigned, and granted the Hospital's revenues, as a security interest in favor of US Bank N.A. (Trustee), as defined in the Series indentures. These bonds were refinanced in December 2020 by the 2020 Series A Revenue Refunding Bonds – see additional information regarding this refunding transaction later in this footnote.

In November 2013, the District issued two additional series of general obligation bonds (2013 Series A and 2013 Series B), as approved by voters in elections in 2004 and 2012. The combined amount of the two issuances was $145.5 million. The 2013 bonds were issued to provide funds for the construction of a new parking structure and the Hyman Pavilion which will include facilities for emergency care, intensive care and cardiac care services. The repayment of these general obligation bonds will be funded through property tax assessments to residents of the District.

In October 2015, the District issued revenue refunding bonds (2015 Series A) to refinance the outstanding amounts due on revenue bonds originally issued in 1999. The refunded bonds were originally issued for the purpose of providing funds to pay costs associated with the acquisition, construction and renovation the Hospital's facilities. To secure the payment of bond service charges and the performance of its other obligations under the indentures, the District has pledged, assigned, and granted the Hospital's revenues, as a security interest in favor of US Bank N.A. (Trustee), as defined in the Series indentures.

Also in October 2015, the District issued general obligation bonds (2015 Series B) for $145.5 million, the remainder of the amount approved by voters in the 2012 election. The 2015 bonds will provide additional funds for the construction of the Hyman Pavilion, as described above. The repayment of these general obligation bonds will be funded through property tax assessments to residents of the District.

In June 2016, the District issued general obligation refunding bonds (2016 Series) to refinance the outstanding amounts due on previously issued 2006 general obligation bonds. The refunded bonds were originally issued to provide funds to pay costs related to the construction of a new Central Utility Plant and other major construction projects. The repayment of the 2016 Series general obligation bonds will be funded through property tax assessments to residents of the District.

In April 2017, the District issued new money revenue bonds (2017 Series A) to provide funds for the continued construction and equipping of the Hyman Pavilion and other capital expenditures. To secure the payment of bond service charges and the performance of its other obligations under the indentures, the District has pledged, assigned, and granted the Hospital's revenues, as a security interest in favor of US Bank N.A. (Trustee), as defined in the Series indentures.

In June 2017, the District issued revenue refunding bonds (2017 Series B) to refinance the outstanding amounts due on previously issued 2007 revenue bonds. The refunded bonds were originally issued to provide funds for the construction of a new building for the Center for Joint Replacement and several smaller capital projects. To secure the payment of bond service charges and the performance of its other obligations under the indentures, the District has pledged, assigned, and granted the Hospital's revenues, as a security interest in favor of US Bank N.A. (Trustee), as defined in the Series indentures.

On July 2, 2019, the District issued refunding and revenue bonds (2019 Series A) to provide new money for future capital expenditures and to refinance the outstanding amounts due on the previously issued 2009 Series A revenue bonds, in order to take advantage of favorable market interest rates. The new money portion of the issuance was $11.0 million. The refunded 2009 Series A revenue bonds' principal amount of $46.1 million carried an average coupon rate of 6.2 percent and was refunded as part of the $49.4 million 2019 Series A bonds with an average coupon rate of 4.00 percent and an effective interest rate of 3.2 percent. The cash flows required to service the refunded 2009 Series A revenue bonds to maturity would have been $81.6 million, and the cash flows required to service the refunding portion of the 2019 Series A bonds to maturity will be $57.6 million. The economic gain (the difference between the present values of the old and new debt service payments) associated with the refunding was $12.2 million. The refunded 2009 Series A revenue bonds were originally issued to provide funds for the construction of the Center for Joint Replacement and several smaller capital projects. To secure the payment of bond service charges and the performance of its other obligations under the indentures, the District has pledged, assigned, and granted the Hospital's revenues, as a security interest in favor of US Bank N.A. (Trustee), as defined in the Series indentures.

Also on July 2, 2019, the District issued general obligation refunding bonds (2019 Series) to refinance the outstanding amounts due on previously issued 2009 Series A general obligation bonds, in order to take advantage of favorable market interest rates. The refunded 2009 Series A general obligation bonds' principal amount of $11.8 million carried an average coupon rate of 5.72 percent and was refunded by new debt of $11.1 million with an average coupon rate of 3.15 percent and an effective interest rate of 3.26 percent. The cash flows required to service the outstanding 2009 general obligation bonds to maturity would have been $23.3 million, and the cash flows required to service the 2019 Series refunding general obligation bonds to maturity will be $17.2 million. The economic gain associated with the refunding was $3.4 million. The refunded bonds were originally issued to provide funds for the construction of a new Central Utility Plant and other major construction projects. The repayment of the 2019 Series general obligation bonds will be funded through property tax assessments to residents of the District.

On December 3, 2020, the District issued refunding and revenue bonds (2020 Series A) to provide and to refinance the outstanding amounts due on the previously issued 2010 Series A revenue bonds, in order to take advantage of favorable market interest rates. The refunded 2010 Series A revenue bonds' principal amount of $48.6 million carried an average coupon rate of 5.43 percent and was refunded by the $40.9 million 2020 Series A bonds with an average coupon rate of 3.79 percent and an all-in true interest cost of 2.46 percent. The cash flows required to service the refunded 2010 Series A revenue bonds to maturity would have been $77.3 million, the cash flows required to service the refunding portion of the 2020 Series A bonds to maturity will be $56.2 million. The economic gain (the difference between the present values of the old and new debt service payments) associated with the refunding was $11.3 million. The refunded 2010 Series A revenue bonds were originally issued to provide funds for construction, renovations and expansion of patient care service areas, and additional medical equipment. To secure the payment of bond service charges and the performance of its other obligations under the indentures, the District has pledged, assigned, and granted the Hospital's revenues, as a security interest in favor of US Bank N.A. (Trustee), as defined in the Series indentures.

In November 2020, the residents of the District approved Measure XX, which authorized the issue of $425 million of general obligation bonds to fund certain capital building projects. In April, 2022, the District issued $20.0 million of the 2020 Election General Obligation Bonds, 2022 Series A. The proceeds of the issuance will be used to complete a portion of the construction necessary to make the Hospital earthquake-safe and ensure the hospital remains open and accessible to provide life-saving care during a major disaster, and to provide modern operating rooms and, intensive care for infants and modern patient facilities. Also, part of the proceeds will be used for the Morris Hyman Critical Care Pavilion Bridge and the Infill Project. Proceeds will also be used to pay the cost of issuance associated with the bonds. The repayment of these general obligation bonds will be funded through property tax assessments to residents of the District and are not secured by the revenues from the operations of the Washington Hospital Healthcare System. $405 million of the November 2020 bond authorization remains unissued.

The District is also required to meet certain covenants, the most restrictive of which is related to debt service coverage. The District has agreed that the Hospital will maintain a long-term debt service coverage ratio of no less than 1.1 to 1.0 on a yearly basis. The District was in compliance with these covenants as of June 30, 2022 and 2021, maintaining debt service coverage ratios of 4.44 to 1.0 and 2.73 to 1.0, respectively. The Hospital is the sole member of the obligated group for these bonds.

If, for any fiscal year, the long-term debt service coverage ratio falls between 1.0 and 1.1 to 1.0, the District is required to employ an independent consultant to make recommendations which will result in the long-term debt service coverage increasing to 1.1 to 1.0. As long as the District complies with the recommendations and the long-term debt service coverage is no less than 1.0 to 1.0, no further actions are required of the District.

In the event that the long-term debt service coverage ratio falls below 1.0 to 1.0, the Trustee, or a majority of the bondholders, shall be entitled to declare the bonds immediately due and payable.

WOSC is party to several multi-year lease agreements for surgical equipment. Amounts related to these obligations are included in current maturities of long-term debt and long-term debt, as appropriate.

In December 2016, WOSC entered into an unsecured promissory note to finance the construction of a surgery center in Napa, California. The original amount of the promissory note was $1.0 million at 4.5 percent with a maturity date of January 3, 2022. This financing was paid in full as scheduled in January 2022.

In November 2020, PSC entered into a business loan agreement (Loan) to finance construction expenditures related to a surgery center in Redwood City, California. The Loan was guaranteed by the Peninsula Surgical Partnership (PSP), LLC and the District. The original amount of the promissory note was $9.4 million at 4.25 percent with a maturity date of December 1, 2031.

A summary of the District's revenue bond, general obligation bond and loans payable activity for the year ended June 30, 2022 is as follows:

(in thousands)	Ending Balance, June 30, 2021	Additions	Amortization /Other	Repayments	Ending Balance, June 30, 2022	Due Within One Year
Bonds payable						
2022A General Obligation Bonds, principal and interest (at 4.00% to 5.00%) payable semiannually	$ -	$ 20,000			$ 20,000	$ -
Plus: Issuance premium	-	457	(6)		451	
Total 2022 General Obligation Refunding Bonds	-	20,457	(6)	-	20,451	-
2020A Revenue Refunding Bonds, principal and interest (at 3.00% to 5.00%) payable semiannually	40,865			(2,710)	38,155	$ 1,515
Plus: Issuance premiums	4,036		(633)		3,403	
Total 2019A Revenue Refunding Bonds Payable	44,901	-	(633)	(2,710)	41,558	1,515
2019A Revenue Refunding Bonds, principal and interest (at 3.00% to 5.00%) payable semiannually	48,045			(1,455)	46,590	1,530
Plus: Issuance premiums	2,719		(491)		2,228	-
Total 2019A Revenue Refunding Bonds Payable	50,764	-	(491)	(1,455)	48,818	1,530
2019A General Obligation Refunding Bonds, principal and interest (at 3.00% to 5.00%) payable semiannually	11,110			(65)	11,045	75
Plus: Issuance premiums	81		(30)		51	-
Total 2019A General Obligation Refunding Bonds	11,191	-	(30)	(65)	11,096	75
2017B Revenue Refunding Bonds, principal and interest (at 3.00% to 5.00%) payable semiannually	63,205			(1,290)	61,915	1,350
Plus: Issuance premiums	2,218		(341)		1,877	-
Total 2017B Revenue Refunding Bonds Payable	65,423	-	(341)	(1,290)	63,792	1,350
2017A Revenue Bonds, principal and interest (at 3.325% to 5.00%) payable semiannually	35,685			(715)	34,970	740
Plus: Issuance premiums	809		(117)		692	-
Tota Total 2017A Revenue Bonds Payable	36,494	-	(117)	(715)	35,662	740
2016 General Obligation Refunding Bonds, principal and interest (at 2.00% to 5.00%) payable semiannually	26,220			(1,220)	25,000	1,275
Plus: Issuance premiums	1,736		(319)		1,417	-
Total 2016 Gen'l Obligation Refunding Bonds Payable	27,956	-	(319)	(1,220)	26,417	1,275
2015A Revenue Refunding Bonds, principal and interest (at 3.25% to 5.00%) payable semiannually	21,665			(1,975)	19,690	2,080
Plus: Issuance premiums	389		(164)		225	-
Total 2015A Revenue Refunding Bonds Payable	22,054	-	(164)	(1,975)	19,915	2,080
2015B General Obligation Bonds, principal and interest (at 3.00% to 5.00%) payable semiannually	145,500			-	145,500	-
Plus: Issuance premiums	1,354		(50)		1,305	-
Total 2015B General Obligation Bonds Payable	146,854	-	(50)	-	146,805	-
2013B General Obligation Bonds, principal and interest (at 4.00% to 5.50%) payable semiannually	103,200			(1,080)	102,120	1,080
Plus: Issuance premiums	1,809		(134)		1,675	-
Total 2013B General Obligation Bonds Payable	105,009	-	(134)	(1,080)	103,795	1,080
2013A General Obligation Bonds, principal and interest (at 3.00% to 5.50%) payable semiannually	39,800			(420)	39,380	420
Plus: Issuance premiums	539		(37)		502	-
Total 2013A General Obligation Bonds Payable	40,339	-	(37)	(420)	39,882	- 420
Loans payable						
WOSC 2020 Loans, principal and interest (at 5.25% to 6.75%) payable annually	302			(40)	262	29
Total WOSC 2020 Loans Payable	302	-	-	(40)	262	29
PSC 2021 Loan, principal and interest (at 4.25%) payable monthly	9,400			(382)	9,018	788
Total PSC 2021 Loan Payable	9,400	-	-	(382)	9,018	788
WOSC 2017 Loan, principal and interest (at 4.50%) payable monthly	67			(67)		-
Total WOSC 2017 Loan Payable	67	-	-	(67)	-	-
Lease obligations principal and interest (at 4.25%) payable monthly	11,634	-		(2,314)	9,320	1,998
Total lease obligations	11,634	-	-	(2,314)	9,320	1,998
Total long-term debt payable	$ 572,388	$ 20,457	$ (2,322)	$ (13,733)	$ 576,791	$ 12,880

A summary of the District's revenue bond, general obligation bond and loans payable activity for the year ended June 30, 2021 is as follows:

(in thousands)	Beginning Balance, June 30, 2020	Additions	Amortization /Other	Repayments	Ending Balance, June 30, 2021	Due Within One Year
Bonds payable						
2020A Revenue Refunding Bonds, principal and interest (at 3.00% to 5.00%) payable semiannually	$ -	$ 40,865			$ 40,865	$ 2,710
Plus: Issuance premiums	-	4,753	(717)		4,036	
Total 2019A Revenue Refunding Bonds Payable	-	45,618	(717)	-	44,901	2,710
2019A Revenue Refunding Bonds, principal and interest (at 3.00% to 5.00%) payable semiannually	49,445	-	-	(1,400)	48,045	1,455
Plus: Issuance premiums	3,255		(537)	-	2,718	-
Total 2019A Revenue Refunding Bonds Payable	52,700	-	(537)	(1,400)	50,763	1,455
2019A General Obligation Refunding Bonds, principal and interest (at 3.00% to 5.00%) payable semiannually	11,110	-	-	-	11,110	65
Plus: Issuance premiums	113	-	(32)	-	81	-
Total 2019A General Obligation Refunding Bonds	11,223	-	(32)	-	11,191	65
2017B Revenue Refunding Bonds, principal and interest (at 3.00% to 5.00%) payable semiannually	64,430	-	-	(1,225)	63,205	1,290
Plus: Issuance premiums	2,589	-	(371)	-	2,218	-
Total 2017B Revenue Refunding Bonds Payable	67,019	-	(371)	(1,225)	65,423	1,290
2017A Revenue Bonds, principal and interest (at 3.325% to 5.00%) payable semiannually	36,365	-	-	(680)	35,685	715
Plus: Issuance premiums	938	-	(129)	-	809	-
Tota Total 2017A Revenue Bonds Payable	37,303	-	(129)	(680)	36,494	715
2016 General Obligation Refunding Bonds, principal and interest (at 2.00% to 5.00%) payable semiannually	27,400	-	-	(1,180)	26,220	1,220
Plus: Issuance premiums	2,101	-	(365)	-	1,736	-
Total 2016 Gen'l Obligation Refunding Bonds Payable	29,501	-	(365)	(1,180)	27,956	1,220
2015A Revenue Refunding Bonds, principal and interest (at 3.25% to 5.00%) payable semiannually	23,565	-	-	(1,900)	21,665	1,975
Plus: Issuance premiums	599	-	(209)	-	390	-
Total 2015A Revenue Refunding Bonds Payable	24,164	-	(209)	(1,900)	22,055	1,975
2015B General Obligation Bonds, principal and interest (at 3.00% to 5.00%) payable semiannually	145,500	-	-	-	145,500	-
Plus: Issuance premiums	1,404	-	(50)	-	1,354	-
Total 2015B General Obligation Bonds Payable	146,904	-	(50)	-	146,854	-
2013B General Obligation Bonds, principal and interest (at 4.00% to 5.50%) payable semiannually	104,280	-	-	(1,080)	103,200	1,080
Plus: Issuance premiums	1,965	-	(156)	-	1,809	-
Total 2013B General Obligation Bonds Payable	106,245	-	(156)	(1,080)	105,009	1,080
2013A General Obligation Bonds, principal and interest (at 3.00% to 5.50%) payable semiannually	40,220	-	-	(420)	39,800	420
Plus: Issuance premiums	578	-	(39)	-	539	-
Total 2013A General Obligation Bonds Payable	40,798	-	(39)	(420)	40,339	420
2010 Revenue Bonds, principal and interest (at 5.00% to 5.50%) payable semiannually	50,245	-	-	(50,245)	-	-
Less: Issuance discounts	(730)	-	730	-	-	-
Total 2010 Revenue Bonds Payable	49,515	-	730	(50,245)	-	-
Loans payable						
WOSC 2020 Loans, principal and interest (at 5.25% to 6.75%) payable annually	-	327	-	(25)	302	26
Total WOSC 2020 Loans Payable	-	327	-	(25)	302	26
PSC 2021 Loan, principal and interest (at 4.25%) payable monthly	-	9,400	-		9,400	382
Total PSC 2021 Loan Payable	-	9,400	-	-	9,400	382
WOSC 2017 Loan, principal and interest (at 4.50%) payable monthly	279	-	-	(212)	67	67
Total WOSC 2017 Loan Payable	279	-	-	(212)	67	67
Lease obligations principal and interest (at 4.25%) payable monthly	13,964		-	(2,330)	11,634	2,314
Total lease obligations	13,964	-	-	(2,330)	11,634	2,314
Total long-term debt payable	$ 579,615	$ 55,345	$ (1,875)	$ (60,697)	$ 572,388	$ 13,719

A summary of the District's revenue bonds and general obligation bonds issuance information is as follows:

(in thousands)	Original Issue Amount	Maturity Date	Effective Interest Rate 2022	Effective Interest Rate 2021
Bond issue				
2022A General Obligation Bonds	$ 20,000	8/1/2052	4.05%	N/A
2020A Revenue Refunding Bonds	40,865	7/1/2038	2.51%	0.96%
2019A Revenue Refunding Bonds	49,445	7/1/2048	2.96%	2.92%
2019A Gen'l Obligation Refunding Bonds	11,110	8/1/2039	2.99%	2.97%
2017B Revenue Refunding Bonds	66,690	7/1/2037	3.69%	3.65%
2017A Revenue Bonds	37,655	7/1/2047	4.00%	3.95%
2016 Gen'l Obligation Refunding Bonds	30,725	8/1/2036	2.36%	2.28%
2015A Revenue Bonds	30,290	7/1/2029	3.48%	3.38%
2015B General Obligation Bonds	145,500	8/1/2045	3.94%	3.94%
2013B General Obligation Bonds	105,000	8/1/2043	4.96%	4.93%
2013A General Obligation Bonds	40,500	8/1/2043	4.96%	4.93%
2010 Revenue Bonds	60,725	7/1/2038	N/A	5.57%

The long-term debt payment requirements as of June 30, 2022, excluding unamortized discounts and premiums on bonds payable, are as follows:

(in thousands)	Private Long-Term Debt Principal	Private Long-Term Debt Interest	Public Long-Term Debt Principal	Public Long-Term Debt Interest	Total Long-Term Debt Principal	Total Long-Term Debt Interest
June 30,						
2023	$ 8,120	$ 9,006	$ 2,850	$ 14,910	$ 10,970	$ 23,916
2024	8,462	8,574	2,900	15,193	11,362	23,767
2025	8,898	8,153	1,470	14,977	10,368	23,130
2026	9,327	7,714	1,530	14,909	10,857	22,623
2027	9,732	7,253	1,610	14,830	11,342	22,083
2028 - 2032	55,731	29,206	20,265	72,499	75,996	101,705
2033 - 2037	64,094	16,101	53,310	65,169	117,404	81,270
2038 - 2042	30,900	5,363	107,180	47,073	138,080	52,436
2043 - 2047	12,245	1,974	140,840	14,755	153,085	16,729
2048 - 2052	3,340	68	8,780	1,039	12,120	1,107
2053 - 2057	-	-	2,310	-	2,310	-
Total long-term debt, excluding unamortized discounts and premiums	$ 210,849	$ 93,412	$ 343,045	$ 275,354	$ 553,894	$ 368,766

10. Employee Benefit Plans

Defined Benefit Retirement Plan

The District maintains a defined benefit retirement plan, the Washington Township Health Care District Retirement Plan (the Plan), that covers all employees who meet certain eligibility requirements. The Plan, as approved by the Board of Directors of the District, is a single employer plan funded solely by the District. Benefits under the Plan are calculated based on the participant's length of service, age at retirement, and average compensation as defined by the Plan. Employees are fully vested in the Plan after five years of service and are eligible to receive an unreduced benefit once they reach age 65. An employee who attains age 62 and has completed 20 years of service, or an employee who attains age 60 with 30 years of service is also eligible for an unreduced benefit. The Plan also provides disability and death benefits. The Plan does not issue a stand-alone financial report.

Based on guidance under GASB 68 the benefit discount rate is equal to the expected long-term (30 year) return on assets, which assumes that Plan assets will be invested in a diversified portfolio of stocks and bonds.

The District has flexibility in determining the amount to contribute to the Plan each year. In determining the amount of the annual contribution, the District considers the calculated actuarially determined contribution. The District has adopted a funding policy that is intended to result in the funding status of the Plan reaching 100 percent, as calculated under the provisions of GASB 68. In addition to the District's contributions, under the terms of the California Public Employees' Pension Reform Act (PEPRA), which became effective in January 1, 2013, new employees are required to contribute to the normal cost of their pension benefits. The projected amounts of these employee contributions have been considered in determining the actuarially determined contribution amounts.

Participant data for the Plan, as of the measurement date (December 31 of the prior year) for the indicated fiscal years, is shown in the table below:

	2022	2021
Active and suspended	1,511	1,525
Vested terminated	723	706
Retirees and beneficiaries	873	823
Total participants	3,107	3,054

Components of pension cost for years ended June 30, were as follows:

(in thousands)	2022	2021
Pension cost		
Service cost	$ 10,332	$ 9,548
Employee contributions	(2,140)	(1,919)
Interest	28,992	27,890
Expected return on plan assets	(29,739)	(26,591)
Administrative expenses	228	226
Recognition of deferred amounts	(12,079)	(30)
Total pension cost	$ (4,406)	$ 9,124

Components of deferred outflows and inflows of resources for the year ended June 30, 2022 were as follows:

(in thousands)	Deferred Outflows	Deferred (Inflows)
Differences between expected and actual experience	$ 605	$ (1,156)
Change of assumptions	7,865	(1,807)
Net differences between projected and actual earnings	-	(43,306)
Contributions made subsequent to measurement date	4,050	-
Total	$ 12,520	$ (46,269)

Components of deferred outflows and inflows of resources for the year ended June 30, 2021 were as follows:

(in thousands)	Deferred Outflows	Deferred (Inflows)
Differences between expected and actual experience	$ 1,415	$ (2,754)
Change of assumptions	10,166	(2,400)
Net differences between projected and actual earnings	-	(25,220)
Contributions made subsequent to measurement date	5,775	-
Total	$ 17,356	$ (30,374)

The District reclassified $17.4 million of Deferred outflows of resources – pension at June 30, 2021 in both the Statement of Net Position and the table above to Deferred inflows of resources – pension to conform to the 2022 presentation.

Amounts reported as deferred outflows and inflows of resources – pension will be recognized in pension expense as indicated in the following table:

(in thousands)	Deferred Outflows	Deferred (Inflows)	Total
2023	12,225	(18,743)	$ (6,518)
2024	3,540	(18,513)	(14,973)
2025	1,194	(11,260)	(10,066)
2026	196	(6,438)	(6,242)
Thereafter	-	-	-
Total deferred (inflows) and outflows of resources - pension	$ 17,155	$ (54,954)	$ (37,799)

The following table summarizes changes in net pension (prepaid) liability from July 1, 2020 to June 30, 2022:

(in thousands)	**2022**	**2021**
Total pension liability		
Service cost	$ 10,332	$ 9,548
Interest	28,992	27,890
Change in assumptions	1,042	(2,992)
Difference between expected and actual experience	(786)	1,001
Benefit payments	(21,045)	(19,623)
Net change in total pension liability	18,535	15,824
Total pension liability (beginning of year)	424,951	409,127
Total pension liability (end of year)	443,486	424,951
Plan fiduciary net position		
Employer contributions	8,400	23,100
Employee contributions	2,140	1,919
Net investment income	61,077	47,613
Benefit payments	(21,045)	(19,623)
Administrative expense	(228)	(226)
Other	-	-
Net change in fiduciary net position	50,344	52,783
Fiduciary net position (beginning of year)	430,112	377,329
Fiduciary net position (end of year)	480,456	430,112
Net pension (prepaid) liability (end of year)	$ (36,970)	$ (5,161)
Fiduciary net position as percent of liability	108.3%	101.2%
Covered payroll (pension)	$ 181,577	$ 182,973
Net pension (prepaid)/liability as percent of covered payroll	20.4%	2.8%

The following table summarizes the actuarial assumptions used to determine net pension liability and plan fiduciary net position as of June 30, 2022 and June 30, 2021 (unless otherwise indicated, the same assumption was used for the valuations for both years):

Valuation date	December 31
Actuarial cost method	Entry Age Normal, Level Percent of Pay
Amortization method	Straight Line
Asset valuation method	Fair Value
Economic assumptions (including 3% inflation)	
Projected salary increases	3.00%
Discount rate	7.00%
Demographic assumptions	
Mortality table for healthy participants	December 31, 2021 - Pri-2012 tables and projected forward using MP-2021 projection scale on a generational basis
	December 31, 2020 - Pri-2012 tables and projected forward using MP-2020 projection scale on a generational basis
Mortality table for disabled participants	December 31, 2021 - Pri-2012 disabled tables and projected forward using MP-2021 projection scale on a generational basis
	December 31, 2020 - Pri-2012 disabled tables and projected forward using MP-2020 projection scale on a generational basis
Sensitivity of net pension liability at December 31, 2021 to changes in the discount rate, with no other changes -	
1 percent decrease (6.0%)	$17,345,000
Current discount rate (7.0%)	(36,970,000)
1 percent increase (8.0%)	(82,530,000)
Sensitivity of net pension liability at December 31, 2020 to changes in the discount rate, with no other changes -	
1 percent decrease (6.0%)	$47,635,000
Current discount rate (7.0%)	(5,161,000)
1 percent increase (8.0%)	(49,086,000)

The fair value of the District's pension investments measured as of December 31, 2021, and used for the purpose of the June 30, 2022 valuation, is reflected in the following table:

(in thousands)	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Cash And Cash Equivalents (Not Leveled)**	**Balance At Valuation Date**
Money market funds	$ -	$ 4,209	$ 4,209
Fixed income funds	143,815	-	143,815
Domestic equity funds	149,223	-	149,223
International equity funds	113,743	-	113,743
Commodity funds	31,875	-	31,875
Real estate funds	27,846	-	27,846
Infrastructure funds	9,745	-	9,745
Total pension assets	$ 476,247	$ 4,209	$ 480,456

The fair value of the District's pension investments measured as of December 31, 2020, and used for the purpose of the June 30, 2021 valuation, is reflected in the following table:

(in thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Cash And Cash Equivalents (Not Leveled)	Balance At Valuation Date
Money market funds	$ -	$ 2,059	$ 2,059
Fixed income funds	130,901	-	130,901
Domestic equity funds	139,196	-	139,196
International equity funds	98,163	-	98,163
Commodity funds	25,555	-	25,555
Real estate funds	25,835	-	25,835
Infrastructure funds	8,403	-	8,403
Total pension assets	$ 428,053	$ 2,059	$ 430,112

For a description of the levels used for valuation, information about the valuation techniques and inputs used to measure the fair value of plan assets, see discussion regarding fair value measurements in Note 5.

The District also has a Deferred Compensation Plan available to employees. Generally, any employee is eligible to voluntarily enter into an agreement with the District to defer current wages at amounts limited by federal law. Effective January 1, 2010, under the terms of the Washington Township Health Care District Employer Matching Contributions Plan (the Matching Plan), the District makes contributions to this plan, matching participant contributions to the Deferred Compensation Plan to a maximum of 1.5 percent of gross earnings for employees with a minimum of 1,000 hours in a benefitted status. Under the Deferred Compensation Plan and the Matching Plan agreements, participants select and manage their own investments in mutual fund options approved by the District. All investment earnings, including market value appreciation and depreciation, are set aside for the benefit of the participants.

Matching contributions made by the District in fiscal years 2022 and 2021 were as follows:

(in thousands) **Contribution Year**	**Amount**	**Employee Deductions Being Matched**
2022	$ -	Calendar year 2021
2021	$ 2,229	Calendar year 2020

The contribution for fiscal year 2022 was made in July 2022 in the amount of $2,293,000.

Defined Benefit Postemployment Medical Plan

Other postemployment benefits are provided by the District through a single employer defined benefit postemployment medical plan, the Washington Township Health Care District Postretirement Medical Plan (the OPEB Plan). The OPEB Plan provides benefits for salaried and non-salaried employees, as approved and/or amended by the Board of Directors of the District, and is administered by the District. Eligible individuals are those retiring directly from the District, at a minimum age of 55, with a minimum of fifteen years of service, who have been continuously in a benefited status for the five years prior to their retirement date.

Eligible retirees who are less than age 65, with at least fifteen years of service, are eligible for coverage under the Blue Shield Retiree Medical Plan, with the District providing premium subsidies of from 35 percent (with 15 years of service) to 100 percent (with 30 years of service). Eligible retirees with at least twenty years of service may elect coverage under the Blue Shield Retiree Medical Plan or may elect to receive a monthly reimbursement for medical expenses up to a stipulated amount under the Retiree Medical Reimbursement Plan. This reimbursement amount is fixed and is not subject to future increases under the current terms of the OPEB Plan. Participation in either the Blue Shield Retiree Medical Plan or the Retiree Medical Reimbursement Plan is only available until the retirees reach age 65.

Once eligible retirees reach age 65, the OPEB Plan allows for reimbursement to the retiree of the standard Medicare Part B insurance premium amounts, with automatic reimbursement increases when Medicare increases the standard premium amounts. Employees retiring at or after age 55 with 25 years of benefited service are also eligible for a prescription drug benefit which provides reimbursement up to a stipulated amount for 10 years beginning at the later of age 65 or retirement. The stipulated reimbursement amount is fixed and is not subject to future increases under the current terms of the OPEB Plan.

A separate financial report is not prepared for the OPEB Plan.

The District has flexibility in determining the amount to contribute to the OPEB Plan each year. In determining the amount of the annual contribution, the District intends to contribute, at a minimum, the actuarially determined contribution for each year. The District has adopted a funding policy that is intended to result in the funding status of the Plan reaching 100 percent, as calculated under the provisions of GASB 75.

As of the December 31, 2021 and December 31, 2020 measurement dates, the numbers of current and former employees who were eligible, or potentially eligible, for the OPEB Plan were as follows:

	2022	**2021**
Active	1,417	1,431
Retirees	562	552
Total participants	1,979	1,983

Components of postemployment medical benefits cost for years ended June 30, were as follows:

(in thousands)	**2022**	**2021**
Postemployment medical benefits cost		
Service cost	$ 1,911	$ 1,885
Interest	4,155	3,948
Expected return on plan assets	(1,373)	(1,013)
Administrative expenses	53	52
Recognition of deferred amounts	(4,327)	(3,949)
Total postemployment medical benefits cost	$ 419	$ 923

Components of deferred outflows and inflows of resources for the year ended June 30, 2022 were as follows:

(in thousands)	Deferred Outflows	Deferred (Inflows)
Differences between expected and actual experience	$ 432	$ (572)
Change of assumptions	4,872	(11,583)
Net differences between projected and actual earnings	-	(1,809)
Contributions made subsequent to measurement date	2,601	-
Total	$ 7,905	$ (13,964)

Components of deferred outflows and inflows of resources for the year ended June 30, 2021 were as follows:

(in thousands)	Deferred Outflows	Deferred (Inflows)
Differences between expected and actual experience	$ 188	$ (679)
Net differences between projected and actual earnings	-	(998)
Change of assumptions	6,342	(15,658)
Contributions made subsequent to measurement date	2,611	-
Total	$ 9,141	$ (17,335)

The District reclassified $17.4 million of differences between projected and actual earnings listed above that were previously classified as deferred outflows at June 30, 2021 to deferred inflows to conform to the 2022 presentation.

Amounts reported as deferred outflows and inflows of resources – postemployment medical benefits (OPEB) will be recognized in OPEB expense as indicated in the following tables:

(in thousands)	Deferred Outflows	Deferred (Inflows)	Total
2023	$ 1,673	$ (5,740)	$ (4,067)
2024	1,125	(5,670)	(4,545)
2025	954	(1,422)	(468)
2026	945	(579)	366
2027	630	(304)	326
Thereafter	75	(347)	(272)
Total deferred inflows of resources - postemployment medical benefits (OPEB)	$ 5,402	$ (14,062)	$ (8,660)

The following table summarizes changes in the net postemployment medical benefit liability from July 1, 2020 to June 30, 2022 and related ratios:

(in thousands)	2022	2021
Total postemployment medical benefits liability		
Service cost	$ 1,911	$ 1,885
Interest	4,155	3,948
Difference between expected and actual experience	349	(555)
Change of assumptions	(1,217)	(385)
Benefit payments	(2,005)	(1,904)
Net change in postemployment medical benefits liability	3,193	2,989
Total postemployment medical benefits liability (beginning of year)	58,442	55,453
Total postemployment medical benefits liability (end of year)	61,635	58,442
Plan fiduciary net position		
Employer contributions	5,305	5,204
Net investment income	2,689	1,900
Benefit payments	(2,005)	(1,904)
Administrative expense	(53)	(52)
Other	-	-
Net change in fiduciary net position	5,936	5,148
Fiduciary net position (beginning of year)	18,023	12,875
Fiduciary net position (end of year)	23,959	18,023
Net postemployment medical benefits liability (end of year)	$ 37,676	$ 40,419
Fiduciary net position as percent of liability	38.9%	30.8%
Covered employee payroll	$ 181,577	$ 182,973
Net postemployment medical benefits liability as percent of covered employee payroll[1]	20.7%	22.1%

[1] Required disclosure; neither OPEB Plan contributions nor benefits are based on covered employee payroll.

The following table summarizes the actuarial assumptions used to determine net OPEB liability and plan fiduciary net position as of June 30, 2022 and June 30, 2021 (unless otherwise indicated, the same assumption was used for the valuations for both years):

Valuation date	December 31
Actuarial cost method	Entry Age Normal, Level Percent of Pay
Amortization method	Straight Line
Asset valuation method	Fair Value
Economic assumptions (including 3% inflation)	
Projected salary increases	3.00%
Discount rate	7.00%
Demographic assumptions	
Mortality table for healthy participants	December 31, 2021 - Pri-2012 tables and projected forward using MP-2021 projection scale on a generational basis
	December 31, 2020 - Pri-2012 tables and projected forward using MP-2020 projection scale on a generational basis
Mortality table for disabled participants	December 31, 2021 - Pri-2012 tables and projected forward using MP-2021 projection scale on a generational basis
	December 31, 2020 - Pri-2012 tables and projected forward using MP-2020 projection scale on a generational basis
Other assumptions	
Healthcare cost trend rate	Getzen Model of Long-Run Medical Cost Trends
Sensitivity of postretirement employee medical benefits liability as of December 31, 2021 to changes in the discount rate, with no other changes -	
1 percent decrease (6.00%)	$46,385,000
Current discount rate (7.00%)	$37,676,000
1 percent increase (8.00%)	$30,444,000
Sensitivity of postretirement employee medical benefits liability as of December 31, 2021 to changes in the health cost trend rate, with no other changes -	
1 percent decrease	$29,672,000
Current healthcare cost trend rate	$37,676,000
1 percent increase	$47,587,000
Sensitivity of postretirement employee medical benefits liability as of December 31, 2020 to changes in the discount rate, with no other changes -	
1 percent decrease (6.00%)	$48,527,000
Current discount rate (7.00%)	$40,419,000
1 percent increase (8.00%)	$33,656,000
Sensitivity of postretirement employee medical benefits liability as of December 31, 2020 to changes in the health cost trend rate, with no other changes -	
1 percent decrease	$32,883,000
Current healthcare cost trend rate	$40,419,000
1 percent increase	$49,730,000

The fair value of the District's OPEB investments measured as of December 31, 2021, and used for the purpose of the June 30, 2022 valuation, is reflected in the following table:

(in thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Cash And Cash Equivalents (Not Leveled)	Balance At Valuation Date
Money market funds	$ -	$ 946	$ 946
Fixed income funds	6,939	-	6,939
Domestic equity funds	7,256	-	7,256
International equity funds	5,457	-	5,457
Commodity funds	1,547	-	1,547
Real estate funds	1,353	-	1,353
Infrastructure funds	461	-	461
Total OPEB assets	$ 23,013	$ 946	$ 23,959

The fair value of the District's OPEB investments measured as of December 31, 2020, and used for the purpose of the June 30, 2021 valuation, is reflected in the following table:

(in thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Cash And Cash Equivalents (Not Leveled)	Balance At Valuation Date
Money market funds	$ -	$ 26	$ 26
Fixed income funds	5,532		5,532
Domestic equity funds	5,775		5,775
International equity funds	4,154		4,154
Commodity funds	1,087		1,087
Real estate funds	1,088		1,088
Infrastructure funds	361		361
Total OPEB assets	$ 17,997	$ 26	$ 18,023

Pension Plan and OPEB Plan Portfolios

Long term (30-year) expected rate of returns are forecasted on a forward-looking basis by each asset class. Then the total portfolio's return is forecasted by combining returns of the asset classes based on the respective Plan's asset allocation targets as well as the asset classes' diversification benefits. The forecasting method takes into consideration current market conditions, as well as potential future changes, such as yield shifts or valuation changes. For example, equity asset class methodology includes two models that focus on variables including expected earnings growth, dividend income and expected inflation to triangulate on a reasonable expected return. Fixed income models rely heavily on the existing yield environment but current projections assume a rising rate environment, given that prevailing yields are near historic lows. The forecasting methodology combines insights of expected returns for the next immediate period and a long term equilibrium period, to maintain capital markets' long term integrity.

The expected rates of return are presented as geometric means. The details are summarized in the following table:

	Long Term	
Total portfolio	7.10 %	
Total portfolio asset allocation		**Asset Class Expected Returns**
U.S. Equity	30 %	7.50 %
Non-U.S. Equity	25 %	8.00 %
Core fixed income	12 %	4.50 %
Opportunistic credit	10 %	6.50 %
Real assets	15 %	7.00 %
Private Credit	8 %	7.00 %
Total	100 %	

11. Insurance Plans

The District's hospital professional and general liability insurance, and the directors and officers liability deductible and insured programs, are purchased from BETA Healthcare Group (BETA). BETA was formed in 1979 for the purpose of operating an insured program with excess insurance coverage for certain hospital districts of the Association of California Hospital Districts (ACHD). Effective October 1, 1989, BETA became a separate joint powers authority, establishing itself as a public agency and distinct from ACHD. BETA is managed by a board of 15 elected representatives (the BETA council). The BETA council and its six committees meet quarterly to vote on all matters affecting the program. A representative from the District occupies one seat on the BETA Council.

The District is self-funded for its workers' compensation claims and has been issued a Certificate of Consent to Self-Insure by the State of California, Department of Industrial Relations. The District purchases excess workers' compensation insurance coverage.

Significant primary and excess insurance coverage types, limits and retention/deductible amounts are included below:

Coverage	Policy Limit	Self-insured Retention/ Deductible Per Occurrence
General		
All risk property	$ 1,000,000,000	$ 100,000
Boiler and machinery insurance	100,000,000	100,000
Hospital professional and general liability	40,000,000	25,000
Directors and officers liability	10,000,000	25,000
Excess workers' compensation	Statutory	1,250,000
Commercial crime	10,000,000	50,000
Automobile insurance	10,000,000	500
Cyber liability	5,000,000	250,000
Cyber excess, including notifications	5,000,000	-
Pollution	2,000,000	50,000

Settled claims have not exceeded the District's policy limits in any year.

The District has actuarial reviews performed annually on its self-insured claims programs, including professional and general liability, directors' and officers' coverage, workers' compensation, and employee health, vision and dental benefits. Estimated liabilities include amounts for incurred but not reported (IBNR) claims.

12. Compensated Absences

District employees earn paid leave at varying rates depending on length of service and job classification. Employees can accumulate up to 640 hours of paid leave. All accumulated unused leave in excess of the maximum accrual amount is paid at the employee's anniversary date. Upon separation, unused vested leave balances are paid in full. As of June 30, 2022 and 2021, the approximate liability for unpaid compensated absences was $21.8 million and $19.5 million, respectively.

13. Blended Component Unit Information

Condensed financial statement information related to certain of the District's blended component units for the year ended June 30, 2022 is as follows:

(in thousands)	Hospital	DEVCO	Eliminations	District
CONDENSED STATEMENTS OF NET POSITION				
Current assets	$ 136,425	$ 18,478	$ -	$ 154,903
Long-term investment and restricted funds	236,919	-	-	236,919
Capital assets, net	600,578	34,604	-	635,182
Other assets	344,386	7,402	(273,930)	77,858
Total assets	1,318,308	60,484	(273,930)	1,104,862
Deferred outflows of resources	20,425	2,016	-	22,441
Total assets and deferred outflows of resources	$ 1,338,733	$ 62,500	$ (273,930)	$ 1,127,303
Liabilities				
Current liabilities	$ 117,643	$ 286,731	$ (273,930)	$ 130,444
Other non-current liabilities	593,215	15,964		609,179
Total liabilities	710,858	302,695	(273,930)	739,623
Deferred inflows of resources	82,412	-	-	82,412
Net position				
Net investment in capital assets	92,850	-	-	92,850
Restricted - expendable	28,817	-	-	28,817
Restricted for minority interest	-	3,345	-	3,345
Unrestricted	423,796	(243,540)	-	180,256
Total net position	545,463	(240,195)	-	305,268
Total liabilities, net position and deferred inflows of resources	$ 1,338,733	$ 62,500	$ (273,930)	$ 1,127,303
CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION				
Operating revenues	$ 522,801	$ 81,627	$ (15,165)	$ 589,263
Operating expenses	(448,888)	(100,749)	15,286	(534,351)
Depreciation	(45,854)	(4,118)	-	(49,972)
Operating income (loss)	28,059	(23,240)	121	4,940
Non-operating revenues and expenses, net	(8,120)	(882)	(121)	(9,123)
Increase (decrease) in net position before minority interest and restricted funds	19,939	(24,122)	-	(4,183)
Other, including minority interest	674	(1,184)	-	(510)
Increase (decrease) in net position	20,613	(25,306)	-	(4,693)
Net position				
Beginning of year	524,959	(214,998)	-	309,961
End of year	$ 545,572	$ (240,304)	$ -	$ 305,268
CONDENSED STATEMENTS OF CASH FLOWS				
Net Cash provided (used) by:				
Operating activities	$ 19,788	$ (26,610)	$ (121)	(6,943)
Noncapital financing activities	(23,912)	$ 24,494	-	582
Capital and related financing activities	(140)	(5,443)	121	(5,462)
Investing activities	(21,642)	3,834		(17,808)
Net increase (decrease) in cash and cash equivalents	$ (25,906)	$ (3,725)	$ -	$ (29,631)
Cash and cash equivalents - beginning of year	31,619	9,078	-	40,697
Cash and cash equivalents - end of year	$ 5,713	$ 5,353	$ -	$ 11,066

Condensed financial statement information related to certain of the District's blended component units for the year ended June 30, 2021 is as follows:

(in thousands)	Hospital*	DEVCO	Eliminations	District*
CONDENSED STATEMENTS OF NET POSITION				
Current assets	$ 155,439	$ 20,893	$ -	$ 176,332
Long-term investment and restricted funds	234,220	-	-	234,220
Capital assets, net	640,048	37,279	-	677,327
Other assets	283,276	6,771	(248,141)	41,906
Total assets	1,312,983	64,943	(248,141)	1,129,785
Deferred outflows of resources	26,497	2,689	-	29,186
Total assets and deferred outflows of resources	$ 1,339,480	$ 67,632	$ (248,141)	$ 1,158,971
Liabilities				
Current liabilities	$ 155,409	$ 17,883	$ (6)	$ 173,286
Other non-current liabilities	588,647	264,747	(248,135)	605,259
Total liabilities	744,056	282,630	(248,141)	778,545
Deferred inflows of resources	70,465	-	-	70,465
Net position				
Net investment in capital assets	122,886	-	-	122,886
Restricted - expendable	30,005	-	-	30,005
Restricted for minority interest	-	4,528	-	4,528
Unrestricted	372,068	(219,526)	-	152,542
Total net position	524,959	(214,998)	-	309,961
Total liabilities, net position and deferred inflows of resources	$ 1,339,480	$ 67,632	$ (248,141)	$ 1,158,971
CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION				
Operating revenues	$ 469,919	$ 74,485	$ (10,791)	$ 533,613
Operating expenses	(431,382)	(92,307)	11,168	(512,521)
Depreciation	(47,900)	(4,216)	-	(52,116)
Operating income (loss)	(9,363)	(22,038)	377	(31,024)
Non-operating revenues and expenses, net	436	1,539	(377)	1,598
Increase (decrease) in net position before minority interest and restricted funds	(8,927)	(20,499)	-	(29,426)
Other, including minority interest	2,051	(57)	-	1,994
Increase (decrease) in net position	(6,876)	(20,556)	-	(27,432)
Net position				
Beginning of year	531,835	(194,442)	-	337,393
End of year	$ 524,959	$ (214,998)	$ -	$ 309,961
CONDENSED STATEMENTS OF CASH FLOWS				
Net Cash provided (used) by:				
Operating activities	$ 3,124	$ (12,610)	$ 363	$ (9,123)
Noncapital financing activities	(22,057)	27,240	14	5,197
Capital and related financing activities	(24,708)	(3,443)	(377)	(28,528)
Investing activities	6,647	(5,531)	-	1,116
Net increase (decrease) in cash and cash equivalents	$ (36,994)	$ 5,656	$ -	$ (31,338)
Cash and cash equivalents - beginning of year	68,613	3,422	-	72,035
Cash and cash equivalents - end of year	$ 31,619	$ 9,078	$ -	$ 40,697

* The Fiscal Year 2021 amounts for Current Assets, Unrestricted Net Position, Operating Revenues and Increase in Net Position presented in the table above, have been reduced by $3.7 million to correct an immaterial error in the previously presented information.

14. Commitments and Contingencies

Lease Commitments

The District has entered into leases for medical clinic facilities and equipment. In fiscal year 2022 the District adopted GASB 87 – *Leases*, effective for the District's fiscal year beginning July 1, 2021. This statement establishes a single approach to accounting for and reporting leases based on the principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use asset. Lease obligations for fiscal years 2022 and 2021 were $3.0 Million and $3.1 Million, respectively.

The District's future lease obligations are as follows:

(in thousands)	Principal	Interest
2023	$ 1,983	$ 333
2024	1,784	254
2025	1,505	185
2026	1,570	119
2027	907	64
Thereafter	1,044	49
Total lease commitments	$ 8,793	$ 1,004

The District is a lessor of buildings under agreements that extend through 2067. Some leases include one or more lessee options to renew, with renewal terms that can extend the lease term from one to 5 years. Certain of the District's lease agreements include rental payments that are adjusted periodically, primarily for inflation. The lease agreements do not contain any material lease incentives paid, residual value guarantees, material restrictive covenants or material termination penalties. The District measures the deferred inflow of resources at the present value of payments expected to be received including any advance lease payments or lease incentives during the lease term. During the years ended June 30, 2022 and 2021, the District recorded $3.8 million and $3.7 million, respectively, in lease revenues.

Litigation

The District is involved in various claims and litigation, as both plaintiff and defendant, arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, these matters will be resolved without material adverse effect on the District's financial position.

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, and 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. Violations of these laws and regulations 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. While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or not asserted at this time.

15. The CARES Act

In response to the disruptions that the COVID-19 pandemic caused in operations for health care organizations, on March 27, 2020 the Federal Government passed the CARES Act which made funds available to the District through various provisions of the legislation. Through June 30, 2021 the District received and recognized CARES Act provider relief funding of $32.5 million, as federal grant revenue on the statement of revenues, expenses and changes in net position. In fiscal year 2022, the District received an additional $1.4 million in provider relief funding which was also recognized in the same way.

Under continually evolving regulations related to the after-the-fact justification of funding amounts received, the District is required to provide reporting as to how provider relief funding was used, either to offset pandemic-related expenses or to replace pandemic-related net revenue losses.

The reporting deadline for provider relief funding received in the District's fiscal year 2021 was September 30, 2022 and the District submitted its reporting on that date. The District's pandemic-related additional expenses and lost revenues far exceeded the CARES funding received and the District is confident that all amounts recognized into revenue for fiscal 2022 are correctly reported.

Also in fiscal year 2021, the District began the required repayment of $59 million in payments received in fiscal year 2020 under the Medicare Accelerated and Advanced Payments Program. As of June 30, 2022, the District has repaid approximately $48 Million and the remaining amount due is reflected as liabilities due to third party payors on the statement of net position for fiscal year 2022.

In addition, in fiscal 2021 The Washington Outpatient Surgery Center (WOSC) received a $1.6 million Paycheck Protection Program loan for small business. In fiscal year 2022 WOSC submitted for forgiveness of this loan. Forgiveness was subsequently received in August 2022.

Required Supplementary Information

Defined Benefit Retirement Plan

The District's actuarially determined contribution and actual contributions, for this plan year and the nine plan years prior, are presented in the following table:

(in thousands)	Actuarially Determined Contribution	Actual Contribution	Contribution Excess (Deficiency)	Covered Payroll (Pension)	Contributions as % of Covered Payroll
Fiscal Year Ended					
2010	$ 12,594	$ -	$ (12,594)	$ 121,053	0.00%
2011	15,683	-	(15,683)	131,700	0.00%
2012	18,344	-	(18,344)	142,590	0.00%
2013	19,800	-	(19,800)	145,324	0.00%
2014	18,500	134,026 [1]	115,526	144,445	92.79%
2015	18,000	22,700	4,700	136,999	16.57%
2016	17,700	22,100	4,400	142,319	15.53%
2017	22,300	22,000	(300)	146,438	15.02%
2018	23,100	22,300	(800)	168,165	13.26%
2019	23,100	28,875	5,775	165,710 *	17.43%
2020	23,100	23,100	-	177,841	12.99%
2021	23,100	23,100	-	182,973	12.62%
2022	8,181	6,675	(1,506)	181,577	3.68%
	$ 243,502	$ 304,876	$ 61,374		

* The Fiscal Year 2019 amounts for Covered Payroll (Pension) and Contributions as % of Covered Payroll have been reduced by $8.0 Million and 0.81%, respectively, to correct an immaterial error in the previously presented information.

[1] For the years 2010 to 2013, the District Board set aside the following amounts in accounts designated for future pension funding, all of which were included in the 2014 Actual Contribution amount of $134,026,000.

(in thousands)	
2010	$ 22,000
2011	22,000
2012	19,000
2013	21,800
Total pension funding for years 2010 to 2013 included in 2014 actual contribution	$ 84,800

Washington Township Health Care District
Required Supplementary Pension and Postemployment Benefits Information (unaudited)

The following table summarizes changes in net pension liability from July 1, 2012 to June 30, 2022:

(in thousands)	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total pension liability										
Service cost	$ 10,332	$ 9,548	$ 9,075	$ 8,190	$ 6,500	$ 6,494	$ 5,669	$ 5,434	$ 5,456	$ 6,580
Interest	28,992	27,890	27,395	26,693	24,436	24,263	23,657	21,585	20,223	19,283
Difference between expected and actual experience	(786)	1,001	(703)	(8,586)	15,019	8,244	(13,656)	578	4,395	(5,173)
Change in assumptions	1,042	(2,992)	16,421	-	-	-	-	14,522	362	2,148
Benefit payments	(21,045)	(19,623)	(18,146)	(16,330)	(15,043)	(30,410)	(13,760)	(13,762)	(11,483)	(9,298)
Net change in total pension liability	18,535	15,824	34,042	9,967	30,912	8,591	1,910	28,357	18,953	13,540
Total pension liability (beginning of year)	424,951	409,127	375,085	365,118	334,206	325,615	323,705	295,348	276,395	262,855
Total pension liability (end of year) (a)	443,486	424,951	409,127	375,085	365,118	334,206	325,615	323,705	295,348	276,395
Plan fiduciary net position										
Employer contributions	8,400	23,100	23,100	23,100	22,300	22,000	27,100	36,200	115,526	-
Employee contributions	2,140	1,919	1,655	1,235	980	732	374	139	-	-
Net investment income	61,077	47,613	59,371	(18,935)	42,293	7,817	1,740	10,805	19,342	12,619
Benefit payments	(21,045)	(19,623)	(18,146)	(16,330)	(15,043)	(30,410)	(13,760)	(13,762)	(11,483)	(9,298)
Administrative expense	(228)	(226)	(226)	(224)	(252)	(216)	(64)	(65)	(62)	(69)
Other	-	-	-	-	(1)	(126)	-	-	-	-
Net change in fiduciary net position	50,344	52,783	65,754	(11,154)	50,277	(203)	15,390	33,317	123,323	3,252
Plan fiduciary net position (beginning of year)	430,112	377,329	311,575	322,729	272,452	272,655	257,265	223,948	100,625	97,373
Plan fiduciary net position (end of year) (b)	480,456	430,112	377,329	311,575	322,729	272,452	272,655	257,265	223,948	100,625
Net pension liability (end of year) (a) - (b)	$ (36,970)	$ (5,161)	$ 31,798	$ 63,510	$ 42,389	$ 61,754	$ 52,960	$ 66,440	$ 71,400	$ 175,770
Plan fiduciary net position as percent of total pension liability	108.3 %	101.2 %	92.2 %	83.1 %	88.4 %	81.5 %	83.7 %	79.5 %	75.8 %	36.4 %
Covered payroll (pension)	$ 181,577	$ 182,973	$ 177,841	$ 165,710 *	$ 168,165	$ 146,438	$ 142,319	$ 136,999	$ 144,445	$ 145,324
Net pension liability as percent of covered payroll	(20.4)%	(2.8)%	17.9 %	38.3 % *	25.2 %	42.2 %	37.2 %	48.5 %	49.4 %	121.0 %
Deferred outflows of resources										
Employer contributions after measurement date	$ 4,050	$ 5,775	$ 5,775	$ 5,775	$ -	$ -	$ -	$ 5,000	$ 18,500	$ -
Fiduciary net position as percent of liability including deferred outflows of resources	109.2 %	102.6 %	93.6 %	84.6 %	88.4 %	81.5 %	83.7 %	81.0 %	82.1 %	36.4 %
Net pension liability as percent of covered payroll including deferred outflows of resources	(22.6)%	(6.0)%	14.6 %	34.8 % *	25.2 %	42.2 %	37.2 %	44.8 %	36.6 %	121.0 %

* The Fiscal Year 2019 amounts for Covered Payroll (pension) has been reduced by $8.0 Million, Net pension liability as a percent of covered payroll has been increased by 1.7%, and Net pension liability as a percent of covered payroll including deferred outflows of resources has been increased by 1.6% to correct an immaterial error in the previously presented information.

The following table summarizes the significant actuarial assumptions used to determine net pension liability and plan fiduciary net position as of June 30 for the years presented (unless otherwise indicated, the same assumption was used for the valuations for all years):

Discount rate	December 31, 2019 - 2021	7.00%
	December 31, 2012 - 2018	7.50%
Demographic assumptions		
Mortality table for healthy participants	December 31, 2021	Pri-2012 mortality tables and projected forward using MP-2021 projection scale on a generational basis
	December 31, 2020	Pri-2012 mortality tables projected forward generationally using MP-2020 projection scale
	December 31, 2019	Pri-2012 mortality tables projected forward generationally using MP-2019 projection scale
	December 31, 2014 - 2018	RP-2014 base table with two-dimensional projection scale BB projected generationally
	December 31, 2012 - 2013	Internal Revenue Code Section 430(h)(3)(A) using static tables and separate mortality rates for annuitants and non-annuitants
Mortality table for disabled participants	December 31, 2021	Pri-2012 disabled tables and projected forward using MP-2021 projection scale on a generational basis
	December 31, 2020	Pri-2012 disabled mortality tables projected forward generationally using MP-2020 projection scale
	December 31, 2019	Pri-2012 disabled mortality tables projected forward generationally using MP-2019 projection scale
	December 31, 2014 - 2018	RP-2014 Disabled retiree table
	December 31, 2012 - 2013	RP-2000 Disabled mortality tables for females and males

Defined Benefit Post-Employment Medical Plan (OPEB)

The following table summarizes contributions to the OPEB Plan from July 1, 2016 (year of GASB 75 adoption) to June 30, 2022:

(in thousands)	Actuarially Determined Contribution	Actual Contribution	Contribution Excess (Deficiency)	Covered Employee Payroll [1]	Contributions as % of Covered Employee Payroll [1]
Fiscal Year Ended					
2017	$ 5,099	$ 1,455	$ (3,644)	$ 146,438	0.99%
2018	5,451	5,995	544	168,165	3.56%
2019	6,200	6,400	200	165,710	3.86%
2020	7,400	4,891	(2,509)	177,841	2.75%
2021	7,400	6,046	(1,354)	182,973	3.30%
2022	7,400	5,444	(1,956)	181,577	3.00%
	$ 38,950	$ 30,231	$ (8,719)		

[1] Required disclosure; neither OPEB Plan contributions nor benefits are based on covered employee payroll.

Washington Township Health Care District
Required Supplementary Pension and Postemployment Benefits Information (unaudited)

The following table summarizes changes in the net postemployment medical benefits (OPEB) liability from July 1, 2016 (year of GASB 75 adoption) to June 30, 2022, and related ratios:

(in thousands)	2022	2021	2020	2019	2018	2017
Total postemployment medical benefits (OPEB) liability						
Service cost	$ 1,911	$ 1,885	$ 1,473	$ 3,049	$ 2,948	$ 3,007
Interest	4,155	3,948	3,461	2,495	2,457	2,260
Difference between expected and actual experience	349	(555)	(265)	368	-	-
Change of assumptions	(1,217)	(385)	6,880	(29,183)	3,541	(2,045)
Benefit payments	(2,005)	(1,904)	(1,508)	(1,569)	(1,494)	(1,412)
Net change in postemployment medical benefits (OPEB) liability	3,193	2,989	10,041	(24,840)	7,452	1,810
Total postemployment medical benefits (OPEB) liability (beginning of year)	58,442	55,453	45,412	70,252	62,800	60,990
Total postemployment medical benefits (OPEB) liability (end of year)	61,635	58,442	55,453	45,412	70,252	62,800
Plan fiduciary net position						
Employer contributions	5,305	5,204	4,808	9,969	1,494	1,412
Net investment income	2,689	1,900	1,510	(270)	-	-
Benefit payments	(2,005)	(1,904)	(1,508)	(1,569)	(1,494)	(1,412)
Administrative expense	(53)	(52)	(49)	(15)	-	-
Other	-	-	1	(2)	-	-
Net change in fiduciary net position	5,936	5,148	4,762	8,113	-	-
Fiduciary net position (beginning of year)	18,023	12,875	8,113	-	-	
Fiduciary net position (end of year)	23,959	18,023	12,875	8,113	-	-
Net postemployment medical benefits (OPEB) liability (end of year)	$ 37,676	$ 40,419	$ 42,578	$ 37,299	$ 70,252	$ 62,800
Fiduciary net position as percent of liability	38.9%	30.8%	23.2%	17.9%	0.0%	0.0%
Covered employee payroll	$ 181,577	$ 182,973	$ 177,841	$ 165,710	$ 168,165	$ 146,438
NOL as a % of Covered Emplyee Payroll	20.7%	22.1%	23.9%	21.5%	41.8%	42.9%
Deferred outflows of resources						
Employer contributions after measurement date	$ 2,750	$ 2,611	$ 1,769	$ 1,686	$ 4,500	$ -
Fiduciary net position as percent of liability including deferred outflows of resources	43.3 %	35.3 %	26.4 %	21.6 %	6.4 %	0.0 %
Net OPEB liability as percent of covered employee payroll including deferred outflows of resources	19.2 %	20.7 %	22.9 %	21.5 %	39.1 %	42.9 %

The following table summarizes the significant actuarial assumptions used to determine net OPEB liability and plan fiduciary net position as of June 30 for the years presented (unless otherwise indicated, the same assumption was used for the valuations for all years):

Discount rate	December 31, 2019 - 2021	7.00%
	December 31, 2018	7.50%
	December 31, 2017	3.44%
	December 31, 2016	3.78%
	December 31, 2015	3.57%
Other assumptions		
Healthcare cost trend rate	Getzen Model of Long-Run Medical Cost Trends	

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE INCLUDING THE ELEVENTH SUPPLEMENTAL INDENTURE

The following is a brief summary of certain provisions of the Indenture, dated as of July 1, 1993, between the District and Union Bank, N.A., a national banking association formerly known as Union Bank of California, N.A., as trustee (the "Initial Trustee"), having since been replaced by U.S. Bank National Association, as trustee (the "Trustee"), subsequently amended by certain Supplemental Indentures, dated as of March 15, 1994, April 1, 1999, June 1, 2007, December 1, 2009, November 1, 2010, November 1, 2015, April 1, 2017, June 1, 2017, July 1, 2019, December 1, 2020 and the Eleventh Supplemental Indenture, dated as of September 1, 2023 (as so amended, the "Indenture"). The Eleventh Supplemental Indenture sets forth certain terms and provisions for the issuance and sale of the 2023 Series A Bonds which are more fully described in the forepart of this Official Statement. This summary is not to be considered a full statement of the terms of the Indenture and accordingly is qualified by reference thereto and subject to the full text thereof. Capitalized terms not defined in this Appendix or in the Official Statement to which it is attached have the meanings set forth in the Indenture.

Definitions

"Accountant" means any independent certified public accountant or firm of such accountants selected by the District.

"Additional Bonds" means all Bonds authorized by and at any time Outstanding pursuant to the Indenture and any Supplemental Indenture, other than the Series 1993 Bonds. Additional Bonds includes the 2023 Series A Bonds.

"Additional Project" means any additions, extensions, alterations or improvements to the Health Facilities financed with the proceeds of an additional Series of Bonds.

"Annual Debt Service" means for each Fiscal Year, the aggregate amount (without duplication) of principal and interest scheduled to become due (either by maturity or by mandatory redemption) and sinking fund payments required to be paid in that Fiscal Year on all Long-Term Indebtedness, less any amounts on deposit in escrow to be applied during that Fiscal Year to pay principal or interest on Long-Term Indebtedness.

"Authorized Representative" means, with respect to the District, its chief executive officer or any other person designated as an Authorized Representative of the District by a Certificate of the District signed by its chief executive officer and filed with the Trustee.

"Balloon Indebtedness" means Long-Term Indebtedness 25% or more of the principal of which becomes due (either by maturity or mandatory redemption) or may be tendered for purchase or payment at the option of the holder during any period of 12 consecutive months; which portion of the principal is not required by the documents governing such Indebtedness to be amortized by redemption prior to such date.

"Board" means the Board of Directors of the District.

"Book Value" means, when used in connection with Property, Plant and Equipment or other Property of the District, the value of such property, net of accumulated depreciation, as it is carried on the books of the District and in conformity with generally accepted accounting principles.

"Business Day" means any day other than a Saturday, Sunday, or a day on which banking institutions in San Francisco, California are authorized or obligated by law or executive order to be closed.

"Capitalized Interest Account" means the subaccount so designated and established pursuant to the Indenture and described in further detail below.

"Certificate," "Statement," "Request," "Requisition" and "Order" of the District mean, respectively, a written certificate, statement, request, requisition or order signed in the name of the District by an Authorized Representative of the District. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by the Indenture, each such instrument shall include the statements provided for in the Indenture.

"Completion Indebtedness" means any Long-Term Indebtedness incurred for the purpose of financing the completion of construction or equipping of any project for which Long-Term Indebtedness has theretofore been incurred in accordance with the provisions of the Indenture, to the extent necessary to provide a completed and fully equipped facility of the type and scope contemplated at the time said Long-Term Indebtedness was incurred, and in accordance with the general plans and specifications for such facility as originally prepared and approved in connection with the related financing, modified or amended only in conformance with the provisions of the documents pursuant to which the related financing was undertaken.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the District and related to the authorization, execution, sale and delivery of the Bonds, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, financial advisor fees and expenses, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of Bonds, and any other cost, charge or fee in connection with the original delivery of Bonds.

"Costs of Issuance Fund" means the fund so designated and established pursuant to the Indenture and described in further detail below.

"Depository Bank" means any of the banks or financial institutions so designated pursuant to the Indenture.

"Event of Default" means any of the events enumerated as such in the Indenture.

"Facilities" means (i) the real property described in the Indenture and all buildings, structures and fixtures thereon and (ii) all tangible personal property owned by the District and used on or about the property described in the Indenture whether now existing or hereafter constructed, installed or acquired, including but not limited to the personal property described in the Indenture.

"Fiscal Year" means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period hereafter selected and designated as the official fiscal year period of the District.

"Gross Revenue Fund" means the fund by that name established pursuant to the Indenture.

"Guaranty" means all loan commitments and all obligations of the District guaranteeing in any manner whatever, whether directly or indirectly, any obligation of any other Person which would, if such other Person were the District, constitute Indebtedness.

"Health Facilities" means (i) the real property described in the Indenture and all real property added from time to time to the Health Facilities by a Supplemental Indenture and (ii) all buildings, structures and fixtures thereon and improvements thereto.

"Holder" or "Bondholder," whenever used in the Indenture with respect to a Bond, means the person in whose name such Bond is registered.

"Income Available for Debt Service" means, with respect to the District, as to any period of time, the excess of revenues over expenses of the District for such period, to which shall be added depreciation, amortization and interest, all as determined in accordance with generally accepted accounting principles, and to which also shall be added any tax receipts or unrestricted contributions of the District for such period of time which do not constitute revenues in accordance with generally accepted accounting principles; provided that no such determination shall include (1) any gain or loss resulting from either the extinguishment of Indebtedness or any disposition of capital assets not made in the ordinary course of business; (2) gifts, grants, bequests, donations or contributions, to the extent specifically restricted by the donor to a particular purpose inconsistent with their use for the payment of principal of, redemption premium and interest on Indebtedness or the payment of operating expenses; (3) the net proceeds of insurance (other than business interruption insurance) and condemnation awards; and (4) extraordinary non-cash items.

"Indebtedness" means any Guaranty and any indebtedness or obligation of the District (other than accounts payable and accruals), as determined in accordance with generally accepted accounting principles, including obligations under conditional sales contracts or other title retention contracts, and rental obligations under leases which are considered capital leases under generally accepted accounting principles.

"Independent Consultant" means a firm (but not an individual) which (1) is in fact independent, (2) does not have any direct financial interest or any material indirect financial interest in the District, and (3) is not connected with the District as an officer, employee, promoter, underwriter, trustee, partner, director or person performing similar functions, and designated by the District and acceptable to the Trustee, qualified to pass upon questions relating to the financial affairs of facilities of the type or types operated by the District and having a favorable reputation for skill and experience in the financial affairs of such facilities.

"Industry Restrictions" means federal, state or other applicable governmental laws or regulations placing restrictions and limitations on the rates, fees and charges to be fixed, charged and collected by the District.

"Interest Account" means the account by that name in the Revenue Fund established pursuant to the Indenture.

"Investment Securities" means any investments in which surplus moneys may be invested pursuant to the Law and (i) California Government Code Sections 53600-53609, as now in effect and as may from time to time be amended or supplemented and (ii) California Government Code Section 16429.1, as now in effect and as may from time to time be amended or supplemented, only with respect to the Project Fund and the Capitalized Interest Account.

"Law" means The Local Hospital District Law, constituting Division 23 of the Health and Safety Code of the State of California, as now in effect and as it may from time to time be amended or supplemented.

"Long-Term Debt Service Coverage Ratio" means, for any period of time, the ratio determined by dividing Income Available for Debt Service by Maximum Annual Debt Service***; provided, however, that the District shall not take into account any District obligations described in Government Accounting Standards Board Statements 87 or 96 in making such determinations.***[*]

"Long-Term Indebtedness" means Indebtedness having an original maturity greater than one year or renewable at the option of the District for a period greater than one year from the date of original incurrence or issuance thereof unless, by the terms of such Indebtedness, no Indebtedness is permitted to be outstanding thereunder for a period of at least 30 consecutive days during each calendar year.

"Mandatory Sinking Account Payment" means, with respect to Bonds of any Series and maturity, the amount required by the Indenture or any Supplemental Indenture to be paid by the District on any single date for the retirement of Term Bonds of such Series and maturity.

"Maximum Annual Debt Service" shall mean the greatest amount of Annual Debt Service becoming due and payable in any Fiscal Year including the Fiscal Year in which the calculation is made or any subsequent Fiscal Year; provided, however, that for the purposes of computing Maximum Annual Debt Service:

(a) there shall be included in the Indebtedness of the District twenty percent (20%) of the debt of any Person guaranteed by the District; provided, however, that if the District is required to make payments with respect to any such guarantee, one hundred percent (100%), of such guaranteed debt shall be included in the Indebtedness of the District for so long as the District is required to make payments with respect to such guaranteed debt;

(b) for any Indebtedness for which a binding commitment, letter of credit or other credit arrangement providing for the extension of such Indebtedness beyond its original maturity date exists, the computation of Maximum Annual Debt Service shall, at the option of the District, be made on the assumption that such Indebtedness will be amortized in accordance with such credit arrangement;

(c) for any Balloon Indebtedness, the computation of Maximum Annual Debt Service shall, at the option of the District, assume that such Indebtedness is to be amortized over a period of years to be specified by the District up to a 20-year period, beginning on the date of maturity of such Indebtedness or such earlier date as may be specified by the District, assuming level debt service and a rate of interest (determined as of the time of calculation of Maximum Annual Debt Service) equal to the average rate, certified in a Certificate of the District (which shall be accompanied by and based on an opinion of a banking or investment banking firm, which shall be knowledgeable in matters relating to health care finance) delivered to the Trustee, at which the District could reasonably expect to borrow with such specified term;

(d) if interest on Long-Term Indebtedness is payable pursuant to a variable interest rate formula, the interest rate on such Long-Term Indebtedness for periods when the actual interest rate cannot yet be determined shall be assumed to be equal to the average interest rate calculated pursuant to the provisions of the agreement pursuant to which such Long-Term Indebtedness was incurred during the one

[*] The italicized language reflects an amendment proposed in the Eleventh Supplement which is subject to the consent of the holders of a majority in principal amount of the Outstanding Bonds. See the discussion in the forepart of this Official Statement under "Proposed Amendment to Original Indenture."

calendar year prior to the date of calculation or the interest rate that would have been the average interest rate calculated during the one year prior to the date of calculation had such Long-Term Indebtedness been outstanding for the previous year;

(e) debt service on Long-Term Indebtedness incurred to finance capital improvements shall be included in the calculation of Maximum Annual Debt Service only in proportion to the amount of interest on such Long-Term Indebtedness which is payable in the then-current Fiscal Year from sources other than the proceeds of such Long-Term Indebtedness; and

(f) if moneys or Investment Securities consisting of: (1) 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; (2) obligations, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following: Banks for Cooperatives, Federal Intermediate Credit Banks, Federal Home Loan Bank System, Export-Import Bank of the United States, Federal Financing Bank, Federal Land Banks, Government National Mortgage Association, Farmer's Home Administration, Small Business Administration, Federal Home Loan Mortgage Corporation or Federal Housing Administration, (3) certificates which evidence ownership of the right to the payment of the principal of and interest on obligations described in clauses (1) and (2), provided that such obligations are held in the custody of a bank or trust company acceptable to the Master Trustee in a special account separate from the general assets of such custodian, and (4) obligations the interest on which is excluded from gross income for purposes of federal income taxation pursuant to Section 103 of the Internal Revenue Code of 1986, and the timely payment of the principal of and interest on which is fully provided for by the deposit in trust or escrow of cash or obligations described in clauses (1), (2) or (3) have been deposited with a trustee in an amount, together with earnings thereon, sufficient to pay the principal of or interest on Long-Term Indebtedness as it comes due, such principal or interest, as the case may be, shall be excluded from the calculation of Maximum Annual Debt Service.

"Net Proceeds" means the proceeds of hazard insurance or condemnation awards received with respect to the Facilities after prior claim thereto of the trustee under the resolution authorizing the issuance of the Washington Hospital Authority 1971 Hospital Facility Revenue Bonds has been satisfied.

"Opinion of Counsel" means a written opinion of counsel (who may be counsel for the District) selected by the District, acceptable to the Trustee. If and to the extent required by the provisions of the Indenture, each Opinion of Counsel shall include the statements provided for in the Indenture.

"Optional Redemption Account" means the account by that name in the Redemption Fund established pursuant to the Indenture.

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of the Indenture) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except (1) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (2) Bonds with respect to which all liability of the District shall have been discharged in accordance the Indenture; and (3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

"Parity Debt" means the (1) the 1985 Bonds, (2) the 1985 Reimbursement Agreement, and (3) any indebtedness (i) incurred by the District in accordance with the provisions of the Indenture and (ii) secured by a lien on or security interest in Revenues or other collateral equally and ratably with the obligations of the District under the Indenture. The terms of such indebtedness described in clauses (i) and (ii) above shall require that (a) an event of default for such indebtedness shall include an Event of Default, (b) rights and obligations of the holders of Parity Debt shall be substantially the same as the rights and obligations of the Holders of the Bonds under the Indenture, and (c) remedies upon an Event of Default shall be substantially the same as the remedies provided in the Indenture and, prior to exercising any such remedies, the holder of the Parity Debt (or a trustee representing their interests) shall be required to cooperate with the Trustee to the end that the interests of such holders and the Bondholders shall be equally protected.

"Permitted Encumbrances" means and includes: (1) undetermined liens and charges incident to construction or maintenance, and liens and charges incident to construction or maintenance filed of record which are being contested in accordance with the Indenture; (2) the lien of taxes and assessments which are not delinquent or, if delinquent, are being contested in accordance with the Indenture; (3) minor defects and irregularities in the title to the Facilities which in the aggregate do not materially adversely affect the value or operation of the Facilities for the purposes for which they are or may reasonably be expected to be used; (4) easements, exceptions or reservations for the purpose of pipelines, telephone lines, telegraph lines, power lines and substations, roads, streets, alleys, highways, railroad purposes, drainage and sewerage purposes, dikes, canals, laterals, ditches, the removal of oil, gas, coal or other minerals, and other like purposes, or for the joint or common use of real property, facilities and equipment, which in the aggregate do not materially interfere with or impair the operation of the Facilities for the purposes for which they are or may reasonably be expected to be used; (5) rights reserved to or vested in any municipality or governmental or other public authority to control or regulate or use in any manner any portion of the Facilities which do not materially impair the operation of the Facilities for the purposes for which they are or may reasonably be expected to be used; (6) any obligations or duties affecting any portion of the Facilities to any municipality or governmental or other public authority with respect to any right, power, franchise, grant, license or permit; (7) present or future valid zoning laws and ordinances; (8) the rights of the Trustee under the Indenture; (9) liens securing indebtedness for the payment, redemption or satisfaction of which money (or evidences of indebtedness) in the necessary amount shall have been deposited in trust with a trustee or other holder of such indebtedness; (10) statutory rights of the United States of America to recover against the District by reason of federal funds made available under 42 U.S.C. Sections 291 et seq., and similar rights under other federal and state statutes; (11) statutory liens arising in the ordinary course of business which are not delinquent or are being contested in good faith by the District; (12) liens, charges and encumbrances as shown on Exhibit C of the Indenture; (13) the lease or license of the use of a part of the Facilities for use in performing professional or other services necessary for the proper and economical operation of the Facilities in accordance with customary business practices in the industry; (14) purchase money security interests, provided the fair market value of any asset so encumbered shall equal or exceed the amount of indebtedness so secured; (15) the Site Lease and Project Lease, both dated as of February 1, 1971, by and between the District and the Washington Hospital Authority; and (16) any other lien or encumbrance (including without limitation capitalized leases) provided that, at the option of the District, the aggregate Book Value or the aggregate fair market value of the property subject to all such liens and encumbrances incurred pursuant to this clause (16) does not exceed 20% of the aggregate Book Value or the aggregate fair market value, respectively, of the Property of the District immediately preceding the creation of such lien or encumbrance.

"Person" means a corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

"Principal Account" means the account by that name in the Revenue Fund established pursuant to the Indenture.

"Principal Corporate Trust Office" or "principal corporate trust office" means the office of the Trustee as may be specified to the District by the Trustee.

"Project Accounts" means the accounts in the Project Fund so designated and established pursuant to the Indenture.

"Project Fund" means the fund by that name established pursuant to the Indenture.

"Property" means any and all rights, titles and interests in and to any and all property of the District whether real or personal, tangible or intangible and wherever situated.

"Property, Plant and Equipment" means all Property of the District which is considered property, plant and equipment of such Persons under generally accepted accounting principles.

"Rebate Fund" means the fund by that name established pursuant to the Indenture.

"Redemption Fund" means the fund by that name established pursuant to the Indenture.

"Redemption Price" means, with respect to any Bond (or portion thereof), the principal amount of such Bond (or portion) plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and the Indenture.

"Revenue Fund" means the fund by that name established pursuant to the Indenture.

"Serial Bonds" means the Bonds, falling due by their terms in specified years, for which no Mandatory Sinking Account Payments are provided.

"Series," whenever used with respect to Bonds, means all of the Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction, regardless of variations in maturity, interest rate, redemption and other provisions, and any Bonds thereafter authenticated and delivered upon transfer or exchange of or in lieu of or in substitution for (but not to refund) such Bonds as provided in the Indenture.

"Short-Term Indebtedness" means indebtedness of the District which (1) has a final maturity not more than 365 days after the date of creation thereof, and (2) is not, pursuant to the terms of a revolving credit or similar agreement or otherwise, renewable or extendable at the option of the District to a date or for a period or periods ending more than 365 days after the date of creation thereof, unless, by the terms of such agreement, no indebtedness is permitted to be outstanding thereunder for a period of at least thirty (30) consecutive days during each period of twelve (12) consecutive months, beginning with the effective date of such agreement.

"Sinking Accounts" means the subaccounts in the Principal Account so designated and established pursuant to the Indenture.

"Special Redemption Account" means the account by that name in the Redemption Fund established pursuant to the Indenture.

"Supplemental Indenture" means any indenture duly authorized and entered into between the District and the Trustee, amendatory of or supplemental to the Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized in the Indenture.

"Term Bonds" means the Bonds payable at or before their specified maturity date or dates from Mandatory Sinking Account Payments established for that purpose and calculated to retire such Bonds on or before their specified maturity date or dates.

"Total Revenues" means the sum of total operating revenues (net of deductions to revenues), plus net non-operating revenues, as shown on the financial statements of the District, determined in accordance with generally accepted accounting principles, plus any investment income which is offset against interest expense in accordance with generally accepted accounting principles and as a result is not included in total operating revenues or non-operating revenues.

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THE BONDS

Authorization of Bonds

Bonds may be issued under the Indenture from time to time in order to obtain moneys to carry out the purposes of the District, subject to the provisions described under the heading "ADDITIONAL BONDS," subheadings "Issuance of Additional Series of Bonds" and "Proceedings for Issuance of Additional Series of Bonds" below. The maximum principal amount of Bonds which may be issued is not limited. The Bonds are designated generally as "Revenue Bonds"; each Series thereof to bear such additional designation as may be necessary or appropriate to distinguish such Series from every other Series of Bonds. The Bonds may be issued in such Series as from time to time shall be established and authorized by the District, subject to the covenants, provisions and conditions contained in the Indenture.

Transfer of Bonds

Any Bond may, in accordance with its terms, be transferred, upon the register required to be kept pursuant to the provisions of the Indenture, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Trustee. Every Bond so surrendered to the Trustee shall be canceled by it and delivered to, or upon the Order of, the District.

Whenever any Bond or Bonds shall be surrendered for transfer, the District shall execute and the Trustee shall authenticate and deliver a new Bond or Bonds, of the same Series and maturity and for a like aggregate principal amount. The Trustee shall require the Bondholder requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer, and may in addition require the payment of a reasonable sum to cover expenses incurred by the District or the Trustee in connection with such transfer.

Exchange of Bonds

Bonds may be exchanged at the Principal Corporate Trust Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations of the same Series and maturity; provided that no registration of transfer or exchange may occur following the selection of Bonds for redemption, or of any Bond selected for redemption. The Trustee shall require the Bondholder requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange, and may in addition require the payment of a reasonable sum to cover expenses incurred by the District or the Trustee in connection with such exchange. Every Bond so surrendered to the Trustee shall be canceled by it and delivered to, or upon the Order of, the District.

Temporary Bonds

The Bonds may be issued in temporary form exchangeable for definitive Bonds when ready for delivery. Any temporary Bond may be printed, lithographed or typewritten, shall be of such denomination as may be determined by the District, shall be in registered form and may contain such reference to any of the provisions of the Indenture as may be appropriate. A temporary Bond may be in the form of a single Bond payable in installments, each on the date, in the amount and at the rate of interest established for the Bonds of such Series maturing on such date. Every temporary Bond shall be executed by the District and authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. If the District issues temporary Bonds, it will execute and deliver definitive Bonds as promptly thereafter as practicable, and thereupon the temporary Bonds may be surrendered; for cancellation, in exchange therefor at the Principal Corporate Trust Office of the Trustee and the Trustee shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations of the same Series and maturity or maturities. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under the Indenture as definitive Bonds authenticated and delivered under the Indenture.

Bonds Mutilated, Lost, Destroyed or Stolen

If any Bond shall become mutilated, the District, at the expense of the Holder of said Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor and number in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be canceled by it and delivered to, or upon the order of, the District. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the District and the Trustee and, if such evidence be satisfactory to both and indemnity satisfactory to them shall be given, the District, at the expense of the Holder, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor and number in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured or shall be about to mature, instead of issuing a substitute Bond, the Trustee may pay the same without surrender thereof). The District may require payment of a sum not exceeding the actual cost of preparing each new Bond issued and of the expenses which may be incurred by the District and the Trustee in the premises. Any Bond issued under these provisions in lieu of any Bond alleged to be lost, destroyed or stolen constitutes an original additional contractual obligation on the part of the District whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of the Indenture with all other Bonds secured by the Indenture.

FUNDS AND ACCOUNTS

Establishment and Application of Costs of Issuance Fund

The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Costs of Issuance Fund." Moneys deposited in said fund shall be used to pay Costs of Issuance of such Series of Bonds upon Requisition of the District stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. At the end of one year from the date of issuance of such Series of Bonds, or upon earlier receipt of a Certificate of the District that amounts in said fund are no longer required for the payment of such Costs of Issuance, said account shall be terminated and any amounts then remaining in said fund shall be transferred, at the option of the District, to the Optional Redemption Account and applied to the redemption of such Series of Bonds on the next succeeding date on which such Bonds may be called for redemption or to the Principal Account and applied as soon as possible to the payment of the principal of such Bonds.

Establishment and Application of Project Fund

The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Project Fund." The moneys in a Project Account shall be used by the District to pay the costs of the project with respect to which such account was established, including any interest payable during the construction of such project.

Before any payment from a Project Account shall be made, the District shall file or cause to be filed with the Trustee a Requisition of the District stating (i) the name of the person to whom each such payment is due, which may be the District in the case of reimbursement for costs of the Project theretofore paid by the District; (ii) the respective amounts to be paid; (iii) the purpose by general classification for which each obligation to be paid was incurred; and (iv) that obligations in the stated amounts have been incurred by the District and are presently due and payable and that each item thereof is a proper charge against such Project Account and has not been previously paid from said account.

When a Project for which a separate Project Account has been established shall have been completed, a Certificate of the District stating the fact and date of such completion and stating that all of the costs thereof have been determined and paid (or that all of such costs have been paid less specified claims which are subject to dispute and for which a retention in such Project Account is to be maintained in the full amount of such claims until such dispute is resolved), and at which time, upon the filing of a Certificate of the District with the Trustee to that effect, any amounts not needed to pay Project costs shall be transferred to the Revenue Fund, shall be delivered to the Trustee by the District. Upon receipt of such Certificate, the Trustee shall transfer any remaining balance in the Project Account, less the amount of any such retention, to such other Project Account as may be specified in writing by the District to the Trustee, and otherwise to the Revenue Fund.

ADDITIONAL BONDS

Issuance of Additional Series of Bonds

The District may by Supplemental Indenture establish one or more other Series of Bonds, payable from Revenues and secured by the pledge made under the Indenture equally and ratably with Bonds previously issued, and the District may issue, and the Trustee may authenticate and deliver to the purchasers thereof, Bonds of any Series so established, in such principal amount as shall be determined by the District, but only upon compliance by the District with the provisions of the Indenture and any additional requirements set forth in said Supplemental Indenture and subject to the following specific conditions, which are made conditions precedent to the issuance of any such additional Series of Bonds:

(a) No Event of Default shall have occurred and then be continuing.

(b) The Supplemental Indenture providing for the issuance of such Series shall specify the purposes for which such Series is being issued, which shall be one or more of the following: (1) to acquire, install, construct or complete an Additional Project, including reimbursements of any sums advanced by the District for such purposes, by depositing into the Project Account established for such Additional Project, the proceeds of such Series to be so applied, (2) to refund all or part of the Bonds of any one or more Series then Outstanding, by depositing with the Trustee, in trust, moneys or Investment Securities consisting of 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 in the necessary amount to discharge all liability of the District with respect to the Bonds to be refunded as provided in the Indenture, or (3) to provide moneys needed to refund all or part of any other Long-term Indebtedness. Such Supplemental Indenture may, but is not required to, provide for the payment of expenses incidental to such purposes, including the costs of issuance of such Series, interest on Bonds of such Series and, in the case of Bonds issued to refund other Bonds or Long-term Indebtedness, expenses incident to calling, redeeming, paying or otherwise discharging the Bonds or Long-term Indebtedness to be refunded.

(c) the Bonds of such Series shall be payable as to principal on July 1 in each year in which principal becomes due, and shall be payable as to interest semiannually on January 1 and July 1 in each year, except that the first installment of interest may be payable on either January 1 or July 1 and shall be for a period not longer than twelve (12) months.

(d) The aggregate principal amount of Bonds issued thereunder shall not exceed any limitation imposed by law or by any Supplemental Indenture.

(e) The Bonds of such Series shall satisfy the requirements with respect to Long-Term Indebtedness set forth under the heading "DISTRICT COVENANTS - Limitation on Indebtedness," subsections (a), (b) or (c) below.

Nothing contained in the Indenture shall prevent or be construed to prevent the Supplemental Indenture providing for the issuance of Additional Bonds from pledging or otherwise providing, in addition to the security given or intended to be given by the Indenture, additional security for the benefit of such Additional Bonds or any portion thereof.

Proceedings for Issuance of Additional Series of Bonds

Whenever the District shall determine to issue an additional Series of Bonds pursuant to the Indenture, the District shall execute a Supplemental Indenture specifying the principal amount and prescribing the forms of Bonds of such additional Series and providing the manner of sale, terms, conditions, distinctive designation, denominations, methods of numbering, date, maturity date or dates, interest rate or rates (or the manner of determining same), interest payment dates, redemption provisions and place or places of payment of principal or Redemption Price, if any, of and interest on such Bonds, and any other provisions respecting the Bonds of such Series not inconsistent with the terms of the Indenture.

Before such additional Series of Bonds shall be issued and delivered, the District shall file the following documents with the Trustee (upon which the Trustee may conclusively rely in determining whether the conditions precedent to the issuance, authentication and delivery of such additional series of Bonds have been satisfied):

(a) An executed copy of the Supplemental Indenture authorizing such Series.

(b) A Certificate of the District stating that no Event of Default shall have occurred and then be continuing.

(c) Originals or certified copies of the documents required to be furnished to the Trustee prior to the issuance of Long-term Indebtedness pursuant to the heading "DISTRICT COVENANTS - Limitation on Indebtedness" subsection (a), (b) or (c) below, as appropriate.

(d) An opinion of counsel of recognized standing in the field of law relating to municipal bonds to the effect that (1) the District has the right and power under the Law or other laws of the State of California to execute the Indenture and the Supplemental Indenture authorizing the issuance of such Additional Bonds, the Supplemental Indenture satisfies the requirements under the subheading, "Issuance of Additional Series of Bonds," subsections (b) and (c) above, and the Indenture as supplemented by such Supplemental Indenture has been duly and lawfully executed by the District, is in full force and effect and is valid and binding upon the District and enforceable in accordance with its terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights) and no other authorization for the execution of the Indenture or the Supplemental Indenture is required, (2) the Indenture as supplemented by such Supplemental Indenture creates the valid pledge of and charge and lien upon the Revenues and other funds which it purports to create, as provided in the Indenture as supplemented by such Supplemental Indenture, subject to the application thereof to the purposes and on the conditions permitted by the Indenture as supplemented by such Supplemental Indenture, (3) such Additional Bonds are valid and binding special obligations of the District enforceable in accordance with their terms (except as enforcement may be limited by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights) and the terms of the Law or other laws of the State of California and the Indenture as supplemented by such Supplemental Indenture and entitled to the benefits of the Law or other laws of the State of California and the Indenture as supplemented by such Supplemental Indenture, and such Additional Bonds have been duly and validly authorized, executed, issued and delivered in accordance with the Law or other laws of the State of California and the Indenture as supplemented by such Supplemental Indenture and (4) the issuance of such Series will not cause the interest on any Bonds previously issued to become includable in gross income for federal income tax purposes.

REVENUES

Pledge and Assignment; Gross Revenue Fund; Revenue Fund

Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, there are pledged to secure the payment of the principal of and interest or premium, if any, on the Bonds in accordance with their terms and the provisions of the Indenture, and any amounts held in any fund or account established pursuant to the Indenture (other than the Rebate Fund). Said pledge shall constitute a lien on and security interest in such assets and shall attach, be perfected and be valid and binding from and after delivery by the Trustee of the Bonds, without any physical delivery thereof or further act.

The District agrees that, as long as any of the Bonds remain Outstanding, all of the Revenues (other than interest and other investment income) shall be deposited as soon as practicable upon receipt in a fund designated as the "Gross Revenue Fund" which the District shall establish and maintain, subject to the Indenture at such banking institution or institutions as the District shall from time to time designate for such purpose (herein called the "Depository Bank(s)"). Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, the District pledges, and to the extent permitted by law grants a security interest to the Trustee, in the Gross Revenue Fund and all of the Revenues to secure the payment of the principal of and interest or premium, if any on the Bonds and similar payments with respect to Parity Debt and the performance by the District of its other obligations under the Indenture. The District shall execute and cause to be filed Uniform Commercial Code financing statements in form and substance satisfactory to the Trustee, shall execute and cause to be sent to each Depository Bank a notice of the security interest granted and shall execute and deliver such other documents (including, but not limited to, continuation statements) as may be necessary or reasonably requested by the Trustee in order to perfect or maintain as perfected such security interest or give public notice thereof.

Amounts in the Gross Revenue Fund may be used and withdrawn by the District at any time for any lawful purpose, except as provided in the Indenture. In the event that the District is delinquent for more than one Business Day in the payment of any payment required under the Indenture or similar payment with respect to Parity Debt, the Trustee shall notify the District and the Depository Bank(s) of such delinquency, and, unless such payment is paid within ten days after receipt by the District of such notice, the District shall cause the Depository Bank(s) to transfer the Gross Revenue Fund to the name and credit of the Trustee. The Gross Revenue Fund shall continue to be held in the name and to the credit of the Trustee until the amounts on deposit in said fund are sufficient to pay in full (or have been used to pay in full) all such payments in default and until all other Events of Default known to the Trustee shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, whereupon the Gross Revenue Fund (except for the Revenues required to make such payments or cure such defaults) shall be returned to the name and credit of the District. During any period that the Gross Revenue Fund is held in the name and to the credit of the Trustee, the Trustee shall use and withdraw from time to time amounts in said fund, making such withdrawals from amounts in said fund to make the payments required of the District under the Indenture or with respect to any Parity Debt as such payments become due (whether by maturity, redemption, acceleration or otherwise), and, if such amounts shall not be sufficient to pay in full all such payments due on any date, then to the payment of Debt Service on the Bonds and such Parity Debt ratably, according to the amounts due respectively for such Debt Service, without any discrimination or preference, or to such other payments in the order which the Trustee, in its discretion, shall determine to be in the best interests of the holders of the Bonds and such Parity Debt, without discrimination or preference. During any period that the Gross Revenue Fund is held in the name and to the credit of the Trustee, the District shall not be entitled to use or withdraw any of the Revenues unless (and then only to the extent that) the Trustee in its sole discretion so directs for the payment of current or past due operating expenses of the District; provided, however, that the District shall be entitled to use or withdraw any amounts in the Gross Revenue Fund which do not constitute Revenues. The District agrees that a failure to comply with these terms shall cause irreparable harm to the holders from time to time of the Bonds and of Parity Debt, and shall entitle the Trustee, with or without notice, to take immediate action to compel the specific performance of the obligations of the District as provided in the Indenture.

Notwithstanding the foregoing, the District may pledge or grant security interests in its accounts receivable to secure Short-Term Indebtedness incurred in accordance with the provisions of the Indenture as described under the heading "DISTRICT COVENANTS - Limitations on Indebtedness" subsection (d) below.

On or before the fifteenth (15th) day of each June and December as long as any of the Bonds remain Outstanding, the District shall pay to the Trustee for deposit in the Revenue Fund such amount as is required by the Trustee to make the transfers and deposits required in the next succeeding July 1 and January 1, respectively, by the Indenture. Notwithstanding the foregoing, if five Business Days prior to any interest or principal payment date with respect to the Bonds, the aggregate amount in the Revenue Fund is for any reason insufficient or unavailable to make the required payments of principal (or Redemption Price) of or interest on the Bonds then becoming due (whether by maturity, redemption or acceleration), the District shall forthwith transfer the amount of any such deficiency to the Trustee. Each transfer by the District to the Trustee under this provision shall be in lawful money of the United States of America and paid to the Trustee at its Principal Corporate Trust Office. All such moneys shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the "Revenue Fund" which the Trustee shall establish, maintain and hold in trust. All moneys deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture.

If, five days prior to any interest payment date or principal payment date, the Trustee has not received moneys sufficient to make the transfers and deposits required in such month, the Trustee shall immediately notify the District of such insufficiency by telephone and confirm such notification by written notice.

Allocation of Revenues

The Trustee shall transfer from the Revenue Fund and deposit into the following respective accounts (each of which the Trustee shall establish and maintain within the Revenue Fund), the following amounts, in the following order of priority on the following dates, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of moneys sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

First: on January 1 and July 1 in each year, to the Interest Account, the aggregate amount of interest becoming due and payable on all Bonds then Outstanding on such date, until the balance in said account (after taking into account any transfers to be made on said date to the Interest Account from the Capitalized Interest Account) is equal to said aggregate amount of interest; and

Second: on July 1 in each year, to the Principal Account, the aggregate amount of principal becoming due and payable on the Outstanding Serial Bonds on such date plus the aggregate amount of Mandatory Sinking Account Payments required to be paid into the respective Sinking Accounts for Outstanding Term Bonds on such date, in each case during the next ensuing twelve months, until the balance in said account is equal to said aggregate amount of such principal and Mandatory Sinking Account Payments.

Any moneys remaining in the Revenue Fund after the foregoing transfers shall be transferred to the District.

Application of Interest Account

All amounts in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to the Indenture).

Application of Principal Account

All amounts in the Principal Account shall be used and withdrawn by the Trustee solely for the purposes of paying the principal of the Bonds when due and payable, except that all amounts in the Sinking Accounts shall be used and withdrawn by the Trustee solely to purchase or redeem or pay at maturity Term Bonds, as provided in the Indenture.

The Trustee shall establish and maintain within the Principal Account a separate subaccount for the Term Bonds of each Series and maturity. The Trustee shall transfer the amount deposited in the Principal Account pursuant to the Indenture for the purpose of making a Mandatory Sinking Account Payment (if such deposit is required in such month) from the Principal Account to the applicable Sinking Account. With respect to each Sinking Account, on each Mandatory Sinking Account Payment date established for such Sinking Account, the Trustee shall apply the Mandatory Sinking Account Payment required on that date to the redemption (or payment at maturity, as the case may be) of Term Bonds of the Series and maturity for which such Sinking Account was established, upon the notice and in the manner provided in the Indenture; provided that, at any time prior to giving such notice of such redemption, the Trustee may apply moneys in such Sinking Account to the purchase of Term Bonds of such Series and maturity at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as the Trustee may in its discretion determine or as may be directed by the District, except that the purchase price (excluding accrued interest) shall not exceed the Redemption Price that would be payable for such Bonds upon redemption by application of such Mandatory Sinking Account Payment. If, during the twelve-month period immediately preceding said Mandatory Sinking Account Payment date, the Trustee has purchased Term Bonds of such Series and maturity with moneys in such Sinking Account, or, during said period and prior to giving said notice of redemption, the District has deposited Term Bonds of such Series and maturity with the Trustee, or Term Bonds of such Series and maturity were at any time purchased or redeemed by the Trustee from the Redemption Fund and allocable to said Mandatory Sinking Account Payment, such Bonds so purchased or deposited or redeemed shall be applied, to the extent of the full principal amount thereof, to reduce said Mandatory Sinking Account Payment. All Bonds purchased or deposited pursuant to the aforementioned shall be canceled and delivered by the Trustee to or upon the Order of the District. Any amounts remaining in a Sinking Account when all of the Term Bonds for which such account was established are no longer Outstanding shall be withdrawn by the Trustee and transferred to the Revenue Fund. Subject to a different allocation provided in a Supplemental Indenture for a Series of Bonds issued pursuant to such Supplemental Indenture, all Term Bonds purchased from a Sinking Account or deposited by the District with the Trustee shall be allocated first to the next succeeding Mandatory Sinking Account Payment for such Series and maturity of Bonds, then to such Mandatory Sinking Account Payments for such Series as the District may specify.

Application of Redemption Fund

The Trustee shall establish and maintain within the Redemption Fund (which the Trustee shall establish, maintain and hold in trust) a separate Optional Redemption Account and a separate Special Redemption Account. All amounts deposited in the Optional Redemption Account and in the Special Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of redeeming Bonds, in the manner and upon the terms and conditions specified in the Eleventh Supplemental Indenture and the Indenture as supplemented and amended, respectively, at the next succeeding date of redemption for which notice has not been given and at the redemption prices then applicable to redemptions from the Optional Redemption Account and the Special Redemption Account, respectively; provided that, at any time prior to giving such notice of redemption, the Trustee may apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as the Trustee may in its discretion determine or as may be directed by the District, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to such Bonds. One or more Supplemental Indentures may provide for the establishment of subaccounts within the Optional Redemption Account or the Special Redemption Account for the redemption or purchase of Bonds of particular Series from moneys allocable to such Series and required by a Supplemental Indenture to be deposited into such subaccount. Subject to a different allocation provided for such subaccounts by Supplemental Indentures, all Term Bonds purchased or redeemed from the Redemption Fund shall be allocated first to the next succeeding Mandatory Sinking Account Payment for such Series and maturity of Bonds, then to such Mandatory Sinking Account Payments for such Series as may be specified in a Request of the District.

Rebate Fund

(A) The Trustee shall establish and maintain a fund separate from any other fund established and maintained under the Indenture and designated as the "Rebate Fund." Within the Rebate Fund, the Trustee shall establish and maintain a separate subaccount with respect to each Series of Bonds. The Trustee shall also maintain in such Rebate Fund such other accounts as the District determines shall be necessary to comply with the terms and conditions of the Tax Certificate. Subject to the transfer provisions provided below, all money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Amount (as defined in the Tax Certificate), for payment to the federal government of the United States of America, and neither the District nor the Holder of any Bonds shall have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by the provisions of the Indenture and the Tax Certificate. The Trustee shall be deemed conclusively to have complied with such provisions if it follows the written directions of the District including supplying all necessary information in the manner provided in the Tax Certificate and shall not be required to take any action thereunder in the absence of written directions by the District.

(B) Upon the District's written direction, an amount shall be deposited to the Rebate Fund by the Trustee from deposits by the District if and to the extent required, so that the balance of the Rebate Fund after such deposit shall equal the Rebate Amount. Computations of the Rebate Amount shall be furnished by or on behalf of the District in accordance with the Tax Certificate.

(C) The Trustee shall have no obligation to rebate any amounts required to be rebated pursuant to this subsection, other than from moneys held in the Rebate Fund or from other moneys provided to it by the District.

(D) The Trustee shall invest all amounts held in the Rebate Fund in Investment Securities, subject to the restrictions set forth in the Tax Certificate. Money shall not be transferred from the Rebate Fund except as provided in paragraph (E) below.

(E) Upon receipt of the District's written directions, the Trustee shall remit part or all of the balances in the Rebate Fund to the United States. In addition, if the District so directs, the Trustee will deposit moneys into or transfer moneys out of the Rebate Fund from or into such accounts or funds in accordance with the District's written instructions. Any funds remaining in the Rebate Fund upon redemption and payment of all of the Bonds and payment and satisfaction of any Rebate Amount, or provision made therefore satisfactory to the Trustee, shall be withdrawn and remitted to the District.

(F) Notwithstanding any other provision of the Indenture, the obligation to remit the Rebate Amounts to the United States and to comply with all other requirements of the Indenture and the Tax Certificate shall survive the defeasance or payment in full of the Bonds.

Investment of Moneys in Funds and Accounts

All moneys in any of the funds and accounts held by the Trustee and established pursuant to the Indenture shall be invested by the Trustee, and, upon Request of the District, shall be invested as directed by the District, solely in Investment Securities. Investment Securities may be purchased at such prices as the Trustee may in its discretion determine or as may be directed by the District. All Investment Securities shall be acquired subject to the limitations set forth under the heading "TAX COVENANTS" below and in the Indenture, the limitations as to maturities set forth and such additional limitations or requirements consistent with the foregoing as may be established by Request of the District and not inconsistent with the fiduciary duties of the Trustee.

Unless otherwise provided in a Supplemental Indenture for a Series of Bonds issued pursuant to a Supplemental Indenture, all interest, profits and other income received from the investment of moneys in the Rebate Fund shall be deposited when received in such fund. An amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security shall be credited to the fund or account from which such accrued interest was paid.

Unless otherwise provided in a Supplemental Indenture for a Series of Bonds issued pursuant to a Supplemental Indenture, Investment Securities acquired as an investment of moneys in any fund or account established under the Indenture shall be credited to such fund or account. For the purpose of determining the amount in any such fund or account, all Investment Securities credited to such fund or account shall be valued on July 1 of each year at the lower of cost (exclusive of accrued interest after the first payment of interest following acquisition, but inclusive of commissions) or par value.

The Trustee may commingle any of the funds or accounts established pursuant to the Indenture into a separate fund or funds for investment purposes only, provided that all funds or accounts held by the Trustee under the Indenture shall be accounted for separately as required by the Indenture. Additionally, if moneys in both the Project Fund and the Capitalized Interest Account are invested in Investment Securities described in clause (ii) of the definition thereof contained under the heading "DEFINITIONS" above and only a single withdrawal is permitted under such investment in any single month, no withdrawal may be made in any June or December if moneys are to be transferred from the Capitalized Interest Account on the next succeeding July 1 or January 1, respectively, unless such withdrawal includes the amount to be so transferred to the Interest Account. The Trustee may act as principal or agent in the making or disposing of any investment. The Trustee may sell at the best price obtainable, or present for redemption, any Investment Securities so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Investment Security is credited, and the Trustee shall not be liable or responsible for any loss resulting from such investment.

DISTRICT COVENANTS

Consolidation, Merger, Sale or Transfer under Certain Conditions

The District covenants and agrees that it will not dissolve, sell or otherwise dispose of all or substantially all of its assets or consolidate with or merge into another Person or permit one or more other Persons to consolidate with or merge into it; provided, that the District may, without violating the covenants contained in the Indenture, consolidate with or merge into another Person, or permit one or more other Persons to consolidate with or merge into it, or sell or otherwise transfer to another Person all or substantially all of its assets as an entirety and thereafter dissolve, if:

(a) The surviving, resulting or transferee Person, as the case may be:

(i) assumes in writing, if such Person is not the District, all of the obligations of the District under the Indenture and agrees to fulfill and comply with the terms, covenants and conditions in the Indenture; and

(ii) is not, after such transaction, otherwise in default under any provision of the Indenture;

(b) The Trustee shall have received an Opinion of Counsel who shall be experienced in matters relating to the tax-exempt status of interest on obligations of the same general type as the Bonds, to the effect that such merger, consolidation, sale or other transfer will not cause the interest on the Bonds to be includable in gross income for purposes of federal income taxation under the Code;

(c) The Trustee shall have received an Accountant's report (and, if required by the Indenture, an opinion of an Independent Consultant) to the effect that the District would be able to incur at least one dollar of Long-Term Indebtedness immediately after such transaction pursuant to the heading "DISTRICT COVENANTS – Limitation on Indebtedness," subsection (a)(ii) or (a)(iii) of this heading (after giving effect to subsection (a)(iv), if applicable).

A Person may also agree to become a co-obligor and jointly and severally liable with the District (without the necessity of merger, consolidation or transfer of assets) under the Indenture if the foregoing provisions are satisfied. In such event, references in the Indenture to indebtedness of the District shall apply to the combined indebtedness of the District and such Person and references to the financial condition or results of operation of the District, and such Person, and the District and such Person shall be considered to be the District for all purposes of the Indenture.

If a merger, consolidation, sale or other transfer is effected, these provisions shall continue in full force and effect, and no further merger, consolidation, sale or transfer shall be effected except in accordance with these provisions.

Rates and Charges; Debt Coverage

(A) The District covenants and agrees to budget in each year to produce revenues that are reasonably projected in each Fiscal Year so that the Long-Term Debt Service Coverage Ratio at the end of each such Fiscal Year is not less than 1.10:1.0.

(B) Within one hundred and fifty (150) days after the end of each Fiscal Year, the District shall compute, or cause to be computed, the Long-Term Debt Service Coverage Ratio for such Fiscal Year and promptly furnish to the Trustee a Certificate setting forth the results of such computation. The District further covenants and agrees that if in such Fiscal Year Long-Term Debt Service Coverage Ratio shall have been less than 1.10:1.0, it will promptly employ an Independent Consultant to make recommendations as to a revision of the rates, fees and charges at the Facilities or the methods of operation of the Facilities which will result in producing Long-Term Debt Service Coverage Ratio required by subsection (A) of this subsection in the current Fiscal Year. Copies of the recommendations of the Independent Consultant shall be filed with the Trustee. The District shall, promptly upon its receipt of such recommendations, subject to applicable requirements or restrictions imposed by law and to a good faith determination that such recommendations are in the best interests of the District, revise its rates, fees and charges or its methods of operation and shall take such other action as shall be in conformity with such recommendations. If the District shall fail to comply with the recommendations of the Independent Consultant, subject to the applicable requirements or restrictions imposed by law and such good faith determination, the Trustee may, in addition to the rights and remedies elsewhere set forth in the Indenture, institute and prosecute an action or proceeding in any court or before any board or commission having jurisdiction to compel the District to comply with the recommendations and requirements of this subsection (B). If the District complies in all material respects with the recommendations of the Independent Consultant in respect to said rates, fees, charges and methods of operation and the Long-Term Debt Service Coverage Ratio is not less than 1.0:1.0 in any Fiscal Year, the District will be deemed to have complied with the covenants contained under this subsection for such Fiscal Year notwithstanding that the Long-Term Debt Service Coverage Ratio shall be less than 1.10:1.0; provided, that this sentence shall not be construed as in any way excusing the District from taking any action or performing any duty required under the Indenture or be construed as constituting a waiver of any other Event of Default.

(C) If a written report of an Independent Consultant is delivered to the Trustee stating that Industry Restrictions have made it impossible for the ratio in subsection (A) above to be met, then such ratio shall be reduced to 1.0:1.0.

(D) Notwithstanding the foregoing, the District may permit the rendering of service at, or the use of, the Facilities without charge or at reduced charges, at the discretion of the Board, to the extent necessary for maintaining its tax-exempt status and its eligibility for grants, loans, subsidies or payments from the United States of America, any instrumentality thereof, or the State or any political subdivision or instrumentality thereof.

Limitation on Encumbrances

The District covenants and agrees that it will not create, assume or suffer to exist any mortgage, deed of trust, pledge, security interest, encumbrance, lien or charge of any kind (including the charge upon property purchased under conditional sales or other title retention agreements) (a "security interest") upon the Facilities, unless the obligations of the District under the Indenture and any Parity Debt shall be secured prior to or equally and ratably with any indebtedness or other obligation secured by such security interest; and the District further agrees that if such a security interest is created or assumed by the District, it will make or cause to be made effective a provision whereby the obligations of the District under the Indenture and any Parity Debt will be secured prior to or equally and ratably with such indebtedness or other obligation secured by such security interest; provided, however, that notwithstanding the foregoing provision, the District may create, assume or suffer to exist Permitted Encumbrances, and security interests in accounts receivable to the extent permitted by the provisions of the Indenture.

Limitation on Indebtedness

From and after the delivery of the Indenture, the District covenants and agrees that it will not incur any additional Indebtedness; provided, however, that the District may incur:

(a) Long-Term Indebtedness, provided that:

(i) the aggregate principal amount of such Long-Term Indebtedness and all other Outstanding Long-Term Indebtedness incurred pursuant to this clause (i) and does not exceed 20%, of the Total Revenues of the District for the most recent Fiscal Year for which audited financial statements are available immediately preceding the issuance of such Long-Term Indebtedness (provided that to the extent Long-Term Indebtedness initially incurred pursuant to this clause subsequently complies with any other incurrence requirement such Long-Term Indebtedness shall thereafter not be deemed to be incurred pursuant to this clause); or

(ii) there is delivered to the Trustee a Certificate of the District (accompanied by the written report of an Accountant) certifying the Long-Term Debt Service Coverage Ratio, taking into account all Outstanding Long-Term Indebtedness and the Long-Term Indebtedness proposed to be incurred, for the most recent Fiscal Year for which audited financial statements are available, and such Long-Term Debt Service Coverage Ratio is not less than 1.25:1.0; or

(iii) there is delivered to the Trustee:

(A) a Certificate of the District (accompanied by the written report of an Accountant) certifying the Long-Term Debt Service Coverage Ratio, taking into account all Outstanding Long-Term Indebtedness but not the Long-Term Indebtedness proposed to be incurred, for the most recent Fiscal Year for which audited financial statements are available, and such Long-Term Debt Service Coverage Ratio is not less than 1.25:1.0; and

(B) a Certificate of the District stating the forecasted Long-Term Debt Service Coverage Ratio, taking into account the Long-Term Indebtedness proposed to be incurred, for (x) in the case of Long-Term Indebtedness to finance capital improvements, each of the two complete Fiscal Years succeeding the date on which such capital improvements are expected to be in operation is not less than 1.25:1.0 and for the Fiscal Year immediately succeeding the date on which the proposed Long-Term Indebtedness is proposed to be incurred is not less than 1.20:1.0, or (y) in the case of Long-Term Indebtedness not to finance capital improvements, the complete Fiscal Year succeeding the date on which the proposed Long-Term Indebtedness is to be incurred, and the Long-Term Debt Service Coverage Ratio for such Fiscal Year is not less than 1.25:1.0 and, as shown by forecasted statements of revenues and expenses for such Fiscal Year, accompanied by a statement of the relevant assumptions upon which such forecasted statements are based; or

(iv) there is delivered to the Trustee the written report of an Independent Consultant stating that Industry Restrictions have or will make it impossible for the ratios in clause (iii) hereof to be met, and that such ratios are not less than 1.0:1.0.

(b) Completion Indebtedness without limitation in a principal amount not to exceed 20% of the principal amount of Indebtedness originally incurred to finance the project for which such Completion Indebtedness is being issued.

(c) Long-Term Indebtedness incurred for the purpose of refunding any Outstanding Long-Term Indebtedness so as to render it no longer Outstanding provided that Maximum Annual Debt Service on such refunding Indebtedness does not exceed Maximum Annual Debt Service on the refunded Indebtedness by more than 10%.

(d) Short-Term Indebtedness provided that such Short-Term Indebtedness could be incurred pursuant to the Indenture or:

(i) the total amount of such Short-Term Indebtedness incurred pursuant to this subsection does not exceed 20% of Total Revenues of the District for the most recent Fiscal Year for which audited financial statements are available; and

(ii) in every Fiscal Year, there shall be at least a thirty (30) day period when the balance of such Short-Term Indebtedness is reduced to an amount which shall not exceed 3% of Total Revenues of the District for the most recent Fiscal Year for which audited financial statements of the District are available.

(e) Balloon Indebtedness provided that the conditions described in subsection (a) of this subsection are satisfied with respect to the incurrence of such Balloon Indebtedness utilizing the assumptions specified in clause (c) of the definition of "Maximum Annual Debt Service" contained in the "Definitions" section above.

(f) Liabilities (other than for borrowed money and other than rents payable under lease agreements) incurred in the regular course of operations of the District.

(g) Reimbursement and other obligations arising under reimbursement agreements relating to letters of credit or similar credit facilities used to secure Indebtedness.

Limitation on Disposition of Property

The District will not sell, lease or otherwise dispose of any part of its Property (other than cash) unless:

(a) Such assets have become inadequate, obsolete, worn out, unsuitable, undesirable, unprofitable or unnecessary, and the sale, lease, removal or other disposition thereof will not impair the structural soundness, efficiency or revenue generating capacity of the Facilities; or

(b) The Book Value of the assets so disposed of by the District in the then-current Fiscal Year pursuant to this clause (b), including all dispositions regardless of the value of Property, so disposed of, shall not exceed 5% of the Book Value of Property (as shown on the most recent audited financial statements); or

(c) Such sale or other disposition is in the ordinary course of business or for the fair market value of the Property so disposed of; or

(d) The Trustee receives either:

(i) a Certificate of the District to the effect that the Long-Term Debt Service Coverage Ratio for the most recent Fiscal Year for which audited financial statements are available next preceding such disposition would not be reduced or, if reduced, would not be reduced below 1:75:1.0 (such calculation to be made assuming such disposition had occurred at the beginning of such Fiscal Year);

(ii) a Certificate of the District to the effect that the Long-Term Debt Service Coverage Ratio for the most recent Fiscal Year for which audited financial statements are available next preceding such disposition would not be reduced or, if reduced, would not be reduced below 1.35:1.0 and in no event by more than 20% (such calculation to be made assuming such disposition had occurred at the beginning of such Fiscal Year); or

(iii) the report of an Independent Consultant to the effect that the Long-Term Debt Service Coverage Ratio, as forecasted for each of the two Fiscal Years immediately following the transfer, after giving effect to the transfer, will be not less than 1.50:1.0 and in no event be reduced by more than 20% of which such ratio would have been in the absence of such transfer.

Notwithstanding the foregoing provisions and to the extent permitted by law, the District may transfer (including by lease) all or substantially all of its assets to another Person, provided that:

(1) such Person assumes in writing all of the obligations of the District under the heading "DISTRICT COVENANTS" and "MAINTENANCE, TAXES, INSURANCE AND CONDEMNATION" herein and in the Indenture;

(2) such Person and the District are not, on a combined basis, in default under any provisions of the Indenture following such transfer;

(3) such Person and the District enter into a lease, installment sale, loan or similar agreement whereby such person unconditionally agrees to make payments (however designated) to the District at least equal to the payments required to be made by the District on or before the dates on which such payments are due and payable;

(4) an Opinion of Counsel is delivered to the Trustee to the effect that the agreement described in clause (3) above is a valid and binding agreement of such person, enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights, by application of equitable principles and by the exercise of judicial discretion in appropriate cases;

(5) an Opinion of Counsel (who shall be experienced in matters relating to the tax-exempt status of interest on obligations of the same general type as the Bonds) is delivered to the Trustee to the effect that such transfer will not adversely affect the exemption of interest on the Bonds from federal income taxation;

(6) the District complies with the provisions of the Consolidation, Merger, Sale or Transfer Under Certain Conditions subsection discussed above and in the Indenture;

(7) the Board shall have approved such transfer by a 4/5 majority vote at a properly noticed public meeting; and

(8) such transfer shall have been the subject of a public election of the voters of the District wherein a majority of those voting on the issue have voted to approve such transfer.

Upon compliance with the foregoing provisions, the District and such Person shall be considered to be one entity for purposes of the headings, "DISTRICT COVENANTS" and "MAINTENANCE, TAXES, INSURANCE AND CONDEMNATION" herein and in the Indenture, (ii) all computations under the Indenture shall be made on a combined basis for the District and such person, and (iii) no provision of such articles shall apply to transactions between the District and such person.

Punctual Payment

The District shall punctually pay or cause to be paid the principal or Redemption Price and interest to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, and shall punctually pay or cause to be paid all Mandatory Sinking Account Payments, but only out of Revenues and other assets pledged for such payment as provided in the Indenture.

Extension of Payment of Bonds

The District shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any of the claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this subsection shall be deemed to limit the right of the District to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of Bonds.

Tax Covenants

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 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. This covenant shall survive payment in full or defeasance of the Bonds.

Waiver of Laws

The District shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law in force that may affect the covenants and agreements contained in the Indenture or in the Bonds, and all benefit or advantage of any such law or laws is expressly waived by the District to the extent permitted by law.

MAINTENANCE, TAXES, INSURANCE AND CONDEMNATION

Maintenance and Operation of the Health Facilities

The District covenants and agrees that it will operate and maintain the Health Facilities in accordance with all applicable governmental laws, ordinances, approvals, rules, regulations and requirements including, without limitation, such zoning, sanitary, pollution and safety ordinances and laws and such rules and regulations thereunder as may be binding upon the District. The District further covenants and agrees that it will maintain and operate the Health Facilities as a health care institution and will maintain and operate the same, and all engines, boilers, pumps, machinery, apparatus, fixtures, fittings and equipment of any kind in or that shall be placed in any building or structure at any time constituting part of the Health Facilities, in good repair, working order and condition, and that it will from time to time make or cause to be made all needful and proper replacements, repairs, renewals and improvements; in each case to the extent necessary so that the efficiency and value of the Facilities shall not be impaired.

Taxes, Assessments, Other Governmental Charges and Utility Charges

The District covenants and agrees that it will pay and discharge all taxes, assessments, governmental charges of any kind whatsoever, water rates, meter charges and other utility charges which may be or have been assessed or which may have become liens upon the Facilities, the Revenues or the interests therein of the Trustee or of the Holders of the Bonds, and will make such payments or cause such payments to be made, respectively, in due time to prevent any delinquency thereon or any forfeiture or sale of the Facilities or any part thereof, and upon request, will furnish to the Trustee receipts for all such payments, or other evidences satisfactory to the Trustee; provided, however, that the District may, at its expense and in its own name and behalf, if the Trustee is a necessary party thereto, sue for a refund of any such taxes, assessments and other charges previously paid as provided in the Indenture, or in good faith contest any such taxes, assessments and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges contested to remain unpaid during the period of such contest and any appeal therefrom unless or until the Trustee notifies the District that, or unless or until the District knows that, by nonpayment of any such items the title to or operation of the Facilities or the lien of the Indenture as to Revenues will be materially endangered or the Facilities, or any material part thereof, will be subject to imminent loss or forfeiture, in which case such taxes, assessments or charges shall be paid promptly.

Insurance Required

The District covenants and agrees that it will keep the Property, Plant and Equipment and all of its operations adequately insured at all times and carry and maintain such insurance in amounts which are customarily carried, subject to customary deductibles, and against such risks as are customarily insured against by other corporations in connection with the ownership and operation of facilities of similar character and size.

Worker's Disability Compensation Law

The District will at all times comply to the extent required by law with the Worker's Disability Compensation Law of the State, or any successor statute or statutes.

Disposition of Insurance and Condemnation Proceeds

(A) The proceeds of insurance maintained by the District against loss or damage by fire, lightning, vandalism, malicious mischief and all other risks covered by the extended coverage insurance endorsement then in use in California or against loss or damage by risks covered by builders' risk insurance, and the proceeds of any condemnation awards with respect to the Facilities, shall be paid immediately upon receipt by the District or other named insured parties to the Trustee for deposit in a special fund which the Trustee shall establish and maintain and hold in trust, to be known as the "Insurance and Condemnation Proceeds Fund." In the event the District elects to repair or replace the property damaged, destroyed or taken, it shall furnish to the Trustee plans of the contemplated repair or replacement, accompanied by a certificate of an architect or other qualified expert satisfactory to the Trustee estimating the reasonable cost of such repair or replacement and a Statement of the District stating that amounts in the Insurance and

Condemnation Proceeds Fund, together with investment income reasonably expected to be received with respect thereto and any other funds available or reasonably expected to become available therefor (and which the District shall agree to deposit in said fund when so available), shall be sufficient to repair or replace the property damaged, destroyed or taken in accordance with said plans. After deducting therefrom the reasonable charges and expenses of the Trustee in connection with the collection and disbursement of such moneys, moneys in the Insurance and Condemnation Proceeds Fund shall be disbursed by the Trustee for the purpose of repairing or replacing the property damaged, destroyed or taken in the manner and subject to the conditions set forth in the Indenture with respect to disbursements from the Project Fund to the extent the provisions of the Indenture may reasonably be made applicable. In the event that the proceeds of any loss or damage to or condemnation of the Facilities shall be less than one million dollars ($1,000,000), the Trustee shall pay over such proceeds to the District without requiring any of the documents referred to in this subsection and without any formality whatsoever.

(B) In the event the District shall not elect to repair or replace the property damaged, destroyed or taken, as provided in clause (A) above, the Trustee shall transfer all amounts in the Insurance and Condemnation Proceeds Fund on account of such damage, destruction or condemnation to the Special Redemption Account in order to redeem the Bonds; provided that if any Parity Debt is then outstanding, any such transfer from the Insurance and Condemnation Proceeds Fund shall be deposited in part in the Special Redemption Account and in part in such other fund or account as may be appropriate (and used for the retirement of such Parity Debt) in the same proportion which the aggregate principal amount of Outstanding Bonds then bears to the aggregate unpaid principal amount of such Parity Debt.

(C) If all amounts in the Insurance and Condemnation Proceeds Fund exceed 10% of the Book Value of the Property, Plant and Equipment of the District but are not sufficient to retire all Bonds and Parity Debt then outstanding, the Trustee shall not transfer said amounts to the Special Redemption Account unless the District shall file with the Trustee a report of an Independent Consultant showing that projected Income Available for Debt Service will be sufficient to pay debt service on all Indebtedness for the three full Fiscal Years immediately following such transfer after giving effect to the retirement of such Bonds and Parity Debt. In the event such report of an Independent Consultant shows that projected Income Available for Debt Service will not be sufficient to pay debt service on all Indebtedness for the three full Fiscal Years immediately following such transfer after giving effect to the retirement of such Bonds and Parity Debt, the District shall apply all amounts in the Insurance and Condemnation Proceeds Fund to the repair or replacement of the property damaged, destroyed or taken, as provided in clause (A) under this subheading, unless the District shall file a further report of a Management Consultant showing that even after making such repair and replacement, projected Income Available for Debt Service will not be sufficient to pay debt service on all Indebtedness for the three Fiscal Years immediately following, such repair and replacement, in which event the Trustee shall transfer all moneys in the Insurance and Condemnation Proceeds Fund to the Special Redemption Account and/or such other trust account for the retirement of Bonds and Parity Debt, as provided in clause (B) under this heading.

EVENTS OF DEFAULT

The following events shall be Events of Default:

(a) default in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise, or default in the redemption from any Sinking Account of any Term Bonds in the amounts and at the times provided therefor; or

(b) default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable; or

(c) default by the District in any payment required for the Revenue Fund under the Indenture on or before the twentieth (20th) day of any month when such payment is due and payable; or

(d) default by the District in the observance of the provisions under the heading "DISTRICT COVENANTS" and in the Indenture;

(e) if any representation or warranty made by the District in the Indenture or in any document, instrument or certificate furnished to the Trustee or to the initial purchaser(s) of the Bonds in connection with the execution and delivery of the Bonds shall at any time prove to have been incorrect in any material respect as of the time made; or

(f) if the District shall fail to observe or perform any covenant, condition, agreement or provision in the Indenture on its part to be observed or performed, other than as referred to in subsection (a), (b), (c), (d) or (e) of this subsection, or shall breach any warranty by the District contained in the Indenture, for a period of sixty (60) days after written notice, specifying such failure or breach and requesting that it be remedied, has been given to the District by the Trustee; except that, if such failure or breach can be remedied but not within such sixty (60) day period and if the District has taken all action reasonably possible to remedy such failure or breach within such sixty (60) day period, such failure or breach shall not become an Event of Default for so long as the District shall diligently proceed to remedy same in accordance with and subject to any directions or limitations of time established by the Trustee; or

(g) if any default shall exist under any agreement governing any Parity Debt and such default shall continue beyond the grace period, if any, provided for with respect to such default or, if the Debt Service payments on any Indebtedness which is not Parity Debt are accelerated; or

(h) if the District files a petition in voluntary bankruptcy, for the composition of its affairs or for its corporate reorganization under any state or federal bankruptcy or insolvency law, or makes an assignment for the benefit of creditors, or admits in writing to its insolvency or inability to pay debts as they mature, or consents in writing to the appointment of a trustee or receiver for itself or for the whole or any substantial part of the Facilities; or

(i) if a court of competent jurisdiction shall enter an order, judgment or decree declaring the District an insolvent, or adjudging it bankrupt, or appointing a trustee or receiver of the District or of the whole or any substantial part of the Facilities, or approving a petition filed against the District seeking reorganization of the District under any applicable law or statute of the United States of America or any state thereof, and such order, judgment or decree shall not be vacated or set aside or stayed within sixty (60) days from the date of the entry thereof; or

(j) if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the District or of the whole or any substantial part of the Facilities, and such custody or control shall not be terminated within sixty (60) days from the date of assumption of such custody or control.

Acceleration of Maturities

If an Event of Default shall occur, then, and in each and every such case during the continuance of such Event of Default, the Trustee or the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding shall be entitled, upon notice in writing to the District, to declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Indenture or in the Bonds contained to the contrary notwithstanding.

Any such declaration, however, is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the District shall deposit with the Trustee a sum sufficient to pay all the principal or Redemption Price of and installments of interest on the Bonds payment of which is overdue, with interest on such overdue principal at the rate borne by the respective Bonds, and the reasonable charges and expenses of the Trustee, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the District and the Trustee, or the Trustee if such declaration was made by the Trustee other than upon direction of the Holders, may, on behalf of the Holders of all of the Bonds rescind and annul such declaration and its consequences and waive such default; but no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

Application of Revenues and Other Funds after Default

If an Event of Default shall occur and be continuing, all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture (other than the Rebate Fund and subject to the Indenture) shall be applied by the Trustee as follows and in the following order:

(1) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Holders of the Bonds and payment of reasonable fees and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Indenture;

(2) To the payment of the principal or Redemption Price of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Indenture including Extension of Payment of Bonds, as follows:

(i) Unless the principal of all of the Bonds shall have become or have been declared due and payable,

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, with interest on the overdue principal at the rate borne by the respective Bonds, and, if the amount available shall not be sufficient to pay in full all the Bonds due on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date to the persons entitled thereto, without any discrimination or preference.

(ii) If the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds, with interest on the overdue principal at the rate borne by the respective Bonds, and, if the amount available shall not be sufficient to pay in full the whole amount so due and unpaid, then to the payment thereof ratably, without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference.

Trustee to Represent Bondholders

The Trustee is irrevocably appointed as trustee and true and lawful attorney-in-fact of the Holders of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Holders under the provisions of the Bonds, the Indenture, the Law and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bondholders, the Trustee in its discretion may, and upon the written request of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of such Holders by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained in the Indenture, or in aid of the execution of any power therein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Holders under the Indenture, the Law or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other assets pledged under the Indenture, pending such proceedings. All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Holders of such Bonds, subject to the provisions of the Indenture.

Bondholder's Direction of Proceedings

Anything in the Indenture to the contrary notwithstanding, the Holders of a majority in aggregate principal amount of the Bonds then outstanding shall have the right, upon indemnifying the Trustee to its satisfaction, to direct the method of conducting all remedial proceedings taken by the Trustee, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture.

Limitation on Bondholders' Right to Sue

No Holder of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Law or any other applicable law with respect to such Bond, unless (1) such Holder shall have given to the Trustee written notice of the occurrence of an Event of Default; (2) the Holders of not less than twenty-five percent (25%)

in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted in the Indenture or to institute such suit, action or proceeding in its own name; (3) such Holder or said Holders shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (4) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Holder of Bonds of any remedy under the Indenture or under law; it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture or the rights of any other Holders of Bonds, or to enforce any right under the Indenture, the Law or other applicable law with respect to the Bonds, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner provided in the Indenture and for the benefit and protection of all Holders of the Outstanding Bonds, subject to the provisions of the Indenture.

Termination of Proceedings

In case any proceedings taken by the Trustee or any one or more Bondholders on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Bondholders, then in every such case the District, the Trustee and the Bondholders, subject to any determination in such proceedings, shall be restored to their former positions and rights under the Indenture, severally and respectively, and all rights, remedies, powers and duties of the District, the Trustee and the Bondholders shall continue as though no such proceedings had been taken.

THE TRUSTEE

Duties Immunities and Liabilities of Trustee

The Trustee shall, prior to an Event of Default, and after the curing of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in the Indenture. The Trustee shall, during the existence of any Event of Default (which has not been cured), exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

The District may remove the Trustee at any time unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Holders of not less than a majority in aggregate principal amount of the Bonds then outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for, the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee, and thereupon shall appoint a successor Trustee by an instrument in writing.

The Trustee may at any time resign by giving written notice of such resignation to the District and by giving the Bondholders notice of such resignation by mail at the addresses shown on the registration books maintained by the Trustee. Upon receiving such notice of resignation, the District shall promptly appoint a successor Trustee by an instrument in writing.

Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within forty-five (45) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Bondholder (on behalf of himself and all other Bondholders) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee.

Any Trustee appointed under the provisions of the Indenture in succession to the Trustee shall be a trust company or bank having the powers of a trust company having a corporate trust office in the State, having a combined capital and surplus of at least fifty million dollars ($50,000,000), and subject to supervision or examination by federal or state authority. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of the Indenture, the Trustee shall resign immediately in the manner and with the effect specified in the Indenture.

Merger or Consolidation

Any company into which the Trustee 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 Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible to serve as Trustee under the Indenture, shall be the successor to such Trustee without the execution or filing of any paper or any further act, anything in the Indenture to the contrary notwithstanding.

AMENDMENTS

The Indenture and the rights and obligations of the District, the Holders of the Bonds and the Trustee may be modified or amended from time to time and at any time by a Supplemental Indenture, which the District and the Trustee may enter into with the written consent of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding shall have been filed with the Trustee. No such modification or amendment shall (1) extend the stated maturity of any Bond, or reduce the amount of principal thereof, or extend the time of payment or reduce the amount of any Mandatory Sinking Account Payment provided in the Indenture for the payment of any Bond, or reduce the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof, without the consent of the Holder of each Bond so affected, or (2) reduce the aforesaid percentage of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture, or deprive the Holders of the Bonds of the lien created by the Indenture on such Revenues and other assets (except as expressly provided in the Indenture), without the consent of the Holders of all of the Bonds then Outstanding. It shall not be necessary for the consent of the Bondholders to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the adoption by the District of any Supplemental Indenture pursuant to the Indenture (A), the Trustee shall mail a notice, setting forth in general terms the substance of such Supplemental Indenture to the Bondholders at the addresses shown on the registration books of the Trustee. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

The Indenture and the rights and obligations of the District, of the Trustee and of the Holders of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the District and the Trustee may enter into without the consent of any Bondholders, but only to the extent permitted by law and only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the District in the Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power therein reserved to or conferred upon the District, provided, that no such covenant, agreement, pledge, assignment or surrender shall materially adversely affect the interests of the Holders of the Bonds;

(2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the District may deem necessary or desirable and not inconsistent with the Indenture, and which shall not materially adversely affect the interests of the Holders of the Bonds;

(3) to modify, amend or supplement the Indenture in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not materially adversely affect the interests of the Holders of the Bonds; or

(4) to provide for the issuance of a Series of Bonds, and to provide the terms and conditions under which such Bonds may be issued, subject to and in accordance with the Indenture.

No such Supplemental Indenture shall modify any of the rights or obligations of the Trustee without its prior written consent thereto; nor shall the Trustee be required to consent to any such Supplemental Indenture which affects its rights or obligations under the Indenture.

Prior to entering into any Supplemental Indenture, the Trustee may require the District to file with it an opinion of counsel of recognized standing in the field of law relating to municipal bonds, to the effect that the execution and delivery of such Supplemental Indenture by the Trustee and the District (i) is in compliance with the terms and conditions of the Indenture and (ii) will not cause interest on any Bonds Outstanding to become includable in gross income for federal income tax purposes.

DEFEASANCE

Discharge of Indenture

Bonds of any Series may be paid by the District in any of the following ways; provided that the District also pays or causes to be paid any other sums payable under the Indenture by the District and related to the respective Series:

(a) by paying or causing to be paid the principal or Redemption Price of and interest on Bonds Outstanding of the Series, as and when the same become due and payable; or

(b) by depositing with the Trustee, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Indenture) to pay or redeem Bonds Outstanding of the Series; or

(c) by delivering to the Trustee, for cancellation by it, Bonds Outstanding of the Series.

If the District shall pay all Series for which any Bonds are Outstanding and shall also pay or cause to be paid all other sums payable under the Indenture by the District, then and in that case, at the election of the District (evidenced by a Certificate of the District, filed with the Trustee, signifying the intention of the District to discharge all such indebtedness and the Indenture), and notwithstanding that any Bonds shall not have been surrendered for payment, the Indenture and the pledge of Revenues and other assets made under the Indenture and all covenants, agreements and other obligations of the District under the Indenture shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon Request of the District, the Trustee shall cause an accounting for such period or periods as may be requested by the District to be prepared and filed with the District and shall execute and deliver to the District all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver to the District all moneys or securities or other property held by it pursuant to the Indenture which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption, provided that moneys on deposit in the Rebate Fund shall continue to be applied as provided under Section 5.06 of the Indenture.

Discharge of Liability on Bonds

Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in the Indenture) to pay or redeem any Outstanding Bond (whether upon or prior to its maturity or the redemption date of such Bond), provided that, if such Bond is to be redeemed prior to maturity, notice of such redemption shall have been given as provided in the Indenture or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the District in respect of such Bond shall cease, terminate and be completely discharged, and the Holder thereof shall be entitled only to payment out of such money or securities deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of the Indenture and the continuing duties of the Trustee.

The District may at any time surrender to the Trustee for cancellation by it any Bonds previously issued and delivered which the District may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

MISCELLANEOUS

Liability of District Limited to Revenues

Notwithstanding anything in the Indenture or in the Bonds, the District shall not be required to advance any moneys derived from any source other than the Revenues and other assets pledged under the Indenture for any of the purposes in the Indenture, whether for the payment of the principal or Redemption Price of or interest on the Bonds or for any other purpose of the Indenture.

Limitation of Rights to Parties and Bondholders

Nothing in the Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any Person other than the District, the Trustee, and the Holders of the Bonds, any legal or equitable right, remedy or claim under or in respect of the Indenture or any covenant, condition or provision therein or contained in the Indenture; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the District, the Trustee and the Holders of the Bonds.

Evidence of Rights of Bondholders

Any request, consent or other instrument required or permitted by the Indenture to be signed and executed by Bondholders may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Bondholders in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any person of Bonds transferable by delivery, shall be sufficient for any purpose of the Indenture and shall be conclusive in favor of the Trustee and of the District if made in the manner provided in the Indenture.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

The ownership of registered Bonds shall be proved by the bond registration books held by the Trustee.

Any request, consent, or other instrument or writing of the Holder of any Bond shall bind every future Holder of the same Bond and the Holder of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the District in accordance therewith or reliance thereon.

Disqualified Bonds

In determining whether the Holders of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under the Indenture, Bonds which are owned or held by or for the account of the District, or by any other obligor on the Bonds, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the District or any other obligor on the Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this provision, if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the District or any other obligor on the Bonds. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee.

Waiver of Personal Liability

No Board member, officer, agent or employee of the District shall be individually or personally liable for the payment of the principal or Redemption Price of or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing contained in the Indenture shall relieve any such Board member, officer, agent or employee from the performance of any official duty provided by law or by the Indenture.

APPENDIX D

FORM OF BOND COUNSEL OPINION

[Closing Date]

Washington Township Health Care District
2000 Mowry Avenue
Fremont, California 94538-1716

Re: $_________ Washington Township Health Care District Revenue Bonds, 2023 Series A

Ladies and Gentlemen:

We have acted as Bond Counsel to the Washington Township Health Care District (the "District") in connection with the issuance of the District's Revenue Bonds, 2023 Series A (the "Bonds") in the aggregate principal amount of $_________. The Bonds are being issued pursuant to The Local Health Care District Law of the State of California, constituting Division 23 of the Health and Safety Code of the State of California (the "Law"), Ordinance No. _____ (the "Ordinance"), adopted by the Board of Directors of the District on July 26, 2023, a resolution (the "Resolution"), adopted by the Board of Directors of the District on August __, 2023, and by an Indenture, dated as of July 1, 1993, by and between the District and U.S. Bank National Association, as trustee (the "Trustee"), as supplemented by a Supplemental Indenture, dated as of March 15, 1994, a Second Supplemental Indenture, dated as of April 1, 1999, a Third Supplemental Indenture, dated as of June 1, 2007, a Fourth Supplemental Indenture, dated as of December 1, 2009, a Fifth Supplemental Indenture, dated as of November 1, 2010, a Sixth Supplemental Indenture, dated as of November 1, 2015, a Seventh Supplemental Indenture, dated as of April 1, 2017, an Eighth Supplemental Indenture, dated as of June 1, 2017, a Ninth Supplemental Indenture, dated as of July 1, 2019, a Tenth Supplemental Indenture, dated as of December 1, 2020, and an Eleventh Supplemental Indenture, dated as of September 1, 2023, each by and between the District and the Trustee (collectively, the "Indenture").

As Bond Counsel, we have examined copies, certified to us as being true and complete copies, of the proceedings of the District for the authorization and issuance of the Bonds. In connection thereto, we have also examined such certificates of public officials and officers of the District as we have considered necessary for the purposes of this opinion. We have, with your approval, assumed that all items submitted to us as originals are authentic and that all items submitted to us as copies conform to the originals.

On the basis of such examination, our reliance upon the assumptions contained herein and our consideration of those questions of law we considered relevant, and subject to the limitations and qualifications in this opinion, we are of the opinion that:

1. The Bonds constitute valid and binding limited obligations of the District as provided in the Indenture, and are entitled to the benefits of the Indenture. The Bonds are payable from Revenues (as such term is defined in the Indenture).

2. The Indenture has been duly and validly authorized, executed and delivered by the District and, assuming the enforceability thereof against the Trustee, constitutes the legally valid and binding obligation of the District, enforceable against the District in accordance with its terms. The Indenture creates a valid pledge, to secure the payment of principal of and interest on the Bonds, of the Revenues and other amounts held by the Trustee in the funds and accounts established pursuant to the Indenture, subject to the provisions of the Indenture permitting the application thereof for other purposes and on the terms and conditions set forth therein.

3. The Internal Revenue Code of 1986, as amended (the "Code") sets forth certain requirements which must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Bonds. Pursuant to the Indenture and the tax and nonarbitrage certificate executed by the District in connection with the issuance of the Bonds (the "Tax Certificate"), the District has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the District has made certain representations and certifications in the Indenture and the Tax Certificate. We have not independently verified the accuracy of those certifications and representations.

Under existing law, assuming compliance with the tax covenants described herein and the accuracy of the aforementioned representations and certifications, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. We are also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code. For taxable years beginning after December 31, 2022, interest on the bonds will be taken into account in computing the alternative minimum tax imposed on certain corporations under the Code to the extent that such interest is included in the "adjusted financial statement income" of such corporations.

4. Interest on the Bonds is exempt from personal income taxes of the State of California under present state law.

5. We are further of the opinion that the excess of the principal amount of any maturity of the Bonds over the price at which a substantial amount of such maturity of the Bonds was sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) (each, a "Discount Bond" and collectively, the "Discount Bonds") constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of

original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount Bonds, even though there will not be a corresponding cash payment.

The opinions set forth in paragraphs 1 and 2 above (i) assume that the Trustee has duly authenticated the Bonds and (ii) are subject to (a) applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally (including, without limitation, fraudulent conveyance laws), (b) the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and (c) the limitations on legal remedies against government entities in the State of California.

In rendering the opinions set forth in paragraphs 3 and 5 above, we are relying upon representations and covenants of the District in the Indenture and in the Tax Certificate concerning the investment and use of Bond proceeds, the rebate to the federal government of certain earnings thereon, and the use of the property and facilities financed with the proceeds of the Bonds. In addition, we have assumed that all such representations are true and correct and that the District will comply with such covenants.

Except as stated in paragraphs 3 through 5 above, we express no opinion as to any other federal, state or local tax consequences of the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other counsel.

No opinion is expressed herein on the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds. This opinion is expressly limited to the matters set forth above and we render no opinion, whether by implication or otherwise, as to any other matters.

Our opinions are limited to matters of California law and applicable federal law, and we assume no responsibility as to the applicability of laws of other jurisdictions. We call attention to the fact that the opinions expressed herein and the exclusion of interest on the Bonds from gross income for federal income tax purposes may be affected by actions taken or omitted or events occurring or failing to occur after the date hereof. We have not undertaken to determine, or inform any person, whether any such actions are taken, omitted, occur or fail to occur.

Respectfully submitted,

APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "Disclosure Agreement") is executed and delivered by Washington Township Health Care District, a local health care district of the State of California (the "District"), and Hilltop Securities Inc. (the "Dissemination Agent"), in connection with the issuance of $__________ Washington Township Health Care District Revenue Bonds, 2023 Series A (the "Bonds"). The Bonds are being issued pursuant to certain provisions of the Local Health Care District Law and other applicable laws and pursuant to and secured by an Indenture, dated as of July 1, 1993, as supplemented by a Supplemental Indenture, dated as of March 15, 1994, a Second Supplemental Indenture, dated as of April 1, 1999, a Third Supplemental Indenture, dated as of June 1, 2007, a Fourth Supplemental Indenture, dated as of December 1, 2009, a Fifth Supplemental Indenture, dated as of November 1, 2010, a Sixth Supplemental Indenture, dated as of November 1, 2015, a Seventh Supplemental Indenture, dated as of April 1, 2017, an Eighth Supplemental Indenture, dated as of June 1, 2017, a Ninth Supplemental Indenture, dated as of June 1, 2019, a Tenth Supplemental Indenture, dated as of December 1, 2020, and an Eleventh Supplemental Indenture, dated as of September 1, 2023 (as so supplemented, the "Indenture"), each between the District and U.S. Bank Trust Company, National Association, as trustee or successor trustee (the "Trustee"). The District and the Dissemination Agent hereby covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the District and the Dissemination Agent for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement, 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 Agreement.

"Beneficial Owner" shall mean any person that 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).

"CUSIP Numbers" shall mean the Committee on Uniform Security Identification Procedure's unique identification numbers for each public issue of a security.

"Dissemination Agent" shall mean Hilltop Securities Inc., acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the District and which has filed with the Trustee a written acceptance of such designation.

"EMMA System" shall mean the MSRB's Electronic Municipal Market Access system.

"Financial Obligation" means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Holder" or "Holders" shall mean registered owners of the Bonds or, if the Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

"Listed Events" shall mean any of the events listed in Section 5 of this Disclosure Agreement.

"MSRB" means the Municipal Securities Rulemaking Board, or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule.

"Official Statement" shall mean the Official Statement, dated __________, 2023, with respect to the Bonds.

"Participating Underwriter" shall mean BofA Securities, Inc.

"Rule" shall mean Rule l5c2-12(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.

Section 3. <u>Provision of Annual Reports; Quarterly Reports</u>. (a) The District shall or shall cause the Dissemination Agent, not later than six months after the end of the District's fiscal year (which date would be January 1 following the end of the District's fiscal year on the prior June 30), commencing with the report for the 2022-23 fiscal year, to provide to the MSRB through its EMMA System an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Agreement. 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 Agreement; provided that, if the audited financial statements of the District are not available by the date required above for the filing of the Annual Report, the District shall submit unaudited financial statements and submit the audited financial statements as soon as available. 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) In addition to the Annual Report required to be filed pursuant to subsection (a), the District shall, or shall cause the Dissemination Agent to, provide to the MSRB through its EMMA System, no later than 75 days after the end of each quarter of the District's fiscal year (except for the fourth fiscal quarter), beginning with the [first] quarter of the 2023-24 fiscal year (commencing [July 1], 2023), unaudited financial information for the District for such fiscal quarter prepared by the District, including a balance sheet, a cash flow statement and a statement of revenues, expenses, and changes in net position.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB through its EMMA System by the date required in subsection (a), the Dissemination Agent shall send a notice to the MSRB through the EMMA System substantially in the form attached as <u>Exhibit A</u> hereto.

(d) The Dissemination Agent shall file a report with the District certifying that the Annual Report has been provided to the MSRB through the EMMA System pursuant to this Disclosure Agreement.

Section 4. <u>Content of Annual Reports</u>. The Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the District for the most recently concluded fiscal year, prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Government Accounting Standards Board. If the audited financial statements are not available by the time the Annual Report is required to be filed pursuant to

Section 3(a), the District shall file or cause to be filed with EMMA, an Annual Report containing unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and shall then file its audited financial statements in the same manner when they become available.

(b) An update of the following information of the general type contained in Appendix A to the Official Statement:

(i) the District's capitalization for the preceding fiscal year;

(ii) the District's coverage of maximum annual debt service on all its outstanding revenue bonds for the preceding fiscal year;

(iii) the District's cash-to-debt ratio on all its outstanding revenue bonds for the preceding fiscal year;

(iv) a table showing gross patient service revenues by payor type for the preceding fiscal year;

(v) the age distribution of the District's active medical staff and admission percentage for top ten admitters for the preceding fiscal year;

(vi) a table summarizing utilization statistics for the preceding fiscal year; and

(vii) number of employees and percentage of employees in collective bargaining organizations.

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 MSRB through its EMMA System. If the document included by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each such other document included by reference.

The descriptions of financial information and operating data contained in clause (b) above are of general categories or types of financial information and operating data. When such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, or due to changes in accounting practices, legislative or organizational changes, a statement to that effect shall be provided in lieu of such information. Comparable information shall be provided if available.

Section 5. Reporting of Listed Events. The District shall give or cause to be given notice to the MSRB of the occurrence of any of the following Listed Events with respect to the Bonds:

(a) principal and interest payment delinquencies;

(b) non-payment related defaults, if material;

(c) unscheduled draws on debt service reserves, if any, reflecting financial difficulties;

(d) unscheduled draws on any credit enhancement facility reflecting financial difficulties;

(e) substitution of the provider of any credit enhancement facility or liquidity facility or any failure by said provider to perform on any credit enhancement facility or liquidity facility;

(f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax-exempt status of the Bonds;

(g) modifications to rights of Holders, if material;

(h) Bond calls, if material, and tender offers;

(i) defeasances;

(j) release, substitution or sale of property securing repayment of the Bonds, if material;

(k) rating changes;

(l) bankruptcy, insolvency, receivership or similar event of the District[1];

(m) 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, if material;

(n) appointment of a successor or additional trustee or the change of name of a trustee, if material;

(o) incurrence of a Financial Obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect Holders, if material; and

(p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.

The District shall file, or shall cause to be filed, a notice of the occurrence of a Listed Event with the MSRB through its EMMA System, in an electronic format as prescribed by the MSRB, in a timely manner but not in excess of ten (10) business days after the occurrence of such Listed Event.

[1] This Listed Event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer of 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 governing 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.

If the Dissemination Agent has been instructed by the District to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB with a copy to the District.

The Dissemination Agent shall, within one (1) business day of obtaining knowledge of the occurrence of any of the Listed Events, inform the District of the event, and, for any Listed Event that requires the District to determine if such event is material, request that the District promptly notify the Dissemination Agent in writing whether or not to report the event.

Section 6. CUSIP Numbers. Whenever providing information to the Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference in the Annual Reports and notices of Listed Events, the District shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

Section 7. Termination of Reporting Obligation. The District's and the Dissemination Agent's obligations under this Disclosure Agreement 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 or substitution in the same manner as for a Listed Event under Section 5(i).

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a different Dissemination Agent to assist it in carrying out the obligations under this Disclosure Agreement and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. 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 Agreement. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent. The initial Dissemination Agent shall be the Trustee.

The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees, as amended from time to time, and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the District and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the District which does not impose any greater duties, nor greater risk of liability, on the Dissemination Agent) and any provision of this Disclosure Agreement 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 or 5, 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 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; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of

Holders, or (ii) does not, in the opinion of [the Dissemination Agent or] nationally recognized counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, 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, 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 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement 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 Agreement. 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 Agreement, the District shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the District or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Dissemination Agent may (and, at the request of the Participating Underwriter or the Holders of at least twenty-five percent (25%) aggregate principal amount of Outstanding Bonds, shall), or 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 or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the District or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance. A default under this Disclosure Agreement shall not create a presumption of any kind that a violation of any applicable securities laws or regulations (other than the Rule) has occurred. The Dissemination Agent shall not owe any fiduciary duty to the Participating Underwriter, nor shall its failure to comply with the request of the Participating Underwriter result in a breach of any of its fiduciary duties owed to the Holders.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liability 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 reasonable attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct or breach of this Disclosure Agreement. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment in full of the Bonds.

Section 13. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the District:	Washington Township Health Care District 2000 Mowry Avenue Fremont, California 94538-1716 Attention: Treasurer Telephone: [510-745-6580] Facsimile: [510-739-3895]
To the Dissemination Agent:	Hilltop Securities Inc. 1201 Elm Street, Suite 3500 Dallas, TX 75270 Attention: [Tanya Calvit, Director Telephone: 214-953-4037 Facsimile: 214-953-4050]

Either party may, by written notice to the other party listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 14. Beneficiaries. This Disclosure Agreement 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 15. MSRB: EMMA SYSTEM. Documents submitted to the MSRB through its EMMA System pursuant to this Disclosure Agreement shall be in electronic format and accompanied by identifying information as prescribed by the MSRB in accordance with the Rule.

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Section 16. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Dated: September __, 2023

WASHINGTON TOWNSHIP HEALTH CARE DISTRICT

By: ______________________________
Authorized Officer

HILLTOP SECURITIES INC.,
as Dissemination Agent

By: ______________________________
Authorized Officer

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD OF FAILURE TO FILE ANNUAL REPORT

Name of District: Washington Township Health Care District

Name of Bond Issue: Washington Township Health Care District Revenue Bonds, 2023 Series A

Date of Issuance: September __, 2023

NOTICE IS HEREBY GIVEN that Washington Township Health Care District has not provided an Annual Report with respect to the above named Bonds as required by the Continuing Disclosure Agreement relating to the Bonds, dated September __, 2023. Washington Township Health Care District anticipates that the Annual Report will be filed by __________.

Dated: __________________

HILLTOP SECURITIES INC.,

on behalf of
Washington Township Health Care District

By: ______________________________________

cc: Washington Township Health Care District

APPENDIX F

BOOK-ENTRY SYSTEM

The information in this Appendix concerning The Depository Trust Company ("DTC"), New York, New York, and DTC's book-entry system has been obtained from DTC and the District takes no responsibility for the completeness or accuracy thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix.

DTC 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, each in the aggregate principal amount of each such maturity, 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, as amended. 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 for 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 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 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 and Indirect Participants acting on behalf of

Beneficial Owners. Beneficial Owners will not receive certificates representing their beneficial 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 may be 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 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 Trustee and request that copies of the notices be provided directly to them.

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 Bonds 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 District 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 (established by DTC and 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 District or the Trustee on a payment date in accordance with their respective holdings shown on DTC's records. Payments by Direct or Indirect 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 Direct or Indirect Participants and not of DTC (nor its nominee), the Trustee, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, redemption proceeds, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of the Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered to DTC.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this Appendix concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

None of the District, the Underwriter, or the Trustee will have any responsibility or obligation to Direct Participants, to Indirect Participants or to any Beneficial Owner with respect to (i) the accuracy of any records maintained by DTC, any Direct Participant, or any Indirect Participant; (ii) the payment by DTC or any Direct Participant or Indirect Participant of any amount with respect to the principal of or premium, if any, or interest on the Bonds; (iii) any notice that is permitted or required to be given to Holders under the Indenture; (iv) the selection by DTC, any Direct Participant or any Indirect Participant of any person to receive payment in the event of a partial redemption of the Bonds; (v) any consent given or other action taken by DTC as Bondholder; or (vi) any other procedures or obligations of DTC, Direct Participants or Indirect Participants under the book-entry system.

RESOLUTION OF THE BOARD OF DIRECTORS OF WASHINGTON TOWNSHIP HEALTH CARE DISTRICT AUTHORIZING THE ISSUANCE AND DETERMINING TO PROCEED WITH NEGOTIATED SALE OF CERTAIN GENERAL OBLIGATION BONDS OF THE DISTRICT IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $125,000,000, AND APPROVING CERTAIN OTHER MATTERS RELATING TO THE BONDS

RESOLUTION NO. 1256

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RESOLUTION OF THE BOARD OF DIRECTORS OF WASHINGTON TOWNSHIP HEALTH CARE DISTRICT AUTHORIZING THE ISSUANCE AND DETERMINING TO PROCEED WITH NEGOTIATED SALE OF CERTAIN GENERAL OBLIGATION BONDS OF THE DISTRICT IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $125,000,000, AND APPROVING CERTAIN OTHER MATTERS RELATING TO THE BONDS

RESOLUTION NO. ____

WHEREAS, a duly called election was held in the Washington Township Health Care District, a health care district duly organized and existing under the laws of the State of California (the “District”), County of Alameda, California (the “County”), on November 3, 2020, and thereafter canvassed pursuant to law (the “2020 Election”); and

WHEREAS, at the 2020 Election, there was submitted to and approved by the requisite two-thirds (2/3) vote of the qualified electors of the District a question as to the issuance and sale of general obligation bonds of the District for the purpose of acquiring, maintaining, constructing or improving real property of the District, all as authorized under Section 32300 *et seq*. of the Health and Safety Code of the State of California (the “Authorizing Law”), in the maximum amount of four hundred twenty-five million dollars ($425,000,000), payable from the levy of an *ad valorem* tax against the taxable property in the District (the “2020 Authorization”); and

WHEREAS, the District has previously issued $20,000,000 aggregate principal amount of general obligation bonds under the 2020 Authorization, leaving the amount of $405,000,000 amount of such bonds unissued; and

WHEREAS, this Board of Directors of the District (the “Board”) has determined the present need for the sale and issuance of not to exceed $125,000,000 aggregate principal amount of general obligation bonds under the 2020 Authorization (as hereinafter designated, the “Bonds”); and

WHEREAS, the Board has also determined that market conditions and other factors make it necessary and advisable for the Board to sell the Bonds pursuant to negotiated sale to BofA Securities, Inc. (the “Underwriter”); and

WHEREAS, pursuant to Senate Bill 450 (Chapter 625, Statutes of 2017, codified as Government Code Section 5852.1) (“SB 450”), the District has disclosed prior to adoption of this Resolution the following good-faith estimates of certain information provided to the District by the Underwriter: (a) the true interest cost of the Bonds is estimated to be 4.90%; (b) the finance charge, or amount to be paid to third parties (which includes Underwriter’s discount) in connection with the sale of the Bonds, is estimated to be $1,500,000, (c) the amount of proceeds received by the District from the sale of the Bonds is expected to be $125,000,000, and (d) the sum total of all payments the District will make to the final maturity of the Bonds is expected to be $300,000,000; and

WHEREAS, the pledge included in this Resolution to secure payment of the Bonds is intended to be a consensual agreement with the registered owners of the Bonds; and

WHEREAS, the Board desires that the Treasurer-Tax Collector of the County (the "Treasurer") should levy and collect an *ad valorem* property tax on all taxable property within the District sufficient to provide for payment of the Bonds and intends by the adoption of this Resolution to notify the Board of Supervisors of the County, the Auditor-Controller, the Treasurer and other officials of the County that they should take such actions as shall be necessary to provide for the levy and collection of such tax and the timely payment of the Bonds; and

WHEREAS, all acts, conditions and things required by law to be done or performed have been done and performed in strict conformity with the laws authorizing the issuance of general obligation bonds of the District, and the indebtedness of the District, including the proposed issue of Bonds, is within all limits proscribed by law; and

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED by the Board of Directors of the Washington Township Health Care District, County of Alameda, State of California, as follows:

1. Recitals. The Board determines that the foregoing recitals are true and correct.

2. Definitions. The terms defined in this Section, as used and capitalized herein, shall, for all purposes of this Resolution, have the meanings set forth in the Recitals hereof or as ascribed to them below, unless the context clearly requires some other meaning.

(a) "Auditor-Controller" means the Auditor-Controller of the County.

(b) "Authorized Officer" means the Chief Executive Officer of the District, the Vice President and Chief Financial Officer of the District, or a designee of any thereof.

(c) "Authorizing Law" means Section 53506 *et seq.* of the Government Code of the State of California.

(d) "Bond Counsel" means Nixon Peabody LLP, or any other attorney or firm of attorneys nationally recognized for expertise in rendering opinions as to the legality and tax status of securities issued by public entities.

(e) "Bond Payment Date" means (unless otherwise provided in the Bond Purchase Contract), February 1 and August 1 of each year, commencing February 1, 2024, with respect to interest payments on the Bonds and August 1 of each year commencing August 1, 2025, with respect to principal payments on the Bonds, as further set forth in the Bond Purchase Contract.

(f) “Bond Purchase Contract” means that certain Bond Purchase Contract, by and between the District and the Underwriter, presented to and considered at this meeting of the Board respecting the purchase and sale of the Bonds.

(g) “Bond Register” means all books and records necessary for the registration, exchange and transfer of the Bonds, to be maintained, if necessary, by the Paying Agent.

(h) “Bonds” means those general obligation bonds to be issued by the District under this Resolution, designated “Washington Township Health Care District (Alameda County, California) 2020 Election General Obligation Bonds, 2023 Series B.”

(i) “Business Day” means a day other than a Saturday, a Sunday or a day on which the New York Stock Exchange is closed or banks in San Francisco, California, or New York, New York, are authorized or obligated by law or executive order to close.

(j) “Closing Date” means the date upon which there is an exchange of Bonds for the proceeds representing the purchase price of the Bonds by the Underwriter.

(k) “Code” means the Internal Revenue Code of 1986, as amended and as in effect on the Closing Date or as it is amended to apply to obligations issued on the Closing Date, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

(l) “Continuing Disclosure Agreement” means that certain Continuing Disclosure Agreement, substantially in the form appended to the Preliminary Official Statement as Appendix C, to be executed as of the Closing Date by the District and a designated dissemination agent.

(m) “Cost of Issuance” means all items of expense directly or indirectly reimbursable to the District relating to the issuance, execution and delivery of the Bonds including, but not limited to, filing and recording costs, settlement costs, printing costs, reproduction and binding costs, legal fees and charges, fees and expenses of the Paying Agent, financial and other professional consultant fees, CUSIP service bureau charges; costs of obtaining credit ratings, municipal bond insurance premiums, if such insurance is determined to be advisable, and charges and fees in connection with the foregoing to the extent such fees and expenses are approved by the District.

(n) “Depository” means DTC and its successors and assigns or if (a) the then-acting Depository resigns from its functions as securities depository of the Bonds, or (b) the District discontinues use of the Depository pursuant to this Resolution, any other securities depository which agrees to follow procedures required to be followed by a securities depository in connection with the Bonds.

(o) "DTC" means The Depository Trust Company, New York, New York.

(p) "Interest and Sinking Fund" or "2023B Interest and Sinking Fund" means the "Washington Township Health Care District General Obligation Bonds 2023 Series B Interest and Sinking Fund" established and maintained by the Paying Agent in connection with the Bonds, in accordance with Section 11 of this Resolution.

(q) "MSRB" means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive the reports described in the Continuing Disclosure Agreement. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at http://emma.msrb.org.

(r) "Nominee" means the nominee of DTC, in which whose name the Bonds will be registered. The initial Nominee shall be Cede & Co.

(s) "Official Statement" means the final official statement of the District describing the Bonds.

(t) "Outstanding," when used as of any particular time with reference to Bonds, means all Bonds of that Series except:

(i) Bonds theretofore canceled by the Paying Agent or surrendered to the Paying Agent for cancellation;

(ii) Bonds for the payment or redemption of which funds or eligible securities in the necessary amount shall have been set aside (whether on or prior to the maturity or redemption date of such Bonds), in accordance with Section 21 of this Resolution; and

(iii) Bonds in lieu of or in substitution for which other Bonds shall have been authorized, executed, issued and delivered pursuant to this Resolution.

(u) "Owner" means any person who shall be the registered owner of any Outstanding Bond.

(v) "Participant" means a participant within DTC.

(w) "Paying Agent" means U.S. Bank Trust Company, National Association, in its capacity as Paying Agent for the Bonds.

(x) "Paying Agent Agreement" means that certain paying agent agreement entered into by the District and the Paying Agent pursuant to the issuance of the Bonds.

(y) "Pledged Moneys" shall have the meaning given to that term in Section 11 of this Resolution.

(z) "Preliminary Official Statement" means the preliminary official statement respecting the Bonds, in the form presented to and considered at this meeting of the Board.

(aa) "Projects" means any of the acquisitions and improvements to real property authorized at the 2020 Election, as further discussed in Section 18 below.

(bb) "Record Date" means the day concluding at the close of business on the 15th calendar day of the calendar month next preceding each Bond Payment Date.

(cc) "Resolution" means this Resolution.

(dd) "Series" refers to a series of Bonds designated as such.

(ee) "Special Counsel" means Mary K. Norvell, Attorney at Law.

(ff) "State" means the State of California.

(gg) "Supplemental Resolution" means any resolution supplemental to or amendatory of this Resolution, adopted by the Board in accordance with Section 20 hereof.

(hh) "Tax and Nonarbitrage Certificate" means the certificate of the District delivered in connection with the issuance of the Bonds.

3. Authority for this Resolution. This Resolution is adopted pursuant to the 2020 Election, the Constitution of the State and the provisions of the Authorizing Law.

4. Purpose of Bonds. That for the purpose of providing funds for the acquisition and construction of facilities to be used by the District for its public health functions, the Board hereby authorizes the issuance of the Bonds in an aggregate principal amount of not to exceed $125,000,000.

5. Appointment of Consultants; Terms and Conditions of Sale; Bond Purchase Contract.

(a) The Board hereby confirms the appointment of Mary K. Norvell, Attorney at Law, as Special Counsel to the District, Kaufman Hall, as special consultant to the District, Nixon Peabody LLP, as Bond Counsel to the

District, and BofA Securities, Inc., as Underwriter in connection with the sale and issuance of the Bonds.

(b) The Bonds shall be sold by negotiated sale to the Underwriter inasmuch as such a sale: (i) will allow the District to integrate the sale of the Bonds with other public issuances undertaken or to be undertaken, by the District; (ii) will allow the District to utilize the services of consultants who are familiar with the financial needs, status and plans of the District; (iii) will allow the District to control the timing of the sale of the Bonds to the municipal bond market and, potentially, take advantage of interest rate opportunities for favorable sale of the Bonds to such market. The Bonds shall therefore be issued upon the terms and conditions established in the Bond Purchase Contract, and shall be issued in fully registered form, in the authorized denominations of $5,000 or any integral multiple thereof. If bond insurance or other credit enhancement with respect to the Bonds is obtained, each Authorized Officer, acting alone, is hereby authorized to make such additions or changes to the documents approved by this Resolution as such Authorized Officer may approve as being in the best interests of the District, such action to be conclusively evidenced by the execution and delivery thereof.

Each Bond shall be dated its date of initial issuance (or other such date as may be designated in the Bond Purchase Contract) and shall bear interest from the Bond Payment Date next preceding the date of authentication thereof, unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Bond Payment Date to that Bond Payment Date, inclusive, in which event it shall bear interest from such Bond Payment Date, unless it is authenticated on or before the first designated Interest Payment Date therefor, in which event, it shall bear interest from the Closing Date, as appropriate (unless otherwise provided in the Bond Purchase Contract). Interest on the Bonds shall be computed on the basis of a 360-day year of twelve thirty-day months, unless otherwise specified in the Bond Purchase Contract.

(c) There has been submitted to this Board the form of Bond Purchase Contract which such form is hereby approved. The Authorized Officers are, and each of them acting alone is, hereby authorized and directed, in the name and on behalf of the District, to execute the Bond Purchase Contract in substantially the same form as submitted to this Board, with such additional information included therein as is dependent upon pricing of the Bonds and with such additions, changes or corrections therein as the officer executing the same on behalf of the District may approve, in his or her discretion, as being in the best interests of the District, and such approval shall be conclusive evidence by such officer's execution thereof, so long as the aggregate principal amount of the Bonds shall not exceed One Hundred Twenty-Five Million Dollars ($125,000,000), provided that the Underwriter's discount with respect to the Bonds shall not exceed one percent (1.0%) of the principal amount of the Bonds and so long as the interest rate on the Bonds shall not exceed six percent (6.0%) per annum. The final maturity of the Bonds shall be not later than thirty (30) years from the date of issuance thereof. The Bonds may be sold at par or at an original issue premium. The interest rate on the Bonds shall not exceed the legal maximum allowed under State law. Depending upon market conditions, the Authorized Officer of the District may elect to purchase bond insurance to secure the payment of principal amount of and interest on the Bonds, or any portion thereof.

(d) The District acknowledges receipt from the Underwriter of its letter respecting compliance with Rule G-17 of the Municipal Securities Rulemaking Board (the "MSRB") provided on July 20, 2023.

6. Preliminary Official Statement. The form of Preliminary Official Statement submitted to and considered at this meeting of the Board is hereby approved. The Board authorizes the use and distribution of (a) the Preliminary Official Statement, with such changes as the Authorized Officer executing the certificate described below may approve, such approval to be conclusively evidenced by such Authorized Officer's execution of such certificate; and (b) an Official Statement in substantially the form of the Preliminary Official Statement with such changes as may be necessary or advisable in connection with the sale of the Bonds, as determined by the Authorized Officer executing the Official Statement, such determination to be conclusively evidenced by the execution and delivery of the Official Statement; and (c) any amendments or supplements to the Preliminary Official Statement or the Official Statement which an Authorized Officer may deem necessary or desirable. Upon approval of the Preliminary Official Statement by such Authorized Officer, such Authorized Officer shall execute a certificate substantially in the form of Exhibit B appended to this Resolution and by this reference made a part hereof, and upon such execution, the Preliminary Official Statement shall be deemed final as of its date, except for the omission of certain information as provided in and pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act, as amended (the "Rule").

7. Continuing Disclosure Agreement. The form of Continuing Disclosure Agreement appended to the form of Preliminary Official Statement submitted to and considered at this meeting of the Board is hereby approved. The Authorized Officers are, and each of them acting alone is, hereby authorized and directed to execute and delivery the Continuing Disclosure Agreement on behalf of the District, with such changes therein as the Authorized Officer may approve, in his or her discretion, as being in the best interests of the District, such approval to be conclusively evidenced by such person's execution thereof. The District hereby covenants and agrees that it will comply with and carry out all of the requirements of the Continuing Disclosure Agreement as provided under the Rule; notwithstanding the foregoing, the failure of the District to comply in any respect with the Continuing Disclosure Agreement shall not be considered an event of default with respect to the Bonds.

8. Resolution to Constitute Contract. In consideration of the purchase and acceptance of any and all of the Bonds authorized to be issued hereunder by those who shall own the same from time to time, this Resolution shall be deemed to be and shall constitute a contract

among the District and the Owners from time to time of the Bonds, and the pledge made in this Resolution as described in Section 11 hereof shall be for the equal benefit, protection and security of the Owners of any and all of the Bonds, all of which, regardless of the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof.

9. Redemption of Bonds. The Bonds shall be subject to optional redemption and mandatory redemption, if applicable, prior to their respective stated maturities on the dates and at the prices as set forth in the Bond Purchase Contract.

Whenever provision is made in this Resolution or in the Bond Purchase Contract for the redemption of the Bonds and less than all Outstanding Bonds are to be redeemed, the Paying Agent, upon written instruction from the District given at least 30 days but no more than 60 days prior to the date designated for such redemption, shall select Bonds for redemption in the order directed by the District or, in the event no direction is given, in inverse order of maturity. Within a maturity, the Paying Agent shall select Bonds for redemption by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; provided, however, that the portion of any Bond to be redeemed in part shall be in the principal amount of $5,000 or any integral multiple thereof.

When redemption is authorized or required pursuant to this Resolution or the Bond Purchase Contract, the Paying Agent, upon written instruction from the District given no less than 30 days and no more than 60 days prior to the date designated for such redemption, shall give notice (each, a "Redemption Notice") of the redemption of the Bonds. Such Redemption Notice shall specify: (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the principal amount of such Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part.

Such Redemption Notice shall further state that on the specified date there shall become due and payable upon each Bond or portion thereof being redeemed the redemption price, together with the interest accrued to the redemption date, and that from and after such date interest with respect thereto shall cease to accrue and be payable.

The Paying Agent shall take the following actions with respect to such Redemption Notice:

(a) At least 20 but not more than 60 days prior to the redemption date, such Redemption Notice shall be given to the respective Owners of Bonds designated for redemption by first-class mail, postage prepaid, at their addresses appearing on the Bond Register.

(b) In the event that the Bonds shall no longer be held in book-entry only form, at least two days before the date of the notice required by clause (a) of this Section, such Redemption Notice shall be given by (i) first-class mail, postage prepaid, (ii) telephonically confirmed facsimile transmission, or (iii) overnight delivery service, to the Depository.

Neither failure to receive any Redemption Notice nor any defect in any such Redemption Notice so given shall affect the sufficiency of the proceedings for the redemption of the affected Bonds. Each check issued or other transfer of funds made by the Paying Agent for the purpose of redeeming Bonds shall bear the CUSIP number identifying, by series and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

Upon the surrender of any Bond redeemed in part only, the Paying Agent shall execute and deliver to the Owner thereof a new Bond or Bonds of like tenor and maturity and of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered. Such partial redemption shall be valid upon payment of the amount required to be paid to such Owner, and the District shall be released and discharged thereupon from all liability to the extent of such payment.

Notice having been given as aforesaid, and the moneys for the redemption (including the interest to the applicable date of redemption) having been set aside in the Interest and Sinking Fund, the Bonds to be redeemed shall become due and payable on such date 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 Owners of those 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 such date the principal of and interest due on the Bonds called for redemption. Notice of rescission shall be given in the same manner in which the related Redemption Notice was originally given.

If on such redemption date, money for the redemption of all the Bonds to be redeemed as provided in this Section, together with interest to such redemption date, shall be held by or on behalf of the Paying Agent so as to be available therefor on such redemption date, and if notice of redemption thereof shall have been given as aforesaid, then from and after such redemption date, interest with respect to the Bonds to be redeemed shall cease to accrue and become payable. All money held by or on behalf of the Paying Agent for the redemption of Bonds shall be held in trust for the account of the Owners of the Bonds so to be redeemed.

All Bonds paid at maturity or redeemed prior to maturity pursuant to the provisions of this Section shall be canceled upon surrender thereof and be delivered to or upon the order of the District. All or any portion of a Bond purchased by the District shall be canceled by the Paying Agent upon written notice by the District given to the Paying Agent.

When any Bonds, or portions thereof, which have been duly called for redemption prior to maturity under the provisions of this Resolution, or with respect to which instructions to call for redemption prior to maturity at the earliest redemption date have been given to the Paying Agent, in form satisfactory to it, and sufficient moneys shall be held in the Interest and Sinking Fund irrevocably in trust for the payment of the redemption price of such Bonds or portions thereof, all as provided in this Resolution, then such Bonds shall no longer be deemed Outstanding and shall be surrendered, when and if received, to the Paying Agent for cancellation.

10. Execution of Bonds. The Bonds shall be executed in the manner required by the Authorizing Law. In case any one or more of the officers who shall have signed any of the Bonds shall cease to be such officer before the Bonds so signed shall have been issued by the District, such Bonds may, nevertheless, be issued, as herein provided, as if the persons who signed such Bonds had not ceased to hold such offices. Any of the Bonds may be signed on behalf of the District by such persons as at the time of the execution of such Bonds shall be duly authorized to hold or shall hold the proper offices in the District, although at the date borne by the Bonds or as of the date of adoption of this Resolution such persons may not have been so authorized or have held such offices.

No Bond shall be valid or obligatory for any purpose or shall be entitled to any security or benefit under this Resolution unless and until the certificate of authentication printed on the Bond is signed by the Paying Agent as authenticating agent. Authentication by the Paying Agent shall be conclusive evidence that Bond so authenticated has been duly issued, signed and delivered under this Resolution and is entitled to the security and benefit of this Resolution.

11. Establishment of Interest and Sinking Fund with the Paying Agent. There is hereby established in trust a fund designated as the "Washington Township Health Care District 2020 Election General Obligation Bonds, 2023 Series B Interest and Sinking Fund" maintained by the Paying Agent in connection with the Bonds (the "2023B Interest and Sinking Fund") which shall be administered by the Paying Agent for the account of the District. There shall be levied on all the taxable property in the District, in addition to all other taxes, a continuing direct *ad valorem* property tax annually during the period the Bonds are Outstanding in an amount sufficient, together with moneys on deposit in the 2023B Interest and Sinking Fund and available for such purpose, to pay the principal of and interest on the Bonds when due, which monies when collected are irrevocably pledged for the payment of the principal of and interest on the Bonds when and as the same shall become due (the "Pledged Moneys"). When collected, the Treasurer shall transfer the Pledged Moneys to the Paying Agent for deposit into the 2023B Interest and Sinking Fund, which may be invested at the written direction of the District.

The property taxes and amounts collected shall be immediately subject to the 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 of the District when collected, to secure the payment of the 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. The tax levy may include an allowance for a reasonably required reserve in accordance with the Tax and Nonarbitrage Certificate, established for the purpose of ensuring that the tax or assessment actually collected is sufficient to pay the annual debt service requirements on the Bonds due in such fiscal year. The District covenants to cause the County to take all actions necessary to levy such *ad valorem* property tax, in accordance with this Section and the Authorizing Law.

Except as required to satisfy the requirements of Section 148(f) of the Code, interest earned on the investment of monies held in the 2023B Interest and Sinking Fund shall be used as described in the Paying Agent Agreement.

This pledge is an agreement between the District and the Owners to provide security for the Bonds in addition to any statutory lien that may exist, and the Bonds and each of the other bonds secured by this pledge are or were issued to finance one or more of the projects specified in the bond measure approved at the 2020 Election.

12. Payment of Principal and Interest.

(a) Debt service on the Bonds shall be paid by the Paying Agent in the manner provided by law for the payment of principal of and interest on general obligation bonds. The Paying Agent shall provide to the Treasurer appropriate wire transfer instructions and other information as may be necessary in order to effectuate the timely deposit of moneys into the Interest and Sinking Fund held by the Paying Agent in an amount sufficient to pay debt service on the Bonds of the related Series. On each Bond Payment Date or redemption date established hereunder for the Bonds, the Paying Agent shall pay to the Owners the principal amount or redemption price of and interest on the Bonds then coming due from amounts on deposit in the Interest and Sinking Fund.

(b) Payment of interest on any Bond Payment Date shall be made to the person appearing on the registration books of the Paying Agent as the Owner thereof as of the Record Date immediately preceding such Bond Payment Date, such interest to be paid by check mailed to such Owner on the Bond Payment Date at his address as it appears on such registration books or at such other address as he may have filed with the Paying Agent for that purpose on or before the Record Date. Any Owner of Bonds in an aggregate principal amount of $1,000,000 or more may request in writing to the Paying Agent that such Owner be paid interest by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date. Payments of defaulted interest shall be payable to the person in whose name such Bond is registered at the close of business on a special record date fixed therefor by the Paying Agent which shall not be more than fifteen days and not less than ten days prior to the date of the proposed payment of defaulted interest. The principal amount and redemption premiums, if any, payable on the Bonds shall be payable upon maturity or redemption upon surrender at the principal office of the Paying Agent. The principal amount of and redemption premiums, if any, and interest on the Bonds shall be payable in lawful money of the United States of America. The Paying Agent is hereby authorized to pay the Bonds when duly presented for payment at maturity, and to cancel all Bonds upon payment thereof.

13. Bond Registration and Transfer. (a) In order to qualify the Bonds for the Depository's book-entry system, the District has executed and delivered to the Depository a letter from the District representing such matters as shall be necessary to so qualify the Bonds (the "Representation Letter"). The execution and delivery of the Representation Letter shall not in any way limit the provisions of subsection (a) hereof or in any other way impose upon the

District any obligation whatsoever with respect to persons having beneficial interests in the Bonds other than the Owners, as shown in the Bond Register. In addition to the execution and delivery of the Representation Letter, the District, and its Authorized Officers, are hereby authorized to take any other actions, not inconsistent with this Resolution, to qualify the Bonds for the Depository's book-entry system.

(b) If the book entry system described herein is no longer in effect, the District shall cause the Paying Agent to maintain and keep at its principal corporate trust office the Bond Register. While such book entry system is in effect, such books need not be kept, as the Bonds will be represented by one bond for each maturity registered in the name of Cede & Co., as nominee for DTC.

(c) Subject to the provisions of this Section, the person in whose name a Bond is registered on the Bond Register shall be regarded as the absolute Owner of that Bond for all purposes of this Resolution. Payment of or on account of the principal amount of and interest on any Bond shall be made only to or upon the order of that person; neither the District nor the Paying Agent shall be affected by any notice to the contrary, but the registration may be changed as provided in this Section. All such payments shall be valid and effectual to satisfy and discharge the District's liability upon the Bonds, including interest, to the extent of the amount or amounts so paid.

(d) Any Bond may be exchanged for Bonds of the same tenor and principal amount and in any authorized denomination upon presentation and surrender at the principal corporate trust office of the Paying Agent, together with a request for exchange signed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. In the event that the District determines to no longer maintain the book-entry only status of the Bonds, DTC determines to discontinue providing such services and no successor securities depository is named, or DTC requests the District to deliver Bond certificates to particular DTC Participants, any Bond may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of this Section, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the office of the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed.

(e) Neither the District nor the Paying Agent will be required: (i) to exchange or transfer any Bonds during a period beginning with the opening of business on the 15th Business Day next preceding either any Bond Payment Date or any date of selection of Bonds to be redeemed and ending with the close of business on the Bond Payment Date or day on which the applicable notice of redemption is given, or (ii) to transfer any Bonds which have been selected or called for redemption in whole or in part.

14. Designation and Form of Bonds; Payment. A series of Bonds entitled to the benefit, protection and security of this Resolution is hereby authorized to be issued and sold in an aggregate principal amount not to exceed $125,000,000. Such Bonds shall be general obligations of the District, payable as to principal, premium, if any, and interest from *ad valorem* property taxes to be levied upon all of the taxable property in the District. The Bonds shall be designated the "Washington Township Health Care District (Alameda County, California) 2020 Election

General Obligation Bonds, 2023 Series B" with such insertions as shall be appropriate to describe the authorizations for such Bonds, or any other changes as are agreed to by an Authorized Officer, as evidenced by his or her execution thereof. The Bonds shall be issued as current interest bonds, may be issued as serial bonds or term bonds, and may be subject to redemption as set forth in the Bond Purchase Contract, subject to the provisions of this Resolution. The Bonds shall be in substantially the form attached hereto as Exhibit A, allowing those officials executing the Bonds to make the insertions and deletions necessary to conform the Bonds to this Resolution and the Bond Purchase Contract. Principal of, premium, if any, and interest on any Bond are payable in lawful money of the United States of America.

15. Temporary Bonds. The Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such authorized denominations as may be determined by the District, and may contain such reference to any of the provisions of this Resolution as may be appropriate. Every temporary Bond shall be executed by the District and authenticated by the Paying Agent upon the same conditions and in substantially the same manner as the definitive Bonds. If the District issues temporary Bonds, it will execute and furnish definitive Bonds without delay and thereupon the temporary Bonds shall be surrendered, for cancellation, in exchange for the definitive Bonds at the office of the Paying Agent or at such other location as the Paying Agent shall designate, and the Paying Agent shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Resolution as definitive Bonds authenticated and delivered hereunder.

16. Book-Entry System.

(a) The Bonds shall be initially issued in the form of a separate single fully registered Bond for each of the maturities of the Bonds and of a particular Series and tenor. Upon initial issuance, the ownership of each such Bond certificate shall be registered in the Bond Register in the name of the Nominee as nominee of the Depository. Except as provided in subsection (c) hereof, all of the Outstanding Bonds shall be registered in the Bond Register in the name of the Nominee and the Bonds may be transferred, in whole but not in part, only to the Depository, to a successor Depository or to another nominee of the Depository or of a successor Depository. Each Bond certificate shall bear the legend substantially to the following effect: "UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF DTC TO THE PAYING AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND 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."

With respect to Bonds registered in the Bond Register in the name of the Nominee, neither the Paying Agent nor the District shall have any responsibility or obligation to any Participant or to any person on behalf of which such a Participant holds a beneficial interest in the Bonds. Without limiting the immediately preceding sentence, the District shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Participant with respect to any beneficial ownership interest in the Bonds, (ii) the delivery to any Participant, beneficial owner or any other person, other than the Depository, of any notice with respect to the Bonds, including any redemption notice, (iii) the selection by the Depository and the Participants of the beneficial interests in the Bonds to be redeemed in part, or (iv) the payment to any Participant, beneficial owner or any other person, other than the Depository, of any amount with respect to principal of, premium, if any, and interest on the Bonds. The District may treat and consider the person in whose name each Bond is registered in the Bond Register as the absolute Owner of such Bond for the purpose of payment of principal of, redemption premium, if any, and interest on such Bond, for the purpose of giving Redemption Notices and other notices with respect to such Bond, and for all other purposes whatsoever, including, without limitation, registering transfers with respect to the Bonds.

The Paying Agent shall pay all of the principal amount of, redemption premium, if any, and interest on the Bonds only to the respective Owners, as shown in the Bond Register, and all such payments shall be valid hereunder with respect to payment of principal of and redemption premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the Bond Register, shall receive a Bond evidencing the obligation to make payments of principal of and redemption premium, if any, and interest, pursuant to this Resolution. Upon delivery by the Depository to the Paying Agent of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions hereof with respect to Record Dates, the word "Nominee" in this Resolution shall refer to such new nominee of the Depository.

(b) If at any time the Depository notifies the District that it is unwilling or unable to continue as Depository with respect to the Bonds or if at any time the Depository shall no longer be registered or in good standing under the Securities Exchange Act or other applicable statute or regulation and a successor Depository is not appointed by the District within 90 days after the District receives notice or became aware of such condition, as the case may be, subsection (a) hereof shall no longer be applicable and the District shall issue certificated securities representing the Bonds as provided below. In addition, the District may determine at any time that the Bonds shall no longer be represented by book-entry securities and that the provisions of subsection (a) hereof shall no longer apply to the Bonds. In any such event the District shall execute and deliver certificates representing the Bonds as provided below. Bonds issued in exchange for book-entry securities pursuant to this subsection (b) shall be registered in such names and delivered in such denominations as the Depository shall instruct the District. The District shall deliver certificated securities representing the Bonds to the persons in whose names such Bonds are so registered.

If the District determines to replace the Depository with another qualified securities depository, the District shall prepare or cause to be prepared a new fully registered book-entry security for each of the maturities of Bonds, registered in the name of such successor or substitute securities depository or its nominee, or make such other arrangements as are acceptable to the District and such securities depository and not inconsistent with the terms of this Resolution.

(c) Notwithstanding any other provision of this Resolution to the contrary, so long as any Bond is registered in the name of the Nominee, all payments of principal of and redemption premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, as provided in the Representation Letter or as otherwise instructed by the Depository.

(d) The initial Depository under this Resolution shall be DTC. The initial Nominee shall be Cede & Co., as nominee of DTC.

17. Delivery of Bonds; Disposition of Proceeds of the Bonds.

(a) Delivery of the Bonds. The Authorized Officers shall cause the Bonds to be issued and, following their sale, shall have the Bonds executed and delivered, together with a true transcript of proceedings with reference to the issuance of the Bonds, to the Underwriter of the Bonds pursuant to the Bond Purchase Contract, as appropriate, upon payment of the purchase price in funds which are immediately available to the District. In case any Bond shall become mutilated, the Paying Agent, at the expense of the Owner, shall deliver a new Bond of like tenor date, interest rate, Principal Amount, maturity and tenor as the Bond so mutilated in exchange and substitution for such mutilated Bond, upon surrender and cancellation thereof. All Bonds so surrendered shall be cancelled. If any Bond shall be destroyed, stolen or lost, evidence of such destruction, theft or loss may be submitted to the Paying Agent and if such evidence is satisfactory to the Paying Agent that such Bond has been destroyed, stolen or lost, and upon furnishing the Paying Agent with indemnity satisfactory to the Paying Agent and complying with such other reasonable regulations as the Paying

Agent may prescribe and paying such expenses as the Paying Agent may incur, the Paying Agent shall, at the expense of the Owner, execute and deliver a new Bond of like tenor, date, interest rate, maturity, Principal Amount and tenor in lieu of and in substitution for the Bond so destroyed, stolen or lost. Any new Bonds issued pursuant to this Section in substitution for Bonds alleged to be destroyed, stolen or lost shall constitute original additional contractual obligations on the part of the District, whether or not the Bonds so alleged to be destroyed, stolen or lost are at any time enforceable by anyone, and shall be equally secured by and entitled to equal and proportionate benefits with all other Bonds of that Series issued under this Resolution in any moneys or securities held by the Paying Agent for the benefit of the Owners of the Bonds.

(b) Application of Bond Proceeds. The proceeds of the Bonds shall be deposited as follows:

(i) There shall be deposited with the Paying Agent, into an account designated as the "Washington Township Health Care District General Obligation Bonds Series 2023B Costs of Issuance Fund," which shall be established by the Paying Agent and maintained as a special trust account (the "Costs of Issuance Fund"). The Paying Agent, at the direction of the District, shall, from time to time, disburse amounts from the Costs of Issuance Fund to pay Costs of Issuance. Amounts in the Costs of Issuance Fund shall be held uninvested. The Paying Agent shall keep a written record of disbursements from the Costs of Issuance Fund. On the date which is one hundred and eighty days following the Closing Date, or upon the earlier written request of the Authorized Officer, all amounts (if any) remaining in the Costs of Issuance Fund shall be transferred by the Paying Agent to the Building Fund, and the Costs of Issuance Fund shall thereupon be closed; and

(ii) There shall be deposited with the Paying Agent, into an account designated as the "Washington Township Health Care District General Obligation Bonds Series 2023B Building Fund," which shall be established by the Paying Agent and maintained as a special trust account (the "Building Fund"). The District shall, from time to time, disburse from the Building Fund to pay the costs of the capital improvement projects to be undertaken with the proceeds of the sale of the Bonds. Amounts in the Building Fund shall be invested at the written direction of the District so as to be available for the aforementioned disbursements. The Paying Agent shall keep a written record of disbursements from the Building Fund; and

(iii) Any accrued interest and any original issue premium received by the District and not required to pay cost of issuance of the Bonds shall be deposited into the Interest and Sinking Fund.

(c) Excess Earnings Fund. There is hereby established in trust a special fund designated "Washington Township Health Care District General Obligation Bonds Series 2023B Excess Earnings Fund" (the "Excess Earnings Fund"), which shall be held by the Paying Agent for the account of the District and which shall be kept separate and apart from all other funds and accounts held hereunder. The District shall transfer, or cause to be transferred, moneys to the Excess Earnings Fund in accordance with the provisions of the Tax and Nonarbitrage Certificate. Amounts on deposit in the Excess Earnings Fund shall only be applied to payments made to the United States Treasury or otherwise transferred to other accounts or funds established hereunder in accordance with the Tax and Nonarbitrage Certificate.

18. Authorized Projects. The Projects to be undertaken with proceeds of the sale of the Bonds shall correspond with the language of the Measure approved at the 2020 Election, so that proceeds of sale of the Bonds shall be expended solely on capital improvement projects approved by the voters at the 2020 Election and authorized under the Authorizing Law.

19. Source of Payment. As described in Section 11 hereof, the moneys in the Interest and Sinking Fund, to the extent necessary to pay the principal amount of and interest on the Bonds as the same become due and payable, shall be paid by the Paying Agent to DTC to pay the principal of and interest on the Bonds. DTC will thereupon make payments of principal amount of and interest on the Bonds to the Participants who will thereupon make payments of principal and interest to the beneficial owners of the Bonds. Any moneys remaining in the Interest and Sinking Fund after the Bonds and the interest thereon have been paid, or provision for such payment has been made, shall be transferred to the general fund of the District; provided, however, that the Paying Agent, before making such payment, shall cause notice to be mailed to the Owners of such Bonds, by first-class mail, postage prepaid, not less than 90 days prior to the date of such payment to the effect that such money has not been claimed and that after a date named therein any unclaimed balance of such money then remaining will be transferred to the general fund. Thereafter, the Owners of such Bonds shall look only to the general fund of the District for payment of such Bonds, all as subject to any conditions set forth in the Tax and Nonarbitrage Certificate.

20. Amendment of this Resolution. In the event that the District shall purchase municipal bond insurance to secure the payment of debt service on the Bonds when due, the District shall not amend or supplement this Resolution, under any circumstances, without the prior written consent of the provider of such municipal bond insurance (the "Insurer").

(a) Supplemental Resolutions with Consent of Owners. This Resolution, and the rights and obligations of the District and the Owners of the Bonds, may be modified or amended at any time by a Supplemental Resolution adopted by the Board with the written consent of the Insurer and of the

Owners of at least sixty percent (60%) in aggregate principal amount of the Outstanding Bonds, exclusive of Bonds, if any, owned by the District; provided, however, that no such modification or amendment shall, without the express consent of the Owner of each Bond affected, reduce the principal amount of any Bond, reduce the interest rate payable thereon, advance the earliest redemption date thereof, extend its maturity or the times for paying interest thereon or change the monetary medium in which principal and interest is payable, nor shall any modification or amendment reduce the percentage of consents required for amendment or modification. Notwithstanding anything to the contrary, no such consent shall be required if the Owners are not directly or adversely affected by such modification or amendment.

(b) Supplemental Resolutions Effective without Consent of Owners. For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution of the Board may be adopted, which, without the requirement of consent of the Owners, shall be fully effective in accordance with its terms;

(i) To add to the covenants and agreements of the District in this Resolution, other covenants and agreements to be observed by the District which are not contrary to or inconsistent with this Resolution as theretofore in effect;

(ii) To add to the limitations and restrictions in this Resolution, other limitations and restrictions to be observed by the District which are not contrary to or inconsistent with this Resolution as theretofore in effect;

(iii) To confirm, as further assurance, any pledge under and the subjection to any lien or pledge created or to be created by this Resolution, of any moneys, securities or funds, or to establish any additional funds or accounts to be held under this Resolution;

(iv) To cure any ambiguity, supply any omission, correct any defect or inconsistent provision in this Resolution;

(v) To make such additions, deletions or modifications as may be necessary or desirable to assure exemption from federal income taxation of interest on the Bonds; and

(vi) To amend or supplement this Resolution in any other respect, including in order to meet the requirements of the Insurer, if any, provided such Supplemental Resolution does not, in the opinion of Bond Counsel, adversely affect the interests of the Owners.

(c) Effect of Supplemental Resolution. Any act done pursuant to a modification or amendment so consented to shall be binding upon the

Owners of all the Bonds and shall not be deemed an infringement of any of the provisions of this Resolution, whatever the character of such act may be, and may be done and performed as fully and freely as if expressly permitted by the terms of this Resolution, and after consent regulating to such specified matters has been given, no Owner shall have any right or interest to object to such action or in any manner to question the propriety thereof or to enjoin or restrain the District or any officer or agent of either from taking any action pursuant thereto.

21. Defeasance. If all Outstanding Bonds shall be paid and discharged in any one or more of the following ways:

(a) By paying or causing to be paid the principal of and interest on all Bonds Outstanding, when the same become due and payable;

(b) By depositing with the Paying Agent, in trust, at or before maturity, cash which, together with amounts then on deposit in the Interest and Sinking Fund and with the interest to accrue thereon and on any such moneys, obligations or securities as may be permitted by the laws of the State to be deposited for the purpose of refunding the Bonds without the need for further investment, is fully sufficient to pay all Bonds Outstanding at maturity thereof or on any redemption date prior thereto, including any premium and all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment; or

(c) By depositing with an institution that meets the requirements for serving as a Paying Agent as further described in the Paying Agent Agreement, in trust, lawful moneys, or obligations issued by the United States Treasury (including State and Local Government Series Obligations) or obligations which are unconditionally guaranteed by the United States of America and permitted under Section 149(b) of the Code and Regulations which, in the opinion of Bond Counsel, will not impair the exclusion of gross income for federal income tax purposes of interest on the Bonds, in such amount as will, in the opinion of an independent certified public accountant, together with the interest to accrue thereon but without the need for further investment, be fully sufficient to pay and discharge all Bonds Outstanding at maturity thereof or on any redemption date prior thereto, including any premium and all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment;

then all obligations of the District and the Paying Agent under this Resolution with respect to all Outstanding Bonds shall cease and terminate, except only the obligation of the Paying Agent to pay or cause to be paid from funds made available under the foregoing provisions to the Owners of the Bonds all sums due thereon.

22. Tax Covenants of the District.

(a) The District covenants that it will take any and all actions necessary to assure compliance with Section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such Section is applicable to the Bonds.

(b) 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 Bonds under Section 103 of the Code.

(c) The District covenants that it shall comply with the provisions of the Tax and Nonarbitrage Certificate.

(d) The District covenants that it will deliver instructions to the Paying Agent as may be necessary in order to comply with the Tax and Nonarbitrage Certificate. The District further covenants that it will abide by the provisions of its existing Post-Issuance Tax Compliance Procedures, previously approved by this Board and attached as Exhibit D.

23. Request for Necessary County Actions. The Board of Supervisors, the Auditor-Controller, the Treasurer and other officials of the County are hereby requested to take and authorize such actions as may be necessary for the levy and collection of ad valorem property tax on all taxable property located in the District sufficient to provide for payment of all principal of and interest on the Bonds as the same shall become due and payable, and the Secretary or designee thereof is hereby authorized and directed to deliver certified copies of this Resolution to the Clerk of the Board of Supervisors, the Auditor-Controller and the Treasurer of the County. The District hereby agrees to reimburse the County for any costs associated with the levy and collection of such tax, upon documentation of such costs as the District shall reasonably request.

24. Necessary Acts and Conditions. This Board determines that all acts and conditions necessary to be performed by the Board or have been precedent to and in the issuing of the Bonds in order to make them legal, valid and binding general obligations of the District have been performed and have been met, or will at the time of delivery of the Bonds have been performed and have been met, in regular and due form as required by law; that the District has certified to the Board that no statutory or constitutional limitation of indebtedness or taxation will have been exceeded in the issuance of the Bonds; and that due provision has been made for levying and collecting *ad valorem* property taxes on all of the taxable property within the District in an amount sufficient to pay principal and interest when due, and for levying and collecting such taxes the full faith and credit of the District are hereby pledged.

25. Establishment of Additional Funds and Accounts. If at any time it is deemed necessary or desirable by the District, the Treasurer, the Auditor-Controller, or the Paying Agent, the District may establish additional funds under this Resolution and/or accounts within any of the funds or accounts established hereunder.

26. Approval of Actions; Miscellaneous. Officers of the Board and District officials and staff are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to proceed with the issuance of the Bonds and otherwise carry out, give effect to and comply with the terms and intent of this Resolution. Such actions heretofore taken by such officers, officials and staff are hereby ratified, confirmed and approved.

If there is any inconsistency or conflict between any provision of this Resolution and any provision of the Bond Purchase Contract, the Bond Purchase Contract prevails to the extent of the inconsistency or conflict. If there is any inconsistency or conflict between any provision of this Resolution and any provision of the Tax and Nonarbitrage Certificate, the Tax and Nonarbitrage Certificate prevails to the extent of the inconsistency or conflict.

27. Effective Date. This Resolution shall take effect immediately upon its passage.

[Remainder of Page Intentionally Left Blank]

SECRETARY'S CERTIFICATE

I, ___________, Secretary of the Board of Directors of Washington Township Health Care District, County of Alameda, California, hereby certify as follows:

The attached is a full, true and correct copy of a resolution adopted at a regular meeting of the Board of Directors of the District at which a quorum of its members participated and were acting throughout, conducted at 2000 Mowry Ave, Fremont, California, on August 9, 2023, at a location freely accessible to the public, by the following roll-call vote:

AYES: ____

NOES: ____

ABSTAIN: ____

ABSENT: ____

An agenda of the meeting was posted at least 72 hours before the meeting conducted at Fremont, California, and a brief description of the resolution appeared on the agenda.

The resolution has not been amended, modified or rescinded since the date of its adoption and the same is now in full force and effect.

Dated: __________, 2023

____

Secretary of the Board of Directors of Washington Township Health Care District

EXHIBIT A

FORM OF BOND

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TO THE BOND REGISTRAR FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY), 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.

REGISTERED NO. ____ $_______

WASHINGTON TOWNSHIP HEALTH CARE DISTRICT
(Alameda County, California)
2020 ELECTION GENERAL OBLIGATION BOND
2023 SERIES B

INTEREST RATE	MATURITY DATE	DATED DATE	CUSIP
____% per annum	August 1, 20__	Date of Delivery	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT:

The Washington Township Health Care District (the “District”) in Alameda County, California (the “County”), for value received, promises to pay to the Registered Owner named above, or registered assigns, the principal amount on the Maturity Date, each as stated above, and interest thereon until the principal amount is paid or provided for at the Interest Rate stated above, such interest to be paid on February 1 and August 1 of each year (the “Bond Payment Dates”), commencing February 1, 2024. This Bond will bear interest from the Bond Payment Date next preceding the date of authentication hereof, unless: (i) it is authenticated as of a day following the 15th day of the month immediately preceding any Bond Payment Date and on or before such Bond Payment Date, in which event it shall bear interest from such Bond Payment Date, or (ii) it is authenticated on or before January 15, 2024, in which event it shall bear interest from the date of delivery of the Bonds. Principal and interest are payable in lawful money of the United States of America, without deduction for the paying agent services, to the person in whose name this Bond is registered (the “Registered Owner”) on the Register maintained by the Paying Agent, U.S. Bank Trust Company, National Association, San Francisco, California (the “Paying Agent”). Principal and any redemption premium is payable upon presentation and surrender of this Bond at the principal corporate trust office of the Paying Agent. Interest is payable by check or draft mailed by the Paying Agent on each Bond Payment Date to the registered owner of this Bond by first-class mail at the address appearing on the Register at the close of business on the 15th day of the calendar month next preceding that Bond Payment Date (each, a "Record Date").

This Bond is one of a series of ___________________ dollars ($__________) of Bonds issued for the purpose of acquiring and improving real property of the District, all as authorized in Section 53506 *et seq*. of the Government Code of the State of California, under authority of and pursuant to the laws of the State, and the requisite two-thirds (2/3) vote of the electors of the District cast at an election held on November 3, 2020, upon the question of issuing bonds in the amount of Four Hundred Twenty-Five Million Dollars ($425,000,000) and a resolution of the Board of Directors of the District adopted on August 9, 2023 (the "Bond Resolution"). This Bond and the issue of which this Bond is a part are payable as to both principal and interest from the proceeds of the levy of *ad valorem* taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount. The Bonds are issued in the form of current interest bonds. Capitalized terms used but not defined herein have the meanings assigned to them in the Bond Resolution.

Neither the payment of the principal of or redemption premium, if any, or interest on this Bond shall constitute a debt, liability of obligation of the County.

The Bonds of this issue are issuable only as fully registered Bonds in the denominations of five thousand dollars ($5,000) or any integral multiple thereof. This Bond is exchangeable and transferable for Bonds of other authorized denominations at the principal corporate trust office of the Paying Agent, by the Registered Owner or by a person legally empowered to do so, upon presentation and surrender hereof to the Paying Agent, together with a request for exchange or an assignment signed by the Registered Owner or by a person legally empowered to do so, in a form satisfactory to the Paying Agent, all subject to the terms, limitations and conditions provided in the Bond Resolution. Any tax or governmental charges shall be paid by the transferor. The District and the Paying Agent may deem and treat the Registered Owner as the absolute owner of this Bond for the purpose of receiving payment of or on account of principal or interest and for all other purposes, and neither the District nor the Paying Agent shall be affected by any notice to the contrary.

The Bonds are subject to redemption prior to their stated maturity, as a whole or in part on any date on or after August 1, 20[__], from any source of available funds, at a redemption price equal to the principal amount of the Bonds to be redeemed, without premium, plus accrued interest thereon to the date fixed for redemption.

The Bonds maturing on August 1, 20[__] are subject to mandatory redemption in part by lot, on August 1 in each year commencing August 1, 20[__] and on each August 1 thereafter, up to and including August 1, 20[__], from mandatory sinking payments made by the District, at a redemption price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest thereon to the date of redemption, in the following principal amounts:

Sinking Fund Payment Date (August 1)	Principal Amount

*Final Maturity.

If less than all of the Bonds of any one maturity shall be called for redemption, the particular Bonds or portions of Bonds of such maturity to be redeemed shall be selected by lot by the District in such manner as the District in its discretion may determine; provided, however, that the portion of any Bond to be redeemed shall be in the principal amount of five thousand dollars ($5,000) or some multiple thereof and that, in selecting Bonds for redemption, the Paying Agent shall treat each Bond as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by five thousand dollars ($5,000). If less than all of the Bonds shall be called for redemption, the particular Bonds or portions thereof to be redeemed shall be called by lot in any manner which the District in its discretion shall determine.

The Paying Agent shall give notice of the redemption of the Bonds at the expense of the District. Such notice shall specify: (i) that the Bonds or a designated portion thereof are to be redeemed, (ii) the numbers and CUSIP numbers, if any, of the Bonds to be redeemed, (iii) the date of notice and the date of redemption, (iv) the place or places where the redemption will be made, and (v) descriptive information regarding the issue of Bonds and the specific Bonds redeemed, including the dated date, interest rate and stated maturity date of each. Such notice shall further state that on the specified date there shall become due and payable upon each Bond to be redeemed, the portion of the principal amount of such Bond to be redeemed, together with interest accrued to such date, the redemption premium, if any, and that from and after such date interest with respect thereto shall cease to accrue.

Notice of redemption shall be by registered or otherwise secured mail or delivery service, postage prepaid, to the registered owner of the Bonds, or if the underwriter is a syndicate, to the managing member of such syndicate, to a municipal registered securities depository and to a national information service that disseminates securities redemption notices and, by first class mail, postage prepaid, to the District and the respective Owners of any Bonds designated for redemption at their addresses appearing on the Bond registration books, in every case at least twenty (20) days, but not more than sixty (60) days, prior to the redemption date; provided that neither failure to receive such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of such Bonds nor entitle the owner thereof to interest beyond the date given for redemption.

Neither the District nor the Paying Agent will be required: (i) to issue or transfer any Bond during a period beginning with the opening of business on the 15th business day next preceding either any Bond Payment Date or any date of selection of any Bond to be redeemed and ending with the close of business on the Bond Payment Date or a day on which the applicable notice of redemption is given, or (ii) to transfer any Bond which has been selected or called for redemption in whole or in part.

Reference is made to the Bond Resolution for a more complete description of the provisions with respect to the nature and extent of the security for the Bonds of this series, the rights, duties and obligations of the District, the Paying Agent and the Registered Owners, and other terms and conditions upon which the Bonds are issued and secured. The owner of this Bond assents, by acceptance hereof, to all of the provisions of the Bond Resolution and of the laws of the State of California governing the issue of the Bonds.

It is certified and recited that all acts and conditions required by the District under the Constitution and laws of the State of California to exist, to occur and to be performed or to have been met precedent to and in the issuing of the Bonds in order to make them legal, valid and binding general obligations of the District, have been performed and have been met in regular and due form as required by law; that payment in full for the Bonds has been received; that no statutory or constitutional limitation on indebtedness or taxation has been exceeded in issuing the Bonds; and that due provision has been made for levying and collecting *ad valorem* property taxes on all of the taxable property within the District in an amount sufficient to pay principal and interest when due, and for levying and collecting such taxes the full faith and credit of the District are hereby pledged.

This Bond shall not be valid or obligatory for any purpose and shall not be entitled to any security or benefit under the Bond Resolution until the Certificate of Authentication below has been manually signed by the Paying Agent.

IN WITNESS WHEREOF, the Washington Township Health Care District, Alameda County, California, has caused this Bond to be executed on behalf of the District and in their official capacities by the manual or facsimile signature of the President of the Board of Directors of the District, and to be countersigned by the manual or facsimile signature of the Secretary of the Board of Directors of the District, all as of the date stated above.

WASHINGTON TOWNSHIP HEALTH CARE DISTRICT

By: ________________________________
President, Board of Directors

COUNTERSIGNED:

____
Secretary, Board of Directors

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Bond Resolution, which has been authenticated on the date set forth below.

Authenticated on: _________, 2023

U.S. BANK TRUST COMPANY,
NATIONAL ASSOCIATION, as Paying Agent

By: ________________________________
Authorized Officer

FORM OF ASSIGNMENT

For value received, the undersigned do(es) hereby sell, assign and transfer unto

____

(Name, Address and Tax Identification or Social Security Number of Assignee)

the within Bond and do(es) hereby irrevocably constitute(s) and appoint(s) _________________ attorney, to transfer the same on the registration books of the Paying Agent with full power of substitution in the premises.

Dated: ________________________

Signature Guaranteed:

____

Notice: Signature(s) must be guaranteed by a qualified guarantor institution.

____

Notice: The signature on this assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

EXHIBIT B

FORM OF 15c2-12 CERTIFICATE

With respect to the proposed sale of its 2020 Election General Obligation Bonds, 2023 Series B in the maximum aggregate principal amount of not to exceed $125,000,000 (the "Bonds"), Washington Township Health Care District (the "District") has delivered to BofA Securities, Inc., as underwriter of the Bonds, a Preliminary Official Statement, dated as of the date hereof (the "Preliminary Official Statement"). The District, for purposes of compliance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended (the "Rule"), deems the Preliminary Official Statement to be final as of its date, except for the omission of no more than the information permitted under the Rule.

WASHINGTON TOWNSHIP HEALTH CARE DISTRICT

By: ________________________________
Authorized Officer

Dated: __________________, 2023

EXHIBIT C

POST-ISSUANCE TAX COMPLIANCE PROCEDURES

Post-Issuance Tax Compliance Procedures of Washington Township Health Care District

The purpose of these Post-Issuance Tax Compliance Procedures ("Procedures") is to establish procedures to assist Washington Township Health Care District (the "District") in complying with its federal tax obligations to maintain the exclusion from federal income taxes for the tax-exempt bonds that have been issued by or on behalf of the District (collectively, the "Bonds").

A tax certificate or agreement (each, a "Tax Certificate") has been or will be executed by the District in conjunction with each issue of Bonds (the specific Bonds identified in each Tax Certificate comprises an "Issue of Bonds"). Each Tax Certificate is designed as a more comprehensive analysis of the limits imposed on the District on the way it can invest Bond proceeds and use Bond-financed facilities for each Issue of Bonds. Each Issue of Bonds, as they may be issued from time to time, is listed in Exhibit B.

These Procedures are not intended to be an exclusive or comprehensive guide to the District's post-issuance compliance requirements imposed by the Internal Revenue Code (the "Code") and the Treasury Regulations (the "Regulations"). The District is advised to confer with nationally recognized bond counsel ("Bond Counsel") for assistance dealing with situations not addressed herein.

I. Issuer's Obligations

The Issuer shall conduct an annual review of these Procedures and of the Bonds in light of these Procedures to ensure compliance until the final maturity date of the Bonds. With this in mind, the Issuer undertakes the following:

- The Chief Financial Officer of the District (the "Responsible Officer"), is responsible for ensuring compliance with these Procedures and ensuring that these Procedures are responsive to future legislative changes at both the federal and state level;
- On or before August 1 of each year (the "Annual Compliance Check"), the Responsible Officer shall affirmatively declare that the District is in compliance with all of the requirements contained herein (see "Exhibit A" for sample declaration);
- In the event that the Responsible Officer is unsure whether the District is in compliance, the Responsible Officer shall consult with Bond Counsel for advice and, if necessary, assistance in taking steps necessary to remedy any failure to comply with these Procedures.

II. Policy

The post-issuance obligations imposed by the Code and the Regulations are to ensure compliance with the following two principles:

- An issuer may not take advantage of the reduced borrowing costs associated with tax-exempt bonds by re-investing tax-exempt bond proceeds in investments with a higher yield ("arbitrage"); and
- While any Issue of Bonds are outstanding, no more than 10 percent of the proceeds of such Issue of Bonds (or the financed facilities) may be used in any trade or business activity carried on by any person or entity, including the United States Government and all of its agencies and instrumentalities, other than the Issuer or a state or political subdivision of a state. In addition, no more than 5% of the proceeds of an Issue of Bonds (or the financed facilities) may be used in any trade or business activity carried on any person or entity, including the United States Government and all of its agencies and instrumentalities, other than the Issuer or a state or political subdivision of a state where such use is (i) disproportionate to a related governmental use or is (ii) unrelated to the governmental use of the proceeds of an Issue of Bonds.

There are other rules that must be complied with and which are described in each Tax Certificate; however, these two principles generate the most significant compliance obligations with respect to the District's Bonds.

III. Use of Bond Proceeds (arbitrage and rebate)

Arbitrage is only a consideration when there are Bond proceeds that have not been spent on the Bond-financed project or projects (the "Projects"). However, there may be amounts treated as unspent Bond proceeds in many different situations. For example, receipt of a grant with respect to the Bond-financed projects might be treated as replacing the Bond proceeds and, if so, will be subject to the arbitrage rules. If the District is unsure if it has unspent Bond proceeds either after a particular transaction or outside of the exceptions to the arbitrage rebate requirement, the District should consult with Bond Counsel and, if necessary, a rebate service provider for the identification and proper treatment of such proceeds (a "Rebate Analyst").

If the District identifies any Bond proceeds subject to rebate, the District may engage a Rebate Analyst to assist in calculating the amount of arbitrage rebate due the federal government. If applicable, the District shall monitor or cause their auditors to monitor the investment of Bond proceeds and deliver statements concerning investment earnings and other information, as requested, to the Rebate Analyst. Every fifth year after the issue date of each Issue of Bonds, the District shall ensure that the payment of rebate, if required, is made within 60 days after the date thereof. In addition, the District shall ensure that the payment of rebate, if required, is made within 60 days after the date on which the last Bond of the Issue of Bonds is redeemed. The District shall confer with the Rebate Analyst as necessary to effect the foregoing.

While each Issue of Bonds is outstanding, the District shall monitor the expenditures of Bond proceeds and work with the Rebate Analyst or with Bond Counsel to determine if any exceptions from arbitrage rebate are applicable.

Until three years following the final maturity date of an Issue of Bonds (or until three years following the issuance of any tax-exempt Bonds issued to refund an Issue of Bonds), the District shall maintain copies of all arbitrage reports, trustee statements, disposition records, and other documentation relating to arbitrage rebate in accordance with Section IV of these Procedures.

IV. Recordkeeping Requirements

The District shall continue to keep records and retain documents for either (1) three years past the final maturity date of each Issue of Bonds, or (2) if there is a refunding of an Issue of Bonds, three years following the final maturity date of the refunding Issue of Bonds (the "Retention Period").

The District shall retain all records related to capital expenditures financed or refinanced with Bond proceeds and all records related to the use of Bond-financed facilities and the use of Bond proceeds. The following are some examples of records that should be kept for each Issue of Bonds, along with any other relevant documents, over the course of the Retention Period:

a. Basic records and documents relating to each Issue of Bonds;

b. Documentation evidencing the expenditure of Bond proceeds (this may take the form of the District's annual performance audit and financial audits (collectively, the "Bond Audits")) to the extent the Bond Audits separately identify the expenditures for an Issue of Bonds;

c. Documentation evidencing any use of a Project by public and private parties other than the District and the general public (*i.e.,* copies of management contracts, research agreements, leases, etc.);

d. Documentation evidencing compliance with the timing and allocation of expenditures of Bond proceeds;

e. Documentation pertaining to any directed investment of proceeds of an Issue of Bonds (including the purchase and sale of securities, SLGs subscriptions, yield calculations for each class of investments, actual investment income received from the investment of proceeds, guaranteed investment contracts, and rebate calculations); and

f. Records of all amounts paid to the United States under the arbitrage rules.

V. Use of Bond-Financed Facilities

a. <u>Bond-Financed Facilities</u>

Under the Code, to preserve the tax exemption of an Issue of Bonds, private business use of Bond-financed facilities is limited. District facilities that are financed with moneys other than Bond proceeds are NOT subject to such use limitations. The Projects financed with proceeds from each Issue of Bonds are described in Exhibit C, as updated from time to time.

b. What is "use"?

In order for an Issue of Bonds to be treated as tax-exempt, whatever portion of the proceeds of each Issue of Bonds "used" (for federal income tax purposes) in a private trade or business by an entity or person other than the District or other state or political subdivision must be within certain, de minimis thresholds. In particular, such use may not exceed ten percent (10%) or, in certain circumstances, five percent (5%) of the proceeds of each Issue of Bonds. For this purpose, both direct and indirect use by an entity or person other than the District or another political agency must be taken into account. For example, a Bond-financed facility that is leased to a government agency but subleased to an entity or person that is not a government agency is taken into account.

For purposes of these Procedures, "use" may include use pursuant to any of the following types of arrangements:

i. A management or service contract not meeting the guidelines set forth in Rev. Proc. 97-13 (*i.e.*, coffee shop, dining facility, etc.);

ii. A lease;

iii. An installment sale or other form of transfer of ownership;

iv. Research agreements not meeting the guidelines set forth in Rev. Proc. 2007-47; and

v. Any other arrangements conveying special legal entitlements with regard to the Project;

The uses of Bond-financed facilities expected as of the issue date of each Issue of Bonds to be private uses subject to the ten or five percent limitation are listed in Exhibit D. Exhibit D should be updated from time to time to track any private uses arising after the respective issue dates, and the District shall consult with Bond Counsel to determine the treatment and impact of these additional uses and to ascertain whether the ten percent or five percent limit applies.

c. What is **not** "use"?

For purposes of these Procedures, "use" does **not** include the following:

- Attendance and participation by members of the general public at events hosted by the District at Bond-financed facilities; and
- Activities conducted in any portion of a Bond-financed facility that was constructed, renovated, or improved using **other than** Bond proceeds.

In addition, the Code has some exceptions where use that would otherwise constitute private use is not counted as such. The two most important exceptions are as follows, which exceptions apply to a use that would be a private business use, but do not apply to a use that would be an unrelated trade or business (even if the Issuer receives no payment for such use):

- Any single contract for use with a term of less than 50 days (measured both annually and in the aggregate if its term encompasses multiple years) including all renewals, with a fee negotiated on an arms-length basis; and
- "Incidental Uses" *(e.g.,* vending machine, pay phone, kiosks) if the same do not aggregate more than 2.5% of the bond-financed facilities and are not functionally related to other use of the facility by the same private user.

d. Annual Monitoring

Under the supervision of the Responsible Officer, until the final maturity date of an Issue of Bonds (or any Issue of refunding Bonds), personnel from the Issuer shall:

- Annually review the Tax Certificate for each respective Issue of Bonds until the final redemption of principal or maturity value of such Issue of Bonds;
- Monitor the use of Bond-financed facilities financed or refinanced with respect to each Issue of Bonds, taking care to ensure the use of such facilities is consistent with the Bond documents;
- Maintain records sufficient to ensure that the Issuer can accurately identify all of the facilities (including buildings, equipment, tangible property, etc.) that were financed or refinanced with proceeds from each Issue of Bonds (including discrete portions of each facility) and how such facilities were used;
- Consult with Bond Counsel and other professional advisors in review of any material contracts (including management contracts, leases, research contracts) that may result in additional private use of Bond-financed (or refinanced) facilities;
- For the duration of the Retention Period, maintain records in accordance with Section IV of these Procedures.

VI. Procedures for Correcting Non-Compliance

a. Procedures exist for self-reporting and correcting any post-issuance compliance violations. If any non-compliance of applicable federal tax requirements is identified, the Responsible Officer shall immediately evaluate, with the assistance of Bond Counsel, the availability of the remedies provided under the Code, including Treasury Regulation 1.141-12 and other IRS guidance as to remediation of violations of Sections 103 and 141-150 of the Code, as well as the IRS Voluntary Closing Agreement Program. The District will comply with such procedures to the extent necessary to ensure that the interest on each Issue of Bonds remains excludable from gross income for federal income tax purposes.

List of Exhibits and Appendices

Exhibit A	Review Certificate
Exhibit B	Bond Issues
Exhibit C	Use of Bond Proceeds
Exhibit D	Private Business Use and Unrelated Trade or Business Use

Exhibit A

Annual Certification

On [DATE], I, [NAME], was appointed the Responsible Officer and assigned the responsibility of ensuring that Washington Township Health Care District has adhered to and complied with all of its post-issuance compliance obligations as enunciated in the Post-Issuance Tax Compliance Procedures (the "Procedures"), adopted [ ].

By signing this certificate, I affirm that I have reviewed the necessary documentation and performed the necessary review to confirm that between [DATE] and [DATE], the District was in compliance with all of its post-issuance compliance obligations as set forth in the Procedures and as described in each Tax Certificate.

____
Name
Date

Exhibit B

Bond Issues

$49,275,000 Revenue Bonds Series 1999, issued May 5, 1999.

$60,000,000 General Obligation Bonds, 2004 Election, 2006 Series A, issued December 14, 2006.

$79,645,000 Refunding and Revenue Bonds, 2007 Series A, issued June 28, 2007.

$25,000,000 General Obligation Bonds, 2004 Election, 2009 Series A, issued November 17, 2009.

$55,000,000 Revenue Bonds, 2009 Series A, issued December 2, 2009.

$60,725,000 Revenue Bonds, 2010 Series A, issued November 12, 2010.

$105,000,000 2004 Election General Obligation Bonds, 2013 Series B, issued November 21, 2013.

$40,500,000 2012 Election General Obligation Bonds, 2013 Series A, issued November 21, 2013.

$145,500,000 2012 Election General Obligation Bonds, 2015 Series B, issued November 18, 2015.

$30,290,000 Revenue Refunding Bonds, 2015 Series A, issued November 18, 2015.

$30,725,000 2016 General Obligation Refunding Bonds, issued June 29, 2016.

$37,655,000 Revenue Bonds, 2017 Series A, issued April 18, 2017.

$66,690,000 Revenue Refunding Bonds, 2017 Series B, issued June 28, 2017.

$49,445,000 Refunding and Revenue Bonds, 2019 Series A, issued July 2, 2019.

$11,110,000 2019 General Obligation Refunding Bonds, issued July 2, 2019.

$40,865,000 Revenue Refunding Bonds, 2020 Series A, issued December 16, 2020.

$20,000,000 2020 Election General Obligation Bonds, 2022 Series A, issued April 13, 2022.

Exhibit C

Projects Financed with each Issue of Bonds

Refer to permanent files with District Facilities and to Bond Performance Audits issued annually.

Exhibit D

<u>Private Business Use</u>

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST __, 2023

NEW ISSUE — BOOK-ENTRY ONLY

RATINGS:
Moody's: [__] ([________] Outlook)
[Fitch: [__] ([________] Outlook)]
See "RATINGS" herein

In the opinion of Nixon Peabody LLP, Bond Counsel, under existing law and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by the District described herein, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code. Bond Counsel is further of the opinion that interest on the Bonds is exempt from personal income taxes of the State of California (the "State") under present State law. See "TAX MATTERS" herein regarding certain other tax considerations. [To be confirmed by Bond Counsel.]

$[PAR AMOUNT]*
WASHINGTON TOWNSHIP HEALTH CARE DISTRICT
(Alameda County, California)
2020 Election General Obligation Bonds, 2023 Series B

Dated: Date of Delivery **Due**: August 1, as set forth on inside cover

The Washington Township Health Care District (Alameda County, California) 2020 Election General Obligation Bonds, 2023 Series B (the "Bonds") are being issued by the Washington Township Health Care District (the "District"), a local health care district located in Alameda County, California (the "County"). The Bonds were authorized at an election held in the District on November 3, 2020 (the "2020 Authorization"), at which the requisite two-thirds of the qualified electors voting on the proposition voted to authorize the issuance and sale of $425,000,000 principal amount of general obligation bonds of the District. The Bonds are the second series of bonds being issued pursuant to the 2020 Authorization. Following the issuance of the Bonds, $________* of the 2020 Authorization remains to be issued. The Bonds are being issued for the purpose of financing health care facilities of the District authorized in the proposition, as more fully described herein.

The Bonds represent general obligations of the District payable from *ad valorem* taxes levied and collected by the County. The Bonds are not obligations of the County, the State of California or any of its political subdivisions, other than the District. The Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes upon all taxable property within the District, without limitation as to rate or amount, for the payment of principal of and interest on the Bonds when due. The Bonds are not secured by the revenues from the operations of the Washington Hospital Healthcare System, which includes Washington Hospital and certain other facilities described herein under the caption "THE DISTRICT."

Interest due on the Bonds is payable on February 1 and August 1 of each year, commencing [February 1, 2024]. Principal of the Bonds will be paid on August 1 in the years set forth on the inside cover page hereof. The Bonds will be issued in denominations of $5,000 or integral multiples thereof and are payable as to principal amount or redemption price at the designated office of U.S. Bank Trust Company, National Association, San Francisco, California, as Paying Agent for the Bonds (the "Paying Agent").

The Bonds are issued in fully registered form and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds as described herein under the caption "THE BONDS—General."

The Bonds are being sold by the District to the Underwriter identified below.

The Bonds are subject to optional redemption and mandatory sinking fund redemption, as described herein.*

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of this bond issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

Maturity Schedule
(See inside cover)

The Bonds are offered when, as and if received by the Underwriter, subject to prior sale and to the approval of legality by Nixon Peabody LLP, San Francisco, California, Bond Counsel. Certain legal matters for the District will be passed upon for the District by Mary K. Norvell, Attorney at Law, La Jolla, California, and for the Underwriter by its counsel, Norton Rose Fulbright US LLP. It is expected that the Bonds in definitive book-entry form will be available for delivery through the facilities of DTC in New York, New York, on or about September __, 2023.

BofA Securities

Date: ________, 2023

* Preliminary, subject to change.

MATURITY SCHEDULE

$[PAR AMOUNT]*
WASHINGTON TOWNSHIP HEALTH CARE DISTRICT
(Alameda County, California)
2020 Election General Obligation Bonds, 2023 Series B

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	CUSIP†
	$	%	%	

$________ ____% Term Bonds due August 1, 20__; Priced to Yield: ____%; CUSIP† _________

$________ ____% Term Bonds due August 1, 20__; Priced to Yield: ____%; CUSIP† _________

* Preliminary, subject to change.

† CUSIP is a registered trademark of The American Bankers Association (the "ABA"). CUSIP data is provided by CUSIP Global Services ("CGS"), which is managed on behalf of the ABA by FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. The CUSIP numbers listed above are being provided solely for the convenience of the holders of the Bonds only at the time of issuance of the Bonds, and neither the District nor the Underwriter makes any representation with respect to such CUSIP numbers or undertakes any responsibility for the accuracy now or at any time in the future.

This Official Statement does not constitute an offer to sell the Bonds or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any state or other jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale in such state or jurisdiction. No dealer, salesman or any other person has been authorized to give any information or to make any representation other than those contained herein in connection with the offering of the Bonds, and, if given or made, such information or representation must not be relied upon.

The information relating to DTC and the book-entry system set forth herein under the caption "THE BONDS—General" and in Appendix E 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 Underwriter or the District. All other information set forth herein has been obtained from the District and other sources that are believed to be reliable. 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 to investors 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.*

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. This Official Statement is being provided to prospective investors in connection with the issuance of securities referred to herein and may not be used, in whole or in part, for any other purpose.

The District maintains a website. However, the information presented on that website is not part of this Official Statement and should not be relied upon in making investment decisions with respect to the Bonds. The references to internet websites in this Official Statement are shown for reference and convenience only; unless explicitly stated to the contrary, the information contained within the websites is not incorporated herein by reference and does not constitute part of this Official Statement.

CAUTIONARY STATEMENTS 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 generally are identifiable by the terminology used, such as "plan," "expect," "estimate," "budget" or other similar words. Such forward-looking statements include but are not limited to certain statements contained in the information under the caption "ESTIMATED SOURCES AND USES OF FUNDS" in the forepart of this Official Statement.

The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that 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 those forward-looking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur.

WASHINGTON TOWNSHIP HEALTH CARE DISTRICT

Board of Directors
[TO BE UPDATED/CONFIRMED]

Director	Term Expires
Bernard Stewart, D.D.S., President	[November 20___]
Michael J. Wallace, First Vice President	[November 20___]
William F. Nicholson, M.D., Second Vice President	[November 20___]
Jacob Eapen, M.D., Treasurer	[November 20___]
Jeanette Yee, R.N., Secretary	[November 20___]

District Officials
[TO BE UPDATED/CONFIRMED]

Kimberly Hartz, Chief Executive Officer
Ed Fayen, Executive Vice President and Chief Operating Officer
Thomas McDonagh, Vice President and Chief Financial Officer
Larry LaBossiere, Vice President and Chief Nursing Officer
Tina Nunez, Vice President of Ambulatory and Administrative Services

Bond Counsel

Nixon Peabody LLP
San Francisco, California

District Counsel

Mary K. Norvell, Attorney at Law
La Jolla, California

Municipal Advisor

Kaufman, Hall & Associates, LLC
Skokie, Illinois

Paying Agent

U.S. Bank Trust Company, National Association
San Francisco, California

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OFFICIAL STATEMENT

$[PAR AMOUNT]*
WASHINGTON TOWNSHIP HEALTH CARE DISTRICT
(Alameda County, California)
2020 Election General Obligation Bonds, 2023 Series B

INTRODUCTORY STATEMENT

The following introductory statement is subject in all respects to the more complete information set forth in this Official Statement. The order and placement of materials in this Official Statement, including the appendices, are not to be deemed to be a determination of relevancy, materiality or relative importance, and this Official Statement, including the cover page, inside cover page and appendices, must be considered in its entirety. The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive and are qualified in their entirety by reference to each document. All capitalized terms used in this Official Statement and not otherwise defined herein have the same meaning as in the Bond Resolution (as defined below).

Purpose of this Official Statement

This Official Statement, including the cover page, the inside cover page and the appendices hereto, is provided to furnish information in connection with the sale and delivery of $[PAR AMOUNT]* aggregate principal amount of Washington Township Health Care District (Alameda County, California) 2020 Election General Obligation Bonds, 2023 Series B (the "Bonds").

The District

Washington Township Health Care District (the "District") is a local health care district, formed in 1948, and organized pursuant to Division 23 of the Health and Safety Code (the "Local Health Care District Law") of the State of California (the "State"). The District's boundaries encompass an area of approximately 124 square miles in southern Alameda County (the "County"). The District operates the Washington Hospital Healthcare System, which consists of Washington Hospital, a 415-bed acute care hospital located in Fremont, California (the "Hospital"), [an urgent care center, primary care and multi-specialty outpatient clinics, an outpatient surgery center, an outpatient rehabilitation center, a radiation oncology center, a lymphedema clinic, a center for wound care and hyperbaric medicine, and an outpatient diabetes center]. Included within the District's boundaries are the cities of Fremont, Newark and Union City, the southern portion of the City of Hayward and the unincorporated area known as Sunol. For more information, see "THE DISTRICT" herein.

Authority for Issuance of the Bonds

At an election held on November 3, 2020, more than two-thirds of the votes cast by eligible voters within the District authorized the District to issue up to $425,000,000 of general obligation bonds for certain capital projects ("Measure XX"). The Bonds constitute the second series of bonds issued under Measure XX. Following the issuance of the Bonds, the District will have $__________ remaining general obligation bonds unissued under Measure XX.

* Preliminary, subject to change.

The Bonds are issued pursuant to Resolution No. ____, adopted by the Board of Directors of the District (the "District Board") on August [9], 2023 (the "Bond Resolution"), and pursuant to Section 53506 *et seq.* of the Government Code of the State. The Bonds will be sold by the District to BofA Securities, Inc., as the initial purchaser (the "Underwriter"), as described under "UNDERWRITING" herein.

The proceeds from the sale of the Bonds will be applied pursuant to certain provisions of the Paying Agent Agreement, dated as of September 1, 2023 (the "Paying Agent Agreement"), by and between the District and U.S. Bank Trust Company, National Association, San Francisco, California, as Paying Agent for the Bonds (the "Paying Agent"), as described under "INTRODUCTORY STATEMENT—Application of the Bond Proceeds."

Security for the Bonds

The Bonds represent general obligations of the District payable from *ad valorem* taxes. The Board of Supervisors of the County shall levy and collect annually *ad valorem* taxes upon all taxable property within the District for the payment of the principal of and interest on the Bonds. See "PROPERTY TAX INFORMATION" herein. The Bonds are not obligations of the County, the State or any of its political subdivisions, other than the District. The Bonds are not secured by the revenues from the operations of the Washington Hospital Healthcare System, which includes the Hospital and certain other facilities described herein under the caption "THE DISTRICT." As of August 1, 2023, the District has other outstanding general obligation bonds issued pursuant to prior elections. See "PROPERTY TAX INFORMATION—Direct and Overlapping Debt" below.

Purpose of the Bonds

Proceeds from the Bonds will be used to [complete a portion of the construction necessary to make the Hospital earthquake-safe and ensure the hospital remains open and accessible to provide life-saving care during a major disaster, and to provide modern operating rooms, intensive care for infants and modern patient facilities], as specified in Measure XX, and pay costs of issuance associated with the Bonds.

Application of the Bond Proceeds

A portion of the proceeds from the sale of the Bonds will be deposited with the Paying Agent, into an account designated as the "Washington Township Health Care District General Obligation Bonds Series 2023B Building Fund," which will be established by the Paying Agent and maintained as a special trust account (the "Building Fund"). The District will, from time to time, disburse or order the Paying Agent in writing to disburse amounts from the Building Fund to pay the costs of the capital improvement projects to be undertaken with the proceeds of the sale of the Bonds. Amounts in the Building Fund will be invested at the written direction of the District so as to be available for the aforementioned disbursements. The Paying Agent will keep a written record of disbursements from the Building Fund.

A portion of the proceeds from the sale of the Bonds will be deposited with the Paying Agent, into an account designated as the "Washington Township Health Care District General Obligation Bonds Series 2023B Costs of Issuance Fund," which will be established by the Paying Agent and maintained as a special trust account (the "Costs of Issuance Fund"). The District will, within six months of the date of delivery of the Bonds, disburse amounts from the Costs of Issuance Fund to pay Costs of Issuance. Amounts in the Costs of Issuance Fund will be held uninvested so as to be available for such disbursements. The Paying Agent will keep a written record of disbursements from the Costs of Issuance Fund. On the date which is six months following the date of issuance of the Bonds, or upon the earlier request of the District, any amount remaining in the Costs of Issuance Fund will be transferred by the Paying Agent to the Building Fund, and the Costs of Issuance Fund will be closed.

Any excess original issue premium and accrued interest received by the District that is not required to pay costs of issuance on the Bonds will be deposited into the fund designated as the "Washington Township Health Care District General Obligation Bonds 2023 Series B Interest and Sinking Fund," which will be established and maintained by the Paying Agent (the "Interest and Sinking Fund").

Investment of Proceeds

Pursuant to the Bond Resolution, a portion of the proceeds of the Bonds will be deposited into the Building Fund to be held by the Paying Agent as a separate trust account on behalf of the District and invested in those certain investments authorized for public agencies under Section 53601 of the Government Code of the State.

ESTIMATED SOURCES AND USES OF FUNDS

The District expects to apply the proceeds from the Bonds as follows:

Sources of Funds	
Par Amount of Bonds	$
[Net] Original Issue Premium/Discount	
Total	$
Uses of Funds	
Deposit to Building Fund	$
Costs of Issuance(1)	
Deposit to Interest and Sinking Fund	
Total	$

(1) Includes Underwriter's discount, Paying Agent fees, legal, printing and other miscellaneous issuance fees and expenses.

THE BONDS

General

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 The Depository Trust Company ("DTC"). Purchasers will not receive certificated securities representing their interests in the Bonds.

Interest on the Bonds accrues from their date of delivery and is payable semiannually on February 1 and August 1 of each year (each, a "Bond Payment Date"), commencing [February 1, 2024]. Interest on the Bonds shall be computed on the basis of a 360-day year of twelve 30-day months. Each Bond shall bear interest from the Bond Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Bond Payment Date to that Bond Payment Date, inclusive, in which event it shall bear interest from such Bond Payment Date, or unless it is authenticated on or before January 15, 2024, in which event, it shall bear interest from the date of delivery of the Bonds. The Bonds are issuable in authorized denominations of $5,000 or any integral multiple thereof. The Bonds mature on August 1 in the years and amounts set forth on the inside cover page hereof.

Payment of interest on any Bond on any Bond Payment Date shall be made to the person appearing on the registration books of the Paying Agent as the Owner thereof as of the day concluding at the close of business on the 15th calendar day of the calendar month next preceding such Bond Payment Date (the "Record Date"), such interest to be paid by check mailed to such Owner on the Bond Payment Date, at his address as it appears on such registration books or at such other address as he may have filed with the Paying Agent for that purpose on or before the Record Date. Any Owner of Bonds in an aggregate principal amount of $1,000,000 or more may request in writing to the Paying Agent that such Owner be paid interest by wire transfer to the bank and account number on file with the Paying Agent as of the Record Date. Payments of defaulted interest shall be payable to the person in whose name such Bond is registered at the close of business on a special record date fixed therefor by the Paying Agent which shall not be more than fifteen days and not less than ten days prior to the date of the proposed payment of defaulted interest. The principal and redemption premiums, if any, payable on the Bonds shall be payable upon maturity or redemption upon surrender at the principal office of the Paying Agent. The interest, principal amount and redemption premium, if any, on the Bonds shall be payable in lawful money of the United States of America. The Paying Agent is authorized to pay the Bonds when duly presented for payment at maturity or upon redemption and to cancel all Bonds upon payment thereof.

So long as Cede & Co. is the registered Owner of the Bonds, as nominee for DTC (the "Nominee"), references in the Official Statement to "Owner" or registered owners of the Bonds (other than under the caption "TAX MATTERS" and the statement on the cover of this Official Statement regarding interest on the Bonds being excludable from gross income) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of such Bonds. The District and the Paying Agent shall treat the registered Owner of the Bonds (which will be DTC so long as the book-entry 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 solely to DTC.

For a description of the method of payment of principal and premium, if any, of and interest on the Bonds and matters pertaining to their exchange while the book-entry system is in place, see APPENDIX E – "BOOK-ENTRY SYSTEM."

Redemption*

Optional Redemption. The Bonds maturing on and after August 1, 20__ are subject to redemption prior to their stated maturities, at the option of the District, from any source of available funds, in whole, or in part, on August 1, 20__, or on any date thereafter at the principal amount thereof, without premium, together with interest accrued thereon to the date of redemption.

If less than all the Outstanding Bonds are to be optionally redeemed, the Paying Agent, upon written instructions from the District given at least 30 days but no more than 60 days prior to the date designated for such redemption, shall select Bonds for redemption in the order directed by the District or, in the event no direction is given, in inverse order of maturity. Within a maturity, the Paying Agent shall select Bonds for redemption by lot. Redemption by lot shall be in such manner as the Paying Agent shall determine; provided, however, that the portion of any Bond to be redeemed in part shall be in the principal amount of $5,000 or any integral multiple thereof.

Mandatory Sinking Fund Redemption. The Bonds maturing on August 1, 20__ are subject to redemption prior to their stated maturity from mandatory sinking fund payments on August 1 of each year, beginning August 1, 20__ at a redemption price equal to the respective principal amounts thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amounts of such

* Preliminary, subject to change.

Bonds to be so redeemed and the dates therefor and the final principal payment date are as indicated in the following table:

Bond due August 1, 20__

Redemption Date (August 1)	Mandatory Sinking Fund Payment
	$
†	

† Maturity.

The Bonds maturing on August 1, 20__ are subject to redemption prior to their stated maturity from mandatory sinking fund payments on August 1 of each year, beginning August 1, 20__ at a redemption price equal to the respective principal amounts thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amounts of such Bonds to be so redeemed and the dates therefor and the final principal payment date are as indicated in the following table:

Bond due August 1, 20__

Redemption Date (August 1)	Mandatory Sinking Fund Payment
	$
†	

† Maturity.

Notice of Redemption. Notice of redemption of any Bonds shall be mailed, postage prepaid, not less than 20 nor more than 60 days prior to the redemption date by first class mail to the respective Owners thereof at the addresses appearing on the bond registration books maintained by the Paying Agent. In the event that the Bonds shall no longer be held in book-entry only form, at least two days before the date of the notice required by the foregoing sentence, such Redemption Notice shall be given by (i) first class mail, postage prepaid, (ii) telephonically confirmed facsimile transmission, or (iii) overnight delivery service, to the Depository.

Each notice of redemption shall contain all of the following information: (a) the Bonds or designated portions thereof (in the case of redemption of the Bonds in part but not in whole) which are to be redeemed, (b) the date of redemption, (c) the place or places where the redemption will be made, including the name and address of the Paying Agent, (d) the redemption price, (e) the CUSIP numbers (if any) assigned to the Bonds to be redeemed, (f) the Bond numbers of the Bonds to be redeemed in whole or in part and, in the case of any Bond to be redeemed in part only, the principal amount of such Bond to be redeemed, and (g) the original issue date, interest rate and stated maturity date of each Bond to be redeemed in whole or in part. Such notice of redemption shall further state that on the specified date there shall become due and payable upon each Bond or portion thereof being redeemed the redemption price thereof, together with the interest accrued to the redemption date, and that from and after such date, interest thereon shall cease to accrue and be payable.

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 Owners of those Bonds so called for redemption [in the same manner that the original notice of optional redemption was given]. 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 and interest due on the Bonds called for redemption. Notice of rescission shall be given in the same manner in which notice of redemption was originally given.

Neither failure to receive any Redemption Notice nor any defect in any such Redemption Notice so given shall affect the sufficiency of the proceedings for the redemption of the affected Bonds. Each check issued or other transfer of funds made by the Paying Agent for the purpose of redeeming Bonds shall bear the CUSIP number identifying, by series and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

Upon the surrender of any Bond redeemed in part only, the Paying Agent shall execute and deliver to the Owner thereof a new Bond or Bonds of like tenor and maturity and of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered. Such partial redemption shall be valid upon payment of the amount required to be paid to such Owner, and the District shall be released and discharged thereupon from all liability to the extent of such payment.

Notice having been given as aforesaid, and the moneys for the redemption (including the interest to the applicable date of redemption) having been set aside in the Interest and Sinking Fund, the Bonds to be redeemed shall become due and payable on such date of redemption.

If on such redemption date, money for the redemption of all the Bonds to be redeemed as provided in the Bond Resolution, together with interest to such redemption date, shall be held by or on behalf of the Paying Agent so as to be available therefor on such redemption date, and if notice of redemption thereof shall have been given as provided in the Bond Resolution, then from and after such redemption date, interest with respect to the Bonds to be redeemed shall cease to accrue and become payable. All money held by or on behalf of the Paying Agent for the redemption of Bonds shall be held in trust for the account of the Owners of the Bonds so to be redeemed.

All Bonds paid at maturity or redeemed prior to maturity pursuant to the provisions of the Bond Resolution shall be canceled upon surrender thereof and be delivered to or upon the order of the District. All or any portion of a Bond purchased by the District shall be canceled by the Paying Agent upon written notice by the District given to the Paying Agent.

Defeasance

Bonds may be paid and discharged in any one or more of the following ways:

(a) by paying or causing to be paid the principal of and interest on all Bonds Outstanding, as and when the same become due and payable;

(b) by depositing with the Paying Agent, in trust, at or before maturity, cash that, together with amounts then on deposit in the Interest and Sinking Fund and with the interest to accrue thereon and on any such moneys, obligations or securities as may be permitted by the laws of the State to be deposited for the purpose of refunding the Bonds, without the need for further investment, is fully sufficient to pay all Bonds Outstanding at maturity or on any redemption date prior thereto, including all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment; or

(c) by depositing with an institution that meets the requirements for serving as a Paying Agent as further described in the Paying Agent Agreement, in trust, lawful moneys or obligations issued by the United States Treasury (including State and Local Government Series Obligations) or obligations that are unconditionally guaranteed by the United States of America and permitted under Section 149(b) of the Internal Revenue Code and accompanying Treasury Regulations and that, in the opinion of Bond Counsel, will not impair the exclusion from gross income for federal income tax purposes of interest on the Bonds, in such amount as will, in the opinion of an independent certified public accountant, together with the interest to accrue thereon, but without the need for further investment, be fully sufficient to pay and discharge all Bonds Outstanding at maturity or on any redemption date prior thereto, including any premium and all interest thereon, notwithstanding that any Bonds shall not have been surrendered for payment.

Upon defeasance of all Bonds Outstanding, all obligations of the District and the Paying Agent under the Bond Resolution with respect to the Bonds shall cease and terminate, except only the obligation of the Paying Agent to pay or cause to be paid from funds described above to the Owners of the Bonds all sums due thereon.

Paying Agent

As long as DTC's book-entry system is used for the Bonds, the Paying Agent will send any notice of redemption or other notices to Owners 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 of the Bonds 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.

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

Registration, Transfer and Exchange of Bonds

If the book-entry system described in Appendix E is no longer used with respect to the Bonds, the District shall cause the Paying Agent to maintain and keep at its principal corporate trust office all books and records necessary for the registration, exchange and transfer of the Bonds (the "Bond Register"). While such book-entry system is in effect, the Bonds will be represented by one bond for each maturity of the Bonds registered in the name of Cede & Co., as Nominee for DTC.

The person in whose name a Bond is registered on the Bond Register shall be regarded as the absolute owner of that Bond. Payment of or on account of the principal of and interest on any Bond shall be made only to or upon the order of that person; neither the District nor the Paying Agent shall be affected by any notice to the contrary, but the registration may be changed as provided in the Bond Resolution. All such payments shall be valid and effectual to satisfy and discharge the District's liability upon the Bonds, including interest, to the extent of the amount or amounts so paid.

Any Bond may be exchanged for Bonds of the same tenor and principal amount and in any authorized denomination upon presentation and surrender at the principal corporate trust office of the Paying Agent, together with a request for exchange signed by the Owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. In the event that the District determines to no longer maintain the book-entry only status of the Bonds, DTC determines to discontinue providing such services and no successor securities depository is named, or DTC requests the District to deliver Bond certificates to particular DTC Participants, any Bond may, in accordance with its terms, be transferred upon the Bond Register by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the office of the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed.

Neither the District nor the Paying Agent will be required: (i) to exchange or transfer any Bonds during a period beginning with (a) the opening of business on the 15th Business Day next preceding any Bond Payment Date or (b) any date of selection of Bonds to be redeemed and ending with the close of business on the Bond Payment Date or day on which the applicable notice of redemption is given, or (ii) to transfer any Bonds that have been selected or called for redemption in whole or in part.

SECURITY FOR THE BONDS

The Bonds represent general obligations of the District payable as to principal, premium, if any, and interest from *ad valorem* property taxes levied on taxable property located within the boundaries of the District. Pursuant to Section 32312 of the Health and Safety Code of the State, the County shall levy and collect annually *ad valorem* taxes upon all taxable property within the District for the payment of the principal of and interest on the Bonds. Such taxes shall be collected by the County and transferred by the County to the District to be used for payment of the principal of and interest on the Bonds by the Paying Agent. Pursuant to the provisions of the Paying Agent Agreement, the County will be directed to transfer such taxes twice each year. The Paying Agent, pursuant to the Paying Agent Agreement, shall deposit all such taxes received from the County into the Interest and Sinking Fund held by the Paying Agent, which is required to be used by the Paying Agent solely for the payment of the principal or redemption price of and interest on the Bonds when due. Although the County is obligated to levy an *ad valorem* tax for the payment of the Bonds, the Bonds are not obligations of the County, the State or any of its political subdivisions, other than the District.

The moneys in the Interest and Sinking Fund are pledged to the payment of principal and redemption price of and interest on the Bonds. Amounts on deposit 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, shall be transferred by the Paying Agent on or before each Bond Payment Date and each redemption date to DTC for remittance by DTC to its Participants for subsequent disbursement to the Beneficial Owners of the Bonds.

Each fiscal year, the District, in conjunction with the County Assessor, determines the levy rate that is expected to permit the County to collect *ad valorem* property taxes in an amount sufficient to pay principal and interest coming due on the Bonds in that fiscal year. In the event there is a shortfall in the collection of *ad valorem* property taxes to pay principal of and interest on the Bonds, the District is required by Section 32127 of the Health and Safety Code of the State to use moneys in its maintenance and operation fund to make up any shortfall. The District anticipates that *ad valorem* property taxes will be sufficient to pay the Bonds when due. The Bonds are payable from revenues in the District's maintenance and operation fund only in the event there is a shortfall in *ad valorem* property taxes, but the Bonds are not secured by the revenues from the operations of the Washington Hospital Healthcare System, which includes the Hospital and certain other facilities described herein under the caption "THE DISTRICT." Prospective investors, therefore, should base their investment decision solely on the property tax information relating to the District.

ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth for each year ending August 1 the amounts required to be made available for the payment of principal due on the Bonds, the payment of interest on the Bonds, including by mandatory sinking account redemption, the total annual debt service on the Bonds, the total annual debt service for all of the District's prior general obligation bonds, and the total annual debt service for all of the District's general obligation bonds upon the issuance of the Bonds.

Year Ending (August 1)	The Bonds			Total Debt Service on all Prior General Obligation Bonds [1]	Total Debt Service
	Principal	Interest	Total Debt Service on Bonds		
2024	$	$	$	$ 16,476,550	$
2025				16,476,800	
2026				16,480,300	
2027				16,854,800	
2028				17,689,400	
2029				18,572,950	
2030				19,547,150	
2031				20,561,538	
2032				21,632,100	
2033				22,752,825	
2034				23,937,050	
2035				25,169,025	
2036				26,462,750	
2037				28,313,425	
2038				29,747,113	
2039				31,249,475	
2040				33,128,925	
2041				34,788,250	
2042				36,525,500	
2043				38,356,300	
2044				40,274,600	
2045				42,286,800	
2046				1,873,600	
2047				1,966,400	
2048				2,068,200	
2049				2,173,400	
2050				2,281,600	
2051				2,402,400	
2052				-	
2053				-	
Total	**$**	**$**	**$**	**$590,049,225**	**$**

[1] Comprising the 2013 Series A Bonds, the 2013 Series B Bonds, the 2015 Series B Bonds, the 2016 Bonds, the 2019 Bonds and the 2022 Series A Bonds.

CONTINUING DISCLOSURE

Pursuant to a Continuing Disclosure Agreement, dated the date of issuance and delivery of the Bonds (the "Continuing Disclosure Agreement"), with Hilltop Securities Inc., as dissemination agent (the "Dissemination Agent"), the District has covenanted for the benefit of Owners of the Bonds (including Beneficial Owners of the Bonds) to provide for dissemination by the Dissemination Agent of (i) certain financial information and operating data relating to the District (each, an "Annual Report") by not later than six months following the end of the District's fiscal year (which date would be January 1 following the end of the District's fiscal year on the prior June 30), commencing with the report for the 2022-23 Fiscal Year, and (ii) notices of the occurrence of certain listed events. The Annual Report and notices of listed events shall be filed by the Dissemination Agent, in electronic form, with the Electronic Municipal Market Access system ("EMMA") of the Municipal Securities Rulemaking Board (the "MSRB"). Additionally, the District has agreed to provide for dissemination by the Dissemination Agent to the MSRB of certain quarterly unaudited financial statements by not later than 75 days after the end of each of the District's first three fiscal quarters. The specific nature of the information to be contained in the Annual Report, the notices of listed events and the quarterly unaudited financial statements is included in Appendix C. These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission, as amended ("Rule 15c2-12").

During the past five years, the District has not failed to comply, in any material respect, with any prior continuing disclosure undertaking made by the District for purposes of Rule 15c2-12. A failure by the District to comply with any provision of the Continuing Disclosure Agreement will not constitute a default or an Event of Default under the Bond Resolution.

For a more complete description of the content, time, and place of filing of Annual Reports, the circumstances under which provisions of the Continuing Disclosure Agreement may be amended or waived, when Beneficial Owners of the Bonds are entitled to take action to enforce the Continuing Disclosure Agreement, limitations on enforcement of the Continuing Disclosure Agreement, and other provisions of the Continuing Disclosure Agreement, see APPENDIX C – "FORM OF CONTINUING DISCLOSURE AGREEMENT."

Although not required by the terms of the Continuing Disclosure Agreement or any existing continuing disclosure undertakings, it is currently the District's policy to post certain information related to its board meetings on its website (http://www.whhs.com/About/Board-of-Directors.aspx). Such website is not incorporated by reference herein. The District routinely posts certain notices, meeting agendas and board packages, and the board packages often include financial information and operating data not required to be disseminated under the Continuing Disclosure Agreement or any existing continuing disclosure agreements. There can be no assurance that the District will continue this policy in the future.

PROPERTY TAX INFORMATION

Ad Valorem Property Taxation

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 County, school district, city and other special district taxes. Taxes are levied by the County for each fiscal year on taxable property within the District as of the preceding January 1. See "—Tax Collection Procedure" below.

The amount of the annual *ad valorem* property tax levied by the County to repay the Bonds will be based on the amount of debt service due on the Bonds. The County calculates the tax rate on an annual basis based on the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds. The District informs the County of the amount of debt service due on the Bonds. The County is required, in turn, to levy and collect the *ad valorem* property taxes and transfer such *ad valorem* property taxes to the Paying Agent as described above. See "SECURITY FOR THE BONDS" above.

A reduction in the assessed valuation of taxable property located in the District, such as may be caused by economic recession, global pandemics such as COVID-19, deflation of land values, a relocation out of the District by one or more major property owners, reclassification of property to a class exempt from taxation, or the complete or partial destruction of such property caused by, among other events, an earthquake, flood, fire (including wildfire) or other natural disaster, could cause a reduction in the assessed value of taxable property in the District and necessitate an unanticipated increase in the annual tax levy necessary to pay debt service on the Bonds.

Assessed Valuations

The assessed valuation of property in the District, except for public utility property, which is assessed by the State Board of Equalization, is established by the County Assessor. Assessed valuations are reported at 100% of the "full value" of the property, as defined in Article XIIIA of the State Constitution. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS." Assessed value is not the same as market value and is subject to annual adjustments by the County Assessor.

Certain classes of property, such as churches, nonprofit and public colleges, universities and hospitals, charitable institutions and governmental property, are exempt from property taxation and do not appear on the tax rolls.

Property located within the District had a total taxable assessed valuation for fiscal year 2022-23 of $93,870,762,069. The following table presents the ten-year history of assessed valuations in the District.

Assessed Valuations[1]
Fiscal Years 2013-14 through 2022-23

	Secured[2]	Utility	Unsecured	Total
2013-14	47,919,053,313	61,591,784	3,083,746,399	$51,064,391,496
2014-15	51,176,728,941	54,715,589	3,169,676,316	54,401,120,846
2015-16	54,714,762,586	54,715,589	3,705,209,623	58,474,687,798
2016-17	60,051,035,454	5,900,339	3,244,641,349	63,301,577,142
2017-18	64,190,916,900	11,912,936	3,497,496,387	67,700,326,223
2018-19	68,985,855,532	11,912,936	3,446,379,217	72,444,147,685
2019-20	73,708,350,985	11,912,936	3,737,741,274	77,458,005,195
2020-21	78,080,367,556	10,877,936	4,275,321,291	82,366,566,783
2021-22	81,580,047,685	15,159,854	4,594,258,773	86,189,466,312
2022-23	88,445,670,746	14,822,696	5,410,268,627	93,870,762,069

(1) All years shown at full cash value and include secured, unsecured and utility property.
(2) Includes homeowner exemptions, but excludes other exemptions, such as veterans and welfare benefits. The total homeowner exemption for 2022-23 was $390,418,000. (Source: Office of the Assessor, Alameda County 2022-23 Fund Report)

Source: California Municipal Statistics, Inc.

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 use for fiscal year 2022-23.

Assessed Valuation and Parcels by Land Use
(Secured Tax Rolls)
Fiscal Year 2022-23

	2022-23 Assessed Valuation[1]	% of Total	No. of Parcels	% of Total
Non-Residential:				
Agricultural/Rural	$ 314,861,982	0.36%	411	0.42%
Commercial/Office	6,015,239,861	6.80	1,497	1.52
Vacant Commercial	126,464,243	0.14	110	0.11
Industrial	14,228,137,959	16.09	1,689	1.72
Vacant Industrial	438,969,356	0.50	178	0.18
Recreational	125,959,851	0.14	30	0.03
Government/Social/Institutional	328,729,504	0.37	390	0.40
Subtotal Non-Residential	$21,578,362,756	24.40%	4,305	4.38%
Residential:				
Single-Family Residence	$50,187,538,945	56.74%	70,857	72.07%
Condominium/Townhouse	10,449,701,529	11.81	20,049	20.39
Mobile Home	36,640,433	0.04	681	0.69
Mobile Home Park	39,745,125	0.04	11	0.01
2–4 Residential Units	692,574,069	0.78	1,023	1.04
5+ Residential Units/Apartments	4,466,625,202	5.05	420	0.43
Vacant Residential	994,482,687	1.12	967	0.98
Subtotal Residential	$66,867,307,990	75.60%	94,008	95.62%
Total	$88,445,670,746	100.00%	98,313	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 2022-23 aggregate average and median assessed valuations of single-family homes within the District and a breakdown of single-family homes by assessed valuation range.

Per Parcel Assessed Valuation of Single-Family Homes
Fiscal Year 2022-23

	No. of Parcels	2022-23 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single-Family Residential	70,857	$50,187,538,945	$708,293	$615,450

Assessed Valuation[(1)]	No. of Parcels[(1)]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $99,999	4,582	6.467%	6.467%	$334,689,192	0.667%	0.667%
$100,000 - $199,999	4,796	6.769	13.235	711,695,587	1.418	2.085
$200,000 - $299,999	5,432	7.666	20.901	1,374,231,383	2.738	4.823
$300,000 - $399,999	7,101	10.022	30.923	2,490,187,436	4.962	9.785
$400,000 - $499,999	6,481	9.147	40.069	2,905,604,384	5.789	15.574
$500,000 - $599,999	6,127	8.647	48.716	3,367,096,859	6.709	22.283
$600,000 - $699,999	5,574	7.867	56.583	3,618,871,217	7.211	29.494
$700,000 - $799,999	5,229	7.380	63.963	3,923,994,582	7.819	37.313
$800,000 - $899,999	5,022	7.088	71.050	4,264,493,527	8.497	45.810
$900,000 - $999,999	4,415	6.231	77.281	4,185,463,124	8.340	54.150
$1,000,000 - $1,099,999	3,293	4.647	81.928	3,447,198,089	6.869	61.018
$1,100,000 - $1,199,999	2,531	3.572	85.500	2,905,783,791	5.790	66.808
$1,200,000 - $1,299,999	2,110	2.978	88.478	2,633,059,108	5.246	72.054
$1,300,000 - $1,399,999	1,831	2.584	91.062	2,468,792,193	4.919	76.974
$1,400,000 - $1,499,999	1,497	2.113	93.175	2,167,598,077	4.319	81.293
$1,500,000 - $1,599,999	1,111	1.568	94.743	1,717,925,633	3.423	84.716
$1,600,000 - $1,699,999	867	1.224	95.967	1,427,529,897	2.844	87.560
$1,700,000 - $1,799,999	633	0.893	96.860	1,105,971,351	2.204	89.764
$1,800,000 - $1,899,999	471	0.665	97.525	869,816,276	1.733	91.497
$1,900,000 - $1,999,999	344	0.485	98.010	668,847,279	1.333	92.830
$2,000,000 and greater	1,410	1.990	100.000	3,598,689,960	7.170	100.000
Total	70,857	100.000%		$50,187,538,945	100.000%	

(1) Improved single-family residential parcels. Excludes condominiums and parcels with multiple family units.
Source: California Municipal Statistics, Inc.

Tax Collection Procedure

Taxes are levied for each fiscal year on taxable real and personal property on the tax rolls as of the preceding January 1. Real property that changes ownership or is newly constructed is required to be revalued at the time the change occurs or the construction is completed. The current year property tax rate is applied to the reassessed value, and the taxes are then adjusted by a proration factor that reflects the portion of the remaining tax year for which taxes are due.

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” contains real property (land and improvements), certain taxable personal property (such as business equipment on business-owned property), and possessory interests (a leasehold on otherwise exempt government property). The “unsecured roll” contains taxable property that is not secured by the underlying real property, the majority of which is business equipment on leased or rented premises, and other taxable personal property such as boats and aircraft, as well as delinquent possessory interests. The balance of personal property has been exempted by State law from property taxes.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each 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. Such property may thereafter be redeemed by payment of the delinquent property taxes, 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 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 the 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.

Property tax delinquencies may be impacted by economic and other factors beyond the District's control, including the ability or willingness of property owners to pay property taxes during an economic recession or depression. An economic recession or depression could be caused by many factors outside the control of the District, including (but not limited to) high interest rates, reduced consumer confidence, reduced real wages or reduced economic activity as a result of the COVID-19 or other pandemic or natural or manmade disaster, such as earthquake, drought, wildfires and fires. It is not possible for the District to make any representation regarding the extent to which an economic recession or depression, stemming from the effects of COVID-19 or otherwise, could impact the ability or willingness of property owners within the District to pay property taxes in the future. For more information on the impact of the COVID-19 pandemic, see "—COVID-19 or Other Public Health Emergency or Crisis" herein. If delinquencies increase substantially as a result of the unprecedented events of the COVID-19 pandemic or other events outside the control of the District, the County does have the authority to increase allowances for annual reserves in the tax levy to avoid fluctuating tax levies.

On October 5, 1993, the County adopted the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan") as provided in Section 4701 *et seq.* of the Revenue and Taxation Code of the State. Generally, the Teeter Plan provides for a tax distribution procedure in which secured roll taxes are distributed to local participating taxing agencies within the County on the basis of the full amount of the current tax levy, rather than on the basis of actual current tax collections less delinquencies. The County then receives and retains any excess delinquent tax payments, penalties and interest. The District is not a local participating taxing agency under the Teeter Plan. As such, any excess delinquent tax payments, penalties and interest, when received, will be allocated to the District based on its pro rata share of the delinquent property tax.

The following table lists the secured tax charges and delinquencies for the District for fiscal years 2017-18 through 2021-22.

Secured Tax Charges and Delinquencies
Fiscal Years 2017-18 through 2021-22

Fiscal Year	Secured Tax Charge[1]	Amount Delinquent (June 30th)	% Delinquent
2017-18	15,499,643.76	75,129.56	0.48
2018-19	16,639,097.15	85,539.53	0.51
2019-20	16,204,291.73	111,923.69	0.69
2020-21	16,575,069.72	95,641.69	0.58
2021-22	16,504,480.23	102,732.54	0.62

(1) District's general obligation bond debt service levy for all of its outstanding general obligation bonds.
Source: California Municipal Statistics, Inc.

Proposition 8 Reductions and Appeals to Assessed Value

In November 1978, State voters passed as an amendment to Article XIIIA of the California Constitution, Proposition 8, which provides that property owners are entitled to an assessment based on the lower of the fair market value of their property as of the lien date (January 1), or the assessed value as determined at the time of purchase or construction, and increased by no more than two percent annually. As a matter of policy and in accordance with Proposition 8, the County Assessor for Alameda County ("County Assessor") has proactively responded to declining market values by temporarily reducing assessed values during those periods of market decline. The County Assessor may also adjust valuations independently, without a taxpayer appeal. Property owners may also appeal the Proposition 13 base assessment of a property. Although less frequently filed, such appeals, if successful, can permanently reduce the enrolled valuation of property until it is sold. See the table entitled "Assessed Valuation" under "PROPERTY TAX INFORMATION—Assessed Valuations" above.

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Tax Rate and Collection Record

The following table sets forth a typical aggregate tax rate for property within the District for fiscal years 2018-19 through 2022-23.

Typical Aggregate Tax Rate (TRA 12-013)[(1)]
Fiscal Years 2018-19 through 2022-23

Fiscal Year	Percentage Against Assessed Value
2018-19	1.1706%
2019-20	1.1699
2020-21	1.1609
2021-22	1.1322
2022-23	1.1390

(1) 2022-23 assessed valuation of TRA 12-013 is $12,360,574,941, which is 13.17% of the District's total assessed valuation.
Source: California Municipal Statistics, Inc.

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Major Taxpayers

The following table lists the major real property taxpayers in the District based on their 2022-23 secured assessed valuations.

Largest Local Secured Property Taxpayers
Fiscal Year 2022-23

	Property Owner	Primary Land Use	2022-23 Assessed Valuation	% of Total[1]
1.	Tesla Inc.	Industrial	$2,701,510,012	3.05%
2.	BMR Gateway Boulevard LLC	Industrial	391,700,652	0.44
3.	Pacific Commons Owner LP	Industrial	387,778,323	0.44
4.	Hart Pacific Commons LLC	Shopping Center	377,395,688	0.43
5.	CP V Walnut LLC	Apartments	361,847,666	0.41
6.	Essex Portfolio LP	Apartments	353,314,747	0.40
7.	Lennar Homes California Inc.	Residential Development	321,102,288	0.36
8.	John T. Arrillaga & Richard T. Peery Trust	Industrial	319,705,985	0.36
9.	BRE Properties Inc.	Apartments	268,496,897	0.30
10.	Catellus Development Corporation	Industrial	249,027,548	0.28
11.	Seagate Technology LLC	Industrial	239,141,564	0.27
12.	Fremont Technology Business Center LLC	Industrial	214,618,590	0.24
13.	Fairfield Warm Springs LLC	Apartments	185,703,781	0.21
14.	JMB Newpark Associates & GGP Newpark LLC	Shopping Center	183,086,703	0.21
15.	Fremont Retail Partners LP	Shopping Center	179,378,380	0.20
16.	Silicon Valley Gateway Technology Center	Industrial	172,394,348	0.19
17.	Newark Industrial Partners LLC	Industrial	166,007,068	0.19
18.	Whipple Road Portfolio LLC	Industrial	160,830,000	0.18
19.	Crossing 880 Industrial LLC	Industrial	150,592,500	0.17
20.	BTMU Capital Leasing & Finance Inc.	Industrial	150,034,659	0.17
			$7,533,667,399	8.52%

(1) 2022-23 Local Secured Assessed Valuation: $88,445,670,746.
Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

Set forth below is a direct and overlapping debt statement (the "Debt Statement") prepared by California Municipal Statistics, Inc. for debt issued as of August 1, 2023. The Debt Statement is included for general information purposes only. The District has not reviewed the Debt Statement for completeness or accuracy and makes no representation in connection therewith.

The Debt Statement 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. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

The contents of the Debt Statement are as follows: (1) the first column indicates the public agencies which have outstanding debt as of the date of the Debt Statement and whose territory overlaps the District (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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Washington Township Health Care District
Direct and Overlapping Debt
As of August 1, 2023
($ in Thousands)
(Unaudited)

2022-23 Assessed Valuation: $93,870,762,069

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 8/1/23	
Alameda County	25.047%	$ 124,557,479	
Bay Area Rapid Transit District	9.855	241,011,416	
Chabot-Las Positas Community College District	8.452	59,518,139	
Ohlone Community College District	100.	392,220,000	
Fremont Unified School District	100.	601,620,000	
New Haven Unified School District	97.469	233,360,617	
Newark Unified School District	100.	63,739,625	
Other School Districts	Various	1,994,285	
City of Fremont	100.	23,925,000	
Washington Township Health Care District	**100.**	**337,295,000**	(1)
East Bay Regional Park District	15.602	27,452,499	
Hayward Area Recreation and Park District	1.417	2,194,579	
City of Fremont Community Facilities District Nos. 1 and 2	100.	91,270,000	
City of Union City Dyer Street Community Facilities District	100.	2,720,000	
City of Newark 1915 Act Bonds	100.	941,678	
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$2,203,820,317	
OVERLAPPING GENERAL FUND DEBT:			
Alameda County General Fund Obligations	25.047%	$177,058,120	
Alameda-Contra Costa Transit District Certificates of Participation	25.930	2,701,906	
Ohlone Community College District General Fund Obligations	100.	200,000,000	
Fremont Unified School District Certificates of Participation	100.	55,535,000	
Other School District General Fund Obligations	Various	74,443	
City of Fremont Certificates of Participation	100.	76,155,000	
City of Hayward General Fund Obligations	5.724	3,563,290	
City of Newark Certificates of Participation	100.	59,405,000	
City of Union City Pension Obligation Bonds	99.704	7,454,940	
TOTAL OVERLAPPING GENERAL FUND DEBT		$581,947,699	
OVERLAPPING TAX INCREMENT DEBT (SUCCESSOR AGENCIES):		$103,677,218	
COMBINED TOTAL DEBT		$2,889,445,234	(2)

Ratios to 2022-23 Assessed Valuation:
Direct Debt ($337,295,000)..0.36%

Total Direct and Overlapping Tax and Assessment Debt 2.35%
Combined Total Debt...3.08%

Ratio to Redevelopment Incremental Assessed Valuation ($4,374,797,346):
Total Overlapping Tax Increment Debt 2.37%

(1) Excludes the Bonds to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.
Source: California Municipal Statistics, Inc.

Limitation on Remedies; Bankruptcy

Limitations on Remedies. The various opinions to be delivered concurrently with the Bonds will be qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditors' rights. Enforceability of the rights and remedies of the holders 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 and the limitations on remedies against health care districts in the State.

Bankruptcy. Chapter 9 of the Federal Bankruptcy Code (Title 11, United States Code) (the "Bankruptcy Code") does not limit or impair the power of a state to control, by legislation or otherwise, a political subdivision of the state in the exercise of its political or governmental powers, including expenditures for the exercise. In addition, Chapter 9 provides that a bankruptcy court may not interfere with the political or governmental powers of a political subdivision debtor, unless the political subdivision approves a plan of adjustment to that effect or consents to that action. State law provides that *ad valorem* property taxes may be levied to pay the principal of and interest on the Bonds and other voted general obligation bonds of the District in an unlimited amount, and that proceeds of such a levy must be used for the payment of principal of and interest on the District's general obligation bonds, including the Bonds, and for no other purpose. Under State law, the District's share of the 1% limited tax imposed by the County is the only *ad valorem* property tax revenue that may be raised and expended to pay liabilities and expenses of the District other than its voter-approved debt, such as its general obligation bonds, including the Bonds. If the District should become a debtor in a Chapter 9 proceeding, then it must propose a plan of adjustment of its debts. The plan may not become effective until confirmed by the bankruptcy court. The court may not approve a plan unless it finds, among other conditions, that the District is not prohibited by law from taking any action necessary to carry out the plan and that the plan is in the best interests of creditors and is feasible. If the State law restriction on the levy and expenditure of *ad valorem* property taxes is respected in a bankruptcy case, then *ad valorem* property tax revenue in excess of the District's share of the 1% limited County tax could not be used by the District for any purpose under its plan other than to make payments on the Bonds and its other general obligation bonds. It is possible, however, that a bankruptcy court could conclude that the restriction should not be respected.

If the District were a debtor in bankruptcy, the Paying Agent may be prevented from making payments to the Owners of the Bonds from funds in the Paying Agent's possession. There may be other possible effects of a bankruptcy of the District that could result in delays or reductions in payments on the Bonds, which could have an adverse effect on the liquidity and value of the Bonds.

Statutory Lien on* Ad Valorem *Property 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 the *ad valorem* property taxes levied and collected to pay the principal of and interest on such general obligation bonds. Section 53515 provides that the lien automatically arises 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. The statutory lien provides Owners with a security interest in the *ad valorem* property taxes that should survive a bankruptcy of the District. The automatic stay provisions of the Bankruptcy Code would apply, however, thereby preventing Owners from enforcing their rights to payment from such taxes (with the result that any payments becoming due and owing on the Bonds during the pendency of the Chapter 9 proceeding could be delayed), except as described under "—Special Revenues" below. It is also possible that the bankruptcy court could approve an alternate use of such taxes, if the Owners are afforded protection that the court determines to be adequate.

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, then the application by the County (or others with possession) of pledged *ad valorem* tax revenues that are collected after the date of the bankruptcy filing should not be subject to the automatic stay, and Owners may be able to compel their immediate use to pay debt service, subject to the matters discussed below, including a decision by the United States Court of Appeals for the First Circuit.

"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. The Bonds and the District's other general obligation bonds were approved at elections held on propositions that described the projects for which such bonds may be issued. As noted above, State law prohibits the use of the proceeds of the District's debt service tax for any purpose other than payment of its general obligation bonds, and the bond proceeds may only be used to fund the acquisition or improvement of real property and other capital expenditures included in the proposition, so 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 payment of general obligation bonds in California, so no assurance can be given that a bankruptcy court would not hold otherwise.

Even 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, Owners may not be able to compel that they be used to pay debt service during the pendency of a Chapter 9 proceeding. While the application of special revenues is exempt from the automatic stay by Section 922(d) of the Bankruptcy Code, the United States Court of Appeals for the First Circuit has interpreted that section to exempt only voluntary applications by the debtor and voluntary applications by creditors or others of property in their possession, and not to exempt actions by creditors to compel an application by others, and has held that a bankruptcy court lacks authority to compel the application of special revenues. *In re: The Financial Oversight and Management Board for Puerto Rico*, 919 F.3d 121 (1st Cir. 2019). The U.S. Supreme Court declined to review the First Circuit decision. If the First Circuit's interpretation is upheld and applied by courts in the Ninth Circuit and a Chapter 9 proceeding were to be initiated in respect of the District, the Owners would be stayed from seeking to compel the application of pledged *ad valorem* taxes to pay debt service on the Bonds during the pendency of the proceeding (in either federal or state court), if the County failed to do so as required by State law or was instructed not to do so by the District, which would leave Owners with only state court remedies. Accordingly, even if the *ad valorem* tax revenues that are pledged to the payment of the Bonds are determined to be "special revenues," a Chapter 9 proceeding could result in a substantial delay in the payment of debt service, if the County failed to apply pledged *ad valorem* taxes to pay debt service on the Bonds.

In addition, the Bankruptcy Code provides that any consensual lien on special revenues "derived" from a project or system is subject to necessary operating expenses of the project or system. This rule applies regardless of the provisions of transaction documents. If a bankruptcy court were to conclude that the District's tax collections are "derived" from a District project or system, then even if pledged *ad valorem* tax revenues are determined to be "special revenues," the court could determine that such revenues may not be ordered (by itself or a state court) to pay debt service to the extent that they are needed to pay necessary operating expenses of the District and may lawfully be applied for that purpose.

Risks of Commingling of* Ad Valorem *Property Taxes. 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 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 before it turns over the *ad valorem* property tax revenues to the Paying Agent. If the County goes into bankruptcy and has possession of *ad valorem* property tax revenues (whether collected before or after commencement of the bankruptcy), and if the County does not voluntarily turn over such *ad valorem* property tax revenues to the Paying Agent, it is not entirely clear what procedures the Owners of the Bonds would need to follow to obtain possession of such *ad valorem* property tax revenues, how much time it would take for such procedures to be completed, or whether such procedures would ultimately be successful.

Effect of Natural Disasters on Assessed Valuations

As referenced under "—*Ad Valorem* Property Taxation" above, assessed valuations are subject to change in each year, and such changes may result from a variety of factors, including natural disasters.

In recent years, there have been several notable natural disasters throughout the State. These include drought conditions throughout the State, beginning in 2013, and declared to have ended in most of the State in 2017. In addition, wildfires have occurred in recent years in different regions of the State. There have been several evacuation warnings issued in the past for parts of Alameda County, including the City of Fremont, in connection with the SCU Lighting Complex Fire. However, the District did not sustain any serious property losses as a result of such fires. Serious and significant property damage has resulted in other areas of the State due to fire damage.

The District cannot predict or make any representations regarding the effects that natural disasters, such as fire, drought or extended drought conditions, earthquakes, or other related natural or man-made conditions, have or may have on the value of taxable property within the District, or to what extent the effects said natural disasters might have had on economic activity in the District or throughout the State. See above under the heading "—*Ad Valorem* Property Taxation."

COVID-19 or Other Public Health Emergency or Crisis

The widespread outbreak of COVID-19 (coronavirus) in 2020 globally and in the United States caused significant volatility in global and U.S. markets, negative economic growth, substantially increased unemployment and disruption to health care operations, including those of the District. On March 13, 2020, the United States declared a national state of emergency over the coronavirus outbreak.

Governmental Relief. The federal Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") passed by the United States Congress in May 2020 created a $100 billion Public Health and Social Services Emergency Fund ("Provider Relief Fund") with a direction to the DHHS to distribute funds through grants or other mechanisms to eligible providers for healthcare related expenses or lost revenues that were attributable to coronavirus. The District's hospital participated in the Provider Relief Fund distribution. DHHS generally distributed funding from the Provider Relief Fund as grants, not as loans, and the recipients of the funds were required to agree to certain terms and conditions. Health care providers were required to use these funds only to prevent, prepare for, and respond to coronavirus, and for healthcare-related expenses or lost revenues attributable to coronavirus. The funds were not permitted to be used to reimburse expenses or losses that were reimbursed from other sources or that other sources were obligated to reimburse.

Recognition of Provider Relief Funds. All Provider Relief Fund recipients were required to attest to the Provider Relief Fund Terms and Conditions (the "Terms and Conditions") which, among other things, required the submission of documentation to substantiate that relief funds were used for increased health care-related expenses or lost revenue attributable to coronavirus. Payments in excess of health care-related expenses or lost revenue attributable to coronavirus were required to be repaid. DHHS reserved the right to audit Provider Relief Fund recipients to ensure that the use requirement was met and collect any Provider Relief Fund amounts that were paid in error or that exceeded lost revenue or increased expenses due to COVID-19. Failure to comply with the Terms and Conditions may be grounds for recoupment or other penalty or sanction. DHHS is expected to maintain a robust audit program to ensure compliance with the Terms and Conditions. Violations may be pursued as false claims under the federal False Claims Act ("FCA") and may occur as a result of an audit by DHHS or by the filing of a whistleblower complaint under the FCA.

The public health emergency associated with coronavirus ended on May 11, 2023, resulting in the conclusion of many of the regulatory flexibilities and waivers granted by the federal government under its public health emergency authority. Many of the federal and state legislative and regulatory measures allowing for flexibility in delivery of care and financial support for healthcare providers were available only for the duration of the COVID-19 public health emergency. Most states have ended their state-level emergency declarations. Although the federal government may consider future COVID-19 emergency response and relief legislation, the content and passage of any such legislation is uncertain. It is not yet clear what impact the withdrawal of any regulatory flexibilities will have, and there can be no assurance that it will not have a material negative financial impact on the District.

District Response to COVID-19. [To be updated.] The District, along with most other healthcare providers across the United States, experienced operational challenges related to the outbreak of COVID-19. On March 4, 2020, the Governor of the State of California (the "Governor") declared a State of Emergency with respect to COVID-19, and issued subsequent Executive Orders in response to the COVID-19 pandemic. Similar guidelines were issued by the Alameda County Department of Public Health (the "County") on March 17, 2020. On March 19, 2020 the District canceled or postponed all non-emergency procedures. On April 22, 2020, the District resumed scheduled surgeries and other procedures with additional precautionary measures.

The District received and recognized CARES Act provider relief of $29.9 million through June 30, 2020 as federal grant revenue on the statement of revenues, expenses and changes in net position. For the year ended June 30, 2021, the District recognized an additional $4.1 million in provider relief, including funds received under a $1.6 million Payroll Protection Program loan which was forgiven in June 2021. For the year ended June 30, 2022, the District recognized an additional $1.4 million in CARES Act provider relief. For the nine months ended March 31, 2023, the District recognized an additional $[________] in CARES Act provider relief funding. The District also received $59.0 million in advanced payments from the Centers of Medicare and Medicaid Services ("CMS") Accelerated and Advanced Payments Program reported as due to third-party payors on the statement of net position. $48 million of these advanced payments have been repaid as of June 30, 2023.

[The District recognized revenue related to CARES Act provider relief funding based on information contained in laws and regulations governing the funding, as well as interpretations issued by the Department of Health and Human Services ("HHS"), that were publicly available at June 30, 2020. In September 2020, HHS issued new reporting requirements for CARES Act provider relief funding. The District performed an analysis and determined that there would be no change to the District's provider relief revenue recorded as of June 30, 2020, or as of September 30, 2020, based on the new requirements. Subsequent to that, in October 2020, HHS amended the reporting requirements again. The October amendment allowed increased flexibility on how the CARES Act provider relief funding could be applied. No impact to the District's financial statements is expected from this change. Due to the continuing evolution of the reporting requirements, there is at least a reasonable possibility that amounts recorded under the CARES Act provider relief funding recognized by the District may change in future periods.]

For more information on the impact of COVID-19 on the District, see APPENDIX B – "AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEARS ENDED JUNE 30, 2022 AND 2021—MANAGEMENT'S DISCUSSION AND ANALYSIS."

The Bonds are secured by *ad valorem* tax revenues and are not secured by the revenues from the healthcare operations of the District. See "SECURITY FOR THE BONDS" herein. It is unclear at this time what if any effect the COVID-19 outbreak and resulting economic disruption may have on future assessed values or the collection of taxes, either because of delinquencies or collection and valuation relief resulting from the pandemic. While there may be a future outbreak of COVID-19 or another public health emergency or crisis, it is not possible for the District to anticipate the duration or severity of such an outbreak, emergency or crisis, or the precise impact it may have on the financial condition and operations of the District over time. Future actions may be taken by the State or federal governments in response to an outbreak, public health emergency or crisis.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Article XIIIA of the State Constitution

Article XIIIA of the State Constitution ("Article XIIIA"), adopted and known as Proposition 13, limits the amount of *ad valorem* property 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 a result of an amendment approved by State voters on July 3, 1986, on any bonded indebtedness approved by two-thirds of the votes cast by voters for the acquisition or improvement of real property, 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 was approved by more than two-thirds of the votes cast by the voters voting on the proposition (Measure XX) at the election held on November 3, 2020.

Article XIIIA has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster, and in other minor or technical ways.

On June 18, 1992, the United States Supreme Court in *Nordlinger v. Hahn* issued a decision upholding the constitutionality 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 1978.

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.

All taxable property is shown at full market value on the tax rolls. Consequently, the tax rate is expressed as $1 per $100 of taxable value. All taxable property value included in this Official Statement is shown at 100 percent of market value (unless noted differently) and all tax rates reflect the $1 per $100 of taxable value.

Article XIIIB of the State Constitution

Article XIIIB of the State Constitution ("Article XIIIB") was added to the Constitution by initiative in 1979. Under Article XIIIB state and local governmental entities have an annual "appropriations limit" and are not permitted to spend certain moneys that are called "appropriations subject to limitation" (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the "appropriations limit." Article XIIIB does not affect the appropriation of moneys that are excluded from the definition of "appropriations subject to limitation," including debt service on indebtedness existing or authorized as of January 1, 1979, or bonded indebtedness subsequently approved by the voters. In general terms, the "appropriations limit" is to be based on certain 1978–79 expenditures and is to be adjusted annually to reflect changes in consumer prices, populations, and services provided by these entities. Among other provisions of Article XIIIB, if these entities' revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by refunding taxes already collected or revising tax rates or fee schedules over the subsequent two years.

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 such respective fiscal years 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. The District is required to establish an appropriation limit each year. [TO BE CONFIRMED - The District receives no moneys that are considered appropriations subject to limitations and, therefore, had an appropriation limit of $0 for fiscal year 2022-23.]

Article XIIIC and Article XIIID of the State Constitution

On November 5, 1996, the voters of the State approved Proposition 218, popularly known as the "Right to Vote on Taxes Act." Proposition 218 added to the State 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 State 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 State 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.

[TO BE CONFIRMED - The District does not impose any taxes, assessments, or property-related fees or charges that are subject to the provisions of Proposition 218.]

Proposition 8

Property owners are entitled to an assessment based on the lower of the fair market value of their property as of the lien date (January 1), or the assessed value as determined at the time of purchase or construction, and increased by no more than two percent annually. The assessor may also adjust valuations independently, without a taxpayer appeal. See "PROPERTY TAX INFORMATION—Proposition 8 Reductions and Appeals to Assessed Value" above.

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. The State Constitution provides that the State Board of Equalization (the "SBE"), rather than counties, assess certain property owned or used by regulated utilities. Such property is grouped and assessed by the SBE as "going concern" operating units, which may cross local tax jurisdiction boundaries, rather than as individual parcels of real or personal property separately assessed. Such utility property is known as "unitary property." The SBE assesses property at "fair market value," determined by various methods and formulae depending on the nature of the property, except that assessed value of certain railroad property is limited to a percentage of the fair market value determined by the SBE, in conformity with federal law. The SBE assesses values as of January 1 prior to the tax year of the related tax levy. Property tax on SBE-assessed property is then levied and collected by each county in the same manner as county assessed property, but at special county-wide tax rates, and distributed to each taxing agency within that county generally according to the approximate percentages as allocated to each taxing agency in the prior year.

Changes in the California electric utility industry structure and in the way in which components of that industry are regulated and owned, including the sale of electric generation assets to largely unregulated, non-utility companies, may convert the status of such assets from SBE-assessed unitary property to locally assessed property or otherwise affect how those assets are assessed in the future and which local taxing agencies are to receive the property taxes on such assets. The District cannot predict whether any changes that may occur will affect the unitary property within its boundaries or the tax revenues relating to such property.

Future Initiatives

Article XIIIA, Article XIIIB, Proposition 218 and Proposition 8 were each adopted as measures that qualified for the ballot pursuant to the State'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.

THE DISTRICT

The information in this section concerning the operations of the District is provided as background information only. The Bonds are payable from ad valorem taxes levied on taxable property within the District and are not secured by the revenues from the operations of the District. See "SECURITY FOR THE BONDS" herein. For a summary of certain demographic data for the County, see APPENDIX A – "ECONOMIC AND DEMOGRAPHIC PROFILE OF ALAMEDA COUNTY."

General

The District was formed in 1948, and the Hospital opened its doors 10 years later on November 24, 1958, as a district hospital licensed for 150 beds. In January 1995, the District's name was changed to Washington Township Health Care District to reflect the District's mission to provide broad health care services in addition to hospital-based services.

The District operates the Washington Hospital Healthcare System, consisting of the Hospital, which is a 415-bed acute care hospital located in Fremont, California, an urgent care center, primary care and multi-specialty outpatient clinics, an outpatient surgery center, an outpatient rehabilitation center, a radiation oncology center, a lymphedema clinic, a center for wound care and hyperbaric medicine, and an outpatient diabetes center (collectively, the "Facilities"). Through these Facilities, the District offers a full range of primary and secondary acute care health services.

The District's boundaries encompass an area of approximately 124 square miles in southern Alameda County. Included within the District boundaries are the cities of Fremont, Newark and Union City, the southern portion of the City of Hayward and the unincorporated area known as Sunol. [TO BE UPDATED] The estimated 2020 population of the District's primary service area was 349,098 and the estimated population of its secondary service area was 670,672. The total 2022-23 net (exclusive of all exemptions) assessed valuation of property within the District is $[________].

Governance and Management

[TO BE UPDATED/CONFIRMED]

The District is governed by the District Board, which consists of five publicly elected members. The District Board is charged with the general oversight of the District's operations. Each member of the District Board serves a two- or four-year term. The current members of the District Board are set forth below.

Director	Term Expires	Occupation
Bernard Stewart, D.D.S., President	[November 20___]	Dentist, retired
Michael J. Wallace, First Vice President	[November 20___]	Chairman, Fremont Bank
William F. Nicholson, M.D., Second Vice President	[November 20___]	Physician, Cardiologist
Jacob Eapen, M.D., Treasurer	[November 20___]	Physician, Pediatrician
Jeanette Yee, R.N., Secretary	[November 20___]	Registered Nurse

The District Board delegates day-to-day management of the Washington Hospital Healthcare System to a management team. Following are the members of Washington Hospital Healthcare System's senior management.

The Chief Operating Officer of the Washington Hospital Healthcare System, Ed Fayen, has advised the District Board and members of senior management that he is planning to retire in the near future, although no firm date has been determined as of the date of this Official Statement.

Kimberly Hartz, Chief Executive Officer. Ms. Hartz joined the Washington Hospital Healthcare System in 1994 and served in numerous leadership roles until July 2019 when she was named CEO. She oversees Washington Hospital Healthcare System, which includes a [415]-bed hospital, Washington Township Medical Foundation and a number of outpatient facilities. Prior to the CEO role, Ms. Hartz had oversight of numerous areas including Human Resources, Medical Imaging, Laboratory, Gamma Knife/Neuroscience Program, Community Relations and Marketing, Off-Site Facilities, Women's Center, Physician Recruitment, Physician Medical Group/Foundation Development, Contracting, Strategic Management, Development Corporation and other Ancillary Services. Before coming to the Washington Hospital Healthcare System, she worked overseas as a health care consultant in New Zealand and Australia. In addition to working with numerous volunteer organizations locally, she has been a member of the Niles Rotary Club in Fremont since 2003, which includes the role of club president in 2011-2012. Ms. Hartz holds a Bachelor's Degree in Psychology with a Business Emphasis from Stanford University and a Master's of Science Degree from Oxford University in England.

Ed Fayen, Executive Vice President and Chief Operating Officer. Mr. Fayen is Executive Vice President & Chief Operating Officer. Mr. Fayen oversees Cardiovascular Services, Perioperative Services, Biomedical Engineering, Pharmacy, Food & Nutritional Services, Environmental Services, Facility Services, Purchasing, Central Supply, Security, and Information Systems. Mr. Fayen is also responsible for capital asset budgeting, reducing operating expenses for the health care system, information technology projects and construction and facility projects and renovations. Mr. Fayen has been with Washington Hospital Healthcare System since April 1996 and in his current position since July 2019. Mr. Fayen holds a Bachelor's Degree from University of Notre Dame and a Master's of Business Administration from Cornell University.

Thomas McDonagh, Vice President and Chief Financial Officer. [To come.]

Larry LaBossiere, Vice President and Chief Nursing Officer. Mr. LaBossiere has served as Chief Nursing Officer since July 2021. Mr. LaBossiere oversees all medical/surgical patient care areas as well as the Critical Care, Stroke, Emergency and Maternal Child Health departments. He also oversees Health Information Management, Respiratory Care, Food and Nutrition Services, Patient Experience, and the Palliative and Pain Management programs. Mr. LaBossiere is a Registered Nurse and Clinical Nurse Specialist with both a Master's Degree in Nursing and Business Administration and is a Certified Emergency Nurse.

Tina Nunez, Vice President of Ambulatory and Administrative Services. Ms. Nunez oversees Human Resources, Medical Imaging, Laboratory, Gamma Knife/Neuroscience Program, Community Relations and Marketing, Off-Site Facilities, Women's Center, Physician Medical Group/Foundation Development, Strategic Management, Development Corporation and other Ancillary Services including Wound Care. Ms. Nunez has been with the Washington Hospital Healthcare System since 1994 and in her current role since 2013. She holds a Bachelor's Degree from the University of California at San Diego and a Master's Degree in Public Health from The University of California at Los Angeles.

MATERIAL LITIGATION

[TO BE CONFIRMED]

There is no litigation pending or threatened against the District concerning the validity of the Bonds or questioning the District's ability to issue the Bonds, the District's ability to receive *ad valorem* taxes, its right to adopt the Bond Resolution or the organization, powers or authority of the District. The District is not aware of any litigation pending or threatened contesting the District's ability to receive *ad valorem* taxes or contesting the District's ability to issue the Bonds.

There is no governmental action or litigation pending or threatened against the District that may have a material and adverse effect on the operations or financial condition of the District or on the District's ability to collect other revenues.

TAX MATTERS

[BOND COUNSEL TO CONFIRM/UPDATE]

Federal Income Taxes

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Bonds. Pursuant to the Bond Resolution and the tax and nonarbitrage certificate executed by the District in connection with the issuance of the Bonds (the "Tax Certificate"), the District has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the District has made certain representations and certifications in the Bond Resolution and the Tax Certificate. Bond Counsel (defined herein) will not independently verify the accuracy of those representations and certifications.

In the opinion of Nixon Peabody LLP, Bond Counsel to the District ("Bond Counsel"), under existing law and assuming compliance with the aforementioned covenant, and the accuracy of certain representations and certifications made by the District described above, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code.

In rendering these opinions, Bond Counsel has relied upon representations and covenants of the District in the Tax Certificate concerning the property financed with Bond proceeds, the investment and use of Bond proceeds and the rebate to the federal government of certain earnings thereon. In addition, Bond Counsel has assumed that all such representations are true and correct and that the District will comply with such covenants. Bond Counsel has expressed no opinion with respect to the exclusion of the interest on the Bonds from gross income under Section 103(a) of the Code in the event that any of such District representations are untrue or the District fails to comply with such covenants, unless such failure to comply is based on the advice or the opinion of Bond Counsel.

State Taxes

Bond Counsel is also of the opinion that interest on the Bonds is exempt from personal income taxes of the State of California under present State law. Bond Counsel expresses no opinion as to other state or local tax consequences arising with respect to the Bonds nor as to the taxability of the Bonds nor the income therefrom under the laws of any state other than California.

Original Issue Discount

Bond Counsel is further of the opinion that the excess of the principal amount of a maturity of the Bonds over its issue price (i.e., the first price at which price a substantial amount of such maturity of the Bonds was sold to the public, excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) (each, a "Discount Bond" and collectively the "Discount Bonds") constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such issue price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount Bonds, even though there will not be a corresponding cash payment. Owners of the Discount Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Discount Bonds.

Original Issue Premium

Bonds sold at prices in excess of their principal amounts are "Premium Bonds". An initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which offsets the amount of tax-exempt interest and is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

Ancillary Tax Matters

Ownership of the Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, individuals receiving Social Security or Railroad Retirement benefits, individuals seeking to claim the earned income credit, and taxpayers (including banks, thrift institutions, and other financial institutions), who may be deemed to have incurred or continued indebtedness to purchase or to carry the Bonds. Prospective investors are advised to consult their own tax advisors regarding these rules.

Interest paid on tax-exempt obligations such as the Bonds is subject to information reporting to the Internal Revenue Service (the "IRS") in a manner similar to interest paid on taxable obligations. In addition, interest on the Bonds may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Bond Counsel is not rendering any opinion as to any federal tax matters other than those described in the opinion attached as Appendix D. Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Changes in Law and Post-Issuance Events

Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Bonds for federal or state income tax purposes, and thus on the value or marketability of the Bonds. This could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest on the Bonds from gross income for federal or state income tax purposes, or otherwise. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the Bonds may occur. Prospective purchasers of the Bonds should consult their own tax advisors regarding the impact of any change in law on the Bonds. Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Bonds may affect the tax status of interest on the Bonds. Bond Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other counsel.

APPROVAL OF LEGALITY

The issuance of the Bonds is subject to the approval of their legality by Nixon Peabody LLP, San Francisco, California, Bond Counsel. A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix D. Certain legal matters will be passed upon for the District by Mary K. Norvell, Attorney at Law, La Jolla, California, and for the Underwriter by its counsel, Norton Rose Fulbright US LLP.

UNDERWRITING

The Bonds are being purchased by the Underwriter, BofA Securities, Inc. The Underwriter has agreed to purchase the Bonds at an aggregate purchase price of $_________, representing the par amount of the Bonds, plus/less [net] original issue premium/discount of $_________, and less the Underwriter's discount of $_________. The Bond Purchase Contract provides that the Underwriter will purchase all of the Bonds, if any are purchased. The Bond Purchase Contract provides that the fees of counsel for the Underwriter will be paid by the District.

The Bonds are being offered for sale to the public at the prices shown on the inside cover page hereof. The Underwriter reserves the right to lower such initial offering prices as it deems necessary in connection with the marketing of the Bonds. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than the initial public offering price or prices set forth in the Official Statement. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The obligation of the Underwriter to accept delivery of the Bonds is subject to the terms and conditions set forth in the Bond Purchase Contract, the approval of legal matters by counsel and other conditions. The Underwriter may over-allot or effect transactions which stabilize or maintain the market price of the Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The Underwriter and its affiliates are full-service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Under certain circumstances, the Underwriter and its affiliates may have certain creditor and/or other rights against the District and its affiliates in connection with such activities. In the various course of their various business activities, the Underwriter and its affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the District (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the District. The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

BofA Securities, Inc., the Underwriter of the Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the Bonds.

[MUNICIPAL][FINANCIAL] ADVISOR

The District has retained Kaufman, Hall & Associates, LLC ("Kaufman Hall"), Skokie, Illinois, a municipal advisory firm registered with the U.S. Securities and Exchange Commission and the Municipal Securities Rulemaking Board, as municipal advisor in connection with the issuance of the Bonds. Although Kaufman Hall has assisted in the preparation of this Official Statement, Kaufman Hall was not and is not obligated to undertake, and has not undertaken to make, an independent verification and assumes no responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

INDEPENDENT ACCOUNTANTS

The financial statements as of June 30, 2022 and June 30, 2021, and for each of the two years in the period ended June 30, 2022, included in Appendix B to this Official Statement, have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report appearing herein.

RATING[S]

Moody's Investors Service has assigned a rating of "[__]" ([________] outlook) to the Bonds, [and Fitch Ratings, Inc. ("Fitch") has assigned a rating of "[____]" ([________ outlook) to the Bonds]. No application was made to any other rating agency for the purpose of obtaining additional ratings on the Bonds. Such ratings reflect only the views of such organizations, and any explanation of the significance of such ratings may only be obtained from the rating agency furnishing the same. There is no assurance that the ratings mentioned above will remain in effect for any given period of time or that it will not be lowered or withdrawn entirely by the rating agency, if, in the applicable rating agency's judgment, circumstances so warrant. The Underwriter has undertaken no responsibility either to bring to the attention of the Owners any proposed change in or withdrawal of any rating or to oppose any such proposed revision or withdrawal. The District has not undertaken any responsibility, other than as described in the Continuing Disclosure Agreement, either to bring to the attention of the Owners any proposed change in or withdrawal of any rating or to oppose any such proposed change or withdrawal. Any such downward change in or withdrawal of any rating might have an adverse effect on the market price or marketability of the Bonds.

MISCELLANEOUS

The foregoing and subsequent summaries or descriptions of provisions of the Bonds and the Bond Resolution and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof and do not purport to summarize or describe all of the provisions thereof. Reference is made to said documents for full and complete statements of the provisions of such documents. The appendices attached hereto are a part of this Official Statement. Copies, in reasonable quantity, of the Bond Resolution may be obtained during the offering period upon request to the Underwriter, and thereafter upon request to the District at 2000 Mowry Avenue, Fremont, California 94538-1716, Attention: Chief Financial Officer.

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This Official Statement has been authorized and issued by the District. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or Owners of any of the Bonds.

WASHINGTON TOWNSHIP HEALTH CARE DISTRICT

By: ______________________________

Chief Executive Officer
Washington Township Health Care District

APPENDIX A

ECONOMIC AND DEMOGRAPHIC PROFILE OF ALAMEDA COUNTY

APPENDIX A

Economic and Demographic Profile of Alameda County

The following information about the County of Alameda (the "County") is presented as general background information because the District is located in the southern part of the County. As discussed under "SECURITY FOR THE BONDS," the Bonds are payable from ad valorem *taxes and are not a debt of or payable by the County. In addition, certain information below covers periods prior to the outbreak of COVID-19 and may not reflect current conditions. See "PROPERTY TAX INFORMATION—[COVID-19 or Other Public Health Emergency or Crisis"] in the body of this Official Statement.*

General

The County is located on the east side of the San Francisco Bay. The County encompasses 821 square miles and extends from Albany and Berkeley in the north to Fremont in the south and from Alameda in the west to Livermore in the East. The County enjoys a diversified geography ranging from urban marinas to rolling open space and hillside lakes and streams.

One of the oldest counties in the State of California (the "State"), the County was created by the State Legislature in March 1853 from portions of the territory of two counties formed in 1850, Contra Costa and Santa Clara. It was given the locals' name for the region, "Alameda," which is a Spanish term that translates loosely to "a grove of poplars." When it was formed, the County was primarily undeveloped agricultural area. The County is governed by five elected members of the Board of Supervisors and the County seat is Oakland.

The population in Alameda County exceeds 1.6 million, making it the seventh most populous county in California according to U.S. Census Bureau data. Population growth in the County has come from a natural net increase of births over deaths, migration from other areas of the United States and from overseas immigration. Population growth has occurred because workers and their families followed jobs to the County, where housing tends to be less expensive than the areas to the west of the County. As a result of past and current immigration, the County has become one of the most ethnically diverse regions in the San Francisco Bay Area (the "Bay Area") and the nation. Immigration has added highly desired skills to the workforce, greatly boosted the entrepreneurial activity of the region and provided access to family and business networks throughout the world. It also has contributed depth and richness to the County's cuisine, culture and the arts.

Population

There are 14 incorporated cities in the County and six unincorporated communities. The County's population increased 2.83% from 2014 to 2023.

The following table illustrates the County's population growth relative to the population of the State and the United States for the years shown.

POPULATION ESTIMATES
(In Thousands)

Year	Alameda County[1]	Percent Change[3]	State of California[3]	Percent Change[1]	United States[2]	Percent Change[3]
2014	1,591		38,557	-	322,034	-
2015	1,613	1.38	38,866	0.80	324,608	0.80
2016	1,631	1.12	39,104	0.61	327,210	0.80
2017	1,644	0.80	39,352	0.63	329,791	0.79
2018	1,652	0.49	39,520	0.43	332,140	0.71
2019	1,660	0.48	39,605	0.22	334,320	0.66
2020	1,682	1.33	39,538	0.17	335,942	0.49
2021	1,663	-1.13	39,287	-0.63	336,998	0.31
2022	1,644	-1.14	39,079	-0.53	338,290	0.39
2023	1,636	-0.49	38,940	-0.36	339,997[4]	0.50[4]

(1) As of January 1 of the year shown for 2014-2019 and 2021-2023. Census Benchmark as of April 1 shown for 2020.
(2) Estimated population as of December 31 of the year shown.
(3) Percent change were calculated manually based on rounded numbers.
Sources: County and State Data - California Department of Finance, E-4 Population Estimate for Cities, Counties, and the State, 2011-2020 with 2010 Benchmark and 2021-23, with 2020 Census Benchmark
National Data – [United Nations – World Population Prospects]
(4) Projected.

Employment

The table below sets forth information regarding the size of the labor force, as well as employment and unemployment rates for the County, the State and the United States for the years 2018 through 2022.

LABOR FORCE – EMPLOYMENT AND UNEMPLOYMENT
ANNUAL AVERAGES
By Place of Residence

	2018	2019	2020	2021	2022
County of Alameda					
Labor Force	841,600	843,000	819,700	813,000	825,600
Employment	815,800	818,000	746,500	763,500	798,400
Unemployment Rate	3.1%	3.0%	8.9%	6.1%	3.3%
State of California					
Labor Force	19,289,500	19,413,200	18,971,600	18,973,400	19,252,000
Employment	18,469,900	18,617,900	17,047,600	17,586,300	18,440,900
Unemployment Rate	4.2%	4.1%	10.1%	7.3%	4.2%
United States					
Labor Force	162,075,000	163,539,000	160,742,000	161,204,000	158,291,000
Employment	155,761,000	157,538,000	147,795,000	152,581,000	156,001,000
Unemployment Rate	3.9%	3.7%	8.1%	5.3%	3.6%

Sources: County and State Data—California Employment Development Department, Local Area Unemployment Statistics.
National Data—U.S. Department of Labor, Bureau of Labor Statistics.

Across all industries, the County recorded an 3.3% unemployment rate in 2022, which was lower than the State unemployment rate of 4.2%.

The County possesses a diverse economic base featuring a wide range of manufacturing industries (consisting of transportation, equipment, computer, food processing, fabricated metal products, non-electrical machinery, and stone-clay-glass products). The County has one of the most diversified manufacturing sectors in Northern California. The Port of Oakland ranks among the top five in the nation in terms of annual container traffic and is a major economic engine in the Bay Area.

The County has become one of the leading research centers in the country with research activities at the University of California Berkeley, Lawrence Berkeley National Laboratory, Lawrence Livermore National Laboratory, and the many private biotechnology firms which have located near the University and the Labs.

As of June 30, 2021, the major private sector employers in the County included Kaiser Permanente Medical Group Inc., Tesla, Safeway Inc., Sutter Health, John Muir Health and Chevron Corp.

The following table sets forth the annual average employment of individuals within the County, by employment sector, for the years 2017 through 2021. Annual 2022 figures are not yet available.

ALAMEDA COUNTY
NON-AGRICULTURAL LABOR FORCE AND INDUSTRY EMPLOYMENT
ANNUAL AVERAGES
(In Thousands)

Employment Sector	2017	2018	2019	2020	2021
Mining, Logging and Construction	45,900	49,000	49,600	46,700	47500
Manufacturing	79,900	84,700	85,000	83,700	91300
Goods Producing	**125,900**	**133,800**	**134,600**	**130,300**	**138800**
Trade, Transportation & Utilities	138,300	139,700	138,800	129,400	133100
Wholesale and Retail Trade	109,300	109,500	106,700	96,100	97500
Transportation, Warehousing and Utilities Services	29,000	30,300	32,200	33,300	35600
Information	18,800	20,000	20,500	19,900	19,200
Financial Activities	28,700	28,000	28,400	27,000	26,700
Professional and Business Services	130,400	134,000	136,600	128,900	133,400
Educational and Health Services	122,200	123,600	126,000	121,800	125,000
Leisure and Hospitality	74,100	76,400	78,000	53,000	56,400
Other Services	27,200	27,500	27,500	22,500	23,400
Government	124,200	123,900	124,100	118,400	116,600
Service Producing	**663,800**	**673,100**	**679,900**	**620,900**	**633,800**
Total, All Non-Farm Industries	**789,700**	**806,800**	**814,500**	**751,200**	**772,600**

Note: Totals may not add due to rounding.
Source: California Employment Development Department.

Building Activity

The following table sets forth selected information relating to building permits issued in the County in the years 2018 through 2022.

COUNTY OF ALAMEDA
BUILDING PERMIT VALUATIONS
(Dollars in Thousands)

	2018	2019	2020	2021	2022
New Single-dwelling	$689,529	$675,129	$394,500	$407,585	$339,046
New Multi-dwelling	1,431,985	782,536	722,0238	1,237,407	795,917
Additions, alterations	469,158	512,409	293,866	222,971	323,712
Total Residential	$2,590,673	$1,970,076	$1,410,405	$1,867,963	$1,458,675
New Commercial	$495,437	$596,865	$180,177	$233,655	305,592
New Industrial	302,121	5,638	0	600	33,741
Other	145,795	199,753	189,786	190,076	83,200
Additions, alterations	819,041	992,668	628,230	892,657	993,782
Total Nonresidential	$1,762,395	$1,794,925	$998,194	$1,316,988	$2,874,990
Total Valuation	$4,353,068	$3,765,001	$2,408,599	$3,184,951	$4,333,665
Single-Unit Permit	1,867	1,871	1,152	1,589	1,175
Multi-Unit Permit	6,540	4,145	2,610	4,494	3,366
Total Permits	8,407	6,016	3,762	6,083	4,541

Note: Totals may not add due to rounding.
Source: California Homebuilding Foundation | Construction Industry Research Board.

Income

The following table summarizes the median household income for the County, the State and the nation for years 2017 through 2021. Annual 2022 figures are not yet available.

MEDIAN HOUSEHOLD INCOME
FOR YEARS 2017 THROUGH 2021

Year	County of Alameda	State of California	United States
2017	95,550	70,038	61,136
2018	101,744	70,489	63,179
2019	107,589	78,105	68,703
2020	113,518	77,652	68,010
2021	108,971	81,575	70,784

Source: U.S. Census Bureau, Estimate of Median Household Income for Alameda County, CA, retrieved from FRED, Federal Reserve Bank of St. Louis.

Set forth below is the distribution of income by certain income groupings per household for the County, the State and the nation for 2021. Annual 2022 figures are not yet available.

INCOME GROUPINGS 2021[1]
(Percent of Households)

Income Per Household	County of Alameda	State of California	United States
$24,999 and Under	12.5%	14.8%	17.4%
25,000 – 49,999	11.5	15.2	19.1
50,000 and Over	76	70.0	63.6

(1) Adjusted annually for inflation.
Source: U.S. Census Bureau – Economic Characteristics – American Community Survey.

Transportation

Surface and air transportation facilities serve County residents and businesses. Transbay bridges include the San Francisco-Oakland Bay Bridge, which extends Interstate 80 into San Francisco; the Richmond-San Rafael Bridge, leading into Marin County and northern areas; and the Hayward-San Mateo and Dumbarton Bridges connecting East Bay points with San Mateo and Palo Alto on the San Francisco Peninsula.

The Southern Pacific and Union Pacific Railroads, which have merged, operate rail terminal facilities in Oakland. The Burlington Northern and Santa Fe Railway serves the East Bay from its Richmond switching yards. Amtrak provides passenger service through its Oakland and Emeryville stations to Southern California, Sacramento, and other destinations.

Local motor coach transportation is provided by AC Transit, which serves East Bay cities and continues into San Francisco via the Bay Bridge. Bay Area Rapid Transit ("BART"), a high-speed rail transit system services the County, in addition to the counties of Contra Costa and San Francisco. Currently, BART stretches from San Francisco International Airport and Millbrae on the San Francisco Peninsula, through Oakland, to Richmond in the north, Antioch in the northeast, Berryessa/North San Jose in the south, and Dublin/Pleasanton in the southeast.

The Oakland International Airport (the "Airport") is located in the City of Oakland, about 6.5 miles southeast of downtown Oakland. The Airport includes 2,600 acres, including 327 acres of wetlands under jurisdiction of the U.S. Army Corps of Engineers. Currently, the Airport has 32 boarding gates at two terminals, and services 11 international and domestic scheduled passenger airlines. The Airport is ranked among the top 20 airports in the U.S. in regards to the amount of air cargo handled, which is serviced by two major cargo carriers.

Education

Eighteen independent school districts provide educational programs for the elementary and secondary public school children in the County.

Community colleges in California are locally operated and administered two-year institutions of higher education. They offer Associates in Arts and Associates in Science degrees and have extensive vocational curricula. There are three community college districts in the County with students currently at four campuses.

Among the institutions of higher education offering bachelors and graduate programs in the County are the University of California at Berkeley, California State University East Bay in Hayward, Graduate Theological Union in Berkeley, Holy Names University in Oakland, and Mills College in Oakland.

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEARS ENDED JUNE 30, 2022 AND 2021

Washington Township Health Care District

Financial Statements
June 30, 2022 and 2021

Washington Township Health Care District
Index
June 30, 2022 and 2021

Report of Independent Auditors

To the Board of Directors of Washington Township Health Care District

Opinions

We have audited the accompanying financial statements of the business-type activities, the aggregate discretely presented component units, and the aggregate remaining fund information of Washington Township Health Care District (the "District") as of and for the years ended June 30, 2022 and 2021, including the related notes, which collectively comprise the District's basic financial statements as listed in the index.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units, and the aggregate remaining fund information of the District as of June 30, 2022 and 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1 to the Financial Statements - Organization and Summary of Significant Accounting Policies, the District changed the manner in which it accounts for leases in 2022. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS, will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 34 and the required supplementary information on pages 85 through 90 be presented to supplement the basic financial statements. Such information is the responsibility of management, and although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

PricewaterhouseCoopers LLP

San Francisco, California
February 8, 2023

Overview of the Financial Statements

The annual report consists of Management's Discussion and Analysis, financial statements and notes to those statements and required supplementary information. These statements are organized to present the Washington Township Health Care District (the District), the Washington Hospital Healthcare Foundation (the Foundation), and the Warm Springs Health Center (Warm Springs) as discrete financial entities, operating as a financial whole. The Foundation was established to raise funds for the operation, maintenance, and modernization of the facilities of the District, its related corporations, and sponsored programs which benefit the District. Warm Springs was established to provide a combination of primary care, multi-specialty care, urgent care and other outpatient services to the residents of the District. Readers should also review the accompanying notes to the financial statements as they provide additional information that is essential to a full understanding of the District's, Foundation's and Warm Springs' financial statements.

The District is a political subdivision of the State of California organized under the Local Health Care District Law, as set forth in the Health and Safety Code of the State of California, and is considered a Local Government Agency. The District's mission is to provide broad healthcare services to its residents. The District's boundaries encompass an area of approximately 124 square miles in southern Alameda County. The District operates Washington Hospital (the Hospital), a 415-bed licensed acute care hospital located in Fremont, California.

The District is the sole corporate member of Washington Township Hospital Development Corporation (DEVCO). DEVCO was formed in 1984 to train medical personnel, develop medical treatment programs, perform medical research and development, and render medical services to the general public.

DEVCO is the sole corporate member of Washington Township Medical Foundation (WTMF). WTMF was formed in 2010 to operate a multi-specialty medical clinic under the applicable provisions of the California Health and Safety Code. WTMF is considered a component unit of DEVCO and is blended in DEVCO's financial statements. DEVCO is considered a component unit of the District, and is blended in the District's financial statements.

The accompanying financial statements include the accounts and transactions of the Hospital, DEVCO and WTMF. All significant inter-company accounts and transactions have been eliminated in the financial statements.

The statements of net position and the statements of revenues, expenses, and changes in net position, provide an indication of the District's, the Foundation's and Warm Springs' financial health. The statements of net position include all of the District's, Foundation's and Warm Springs' assets, deferred outflows of resources, liabilities and deferred inflows of resources, using the accrual basis of accounting, as well as an indication about which portions of net position can be utilized for general purposes and which are restricted as a result of bond covenants, donor restrictions or other purposes. The statements of revenues, expenses, and changes in net position report all of the revenues and expenses and increases and decreases in net position during the time period indicated that resulted from the District's, the Foundation's and Warm Springs' operating and non-operating transactions during the year. For the District, the statements of cash flows report the cash provided and used by operating activities, as well as other cash sources and uses such as investment income, repayment of bonds, and capital additions and improvements.

In fiscal year 2022, the District adopted GASB Statement No. 87, *Leases*, effective for financial statements for periods beginning after June 15, 2021. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. For the District, these changes primarily impact the accounting for real property and equipment leases.

In fiscal year 2022, the District also adopted GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the end of a Construction Period*, effective for financial statements for periods beginning after December 15, 2020. The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and to simplify accounting for interest cost incurred before the end of a construction period. The new standard requires the recognition of interest expense related to construction of capital assets in the period in which it was incurred. Prior to adoption of the new standard, interest expense was capitalized during the construction period and recognized as depreciation expense over the life of a constructed asset.

The amounts for net differences between projected and actual earnings for pension (and resulting deferred inflows of resources and deferred outflows of resources as of June 30, 2021 and 2020) have been conformed to be consistent with the 2022 presentation.

Washington Township Health Care District

District Financial Highlights for Fiscal Year 2022

- The District generated an operating gain of $4.9 million for fiscal year 2022, compared with an operating loss of $31.0 million for fiscal year 2021, an improvement of $35.9 million. When non-operating income and special items are included, the District's activities resulted in a $4.7 million decrease in net position for fiscal year 2022, as compared to $27.4 million decrease in net position for fiscal year 2021. Federal Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) funding recognized in fiscal year 2021 totaled $4.1 million, including $2.5 million in provider relief funding and a $1.6 million Payroll Protection Program loan for which forgiveness was received in fiscal year 2021. In fiscal year 2022, the District received $1.4 million in CARES Act Funding.

- Major items that impacted the District's operating results for fiscal year 2022, as compared to those for fiscal year 2021, included:

  - In fiscal year 2022, the District, along with all other healthcare providers, continued to be significantly impacted by the COVID-19 (COVID) pandemic, however volumes recovered to near pre-pandemic levels.

  - District experienced volume improvements in fiscal year 2022. Gross inpatient revenues increased by 1.1 percent ($14.3 million) and gross outpatient revenues increased by 21.9 percent ($191.7 million) compared to fiscal year 2021.

  - Admissions increased by 4.1 percent from the fiscal year 2021 level, and the average length of stay decreased by 2.9 percent, resulting in a 3.0% (1,648) increase in adult and pediatric patient days. The decrease in length of stay was largely attributable to the reduction COVID cases, which tended to have higher acuities and longer lengths of stay.

  - As a result of the continued migration of joint replacement surgeries to the outpatient setting, inpatient surgeries were down almost 5.8 percent (108 cases), but outpatient surgeries increased by almost 21.8 percent (530 cases). Outpatient cardiac catheterizations increased by 4 percent (53 cases).

  - Visits at Washington Township Medical Foundation (WTMF) increased by 4,036 (2.0 percent) from 197,830 in fiscal year 2021 to 202,294 in fiscal year 2022. WTMF's telehealth visit platform provided over 41,000 telehealth visits in fiscal year 2021, and almost 30,200 telehealth visits in fiscal year 2022. WTMF also operates a COVID-19 Vaccine and Testing Clinic. Since beginning operations in fiscal year 2021, the clinic has provided approximately 100,000 COVID-19 vaccines and tests to the community.

- Total operating expenses increased by 3.5 percent ($19.7 million), in total, with increases in salary and supply expenses accounting for a combined increase of $30.2 million, which were partially offset by a decrease in benefits expenses of $13.8 million.

- The increase in salary expense was due to contracted increases in wages along with additional costs relating to the nationwide shortage of health care staff. Additionally, the impact of the COVID-19 Supplemental Paid Sick Leave Program (COVID Pay) enacted by the state of California in fiscal year 2021 and extended through fiscal year 2022 was a factor in the increase.

- The reduction in benefit expenses was driven by a $13.5 million decrease in expense related to the District's defined benefit retirement plan for fiscal year 2022. The largest contributor to this decrease was the recognition of significant investment gains on the related asset portfolio.

- The increase in supply expenses were related to volume increases and the effects of the nationwide pharmaceutical supply shortages throughout the year.

- Purchased services and professional fees increased due to an increase in consulting fees.

- Changes in other expense categories were not significant.

- New Activities

  In fiscal year 2022, Construction of the Peninsula Surgery Center in Redwood City, California was substantially completed in July 2021. As of June 30, 2022, the DEVCO holds the majority interest in the operating entity, Peninsula Surgery Center LLC (PSC), and the holding company, Peninsula Surgical Partnership LLC (PSP). PSC and PSP are considered component units of DEVCO and are blended in the DEVCO financial statements.

  On February 1, 2023, the District and the University of California, San Francisco (UCSF) formed the WHHS & UCSF Health Cancer Services Joint Venture, LLC. The purpose of the joint venture is to promote health and provide or expand access to cancer healthcare services to a broad cross section of the community through the development of a regional cancer center in Fremont, California. The District is the majority partner with 51 percent of the investment, with UCSF as the minority investor with 49 percent.

Analysis of the District's Net Position – Fiscal Year 2022

- Total assets decreased $24.9 million, from $1.13 billion at June 30, 2021 to $1.10 billion at June 30, 2022. Total available cash and investments decreased $27.7 million, from $305.5 million to $277.8 million. Capital assets, net, decreased $42.1 million, from $677.3 million to $635.2 million. Through a conscientious commitment to consistent funding of its pension obligations, the District achieved full funding of its net pension obligation in fiscal year 2021. The net prepaid pension asset, which was $5.2 million as of June 30, 2021, grew to $37.0 million as of June 30, 2022.

- In March 2020, the District and the University of California, San Francisco (UCSF), completed the joint purchase of an 88,000 square foot building and approximately five acres of land in the Warm Springs section of Fremont. The building includes approximately 30,000 square feet of office space. The District and UCSF have formed a joint venture to develop a health services complex on the site, providing a combination of primary care services, multi-specialty care services, urgent care and other outpatient services, an ambulatory surgery center and/or an outpatient pharmacy. The District is the majority partner with 51 percent of the investment, with UCSF as the minority investor with 49 percent. The $14.5 million investment in the joint venture is reflected in other non-current assets in the District's Statement of Net Position as of June 30, 2022. The joint venture is included as a discretely presented component unit in the District's financial statements.

- Total liabilities decreased $38.9 million, from $778.5 million at June 30, 2021 to $739.6 million at June 30, 2022. The majority of this decrease was due to a $42.8 million reduction in current liabilities driven by a reduction in Due to third parties/Government Agencies. This reduction is due to the repayment of $41.5 million of the $59.0 million Medicare Advance Payments Loan received in fiscal year 2020 under the CARES Act. In addition, total long-term debt of $561.1 million at June 30, 2021 was increased by $6.6 million to $567.7 million at June 30, 2022. This increase was due to the issuance of $20 million in 2022 Series A General Obligation Bonds that were approved in November of 2021 with the Passage of Measure Z by the residents of the District.

- Total net position of $305.3 million at June 30, 2022 was $4.7 million less than the net position of $310.0 million at June 30, 2021.

Table 1 provides a summary of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of June 30, 2022, 2021 and 2020:

(in thousands)	**2022**	**2021**	**2020**
Assets			
Current assets	$ 154,903	$ 176,332	$ 192,428
Long-term investment and restricted funds	236,919	234,220	234,880
Capital assets, net	635,182	677,327	697,785
Prepaid pension asset	36,970	5,161	-
Other assets	40,888	36,745	17,765
Total assets	1,104,862	1,129,785	1,142,858
Deferred outflows of resources	22,441	29,186	36,921
Total assets and deferred outflows of resources	$ 1,127,303	$ 1,158,971	$ 1,179,779
Liabilities and Net Position			
Current liabilities	$ 130,444	$ 173,286	$ 170,545
Net pension liability	-	-	31,798
Net postemployment medical benefits (OPEB)	37,676	40,419	42,578
Long-term lease liability	7,322	9,320	-
Long-term debt	556,767	549,533	556,097
Other long-term liabilities	7,414	5,987	6,615
Total liabilities	739,623	778,545	807,633
Deferred inflows of resources	82,412	70,465	34,753
Net position			
Net investment in capital assets	92,850	122,886	142,756
Restricted - expendable	28,817	30,005	29,301
Restricted for minority interest	3,345	4,528	3,666
Unrestricted	180,256	152,542	161,670
Total net position	305,268	309,961	337,393
Total liabilities, net position and deferred inflows of resources	$ 1,127,303	$ 1,158,971	$ 1,179,779

Table 2 provides a summary of total available cash and investments as of June 30, 2022, 2021 and 2020.

(in thousands)	**2022**	**2021**	**2020**
Cash and cash equivalents and short-term investments	$ 40,962	$ 71,281	$ 103,643
Board-designated for capital and debt	198,856	215,307	212,395
Workers' compensation fund	8,912	9,428	9,391
Unexpended capital bond funds, excluding amounts required for current liabilities	29,108	9,443	13,052
Restricted funds	42	42	42
Total available cash and investments	$ 277,880	$ 305,501	$ 338,523

The District maintains sufficient cash, short-term investments and Board-designated balances to cover all short-term liabilities. All excess cash is transferred to Board-designated funds for future needs.

Capital Assets, Net (2022)

Capital assets, net, decreased $42.1 million, from $677.3 million at June 30, 2021 to $635.2 million at June 30, 2022. This decrease resulted from $9.1 million in net capital additions offset by a $51.2 million increase in net accumulation depreciation. The net capital additions included $18.5 million in equipment, building, and land improvements combined with a decrease of $9.4 million in construction in progress.

Debt Administration (2022 and 2021)

As part of the obligations under the bond indentures for the 2009A, 2010A, 2015A, 2017A, 2017B, 2019A, and 2020A Series Revenue Bonds, the District has agreed that the Hospital will maintain a long-term debt service coverage ratio of no less than 1.1 to 1.0 on a yearly basis. As of June 30, 2022, the Hospital's long-term debt service coverage ratio was 4.44 to 1.0. For the year ended June 30, 2021, the Hospital's long-term debt service coverage ratio was 2.73 to 1.0. In its report issued January 10, 2022, Moody's affirmed their rating of these bonds at Baa2, with a negative outlook.

Revenue and Expense Analysis for the District – Fiscal Year 2022

Table 3 shows the revenues, expenses, and changes in net position for the District for the years ended June 30, 2022, 2021 and 2020:

(in thousands)	2022	2021	2020
Operating revenues			
Net patient service revenues	$ 575,825	$ 522,079	$ 499,516
Other	13,438	11,534	13,403
Total operating revenues	589,263	533,613	512,919
Operating expenses			
Salaries and wages	263,643	240,958	229,485
Employee benefits	61,275	75,075	81,813
Supplies	77,982	70,407	63,811
Professional fees	71,683	68,998	66,844
Purchased services	43,617	42,245	39,499
Depreciation	49,972	52,116	49,931
Insurance	3,038	2,265	2,001
Other operating expenses	13,113	12,573	14,912
Total operating expenses	584,323	564,637	548,296
Operating income (loss)	4,940	(31,024)	(35,377)
Non-operating revenues and expenses			
Federal grant revenue	1,410	4,069	29,948
Other non-operating revenues and expenses, net	(10,533)	(2,471)	4,510
Total non-operating revenues and expenses	(9,123)	1,598	34,458
Increase (decrease) in net position before minority interest and restricted funds	(4,183)	(29,426)	(919)
Additional minority interest capital received	500	551	-
Minority interest distributions	(1,684)	(611)	(795)
Special use grant	-	-	1
Contributions used for capital expenditures	674	2,054	1,990
Increase (decrease) in net position	(4,693)	(27,432)	277
Net position			
Beginning of year	309,961	337,393	337,116
End of year	$ 305,268	$ 309,961	$ 337,393

Net Patient Service Revenues

The District receives Federal funds through the Medicare program and State funds through the Medi-Cal program. The District also receives funds through the Alameda County Medi-Cal HMO program. These government payors account for approximately 70.99 percent of the District's gross revenues. Commercial preferred provider organization (PPOs) and health maintenance organizations (HMOs) together comprise approximately 27.35 percent of gross revenues, with the balance of gross revenues attributable to uninsured individuals.

Net patient service revenues increased $53.7 million (10.3 percent), from $522.1 million in fiscal year 2021 to $575.8 million in fiscal year 2022. Net patient revenues in fiscal year 2022 reflected efforts to resume normal operations. Patient service volumes recovered to be at or near pre COVID 19 pandemic levels.

Inpatient Business Activity

The District's gross inpatient revenue increased by $14.3 million (1.1 percent), from $1.361 billion in fiscal year 2021 to $1.375 billion in fiscal year 2022.

Table 4 presents the patient days for each year and the percentage changes:

	2022 Days	2021 Days	% Change
Specialty			
Medical/surgical	44,650	42,495	5.1 %
Critical care	6,346	7,295	(13.0)%
Special care nursery	1,061	883	20.2 %
Pediatrics	215	130	65.4 %
Obstetrics	3,970	3,791	4.7 %
Subtotal adult and pediatric patient days	56,242	54,594	3.0 %
Newborn	2,880	2,697	6.8 %
Total patient days	59,122	57,291	3.2 %

Admissions increased by 386 (4.1 percent) from 9,353 in fiscal year 2021 to 9,739 in fiscal year 2022, however the average length of stay decreased 2.9 percent, from 5.82 to 5.65 days, resulting in an increase in adult and pediatric patient days of 1,648 (3 percent), as indicated in Table 4 above. The decrease in the length of stay was attributable to a fewer number of COVID-19 cases seen during the year, which generally have a higher acuity and longer length of stay.

The overall case mix index for the District, which is a measure of patient acuity, decreased to 1.594 in fiscal year 2022, as compared to 1.632 in fiscal year 2021. The Medicare case mix index for the same period decreased from 1.828 to 1.770

Inpatient surgeries decreased by 108 (5.9 percent), from 1,839 in fiscal year 2021 to 1,731 in fiscal year 2022. The most significant factor in this decrease was the continuing migration of joint replacement procedures from the inpatient to the outpatient setting, with associated reductions to the reimbursement for these procedures. Depending on various risk factors, these procedures may still be done as inpatient procedures; however, this is now the exception, rather than the rule. In fiscal year 2022, 9 percent of joint procedures were classified as inpatient; in fiscal year 2021, 20 percent of these procedures were performed in the inpatient setting.

Deliveries increased by 62 (4.5 percent), from 1,380 in fiscal year 2021 to 1,442 in fiscal year 2022.

Outpatient Business Activity

The District's gross outpatient revenue increased by $191.7 million (21.9 percent), from $876.8 million in fiscal year 2021 to $1.068 billion in fiscal year 2022. A major factor contributing to this increase was the movement of joint procedures from the inpatient to outpatient setting.

Emergency room visits decreased by 754 (1.4 percent) from 54,370 in fiscal year 2021 to 53,616 in fiscal year 2022; however the fiscal year 2021 total includes 11,196 visits to the Rapid Screening and Treatment Unit (RSTU). The RSTU was mobilized in fiscal year 2020 to coordinate COVID-19 intake activities and was deactivated in December 2020.

Non-Emergency Outpatient visits increased by 5,084 (5.9 percent) from 86,486 in fiscal year 2021 to 91,570 in fiscal year 2022.

Outpatient surgeries performed at the hospital in fiscal year 2022 increased by 530 (21.8 percent), from 2,433 in fiscal year 2021 to 2,963 in fiscal year 2022. Outpatient catheterization lab cases increased by 53 (4.7 percent) year-over-year, from 1,121 in fiscal year 2021 to 1,174 in fiscal year 2022.

Visits at Washington Township Medical Foundation increased by 4,464 (2.3 percent) from 197,830 in fiscal year 2021 to 202,294 in fiscal year 2022. WTMF's telehealth visit platform provided over 41,000 telehealth visits in fiscal year 2021, and almost 30,200 telehealth visits in fiscal year 2022. In February 2021, after COVID vaccines became available for the general public, WTMF started a COVID vaccination and testing clinic and has administered almost 100,000 vaccines and tests through June 30, 2022.

Deductions from Revenue

Contractual allowance adjustments (expressed as a percentage of gross revenues) were 74.72 percent and 74.69 percent for fiscal year 2022 and 2021, respectively. The increase resulted from primarily from lower average payment rates from commercial payors due to changes in the mix of payors represented in these categories.

Charity Care

The District provides care without charge to all patients who meet certain criteria under its Charity Care Policy. Charity allowances are based upon the customary charges for the services provided under this program. The District recorded $4.6 million and $2.6 million in foregone charges related to charity care for patient services during fiscal years 2022 and 2021, respectively. Patients who are eligible for charity care are generally those without insurance who also meet income eligibility criteria. Private pay revenues increased from $38.0 million in fiscal year 2021 to $40.6 million in fiscal year 2022.

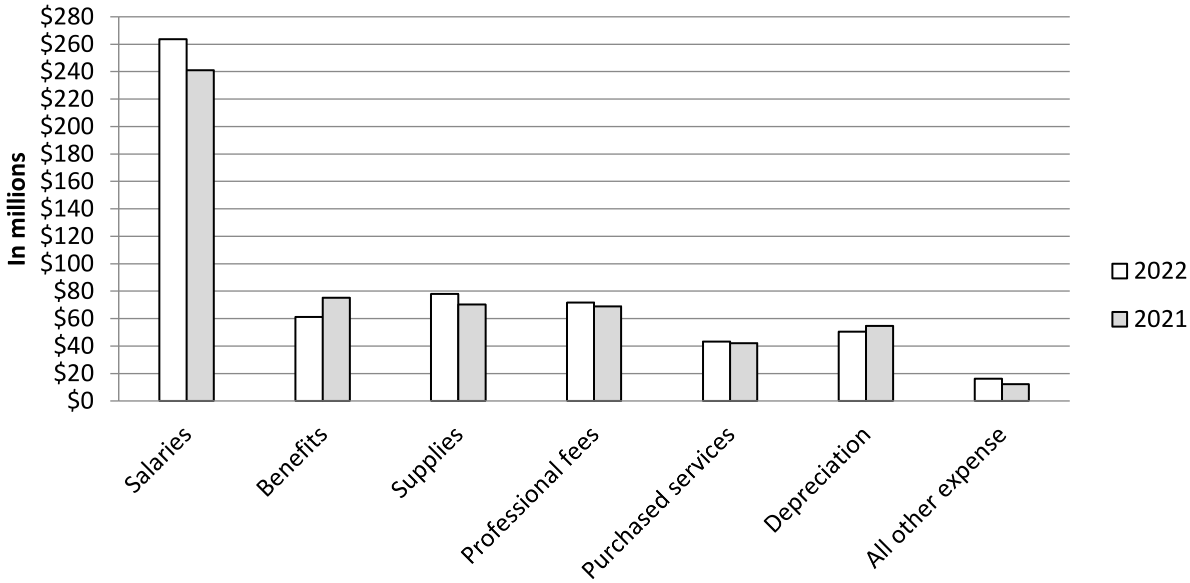
In addition to the charity care described above, the estimated cost in excess of reimbursement for medically indigent patients under Medi-Cal and Medi-Cal managed care programs was estimated at $66 million in 2022 compared to $68 million in 2021. Uncompensated services with an estimated total cost of more than $139 million in fiscal year 2022 and $148 million in fiscal year 2021, were provided to Medicare and Medicare managed care patients.

Provision for Bad Debt

The provision for bad debt (expressed as a percentage of gross revenues) was 1.68 percent in fiscal year 2022, compared to 1.95 percent in fiscal year 2021.

Operating Expenses

Total operating expenses were $584.0 million and $565.0 million for fiscal years 2022 and 2021, respectively, as summarized in the graph below:



Total operating expenses increased by $19.7 million (3.5 percent) from 2021 to 2022, with the largest dollar increase attributable to salaries and wages expense, and the next largest dollar increase attributable to supplies expense. These increases were offset by a decrease in benefits expenses.

Salaries and Benefits

- Salaries and wages increased by $22.7 million (9.4 percent). As of June 30, 2022, approximately 66 percent of the employees of the District are members of collective bargaining groups. These employees receive periodic pay increases through the various Memoranda of Understanding (MOU) that have been approved by the District's Board of Directors. The increase in salaries and wages was attributable to increases in wage rates under the MOUs and increases provided to non-represented employees. The District considers the increases under the MOUs to be in line with the current local wage environment. The nationwide shortage of health care workers increased overtime in fiscal year 2022. COVID-19 Supplemental Paid Sick Leave (COVID Pay) was established by California in 2021 and subsequently extended into 2022, and provides covered employees up to 80 hours of COVID-19 related paid leave. This was also a significant factor in the increase in salaries and wages.

- District-wide full-time equivalent employees (FTEs) at June 30, 2022 were 1,851, which reflects an increase of 69 FTEs (3.9 percent) from the 1,782 FTEs at June 30, 2021. The Hospital FTEs at June 30, 2022 were 1,548, an increase of 49 FTEs (3.3 percent) from the 1,499 FTEs at June 30, 2021.

- Benefits expense decreased by $13.8 million (18.4 percent). The largest component of this decrease was pension expense which decreased by $13.5 million (148.3 percent). Pension expense declined due to investment performance outperforming expectations.

Other Operating Expenses

- Supplies expense increased $7.6 million (10.8 percent) in fiscal year 2022. Factors contributing to this increase included an increase in joint cases of 18% along with increases in pharmaceutical costs.

- Depreciation expense decreased by $2.1 million (4.1 percent).

- Professional Fees and Purchased Services increased $4.1 million (3.6 percent) due to a higher use of consulting and professional services for a variety of program development and operational improvement initiatives.

- The change in other expenses was not significant.

Non-operating Revenues and Expenses, Net

Non-operating revenues and expenses, net, decreased $10.7 million in fiscal year 2022. The most significant changes in non-operating activity include:

- With the downturn in the economy in the 4th quarter, unrealized losses on investments increased $6.4 million.

- Federal grant revenue of $1.4 million in fiscal year 2022 was $2.7 million lower (65.3%) than the $4.1 million received in fiscal year 2021 as several Federal COVID-19 Relief programs wound down.

- The eroding economy also had an unfavorable impact on rental income. Fiscal year 2022 rental income of $235,000 was $1.3 million (84.5%) lower than the $1.5 million realized in fiscal year 2021.

Payments from Federal and State Health Care Programs

Entities doing business with governmental payors, including Medicare and Medicaid (Medi-Cal in California), are subject to risks unique to the government-contracting environment that are difficult to anticipate and quantify. Revenues are subject to adjustment as a result of examination by government agencies as well as auditors, contractors, and intermediaries retained by the federal, state, or local governments (collectively "Government Agents"). Resolution of such audits or reviews often extends (and in some cases does not even commence) for several years beyond the year in which services were rendered and/or fees received.

Moreover, interpretation of the myriad of government regulations and other requirements is subject to a large degree of subjectivity. For example, individual reviewers or auditors might disagree on a patient's principal medical diagnosis, the medical necessity of a clinical procedure or the appropriate code for that procedure. Such disagreements might have a significant effect on the ultimate amount of reimbursement due from the government. Governmental agencies may make changes in program interpretations, requirements, or "conditions of participation," some of which may have implications for amounts previously estimated. In addition to varying interpretation and evolving codification of the regulations, standards of supporting documentation and required data are subject to wide variation.

In accordance with generally accepted accounting principles, to account for the uncertainty around Medicare and Medicaid revenues, the District estimates the amount of revenue that will be received under the Medicare and Medi-Cal programs. Amounts ultimately received or paid may vary from these estimates.

Economic Factors Expected to Affect the District's 2023 Operations

The Board of Directors of the District approved the fiscal year 2022 operating budget at their June 2022 meeting. The operating budget was developed after a review of internal and external forces, key volume indicators and trends. It was based on the best information available during a time of significant uncertainty regarding deteriorating worldwide macro-economic conditions. The budget focuses on the District's continued road to recovery from the impacts of the COVID-19 pandemic, adaptation to a new normal and the implementation of growth strategies meant to secure strong performance for the District for years to come. The budget incorporates the District's current Institutional Agenda as well as economic factors, such as estimated population growth and unemployment rates.

Downward pressures on reimbursement are expected to continue. In estimating net revenues for fiscal year 2023, the District has attempted to incorporate the continued effects of the changes in reimbursement from government, commercial and third party payors, based on the available information. Likewise, the future state of the Bay Area economy, which is also difficult to predict, could have a significant impact on the District's operations. Additional legislation at either the State or Federal level may affect the accuracy of many of the assumptions included in the budget estimate.

The fiscal year 2023 budget anticipates a slight increase in operating revenues combined with a slight decrease in expenditures from the fiscal year 2022 level, primarily related to pension expense. Salaries and wages are expected to remain the same, and supply costs are expected to decrease as the supply chain recovers. Insurance expenses are anticipated to increase significantly due to tightening in the insurance market for fiscal year 2023, and marketing expenses are expected to grow with the promotion of new ventures. All other expense categories are expected to increase or decrease only modestly in fiscal year 2023.

The District continues to pursue opportunities to expand services and profitability, including the new joint venture investment in the Peninsula surgery center and the continued development of the Warm Springs joint venture with UCSF.

Washington Hospital Healthcare Foundation

Foundation Financial Highlights for Fiscal Year 2022

- Total assets of $4.6 million at June 30, 2022 increased by $1.7 million from the balance at June 30, 2021 of $2.9 million. Total cash and investments increased $200,000, from $2.0 million at June 30, 2021 to $2.2 million at June 30, 2022, while net contributions receivable increased $1.5 million, from $0.9 million to $2.4 million.

- The Foundation's net position of $4.6 million at June 30, 2022 was $1.7 million higher than at June 30, 2021.

Foundation Net Position – Fiscal Year 2022

Table 5 provides a summary of the Foundation's assets, liabilities, and net position as of June 30, 2022, 2021 and 2020:

(in thousands)	2022	2021	2020
Assets			
Cash and cash equivalents	$ 813	$ 490	$ 1,494
Short-term investments	423	423	308
Short-term investments held by District on behalf of Foundation	964	1,090	1,364
Contributions receivable, net	2,370	925	1,445
Prepaid expenses and other	42	20	60
Long-term investments, unrestricted	-	-	111
Total assets	$ 4,612	$ 2,948	$ 4,782
Liabilities			
Accounts payable and accrued expenses	$ -	$ -	$ -
Total liabilities	-	-	-
Net position			
Restricted - expendable	4,548	2,892	4,569
Unrestricted	64	56	213
Total net position	4,612	2,948	4,782
Total liabilities and net position	$ 4,612	$ 2,948	$ 4,782

Table 6 provides a summary of cash and investments for the Foundation as of June 30, 2022, 2021 and 2020:

(in thousands)	2022	2021	2020
Cash and cash equivalents	$ 813	$ 490	$ 1,494
Certificates of deposit	423	423	419
	1,236	913	1,913
Short-term investments held by District on behalf of Foundation	964	1,090	1,364
	$ 2,200	$ 2,003	$ 3,277

Revenue and Expense Analysis for the Foundation – Fiscal Year 2022

Table 7 shows the Foundation's changes in net position June 30, 2022, 2021 and 2020:

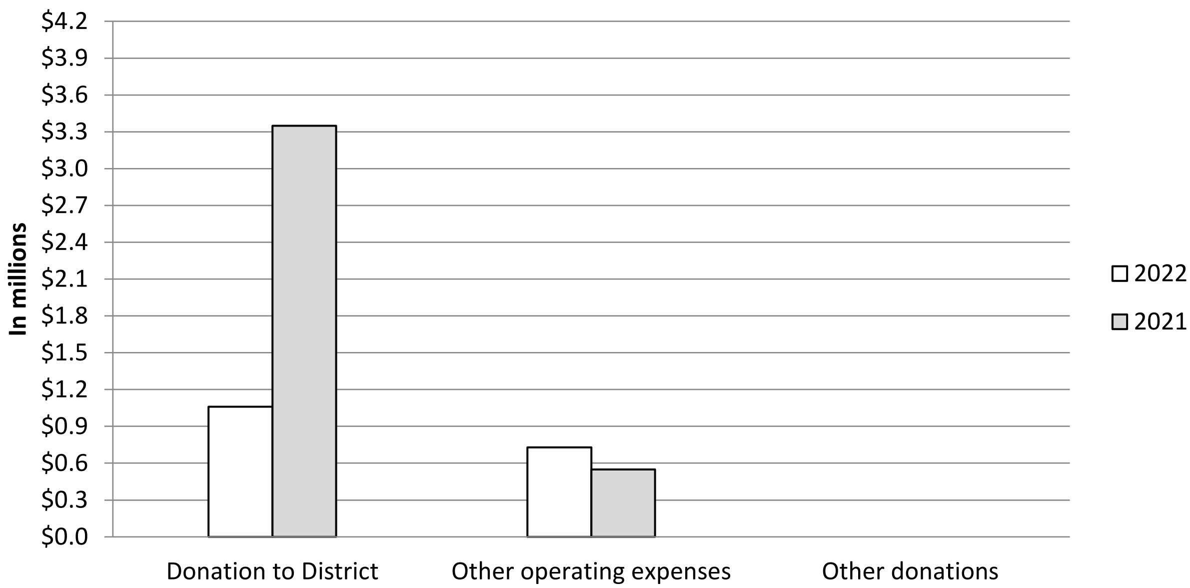
(in thousands)	2022	2021	2020
	Total	**Total**	**Total**
Operating revenues			
Contributions	$ 2,746	$ 1,342	$ 1,323
Contributed services	696	715	425
Total operating revenues	3,442	2,057	1,748
Operating expenses			
Donations to District	1,056	3,345	2,056
Donations to others	6	5	-
Other operating expenses	724	552	735
Total operating expenses	1,786	3,902	2,791
Operating income (loss)	1,656	(1,845)	(1,043)
Non-operating revenues and expenses			
Investment income	8	11	49
Total non-operating revenues and expenses	8	11	49
Increase (decrease) in net position	1,664	(1,834)	(994)
Net position			
Beginning of year	2,948	4,782	5,776
End of year	$ 4,612	$ 2,948	$ 4,782

Revenues, Expenses and Changes in Net Position

The Foundation's total operating revenues increased $1.4 million, from $2.1 million in fiscal year 2021 to $3.4 million in fiscal year 2022. Contributions of $2.7 million in fiscal year 2022 were higher than fiscal year 2021 by 1.4 million.

Expenses

Total expenses for the Foundation decreased by $2.1 million, from $3.9 million in fiscal year 2021 to $1.8 million in fiscal year 2022 (including the transfer of $1.1 million in funds designated for activities related to COVID-19), as summarized in the graph below:



Warm Springs Health Center

Warm Springs Health Center Financial Highlights for Fiscal Year 2022

- During fiscal year 2022, the District and UCSF formed a joint venture to develop the Warm Springs Health Center, providing a combination of primary care services, multi-specialty care services, urgent care and other outpatient services, an ambulatory surgery center and/or an outpatient pharmacy. Total assets were $28.6 million at June 30, 2022, including $5.8 million in cash and $22.8 million in capital assets, net.
- The Warm Springs Health Center's net position was $28.4 million at June 30, 2022.

Warm Springs Net Position – Fiscal Year 2022

Table 8 provides a summary of Warm Springs Health Center's assets, liabilities, and net position as of June 30, 2022:

(in thousands)		**2022**
Assets		
Current Assets		
Cash and cash equivalents	$	5,811
Total Current Assets		5,811
Capital assets, net		22,774
Total Assets	$	28,585
Liabilities and Net Position		
Accounts payable and accrued expenses	$	144
Total liabilites		144
Net position		
Net investment in capital assets		11,615
Restricted for minority interest - non-expendible		13,936
Unrestricted		2,890
Total net position		28,441
Total liabilites and net position	$	28,585

District Financial Highlights for Fiscal Year 2021

- The District generated an operating loss of $31.0 million for fiscal year 2021, compared with an operating loss of $35.4 million for fiscal year 2020, an improvement of $4.4 million. When non-operating income and special items are included, the District's activities resulted in a $27.4 million decrease in net position for fiscal year 2021, as compared to an increase of $300,000 in net position for fiscal year 2020. Fiscal year 2020 results included recognition of $29.9 million in provider relief funding under the Federal Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). CARES Act funding recognized in fiscal year 2021 totaled $4.1 million, including $2.5 million in provider relief funding and a $1.6 million Payroll Protection Program loan for which forgiveness was received in fiscal year 2021.

- Major items that impacted the District's operating results for fiscal year 2021, as compared to those for fiscal year 2020, included:

  - In fiscal year 2021, the District, along with all other healthcare providers, continued to be significantly impacted by the COVID-19 (COVID) pandemic.

  - As a result of pandemic shutdowns and COVID case surges, the District was unable to fully resume elective and non-emergent services until early May 2020, at which time a phased re-opening approach was developed, with the implementation of numerous additional safety initiatives for employees and patients. The resumption of services was slowed by limitations on COVID testing capacity, in addition to residual concerns by community members about the risks associated with entering the hospital facilities. These factors continued to impact volume recovery throughout fiscal year 2021.

  - Despite these challenges, the District did experience volume improvements in fiscal year 2021. Gross inpatient revenues increased by 2 percent ($26.4 million) and gross outpatient revenues increased by over 16 percent ($122.0 million) in fiscal year 2021.

  - Although admissions decreased by almost 12 percent from the fiscal year 2020 level, average length of stay increased by almost 18 percent, resulting in a 2.6% (1,363) increase in adult and pediatric patient days. The increase in length of stay was largely attributable to COVID cases, which tended to have higher acuities and longer lengths of stay, but was also related to non-COVID patients having delayed seeking care, due to concerns about COVID infection risk in healthcare settings.

  - As a result of the continued migration of joint replacement surgeries to the outpatient setting, inpatient surgeries were down almost 24 percent (579 cases), but outpatient surgeries increased by almost 38 percent (668 cases). Outpatient cardiac catheterizations increased by over 5 percent (54 cases).

  - Outpatient visits at WTMF increased by over 7 percent in fiscal year 2021. WTMF implemented a telehealth visit platform in April 2020 and provided approximately 14,000 and 41,000 telehealth visits, in fiscal years 2020 and 2021, respectively. Also in February 2021, after COVID vaccines became available to the general public, WTMF initiated a COVID vaccine clinic, administering almost 67,000 injections through June 30, 2021.

  - Total operating expenses increased by 3 percent ($16.3 million), in total, with increases in salary and supply expenses accounting for a combined increase of $18.1 million, which were offset by a decrease in benefits expenses of $6.7 million.

- The increase in salary expenses was due to FTE recovery from the COVID-reduced levels in fiscal year 2020, additional FTEs, such as resource nurses and screeners, required to support implementation of pandemic-related safety protocols, and scheduled wage rate increases.

- The reduction in benefit expenses was driven by an $11.6 million decrease in expense related to the District's defined benefit retirement plan for fiscal year 2021. The significant decrease resulted from several factors, including a reduction in the recognition of net deferred amounts into expense from $9.2 million in fiscal year 2020 to $0.0 million in fiscal year 2021. The largest contributors to this decrease were the recognition of significant prior year investment gains, in excess of the anticipated rate, on the related asset portfolio and increased current year investment gains, attributable to the overall increase in the asset portfolio.

- The increase in supply expenses were partially related to volume increases, but also reflected additional spending for COVID testing supplies, pharmaceuticals and personal protective equipment. Supply cost increases for PPE and other items were driven not only be increased usage but were also impacted by increased demand and global supply chain pressures.

- Purchased services and professional fees increased due to contracted services for screeners and COVID testing performed by external labs.

- Changes in other expense categories were not significant.

- New Activities

  In fiscal year 2021, the District finalized the formation of the Peninsula Surgery Center, a joint venture between DEVCO, WOSC and private physicians. Construction of the related ambulatory surgery center in Redwood City, California was substantially completed in July 2021. As of June 30, 2021, the DEVCO holds the majority interest in the operating entity, Peninsula Surgery Center LLC (PSC), and the holding company, Peninsula Surgical Partnership LLC (PSP). PSC and PSP are considered component units of DEVCO and are blended in the DEVCO financial statements.

Analysis of the District's Net Position – Fiscal Year 2021

- Total assets decreased $13.1 million, from $1.14 billion at June 30, 2020 to $1.13 billion at June 30, 2021. Total available cash and investments decreased $33.0 million, from $338.5 million to $305.5 million. Capital assets, net, decreased $20.5 million, from $697.8 million to $677.3 million. Through a conscientious commitment to consistent funding of its pension obligations, the District achieved full funding of its net pension obligation in fiscal year 2021. The net pension liability, which was $31.8 million as of June 30, 2020, became a prepaid pension asset of $5.2 million as of June 30, 2021.

- In March 2020, the District and the University of California, San Francisco (UCSF), completed the joint purchase of an 88,000 square foot building and approximately five acres of land in the Warm Springs section of Fremont. The building includes approximately 30,000 square feet of office space. The District and UCSF were in the process of forming a joint venture to develop a health services complex on the site, providing a combination of primary care services, multi-specialty care services, urgent care and other outpatient services, an ambulatory surgery center and/or an outpatient pharmacy. The District will be the majority partner with 51 percent of the investment, with UCSF as the minority investor with 49 percent. The investment in this venture is reflected in other non-current assets in the District's Statement of Net Position as of June 30, 2020 and June 30, 2021.

- Total liabilities decreased $29.1 million, from $807.6 million at June 30, 2020 to $778.5 million at June 30, 2021. The majority of this decrease was the achievement of full funding for the defined benefit pension plan as of June 30, 2021, which resulted in the elimination of the net pension liability of $31.8 million as of June 30, 2020 as mentioned above. In addition, total long-term debt of $566.0 million at June 30, 2020 was reduced by $4.9 million to $561.1 million at June 30, 2021. Also in fiscal year 2021, the District began the required repayment of $59 million in Medicare Advanced Payment (MAP) loans received under the CARES Act in fiscal year 2020. As of June 30, 2021, the District has repaid approximately $6 million and the remaining $53 million due is reflected as liabilities due to third party payors on the statement of net position for fiscal year 2021. The District was able to set aside the amounts received under the MAP program and the repayments are being made from the set aside funds.

- Total net position of $310.0 million at June 30, 2021 was $27.4 million less than the net position of $337.4 million at June 30, 2020.

Table 9 provides a summary of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of June 30, 2021 and 2020:

(in thousands)	**2021**	**2020**
Assets		
Current assets	$ 176,332	$ 192,428
Long-term investment and restricted funds	234,220	234,880
Capital assets, net	677,327	697,785
Prepaid pension asset	5,161	-
Other assets	36,745	17,765
Total assets	1,129,785	1,142,858
Deferred outflows of resources	29,186	36,921
Total assets and deferred outflows of resources	$ 1,158,971	$ 1,179,779
Liabilities and Net Position		
Current liabilities	$ 173,286	$ 170,545
Net pension liability	-	31,798
Net postemployment medical benefits (OPEB)	40,419	42,578
Long-term lease liability	9,320	-
Long-term debt	549,533	556,097
Other long-term liabilities	5,987	6,615
Total liabilities	778,545	807,633
Deferred inflows of resources	70,465	34,753
Net position		
Net investment in capital assets	122,886	142,756
Restricted - expendable	30,005	29,301
Restricted for minority interest	4,528	3,666
Unrestricted	152,542	161,670
Total net position	309,961	337,393
Total liabilities, net position and deferred inflows of resources	$ 1,158,971	$ 1,179,779

Table 10 provides a summary of total available cash and investments as of June 30, 2021 and 2020.

(in thousands)	**2021**	**2020**
Cash and cash equivalents and short-term investments	$ 71,281	$ 103,643
Board-designated for capital and debt	215,307	212,395
Workers' compensation fund	9,428	9,391
Unexpended capital bond funds, excluding amounts required for current liabilities	9,443	13,052
Restricted funds	42	42
Total available cash and investments	$ 305,501	$ 338,523

The District maintains sufficient cash, short-term investments and Board-designated balances to cover all short-term liabilities. All excess cash is transferred to Board-designated funds for future needs.

Capital Assets, Net

Capital assets, net, decreased $20.5 million, from $697.8 million at June 30, 2020 to $677.3 million at June 30, 2021. This decrease resulted from $35.4 million in net capital additions offset by a $55.9 million increase in net accumulation depreciation. The net capital additions included $26.2 million in equipment, building, and land improvements combined with a decrease of $9.2 million in construction in progress.

In fiscal year 2021, the District finalized the formation of the Peninsula Surgery Center, a joint venture between DEVCO, WOSC and private physicians. Construction of the related ambulatory surgery center in Redwood City, California was substantially completed in July 2021.

Debt Administration (2021 and 2020)

As part of the obligations under the bond indentures for the 2009, 2010, 2015, 2017A, 2017B, 2019A and 2020A Series Revenue Bonds, the District has agreed that the Hospital will maintain a long-term debt service coverage ratio of no less than 1.1 to 1.0 on a yearly basis. As of June 30, 2021, the Hospital's long-term debt service coverage ratio was 2.73 to 1.0. For the year ended June 30, 2020, the Hospital's long-term debt service coverage ratio was 4.71 to 1.0. During the year ended June 30, 2020, the Moody's credit rating was downgraded to Baa2 (outlook negative) due to weak operating cash flow projections for fiscal year 2020, based on activity through December 2019. During the year ended June 30, 2021, the Moody's credit rating for the Hospital's revenue bonds did not change.

The Hospital's percentage of debt-to-capitalization, excluding general obligation bonds, of 28.7 percent at June 30, 2021, was lower than the percentage of 29.6 percent at June 30, 2020. The decrease in percentage reflects the combined effect of the $12.4 million reduction in outstanding debt, excluding general obligation bonds, and the $7.6 million decrease in the Hospital's net position.

Revenue and Expense Analysis for the District – Fiscal Year 2021

Table 11 shows the revenues, expenses, and changes in net position for the District for the years ended June 30, 2021 and 2020:

(in thousands)	**2021**	**2020**
Operating revenues		
Net patient service revenues	$ 522,079	$ 499,516
Other	11,534	13,403
Total operating revenues	533,613	512,919
Operating expenses		
Salaries and wages	240,958	229,485
Employee benefits	75,075	81,813
Supplies	70,407	63,811
Professional fees	68,998	66,844
Purchased services	42,245	39,499
Depreciation	52,116	49,931
Insurance	2,265	2,001
Other operating expenses	12,573	14,912
Total operating expenses	564,637	548,296
Operating income (loss)	(31,024)	(35,377)
Non-operating revenues and expenses		
Federal grant revenue	4,069	29,948
Other non-operating revenues and expenses, net	(2,471)	4,510
Total non-operating revenues and expenses	1,598	34,458
Increase (decrease) in net position before minority interest and restricted funds	(29,426)	(919)
Additional minority interest capital received	551	-
Minority interest distributions	(611)	(795)
Special use grant	-	1
Contributions used for capital expenditures	2,054	1,990
Increase (decrease) in net position	(27,432)	277
Net position		
Beginning of year	337,393	337,116
End of year	$ 309,961	$ 337,393

Net Patient Service Revenues

The District receives Federal funds through the Medicare program and State funds through the Medi-Cal program. The District also receives funds through the Alameda County Medi-Cal HMO program. These government payors account for approximately 71 percent of the District's gross revenues. Commercial preferred provider organizations (PPOs) and health maintenance organizations (HMOs) together comprise approximately 27 percent of gross revenues, with the balance of gross revenues attributable to uninsured individuals.

Net patient service revenues increased by $22.6 million (4.5 percent), from $499.5 million in fiscal year 2020 to $522.1 million in fiscal year 2021. COVID-19 significantly reduced net patient service revenues from March to June of 2020. Net patient revenues in fiscal year 2021 reflected efforts to resume normal operations, however, patient volumes were slow to recover, in part due to lingering safety concerns by potential patients.

Inpatient Business Activity

The District's gross inpatient revenue increased by $26.4 million (2.0 percent), from $1,334.6 million in fiscal year 2020 to $1,361.0 million in fiscal year 2021.

Table 12 presents the patient days for each year and the percentage changes:

	2021 Days	2020 Days	% Change
Specialty			
Medical/surgical	42,495	40,515	4.9 %
Critical care	7,295	6,808	7.2 %
Special care nursery	883	1,290	(31.6)%
Pediatrics	130	341	(61.9)%
Obstetrics	3,791	4,277	(11.4)%
Subtotal adult and pediatric patient days	54,594	53,231	2.6 %
Newborn	2,697	3,068	(12.1)%
Total patient days	57,291	56,299	1.8 %

Admissions decreased by 1,262 (11.9 percent) from 10,615 in fiscal year 2020 to 9,353 in fiscal year 2021, however the average length of stay increased 17.6 percent, from 4.95 to 5.82 days, resulting in an increase in adult and pediatric patient days of 1,363 (2.6 percent), as indicated in Table 12 above. The increase in the length of stay was attributable to COVID-19 cases, which generally have a higher acuity and longer length of stay, but was also seen in non-COVID patients, which points to patients having delayed seeking care.

The overall case mix index for the District, which is a measure of patient acuity, increased to 1.632 in fiscal year 2021, as compared to 1.480 in fiscal year 2020. The Medicare case mix index for the same period increased from 1.692 to 1.828. As mentioned above, this increase in acuity was seen in both COVID and non-COVID patients.

Inpatient surgeries decreased by 579 (23.9 percent), from 2,418 in fiscal year 2020 to 1,839 in fiscal year 2021. The most significant factor in this decrease was the continuing migration of joint replacement procedures from the inpatient to the outpatient setting, with associated reductions to the reimbursement for these procedures. Depending on various risk factors, these procedures may still be done as inpatient procedures; however, this is now the exception, rather than the rule. In fiscal year 2019, 58 percent of joint procedures were done as inpatients; in fiscal year 2021, only 20 percent of these procedures were performed in the inpatient setting. Inpatient joint surgeries were down by 480 (57.8 percent), year over year, in fiscal year 2021 versus fiscal year 2020.

Deliveries also continued to decline, decreasing by 140 (9.2 percent), from 1,520 to 1,380.

Outpatient Business Activity

The District's gross outpatient revenue increased by $122.0 million (16.2 percent), from $754.8 million in fiscal year 2020 to $876.8 million in fiscal year 2021. While a portion of this increase was attributable to the easing of the pandemic situation, as discussed above, a major factor contributing to this increase was the movement of joint procedures from the inpatient to outpatient setting.

Emergency room visits increased by 2,844 (5.5 percent) from 51,526 in fiscal year 2020 to 54,370 in fiscal year 2021; however the fiscal year 2021 total includes 11,196 visits to the Rapid Screening and Treatment Unit (RSTU) as compared to 4,313 visits in fiscal year 2020. The RSTU was mobilized in fiscal year 2020 to coordinate COVID-19 intake activities and was deactivated in December 2020. Routine emergency department volumes for fiscal year 2021 were down by approximately 4,000 visits.

Outpatient visits increased by 3,523 (4.2 percent) from 82,963 to 86,486 in fiscal 2021.

Outpatient surgeries performed at the hospital in fiscal year 2021 increased by 668 (37.8 percent), from 1,765 to 2,433. Outpatient joint procedures increased by 583 (69.2 percent). Outpatient catheterization lab cases increased by 54 (5.1 percent) from 1,067 to 1,121.

Outpatient visits at Washington Township Medical Foundation increased by 13,340 (7.2 percent) from 184,490 in fiscal year 2020 to 197,830 in fiscal year 2021. WTMF implemented a telehealth visit platform in early April 2020 and provided over 13,500 telehealth visits in fiscal year 2020, and almost 41,000 telehealth visits in fiscal year 2021. In February 2021, after COVID vaccines became available for the general public, WTMF started a COVID vaccine clinic, with 66,893 vaccine visits through June 30, 2021.

Deductions from Revenue

Contractual allowance adjustments (expressed as a percentage of gross revenues) were 74.69 percent and 74.09 percent for fiscal year 2021 and 2020, respectively. The increase resulted from primarily from lower average payment rates from commercial payors due to changes in the mix of payors represented in these categories.

Charity Care

The District provides care without charge to all patients who meet certain criteria under its Charity Care Policy. Charity allowances are based upon the customary charges for the services provided under this program. The District recorded $2.6 million and $3.1 million in foregone charges related to charity care for patient services during fiscal years 2021 and 2020, respectively. Patients who are eligible for charity care are generally those without insurance who also meet income eligibility criteria. Private pay revenues Decreased from $42.7 million in fiscal year 2020 to $38.0 million in fiscal year 2021.

Included in the charity care totals are amounts associated with care for homeless patients. In January 2019, the State of California implemented Senate Bill 1152 (SB-1152). SB-1152 is an additional unfunded mandate requiring California hospitals to provide certain services to homeless patients, including provision of a meal, clothing and transportation services, as needed. In addition, the law also requires that these patients cannot be discharged until a residence or a social services provider is located, and has agreed to accept the patient, which can result in lengthy discharge delays.

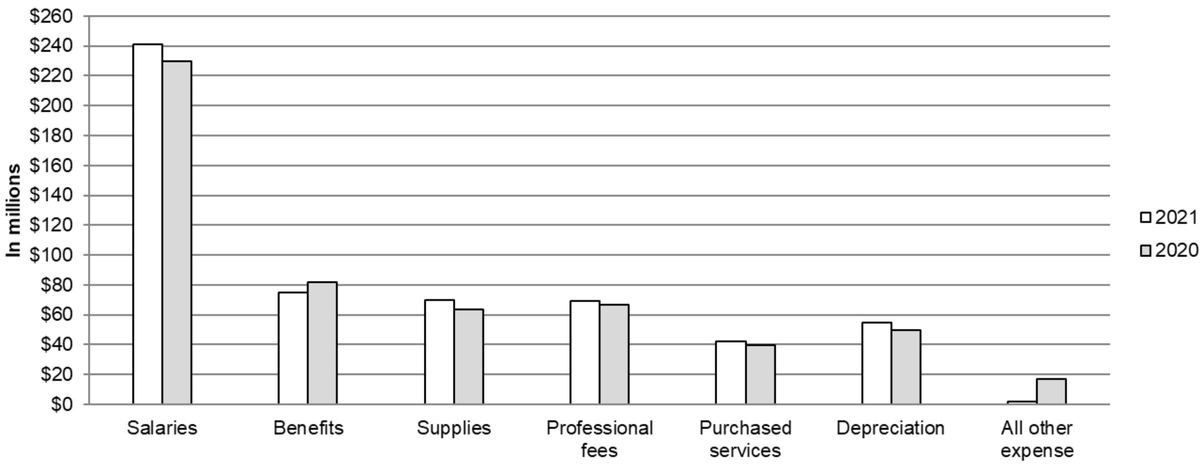
In addition to the charity care described above, the estimated cost in excess of reimbursement for medically indigent patients under Medi-Cal and Medi-Cal managed care programs was $68 million and $64 million in fiscal years 2021 and 2020, respectively, and uncompensated services with an estimated total cost of more than $148 million in fiscal year 2021 and $151 million in fiscal year 2020, were provided to Medicare and Medicare managed care patients.

Provision for Bad Debt

The provision for bad debt (expressed as a percentage of gross revenues) was 1.95 percent in fiscal year 2021, compared to 1.97 percent in fiscal year 2020.

Operating Expenses

Total operating expenses were $565.0 million and $548.3 million for fiscal years 2021 and 2020, respectively, as summarized in the graph below:



Total operating expenses increased by 16.7 million (3.0 percent) from 2020 to 2021, with the largest dollar increase ($11.5 million) attributable to salaries and wage expense, and the next largest dollar increase attributable to supplies ($6.6 million). Benefits expense decreased by $6.7 million.

Salaries and Benefits

- Salaries and wages increased by $11.5 million (5.0 percent). As of June 2021, approximately 65 percent of the employees of the District are members of collective bargaining groups. These employees receive periodic pay increases through the various Memoranda of Understanding (MOU) that have been approved by the District's Board of Directors. The increase in salaries and wages was attributable to increases in wage rates under the MOUs combined with an increase in full time equivalents from the COVID-related reduced levels in fiscal year 2020 (see below). The District considers the increases under the MOUs to be in line with the current local wage environment.

- Total District's full time equivalents (FTEs) at June 30, 2021 were 1,782 which reflects an increase of 35 FTEs (2.0 percent) from the 1,747 FTEs at June 30, 2020. The Hospital FTEs at June 30, 2021 were 1,499, an increase of 23 FTEs (1.6 percent) from the 1,476 FTEs at June 30, 2020. To the extent possible, during the COVID shelter-in-place period from mid-March to mid-May 2020, the District reduced staffing of non-essential personnel.

- Benefits expense decreased by $6.7 million (8.2 percent). The largest component of this decrease was pension expense which decreased by $11.6 million (56.0 percent). Pension expense declined due to recognition of deferred outflows of resources related to prior year investment performance outperforming expectations, combined with increases in current year investment gains due to the continued growth in the overall portfolio. The District’s net pension obligation transitioned from a liability of $31.8 million as of June 30, 2020 to an asset of $5.2 million as of June 31, 2021.

Other Operating Expenses

- Supplies expense increased $6.6 million (10.3 percent) in fiscal year 2021. Factors contributing to this increase included fiscal year 2020 expenses being artificially lower due to COVID-related volume reductions, and fiscal year 2021 increases in costs related to personal protective equipment (PPE) caused by increased demand and global supply chain pressures, increased lab and pharmacy supply costs for COVID testing and treatment and higher inpatient days and outpatient visits.

- Depreciation increased by $2.2 million (4.4 percent) and other expenses decreased by $2.3 million (15.7 percent). Insurance expense increased by $300,000 (13.2 percent) in fiscal year 2021 as a result of tightening in the insurance marketplace.

Non-operating Revenues and Expenses, Net

Non-operating revenues and expenses, net, decreased $32.8 million in fiscal year 2021. The most significant changes in non-operating activity for fiscal year 2021 were the following items:

- In fiscal year 2020, the District received federal grants under the CARES Act including $28.8 million for the Hospital, $0.8 million for WTMF and $0.3 million for DEVCO. In addition, Washington Outpatient Surgery Center (WOSC) received a $1.6 million Payroll Protection Plan (PPP) forgivable loan. In fiscal year 2021, the District received an additional $2.6 million in federal grants; WOSC received an additional $1.6 million PPP loan and also received confirmation of the forgiveness of its first PPP loan.

- Net interest expense decreased by $0.7 million. Although total interest cost for fiscal year 2020 was $1.3 million less in fiscal year 2021 than in fiscal year 2020, capitalized interest for fiscal year 2021 was $0.5 million lower than the amount for fiscal year 2020, resulting in higher net interest expense.

- Bond issuance costs of $0.7 million expensed in fiscal year 2021 were related to the December 2020 refinancing of revenue bonds in order to take advantage of favorable market interest rates. No such costs were incurred in fiscal year 2020.

Payments from Federal and State Health Care Programs

Entities doing business with governmental payors, including Medicare and Medicaid (Medi-Cal in California), are subject to risks unique to the government-contracting environment that are difficult to anticipate and quantify. Revenues are subject to adjustment as a result of examination by government agencies as well as auditors, contractors, and intermediaries retained by the federal, state, or local governments (collectively "Government Agents"). Resolution of such audits or reviews often extends (and in some cases does not even commence) for several years beyond the year in which services were rendered and/or fees received.

Moreover, interpretation of the myriad of government regulations and other requirements is subject to a large degree of subjectivity. For example, individual reviewers or auditors might disagree on a patient's principal medical diagnosis, the medical necessity of a clinical procedure or the appropriate code for that procedure. Such disagreements might have a significant effect on the ultimate amount of reimbursement due from the government. Governmental agencies may make changes in program interpretations, requirements, or "conditions of participation," some of which may have implications for amounts previously estimated. In addition to varying interpretation and evolving codification of the regulations, standards of supporting documentation and required data are subject to wide variation.

In accordance with generally accepted accounting principles, to account for the uncertainty around Medicare and Medicaid revenues, the District estimates the amount of revenue that will be received under the Medicare and Medi-Cal programs. Amounts ultimately received or paid may vary from these estimates.

Health Care Reform

In 2012, the Patient Protection and Affordable Care Act (PPACA) and the Health Care and Education Reconciliation Act of 2012 (collectively the "Affordable Care Act" or "the ACA") were signed into law. The Affordable Care Act addressed a broad range of topics affecting the health care industry, including a significant expansion of healthcare coverage. The coverage expansion was accomplished primarily through incentives for individuals to obtain and employers to provide health care coverage and an expansion in Medicaid eligibility. The Affordable Care Act also included 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. The ACA has been the subject of much political debate and disagreement

During the period from 2013 through April 2020, automatic spending reduction provisions of the Budget Control Act of 2011 were in effect. These spending reductions, also known as sequestration reductions, resulted in an on-going 2.0 percent reduction in all Medicare spending. The reductions in reimbursement for fiscal years 2020 and 2019 were $1.8 million and $2.2 million, respectively. As a component of COVID-19 relief under the CARES Act, sequestration reductions were temporarily suspended effective May 1, 2020 and had not been re-instituted as of June 30, 2021.

In addition to sequestration reductions, Medicare Disproportionate Share (DSH) payments to eligible hospitals were significantly reduced in 2014. DSH payments are intended to partially offset the losses that providers incur when serving a disproportionate number of Medicare beneficiaries, as compared to other providers. For fiscal years 2021 and 2020, DSH payments received were $2.7 million and $4.8 million, respectively.

Meaningful Use of Electronic Health Records

The American Recovery and Reinvestment Act of 2009 established incentive payments under the Medicare and Medicaid programs for certain professionals and hospitals that demonstrated meaningfully use of certified electronic health record ("EHR") technology to improve quality, efficiency and patient safety. In fiscal years 2018 through 2020, revenues recognized related to Meaningful Use were not significant. Beginning in fiscal year 2018 for Medicare EHR and in fiscal year 2020 for Medi-Cal EHR, the District is no longer eligible for additional incentive funding, as the Meaningful Use Programs have entered the penalty phase. The District is compliant with all Meaningful Use requirements and has not incurred any penalties. The District will continue to be required to report on a specified list of quality measures; failure to comply with these reporting requirements will result in downward payment adjustments.

Washington Hospital Healthcare Foundation

Foundation Financial Highlights for Fiscal Year 2021

- Total assets of $2.9 million at June 30, 2021 decreased by $1.9 million from the balance at June 30, 2020 of $4.8 million. Total cash and investments decreased $1.3 million, from $3.3 million to $2.0 million, while net contributions receivable decreased $0.5 million from $1.4 million to $0.9 million.

- Net position of $2.9 million at June 30, 2021 was $1.9 million lower than at June 30, 2020.

Foundation Net Position – Fiscal Year 2021

Table 13 provides a summary of the Foundation's assets, liabilities, and net position as of June 30, 2021 and 2020:

(in thousands)	**2021**	**2020**
Assets		
Cash and cash equivalents	$ 490	$ 1,494
Short-term investments	423	308
Short-term investments held by District on behalf of Foundation	1,090	1,364
Contributions receivable, net	925	1,445
Prepaid expenses and other	20	60
Long-term investments, unrestricted	-	111
Total assets	$ 2,948	$ 4,782
Liabilities		
Accounts payable and accrued expenses	$ -	$ -
Total liabilities	-	-
Net position		
Restricted - expendable	2,892	4,569
Unrestricted	56	213
Total net position	2,948	4,782
Total liabilities and net position	$ 2,948	$ 4,782

Table 14 provides a summary of cash and investments for the Foundation as of June 30, 2021 and 2020:

(in thousands)	**2021**	**2020**
Cash and cash equivalents	$ 490	$ 1,494
Certificates of deposit	423	419
	913	1,913
Short-term investments held by District on behalf of Foundation	1,090	1,364
	$ 2,003	$ 3,277

Revenue and Expense Analysis for the Foundation – Fiscal Year 2021

Table 15 shows the Foundation’s changes in net position for 2021 and 2020:

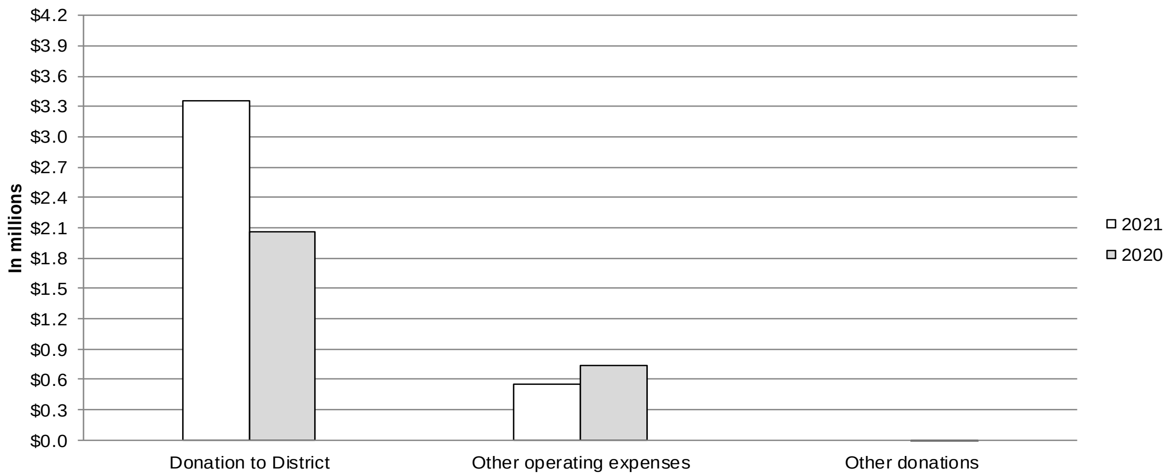
(in thousands)	2021	2020
	Total	**Total**
Operating revenues		
Contributions	$ 1,342	$ 1,323
Contributed services	715	425
Total operating revenues	2,057	1,748
Operating expenses		
Donations to District	3,345	2,056
Donations to others	5	-
Other operating expenses	552	735
Total operating expenses	3,902	2,791
Operating income (loss)	(1,845)	(1,043)
Non-operating revenues and expenses		
Investment income	11	49
Total non-operating revenues and expenses	11	49
Increase (decrease) in net position	(1,834)	(994)
Net position		
Beginning of year	4,782	5,776
End of year	$ 2,948	$ 4,782

Revenues, Expenses and Changes in Net Position

The Foundation's total operating revenues increased $0.3 million from $1.8 million in fiscal year 2020 to $2.1 million in fiscal year 2021. Contributions of $1.3 million in fiscal year 2021 were the same as in fiscal year 2020.

Expenses

Total expenses for the Foundation increased by $1.1 million from $2.8 million in fiscal year 2020 to $3.9 million in fiscal year 2021 (including the transfer of $1.1 million in funds designated for activities related to COVID-19 and $1.2 million additional pledge collections related to the Hyman Pavilion), as summarized in the graph below:



Washington Township Health Care District
Statements of Net Position
June 30, 2022 and 2021

(in thousands)	District 2022	District 2021	Foundation 2022	Foundation 2021	Warm Springs 2022
Assets					
Current assets					
Cash and cash equivalents	$ 11,066	$ 40,697	$ 813	$ 490	$ 5,811
Short-term investments	29,896	30,584	423	423	-
Short-term investments held by District on behalf of Foundation	-	-	964	1,090	-
Patient accounts receivable, less allowance for estimated uncollectibles of $36,129 and $40,885 in 2022 and 2021, respectively	90,483	84,653	-	-	-
Contributions receivable, net	-	-	729	114	-
Supplies	4,438	4,264	-	-	-
Other receivables	11,117	9,347	-	-	-
Prepaid expenses and other	7,903	6,787	42	20	-
Total current assets	154,903	176,332	2,971	2,137	5,811
Long-term investment and restricted funds					
Board-designated for capital, debt and workers' compensation	207,769	224,735	-	-	-
Held by trustee	29,108	9,443	-	-	-
Restricted funds	42	42	-	-	-
Capital assets, net	635,182	677,327	-	-	22,774
Other assets					
Prepaid pension costs	36,970	5,161	-	-	-
Contributions receivable, net	-	-	1,641	811	-
Other noncurrent assets	40,888	36,745	-	-	-
Total assets	1,104,862	1,129,785	4,612	2,948	28,585
Deferred outflows of resources					
Deferred outflows of resources - goodwill	2,016	2,689	-	-	-
Deferred outflows of resources - postemployment medical benefits (OPEB)	7,905	9,141	-	-	-
Deferred outflows of resources - pension	12,520	17,356	-	-	-
Total deferred outflows	22,441	29,186	-	-	-
Total assets and deferred outflows of resources	$ 1,127,303	$ 1,158,971	$ 4,612	$ 2,948	$ 28,585

The accompanying notes are an integral part of these financial statements.

Washington Township Health Care District
Statements of Net Position
June 30, 2022 and 2021

(in thousands)	District 2022	District 2021	Foundation 2022	Foundation 2021	Warm Springs 2022
Liabilities and Net Position					
Current liabilities					
Current portion of long-term debt	$ 10,953	$ 11,550	$ -	$ -	$ -
Accounts payable and accrued expenses	26,298	26,091	-	-	144
Due to foundation	964	1,091	-	-	-
Due to third party payors and unearned revenue	19,817	61,668	-	-	-
Accrued liabilities					
Payroll related	11,311	15,451	-	-	-
Vacation	21,822	19,451	-	-	-
Health benefits	3,439	4,519	-	-	-
Interest	10,516	10,597	-	-	-
Other	25,324	22,868	-	-	-
Total current liabilities	130,444	173,286	-	-	144
Long-term liabilities					
Workers' compensation claims	7,414	5,987	-	-	-
Net postemployment medical benefits (OPEB)	37,676	40,419	-	-	-
Long-term lease liabilities	7,322	9,320			
Long-term debt, net of current maturities	211,172	220,969	-	-	-
Long-term debt, general obligation bonds	345,595	328,564	-	-	-
Total long-term liabilities	609,179	605,259	-	-	-
Total liabilities	739,623	778,545	-	-	144
Deferred inflows of resources					
Deferred inflows of resources - postemployment medical benefits (OPEB)	13,964	17,335	-	-	-
Deferred inflows of resources - pension	46,269	30,374	-	-	-
Deferred inflows of resources - Lease Obligations	22,179	22,756	-	-	-
Total deferred inflows	82,412	70,465	-	-	-
Net position					
Net investment in capital assets	92,850	122,886	-	-	11,615
Restricted - expendable	28,817	30,005	4,548	2,892	-
Restricted for minority interest - nonexpendable	3,345	4,528	-	-	13,936
Unrestricted	180,256	152,542	64	56	2,890
Total net position	305,268	309,961	4,612	2,948	28,441
Total liabilities, deferred inflows of resources and net position	$ 1,127,303	$ 1,158,971	$ 4,612	$ 2,948	$ 28,585

The accompanying notes are an integral part of these financial statements.

Washington Township Health Care District
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 20, 2022 and 2021

(in thousands)	District 2022	District 2021	Foundation 2022	Foundation 2021	Warm Springs 2022
Operating revenues					
Net patient service revenues	$ 575,825	$ 522,079	$ -	$ -	$ -
Other	13,438	11,534	-	-	-
Contributions	-	-	2,746	1,342	-
Contributed services	-	-	696	715	-
Total operating revenues	589,263	533,613	3,442	2,057	-
Operating expenses					
Salaries and wages	263,643	240,958	-	-	-
Employee benefits	61,275	75,075	-	-	-
Supplies	77,982	70,407	-	-	-
Professional fees	71,683	68,998	-	-	-
Purchased services	43,617	42,245	-	-	100
Depreciation	49,972	52,116	-	-	-
Insurance	3,038	2,265	-	-	14
Donations	-	-	1,062	3,350	-
Other operating expenses	13,113	12,573	724	552	163
Total operating expenses	584,323	564,637	1,786	3,902	277
Operating income (loss)	4,940	(31,024)	1,656	(1,845)	(277)
Non-operating revenues and expenses					
Federal grant revenue	1,410	4,069	-	-	-
Investment income	2,574	3,163	8	11	-
Net increase (decrease) in the fair value of investments	(9,264)	(2,041)	-	-	-
Interest expense, including amortization of premiums and discounts on bonds payable	(21,927)	(21,554)	-	-	-
Property tax revenue	17,298	17,317	-	-	-
Bond issuance costs	(456)	(718)	-	-	-
Other non-operating income	1,242	1,362	-	-	-
Total non-operating revenues and (expenses), net	(9,123)	1,598	8	11	-
Increase (decrease) in net position before other changes	(4,183)	(29,426)	1,664	(1,834)	(277)
Minority interest - additional contributions from	500	551	-	-	-
Minority interest - distributions to	(1,684)	(611)	-	-	-
Contributions used for capital expenditures	674	2,054	-	-	-
Capital contributions to joint venture formation	-	-	-	-	28,718
Increase (decrease) in net position after other changes	(4,693)	(27,432)	1,664	(1,834)	28,441
Net position					
Beginning of year	309,961	337,393	2,948	4,782	-
End of year	$ 305,268	$ 309,961	$ 4,612	$ 2,948	$ 28,441

The accompanying notes are an integral part of these financial statements.

Washington Township Health Care District
Statements of Cash Flows
Years Ended June 30, 2022 and 2021

(in thousands)	District 2022	District 2021
Cash flows from operating activities		
Cash received from patient service activities	$ 569,995	$ 505,682
Other cash receipts	13,438	11,534
Cash payments to suppliers	(246,748)	(194,581)
Cash payments to employees and employee benefit programs	(343,628)	(331,758)
Net cash provided by (used in) operating activities	(6,943)	(9,123)
Cash flows from noncapital financing activities		
Donation from Foundation to District	356	1,188
Sale of net assets to minority shareholders in Washington Outpatient Surgery Center, LLC	500	551
Net assets distributed to minority shareholders in Washington Outpatient Surgery Center, LLC	(1,684)	(611)
Federal grant revenue	1,410	4,069
Net cash provided by (used in) noncapital financing activities	582	5,197
Cash flows from capital and related financing activities		
Purchases of capital assets	(10,301)	(21,338)
Payments on leases	(2,789)	(2,878)
Rental income	4,227	3,884
Donation from Foundation to District	674	2,054
Principal paid on debt	(11,565)	(12,208)
Interest paid on debt	(23,933)	(25,057)
Proceeds from debt issuance, net of issuance costs	20,122	9,055
Proceeds from property taxes levied by the County	18,103	17,960
Net cash provided by (used in) capital and related financing activities	(5,462)	(28,528)
Cash flows from investing activities		
Purchases of investments	(183,468)	(234,421)
Sales of investments	162,942	233,860
Investment income	2,558	3,459
Purchase of interest in equity investments	(2,805)	(484)
Other non-operating income (loss)	2,965	(1,298)
Net cash provided by (used in) investing activities	(17,808)	1,116
Net increase (decrease) in cash and cash equivalents	(29,631)	(31,338)
Cash and cash equivalents		
Beginning of year	40,697	72,035
End of year	$ 11,066	$ 40,697
Reconciliation of operating income to net cash provided by (used in) operating activities		
Operating income (loss)	$ 4,940	$ (31,024)
Adjustments to reconcile operating income to net cash		
Adjustments to reconcile operating income to net cash provided by (used in) operating activities		
Depreciation	49,972	52,116
(Gain) loss on disposal of fixed assets	-	18
Provision for doubtful accounts	40,918	43,691
Amortization of goodwill	672	672
Pension funding	(6,675)	(23,100)
Postemployment medical benefits (OPEB) funding	(4,882)	(6,046)
Net change in deferred outflows and inflows	(4,976)	(12,709)
Changes in assets and liabilities		
Accounts receivable	(46,748)	(36,465)
Supplies, prepaid expenses, and other current assets	(7,271)	3,563
Other assets	7,912	12,436
Due to foundation	(127)	(273)
Due from/to third party payors	(41,851)	(5,773)
Accounts payable and accrued expenses	207	10,561
Payroll, vacation, and health accrued liabilities	(2,849)	2,702
Other liabilities	3,815	(19,492)
Net cash provided by (used in) operating activities	$ (6,943)	$ (9,123)
Noncash transactions		
Capitalized interest	$ -	$ 275
Accounts payable and accrued expenses for capital assets	1,122	833
Proceeds from bond issuances deposited in irrevocable escrow accounts	-	46,320
Capital assets aquired via debt	66	188

The accompanying notes are an integral part of these financial statements.

Washington Township Health Care District
Statements of Fiduciary Net Position
December 31, 2021 and 2020[1]

	Pension and OPEB Trust Funds	
(in thousands)	2021	2020
Assets		
Cash and cash equivalents	$ 5,155	$ 2,085
Investments at fair value:		
Mutual Funds		
Fixed Income Funds	150,754	136,433
Domestic Equity Funds	156,479	144,971
International Equity Funds	119,200	102,317
Commodity Funds	33,422	26,642
Real Estate Funds	29,199	26,923
Infrastructure Funds	10,206	8,764
Total investments	499,260	446,050
Total assets	504,415	448,135
Liabilities and Net Position		
Liabilities		
Accounts payable and other liabilities	-	-
Total liabilities	-	-
Net position		
Restricted for:		
Pensions	480,456	430,112
OPEB	23,959	18,023
Total liabilities and net position	$ 504,415	$ 448,135

[1] Information regarding fiduciary funds is presented as of the measurement date of December 31, the plan year end for the Pension and OPEB Plans.

The accompanying notes are an integral part of these financial statements.

Washington Township Health Care District
Statements of Changes in Fiduciary Net Position
December 31, 2021 and 2020[1]

(in thousands)	Pension and OPEB Trust Funds 2021	2020
Additions		
Contributions:		
Members	$ 2,140	$ 1,919
Employers	11,700	26,400
Total contributions	13,840	28,319
Investment earnings		
Net increase in fair value of investments	$ 46,940	$ 39,537
Interest, dividends, and other	17,064	10,158
Total investment earnings	64,004	49,695
Less investment costs:		
Investment activity costs	238	181
Net investment earnings	63,766	49,514
Total additions	77,606	77,833
Deductions		
Benefits paid to participants or beneficiaries	21,045	19,623
Administrative expense	281	279
Total deductions	21,326	19,902
Net increase (decrease) in fiduciary net position	56,280	57,931
Net position - beginning	448,135	390,204
Net position - ending	$ 504,415	$ 448,135

[1] Information regarding fiduciary funds is presented as of the measurement date of December 31, the plan year end for the Pension and OPEB Plans.

The accompanying notes are an integral part of these financial statements.

1. Organization and Summary of Significant Accounting Policies

Organization

District

Washington Township Health Care District (the District) is a political subdivision of the State of California organized under the Local Health Care District Law, as set forth in the Health and Safety Code of the State of California, and is considered a Local Government Agency (Local Agency). It is exempt from federal and state income taxes. The District's mission is to provide broad healthcare services to its residents. The District's boundaries encompass an area of approximately 124 square miles in southern Alameda County. The District operates Washington Hospital (the Hospital), a 415-bed licensed acute care hospital located in Fremont, California. Included within the District boundaries are the cities of Fremont, Newark and Union City, the southern portions of the city of Hayward and the unincorporated area known as Sunol.

The District is the sole corporate member of Washington Township Hospital Development Corporation (DEVCO). DEVCO was formed in 1984 to train medical personnel, develop medical treatment programs, perform medical research and development, and render medical services to the general public. The DEVCO Board is appointed by the District's Board. DEVCO operates a radiation oncology center and also operates an outpatient rehabilitation center and an urgent care clinic. On July 1, 2010, DEVCO purchased a controlling interest in the Washington Outpatient Surgery Center, LLC (WOSC) and has blended its financial statements since this date. DEVCO is a blended component unit in the District's financial statements.

DEVCO is the sole corporate member of Washington Township Medical Foundation (WTMF). WTMF was formed on November 1, 2010 to operate a multi-specialty medical clinic under the applicable provisions of the California Health and Safety Code. WTMF is a blended component unit in the District's financial statements.

In fiscal year 2022, the District finalized the formation of the Peninsula Surgery Center, a joint venture between DEVCO, WOSC and private physicians. Construction of the related ambulatory surgery center in Redwood City, California was substantially completed in July 2021. As of June 30, 2022, the DEVCO holds the majority interest in the operating entity, Peninsula Surgery Center LLC (PSC), and the holding company, Peninsula Surgical Partnership LLC (PSP). PSC and PSP are considered component units of DEVCO and are blended in the District's financial statements.

The accompanying financial statements include the accounts and transactions of the Hospital, DEVCO, WTMF, PSC and PSP. All significant inter-company accounts and transactions have been eliminated in the financial statements.

Foundation

Washington Hospital Healthcare Foundation (the Foundation), founded in 1982, is a California non-profit corporation exempt from federal and state income tax. The Foundation was established to raise funds for the operation, maintenance, and modernization of the facilities of the District, its related corporations, and sponsored programs which benefit the District. Accordingly, the Foundation is considered a component unit of the District and is discretely presented in the District's financial statements. Complete financial statements for the Foundation can be obtained from the Foundation at 2000 Mowry Avenue, Fremont, CA 94538.

Warm Springs, LLC

Warm Springs Health Center Partnership, LLC (Warm Springs) was established in October of 2021 and is a California limited liability corporation for federal and state tax purposes. Warm Springs LLC is a joint venture between Washington Hospital Healthcare Systems (WHHS) and the University of California at San Francisco (UCSF). This joint venture was established to handle the management, design and construction of the building that these two entities own through a Tenants In Common Agreement.

The District's holding of a majority equity interest in Warm Springs does not meet the definition of an investment and the holding of the majority equity interest results in the District being financially accountable for the organization. Warm Springs does not meet the criteria for blending, and therefore is a discretely presented component unit in the District's financial statements.

Accounting Standards

District

Pursuant to Government Accounting Standards Board ("GASB") Statement 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standards Board ("FASB") and American Institute of Certified Public Accountants ("AICPA") Pronouncements, the accompanying financial statements have been prepared in accordance with the codified pronouncements and all subsequent applicable GASB pronouncements.

Foundation

As a non-profit organization, the Foundation reports under the Financial Accounting Standards Board (FASB) standards, including generally accepted accounting principles for not-for-profit organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. For purposes of the District's financial statements, the Foundation's financial statements have been conformed to GASB presentation.

Warm Springs

As the District's officials appoint a controlling majority of the members of the Warm Springs governing body, the organization is considered governmental. As such, Warm Springs' financial statements have been conformed to GASB presentation.

Fiduciary Component Unit

The District administers a pension plan and an OPEB plan through trust arrangements. The District is obligated to make contributions to the plans and as such the plans meet the criteria for being considered fiduciary component units of the District.

Use of Estimates

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. The District's most significant estimates relate to patient accounts receivable allowances, amounts due to third-party payors, self-insurance liabilities and employee benefit costs. Estimates related to employee benefit costs include actuarial estimates of pension and OPEB obligations. The Foundation's most significant estimates relate to allowances for uncollectible pledges and net present value of contributions receivable. Actual results may differ from those estimates.

Proprietary Fund Accounting

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

Cash and Cash Equivalents
Cash and cash equivalents include highly liquid debt instruments with an original maturity of three months or less. Cash equivalents held in short-term investments and long-term investments and restricted funds are treated as investments and are not included in cash and cash equivalents on the Statement of Cash Flows.

Due to the District's status as a Local Agency, amounts in the District's deposit accounts are considered to be public funds, which, by State statute, are required to be collateralized, with pledged securities, by the depository bank. The value of the pledged securities, in addition to the deposit insurance provided by the Federal Deposit Insurance Corporation, equals or exceeds the District's carrying value. Collateral is held by the depository bank's trust department in the name of the District.

Contributed Services
Certain general and administrative support to the Foundation is provided by the District. The value of the services is recorded as a contribution to the Foundation and an equivalent amount is included in operating expense of the District.

Contributions Received
Contributions are recognized by the Foundation as revenues in the period received.

Promises to Give
The Foundation records unconditional promises to give that are expected to be collected within one year in contributions at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their future cash flows. The discounts on those amounts are computed using rates representative of market participants' perspectives. Among other things, this takes into consideration when the promise to give is expected to be collected, past collection experience, the Foundation's policy on enforcing promises to give, and creditworthiness of the donor. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as revenue until the conditions are substantially met.

Donations Granted
Donations granted by the Foundation are recognized as expenses in the period made and as decreases of assets or increases of liabilities.

Donations received by the District from the Foundation designated for capital expenditures are recognized as other changes in net position. All other donations are reported as non-operating income.

Supplies
The inventory of supplies is valued on a first-in, first-out basis.

Long-Term Investments and Restricted Funds
Long-term investments and restricted funds are invested in corporate debt securities, United States Treasury bonds and government agency debt issues. These investments are measured at fair value, which is determined based upon quoted market prices. These investments are exposed to various risks, such as interest rate, market and credit risks. Investments set aside for future capital improvements, or for funding insurance are considered to be Board-designated funds. These and other investments, whose use has been limited by financial arrangements, are classified as long- or short-term investment funds. Investments whose use by the District has been limited by Foundation donors to a specific time period or purpose are classified as restricted funds.

Capital Assets
Capital assets are recorded at cost. District assets with an original cost of $500 or more are considered capital assets. Depreciation is provided over the useful life of each class of depreciable assets and is computed using the straight-line method. Expenditures that substantially increase the useful lives of existing assets are capitalized. Routine maintenance and repairs are expensed as incurred.

Depreciable lives by property classification are as follows:

Land improvements	2-25 years
Buildings	10-40 years
Equipment	3-20 years

Deferred Inflows and Outflows of Resources
In addition to assets, liabilities and net position, the statement of financial position includes separate sections for deferred outflows of resources and deferred inflows of resources. A deferred outflow represents a consumption or use of net position, applicable to a future period that will not be recognized as an outflow (expense) until that future period. Similarly, a deferred inflow represents an acquisition of net position, applicable to a future period that will not be recognized as an inflow (revenue) until that future period. The District has deferred outflows of resources related to goodwill (described further under Business Combinations and Goodwill below), and both deferred inflows and deferred outflows of resources related to pension and other postemployment medical benefits (OPEB) both of which are described further under Note 10, Employee Benefit Plans. The District also records deferred inflows related to leases.

Business Combinations and Goodwill
The goodwill is associated with the July 2010 purchase of a controlling interest in the WOSC and was assigned a life of fifteen years. *Other operating expenses* for fiscal years 2022 and 2021 each include annual expense of $0.7 million for amortization of this goodwill.

Within the Statements of Net Position, unamortized goodwill is reflected in Deferred outflows of resources – goodwill.

Risk Management
The District 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; employee health, dental, and accident claims; and medical malpractice. The District utilizes both commercial insurance and self-insurance for claims arising from such matters. The District is self-insured with excess insurance above specified retention amounts for workers' compensation claims, health, vision and dental claims. The District has commercial insurance coverage for professional and general liability, directors' and officers' liability, and property damage claims.

Self-Insurance Plans

The District is self-insured for workers' compensation benefits for employees, up to a specified retention amount. An actuarial estimate of future claims payments, up to the retention amount, are accrued as a long-term liability. This estimate is based on the expected, undiscounted payments. Assets have been set aside for future payments of workers' compensation benefits, related expense, and the cost of administering the plan. These assets are classified as long-term investment funds in the accompanying financial statements.

The District provides eligible employees with health, vision and dental benefits through self-insured programs administered by Blue Shield, Vision Service Plan and Delta Dental, respectively. The accrued liabilities for claims arising from these programs are estimated based upon annual actuarial reviews and are recorded at the expected, undiscounted amounts.

The District is a member of and participates in a professional and general liability and also directors' and officers' liability coverage group insurance program through BETA Healthcare Group (BETA). BETA is a joint powers authority whose members are primarily district hospitals and county facilities in California. Amounts paid to BETA by each member represent actuarially determined assessments of claims payable, and estimated incurred, but not reported, claims that are adjusted periodically based on the claims experience for each insured member. Claims in excess of specified insured limits are the responsibility of individual program participants.

The District's BETA professional and general liability insured program is on a "claims-made" basis, with a deductible and $40 million limits. The District converted coverage for these liabilities from occurrence-based to claims-made on July 1, 2004. The District records actuarially-determined liabilities related to this coverage for 1) deductible amounts for currently open claims, 2) tail liability (based on claims associated with occurrences subsequent to July 1, 2004), and 3) unreported claims from occurrences prior to July 1, 2004 (subject to the deductible limit). The accrued liabilities are recorded at the expected, undiscounted amounts.

Net Position

Net position is composed of the following categories:

Net Investment in Capital Assets

Capital assets, net of accumulated depreciation reduced by outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted - Expendable

Net position, whose use is subject to externally-imposed restrictions that can be fulfilled by actions of the District, pursuant to those restrictions, or that expire by the passage of time.

Restricted for Minority Interest – Nonexpendable

The District is involved in several joint ventures with outside entities in which it maintains majority ownership interest. These joint ventures include two ambulatory surgery centers and a multi-specialty outpatient clinic that is currently under development. As of June 30, 2022, the minority interest in these joint ventures includes (in thousands):

Washington Outpatient Surgery Center	$	3,778
Peninsula Surgery Center		(433)
Warm Springs Outpatient Clinic		13,936

Unrestricted
Net position that is neither restricted nor included in net investment in capital assets. Unrestricted net position may be designated for specific purposes by management or the Board of Directors.

When an expense is incurred where both restricted and unrestricted net positions are available for use, the restricted net position is applied first.

Concentration of Credit Risk
District
Financial instruments that potentially subject the District to concentration of credit risk consist principally of cash equivalents and patient accounts receivable.

The District invests its cash and cash equivalents in highly rated financial instruments including insured deposits and the Local Agency Investment Fund (LAIF). All of the District's investments, including assets held by trustees, are collateralized and/or are held by the District, or its agent, in the District's name. Other than U.S. Treasury obligations, LAIF funds, and money market mutual funds, there is no significant concentration in one investment or group of similar investments.

The District's concentration of credit risk relating to patient accounts receivable is limited by the diversity and number of the District's patients and payors. Patient accounts receivable consists of amounts due from governmental programs, commercial insurance companies, private pay patients and other group insurance programs. Reimbursements from the Medicare program accounted for approximately 25 percent and 26 percent of the District's net patient service revenues for the fiscal years ended June 30, 2022 and 2021, respectively. Medicare (14.4 percent) and Blue Cross Prudent Buyer (13.6 percent) are the only payors representing more than ten percent of the District's net patient accounts receivable as of June 30, 2022. The District maintains an allowance for doubtful accounts based on the expected collectability of patient accounts receivable.

Foundation
Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash equivalents and pledged contributions receivable.

The Foundation invests its cash and cash equivalents in highly rated financial instruments including insured deposits. The District holds a portion of the Foundation assets in the District's LAIF account.

The Foundation maintains an allowance for uncollectible pledges based on the expected collectability of pledges. The Foundation had 30 donor pledges, with the largest individual pledge representing approximately 75.3 percent of the total pledge receivable balance, as of June 30, 2022. The Foundation had 44 donor pledges, with the largest individual pledge representing approximately 48.4 percent of the total pledge receivable balance, as of June 30, 2021.

Statements of Revenues, Expenses, and Changes in Net Position
For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as operating revenues and expenses. Peripheral or incidental transactions, which include federal grant revenues, property tax revenues, interest expense, investment income, changes in unrealized gains and losses, rental income and bond issuance costs are reported as non-operating revenues and expenses.

Net Patient Service Revenues
Net patient service revenues are 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. Reimbursement from third-party payors under various methodologies is based on the level of care provided. 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. Retroactive adjustments, related to prior years, including adjustments to prior year estimates, increased net patient service revenues by approximately $6.0 million in fiscal year 2022 and approximately $1.5 million in fiscal year 2021.

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.

Charity Care
The District provides care without charge to all patients who meet certain criteria under its Charity Care Policy. Because the District does not pursue collection of amounts determined to qualify as charity care, they are not included in net patient service revenues. The District subsidizes the cost of treating patients who are on governmental assistance, where reimbursement is below cost.

Other Revenues
Other revenues include revenues from cafeteria, laundry, dietary and certain DEVCO operations. Other revenues also include funding under the State of California's Public Hospital Redesign and Incentives in Medi-Cal (PRIME) program and the Quality Incentive Pool (QIP) program. Amounts recorded for the QIP program were $3.8 million in fiscal year 2022 and $2.4 million in fiscal year 2021 for the PRIME program.

Interest Income and Expense
Interest expense on debt issued for construction projects and income earned on the funds held pending use are recorded as income or expense in the period they are earned or incurred.

Impairment of Long-Lived Assets
The District is required to evaluate material events or changes in circumstances to determine whether an impairment loss should be recorded and that any insurance recoveries be netted with the impairment loss. Based on management's evaluation, there were no material impairment losses in fiscal years 2022 and 2021.

Income Taxes
District
The District operates under the purview of the Internal Revenue Code, Section 115, and corresponding California Revenue and Taxation Code provisions. As such, it is not subject to state or federal taxes on income. However, income from the unrelated business activities of the District may be subject to income taxes.

Foundation
The Foundation is a California non-profit corporation; exempt from federal and state income tax as a 501(c) (3) organization.

Warm Springs, LLC
Warm Springs, LLC is a California limited liability corporation and is subject to state and federal income taxes.

Federal Grant Revenue
In fiscal year 2022, the District received CARES Act provider relief funding of $1.4 million in general provider distributions. The District recognized this amount as fiscal year 2022 revenue based on information contained in laws and regulations governing the funding, as well as interpretations issued by the Department of Health and Human Services (HHS), that were publicly available at June 30, 2022.

In fiscal year 2021, the District received CARES Act provider relief funding of $2.5 million in general provider distributions and the WOSC received approval of its application for forgiveness of $1.6 million in funding received in fiscal year 2020 under the Cares Act Payroll Protection Program (PPP). The District recognized both of these amounts ($4.0 million total) as fiscal year 2021 revenue based on information contained in laws and regulations governing the funding, as well as interpretations issued by the Department of Health and Human Services (HHS), that were publicly available at June 30, 2021.

Due to the continuing evolution of the reporting requirements, there is at least a reasonable possibility that amounts recorded under CARES Act provider relief funding recognized by the District may change in future periods.

Property Tax Revenue
The District receives property taxes that are assessed by Alameda County for the service of the general obligation bond principal and interest payments. The District records these revenues as non-operating income.

Contributions used for Capital Items
Donations received that are restricted as to use, and have been used, for the purchase of capital items are reported as other changes to net position.

New Accounting Pronouncements

Pending Adoption
In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for financial statements beginning after June 15, 2022 (fiscal year 2023 for the District), with earlier adoption encouraged. This Statement provides guidance on the accounting for contracts that convey the right to use another party's information technology software, as specified in the contract for a period of time. Management is currently evaluating the effect of this standard on the District's financial statements.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections-An Amendment of GASB Statement No. 62*, effective for financial statements beginning after June 15, 2023 (fiscal year 2024 for the District), with earlier adoption encouraged. This Statement provides guidance to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Management is currently evaluating the effect of this standard on the District's financial statements.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences,* effective for financial statements beginning after December 15, 2023 (fiscal year 2025 for the District), with earlier adoption encouraged. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. Management is currently evaluating the effect of this standard on the District's financial statements.

Adopted

In fiscal year 2022, the District also adopted GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the end of a Construction Period,* effective for financial statements for periods beginning after December 15, 2020. The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and to simplify accounting for interest cost incurred before the end of the construction period. The new standard requires the recognition of interest expense related to construction of capital assets in the period in which it was incurred. Prior to adoption of the new standard, interest expense was capitalized during the construction period and recognized as depreciation expense over the life of a constructed asset.

In fiscal year 2022 the District adopted GASB Statement No. 87, *Leases*, effective for the District's fiscal year beginning July 1, 2021. This Statement establishes a single approach to accounting for and reporting leases based on the principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Limited exceptions to the single-approach guidance are provided for short-term leases, defined as those leases lasting a maximum of 12 months at inception, including any options to extend, financed purchases, leases of assets that are investments and certain regulated leases.

The effects of adopting GASB 87 in the District's financial statements for the year ended June 30, 2021, were as follows:

Statement of Net Position *(in thousands)*	**As Previously Reported***	**Impacts of GASB 87**	**As Revised**
Assets			
Current assets			
Other receivables	$ 5,681	$ 3,666	$ 9,347
Total current assets	172,666	3,666	176,332
Capital assets, net	666,556	10,771	677,327
Other non-current assets	16,787	19,956	36,743
Total assets	1,095,391	34,394	1,129,785
Total assets and deferred outflows of resources	1,124,577	34,394	1,158,971
Liabilities, Deferred Inflows of Resources and Net Position			
Current liabilities			
Other	20,513	2,355	22,868
Total current liabilities	170,931	2,355	173,286
Long-term liabilities			
Long-term lease liabilities	-	9,320	9,320
Total long-term liabilities	595,939	9,320	605,259
Total liabilities	766,870	11,675	778,545
Deferred inflows of resources			
Deferred inflows of resources - lease obligations	-	22,756	22,756
Total deferred inflows	47,709	22,756	70,465
Net position			
Net investment in capital assets	112,116	10,770	122,886
Unrestricted	163,349	(10,807)	152,542
Total net position	309,998	(37)	309,961
Total liabilities, deferred inflows of resources and net position	$ 1,124,577	$ 34,394	$ 1,158,971

* Certain "As Previously Reported" balances presented reflect the revision adjustments discussed in Note 10.

Statement of Revenues, Expenses and Change in Net Position		**As Previously Reported**		**Impacts of GASB 87**		**As Revised**
(in thousands)						
Operating expenses						
Depreciation	$	49,416	$	2,700	$	52,116
Other operating expenses		15,631		(3,058)		12,573
Total operating expenses		564,995		(358)		564,637
Operating income (loss)		(31,382)		358		(31,024)
Non-operating revenues and expenses						
Other non-operating income		1,757		(395)		1,362
Total non-operating revenues and expenses		1,993		(395)		1,598
Net position						
Increase (decrease) in net position before other changes		(29,389)		(37)		(29,426)
Net investment in capital assets		112,116		10,770		122,886
Unresticted		163,349		(10,807)		152,542
Increase (decrease) in net position		(27,395)		(37)		(27,432)
End of year	$	309,998	$	(37)	$	309,961

Statement of Cash Flows		**2021 Previously Reported**		**Impacts of GASB 87**		**2021 Restated**
Cash flows from operating activities						
Cash payments to suppliers	$	(197,459)	$	2,878	$	(194,581)
Net cash provided by (used in) operating activities		(12,001)		2,878		(9,123)
Cash flows from capital and related financing activities						
Payments on leases		-		(2,878)		(2,878)
Rental income		-		3,884		3,884
Net cash provided by (used in) capital and related financing activities		(29,534)		1,006		(28,528)
Cash flows from investing activities						
Other non-operating income	$	2,586	$	(3,884)	$	(1,298)
Net cash provided by (used in) investing activities		5,000		(3,884)	$	1,116
Reconciliation of operating income to net cash provided by (used in) operating activities						
Operating income (loss)	$	(31,382)	$	358	$	(31,024)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities						
Depreciation		49,416		2,700		52,116
Net cash provided by (used in) operating activities*	$	(12,001)	$	2,878		(9,123)

* Other immaterial impacts have been omitted.

2. Patient Revenues

Patient revenues consist of the following:

(in thousands)		2022		2021
Gross patient charges				
Routine inpatient services	$	411,656	$	402,881
Ancillary inpatient services		963,638		958,088
Outpatient services		1,068,497		876,793
		2,443,791		2,237,762
Less: Charity care		(4,604)		(2,562)
Gross patient service revenues		2,439,187		2,235,200
Deductions from gross patient service revenues				
Contractual allowances for statutory and negotiated rates		1,822,444		1,669,430
Provision for doubtful accounts		40,918		43,691
		1,863,362		1,713,121
Net patient service revenues	$	575,825	$	522,079

The District has agreements with third-party payors that provide for payments to the District at amounts that differ from established rates. 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 that is based on clinical, diagnostic, and other factors. The District also receives Medicare Disproportionate Share (DSH) reimbursements for services provided to a disproportionate percentage of low-income patients. The Medicare program pays hospitals for outpatient services under the prospective payment system known as Ambulatory Payment Classifications (APCs). Under APCs, the District is paid a prospectively determined rate based on the diagnosis and procedures provided to patients. Outpatient physical therapy, speech therapy, occupational therapy, and laboratory are paid based upon prospectively determined fee schedules. The Hospital is reimbursed for cost reimbursable items at a tentative rate, with final settlements determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's cost reports have been finalized for all fiscal years through June 30, 2019.

Inpatient services provided to Medi-Cal program beneficiaries are reimbursed under an All Patient Refined Diagnosis Related Group (APR-DRG) payment methodology. Outpatient services provided to Medi-Cal beneficiaries are reimbursed according to a State fee schedule.

The District has also entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The methods for payment under these agreements include prospectively determined rates-per-discharge, discounts from established charges, and prospectively determined per diem rates. The District receives reimbursement from various payors under the State of California Division of Workers' Compensation program, based upon a pre-determined fee schedule.

Billings relating to services rendered are recorded as net patient service revenue in the period in which the service is performed, net of contractual and other allowances, which represent differences between gross charges and the estimated receipts under such programs. 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. Receivables for patient care are also reduced for allowances for uncollectible accounts.

The process for estimating the ultimate collection of receivables involves significant assumptions and judgments. Account balances are written off against the allowance when management determines it is probable the receivable will not be recovered. The use of historical collection and payor reimbursement experience is an integral part of the estimation of reserves for uncollectible accounts. Revisions in estimated reserves for uncollectible accounts are recorded as an adjustment to the provision for bad debts.

There is ongoing uncertainty about reimbursements from government programs. The Centers for Medicare and Medicaid Services have proposed reductions in rates, which could result in decreases in Medicare reimbursements. The State budget contains proposed health care budget cuts that may affect reimbursements for Medi-Cal services. The ultimate outcome of these proposals and other market changes cannot presently be determined.

The District participates in several State and Federal supplemental payment programs that allow it and other governmental agencies to draw down unspent Medi-Cal funds, up to the Federal upper payment limit. The primary mechanism used for drawing down these funds is intergovernmental transfers, whereby Districts transfer funds to the State, who then transmits the funds to the Federal government to draw down the Federal matching funds. In fiscal years 2022 and 2021, the District recognized $13.0 million and $10.5 million, respectively, in supplemental funding obtained through these programs, including the following:

(in thousands)		**2022**		**2021**
Hospital Quality Assurance Fee	$	4,128	$	5,996
Rate Range		3,000		-
Public Hospital Redesign and Incentives in Medi-Cal Program		3,840		2,444
AB915 Public Hospital Outpatient Services Supplemental Reimbursement Program		1,008		(47)
AB113 Medi-Cal Fee-for-Service Payment Supplement		1,473		2,100
Total gross patient revenues	$	13,449	$	10,493

In fiscal year 2020, the State announced that they were recalculating amounts paid to all District Hospitals under the Public Hospital Outpatient Services Supplemental Reimbursement Program from 2003 to 2017 due to an error in the State's original calculations. It is anticipated that these recalculations may result in recoupment of amounts previously recorded, however the State has not yet finalized its analysis. At June 30, 2022 and 2021, the District had recorded a reserve of $2.3 million based on the District's preliminary calculations of the potential recoupment amount.

The composition of gross patient revenues by major payor type is as follows:

(in thousands)		2022		2021
Medicare and Medicare HMO	$	1,264,821	$	1,160,255
Medi-Cal and Medi-Cal HMO		470,301		433,223
Commercial PPO, HMO and others		668,075		606,318
Private pay		40,594		37,966
Total gross patient revenues	$	2,443,791	$	2,237,762

3. Charity Care

The District maintains records to identify and monitor the level of direct charity care it provides. For fiscal year 2022 and 2021, net patient service revenues exclude charges foregone for charity care services and supplies of approximately $4.6 million and $2.6 million, respectively.

4. Related-Party Transactions

The District held $0.96 million and $1.1 million as of June 30, 2022 and 2021, respectively, of the Foundation's assets in the District's short-term investment account. The Foundation donated $1.1 million and $3.3 million to the District for fiscal years 2022 and 2021, respectively. The District also provides additional support for the Foundation by providing free space, utilities and other operating expenses to the Foundation.

One of the District board members is an officer of the District's primary banking institution. As of June 30, 2022 and June 30, 2021, respectively, the District's balances on deposit with the primary banking institution were as follows: cash and cash equivalents $11.1 million and $40.7 million, Board-designated for capital and workers compensation $143.9 million and $150.5 million. Banking and investment fees paid were $0.6 million for fiscal year 2022 and $0.2 million for fiscal year 2021.

5. Fair Value

The fair value of certain assets has been estimated using available market information and appropriate valuation methodologies. A fair market value hierarchy for valuation inputs has been established to prioritize them into levels based on the extent to which inputs used in measuring fair value are observable in the market. The level assigned to a particular financial instrument is determined by the lowest level input that is significant to the fair value measurement in its entirety.

These levels are as follows:

Level 1 Values are based on quoted prices (unadjusted) available in active markets for identical assets or liabilities as of the measurement date. Level 1 investments include equity securities and other publicly traded securities. The District has no Level 1 assets or liabilities.

Level 2 Values are based on quoted prices in non-active markets, dealer quotations, or alternative pricing sources for similar assets or liabilities, for which all significant inputs are observable, either directly or indirectly. Level 2 investments included fixed- or variable-income securities, commingled funds, certain derivatives and other assets that are valued using market information.

Level 3	Values are based on inputs that are generally unobservable for the asset or liability and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value for Level 3 investments are based upon the best information available and may require significant management judgment. Level 3 investments include private equity investments, real estate and split interest agreements. The District has no Level 3 assets or liabilities.
Net Asset Value (NAV)	Investments whose fair value is measured at NAV are excluded from the fair value hierarchy. Investments in non-governmental entities that do not have a readily determinable fair value may be valued at NAV. Types of investments which are measured at NAV include hedge funds, private equity investments and commingled funds.
Not Leveled	Cash and cash equivalents include cash on hand, deposits in banks, certificates of deposit and money market funds. Due to their short-term nature, the carrying amounts of these assets are considered to approximate their fair value. Certain deposits exceed FDIC limits.

The fair value of the District's, Foundation's and Warm Springs' investment assets, measured on a recurring basis at June 30, 2022, is reflected in the following table:

(in thousands)	Significant Other Observable Inputs (Level 2)	Net Asset Value (NAV)	Cash Equivalents (Not Leveled)	Balance at June 30, 2022
District				
U.S. Treasuries	$ 64,384	$ -	$ -	$ 64,384
U.S. Agencies	19,639	-	-	19,639
Corporate and municipal bonds	55,818	-	-	55,818
Local Agency Investment Fund (LAIF)	-	71,534 [1]	-	71,534
Money market and mutual funds	-	-	55,440	55,440
Total Investments - District	$ 139,841	$ 71,534	$ 55,440	$ 266,815

[1] Amount includes funds held on behalf of the Foundation (below).

Foundation				
Short-term investments Certificates of deposit	$ -	$ -	$ 423	$ 423
Short-term investments held by District on behalf of Foundation	-	964	-	964
Total Investments - Foundation	$ -	$ 964	$ 423	$ 1,387
Warm Springs				
Short-term investments Certificates of deposit	$ -	$ -	$ 5,811	$ 5,811
Total Investments - Warm Springs	$ -	$ -	$ 5,811	$ 5,811

The fair value of the District's and Foundation's investment assets, measured on a recurring basis at June 30, 2021, is reflected in the following table:

(in thousands)	Significant Other Observable Inputs (Level 2)	Net Asset Value (NAV)	Cash Equivalents (Not Leveled)	Balance at June 30, 2021
District				
U.S. Treasuries	$ 60,944	$ -	$ -	$ 60,944
U.S. Agencies	24,799	-	-	24,799
Corporate and municipal bonds	61,392	-	-	61,392
Local Agency Investment Fund (LAIF)	-	81,310 [1]	-	81,310
Money market and mutual funds	-	-	36,359	36,359
Total Investments - District	$ 147,135	$ 81,310	$ 36,359	$ 264,804

[1] Amount includes funds held on behalf of the Foundation (below).

Foundation				
Short-term investments Certificates of deposit	$ -	$ -	$ 423	$ 423
Short-term investments held by District on behalf of Foundation	-	1,090	-	1,090
Total Investments - Foundation	$ -	$ 1,090	$ 423	$ 1,513

Significant Level 2 instruments listed in the fair value hierarchy tables above use the following valuation techniques and inputs:

Fixed income funds consist of government securities and corporate bonds. Where identical quoted market prices are not readily available, fair value is determined using quoted market prices and/or other market data for comparable instruments and transactions in establishing prices, as well as discounted cash flow models and other pricing modes. These inputs to fair value are included in industry-standard valuation techniques such as the income or market approach.

Investments valued at NAV are commingled funds which are highly liquid and for which there are no unfunded commitments. Excluding invested amounts related to bond proceeds, amounts may be withdrawn with 1 to 2 days' notice, depending on the amount. For bond proceeds invested in the commingled funds, withdrawals are subject to a delay of up to 30 days, depending on the timing of the request.

Fair value estimates are made at a specific point in time and are based on relevant market information about the financial instrument therefore changes in assumptions could significantly affect these estimates.

Since the fair value has been estimated as of June 30, 2022 and as of June 30, 2021, the amounts that will actually be realized or paid at settlement or maturity of the instruments could be different.

6. Long-Term Investment and Restricted Funds

District

As of June 30, 2022 and 2021, investment and restricted funds, at fair value, have been set aside as follows:

(in thousands)	2022	2021
Long-term Investment and Restricted Funds		
Board-designated for capital and debt	$ 199,979	$ 215,928
Workers' compensation fund	8,912	9,428
Funds held by trustee under bond indenture	57,882	39,106
Restricted funds	42	42
Total funds	266,815	264,504
Short-term investments – required for current liabilities	(29,896)	(30,584)
Total long-term investment and restricted funds	$ 236,919	$ 233,920

Foundation

Investments as of June 30, 2022 and 2021, at fair value, are summarized below:

(in thousands)	2022	2021
Certificates of deposit	$ 423	$ 423
Short-term investments held by District on behalf of Foundation	964	1,090
Total Investments	$ 1,387	$ 1,513

The District's investment policy permits the following investments:

	Maximum Average Maturity	Maximum Percentage	Maximum Investment
Authorized investment type			
U.S. Treasury obligations	10 years	100%	none
U.S. Government agency securities	10 years	100%	none
State of California or local agency obligations	5 years	100%	none
Corporate bonds	5 years	30%	none
Certificates of deposit	5 years	30%	none
Mortgage pass-throughs	5 years	20%	none
Commercial paper	270 days	40%	10%
Bankers acceptances	180 days	40%	30%
Repurchase agreements	1 year	none	none
Mutual funds	N/A	20%	none
LAIF (State Pool Demand Deposits)	N/A	As permitted by law	As permitted by law

As of June 30, 2022 the District had the following investments with maturities as follows:

		Investment Maturities (in Years)			
(in thousands)	**Fair Value**	**Less Than 1**	**1-5**	**6-10**	**More Than 10**
Investment type					
U.S. Treasuries	$ 64,384	$ 10,195	$ 49,980	$ 4,209	$ -
U.S. Government agencies	19,639	3,361	8,253	2,904	5,121
Corporate bonds	55,818	10,365	44,153	1,300	-
LAIF (State Pool Demand Deposits)	71,534	71,534	-	-	-
Money market and mutual funds	55,440	55,440	-	-	-
Total investments	$ 266,815	$ 150,895	$ 102,386	$ 8,413	$ 5,121

As of June 30, 2021, the District had the following investments with maturities as follows:

		Investment Maturities (in Years)			
(in thousands)	**Fair Value**	**Less Than 1**	**1-5**	**6-10**	**More Than 10**
Investment type					
U.S. Treasuries	$ 60,944	$ 8,481	$ 47,727	$ 4,736	$ -
U.S. Government agencies	24,799	1,363	12,770	2,734	7,932
Corporate bonds	61,392	7,636	51,591	2,165	-
LAIF (State Pool Demand Deposits)	81,310	81,310	-	-	-
Money market and mutual funds	36,359	36,001	358	-	-
Total investments	$ 264,804	$ 134,791	$ 112,446	$ 9,635	$ 7,932

Amounts invested in the State of California Local Agency Investment Fund include funds designated for operations and for Board-designated purposes.

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy, for assets that are Board-designated for capital, limits investments made by each investment manager to have an average maturity of not more than five years.

Credit Risk

The District's investment policies are governed by State statutes that require the District to invest in highly rated and secure cash equivalents, and government and corporate debt securities. The District's policy requires that investments in corporate bonds be rated "A-" or its equivalent or better by a nationally recognized rating service under the "prudent man rule" (Civil Code Sect. 2261 et seq.) as long as the investment is deemed prudent and the type of investment is allowable under current legislation of the State of California (Government Code Section 53600 et seq.). Should the rating fall below the required rating, the District's policies provide for a period under which corrective action is to be taken. As of June 30, 2022 and 2021, there were no investments below the required rating.

The District's investments at June 30, 2022 are rated as follows:

(in thousands)	Fair Value	Ratings
Investment type		
U.S. Treasuries	$ 64,384	Not rated
U.S. Government agencies	19,639	Not rated
Corporate bonds	55,818	See below
Local agency investment fund	71,534	Not rated
Money market and mutual funds	55,440	Not rated
Total Investments	$ 266,815	

(in thousands)	Amount
Corporate bonds rating	
AAA	$ 4,419
AA+	2,570
AA	7,974
AA-	7,316
A+	11,928
A	12,569
A-	9,042
Total corporate bonds	$ 55,818

The District's investments at June 30, 2021 are rated as follows:

(in thousands)	Fair Value	Ratings
Investment type		
U.S. Treasuries	$ 60,944	Not rated
U.S. Government agencies	24,799	Not rated
Corporate bonds	61,392	See below
Local agency investment fund	81,310	Not rated
Money market and mutual funds	36,359	Not rated
Total Investments	$ 264,804	

(in thousands)	Amount
Corporate bonds rating	
AAA	$ 5,690
AA+	4,076
AA	11,166
AA-	11,774
A+	12,467
A	10,390
A-	5,829
Total corporate bonds	$ 61,392

7. Capital Assets

The District's capital assets activity for fiscal year 2022 consisted of the following:

(in thousands)	Beginning Balance June 30, 2021	Increase	Decrease	Ending Balance June 30, 2022
Capital assets, not being depreciated				
Land	$ 27,616	$ -	$ -	$ 27,616
Construction in progress	16,668	7,183	(16,615)	7,236
Total capital assets not being depreciated	44,284	7,183	(16,615)	34,852
Capital assets being depreciated				
Land improvements	16,038	162	-	16,200
Buildings	791,184	1,075	(243)	792,016
Right of use asset	16,065	-	-	16,065
Fixed and moveable equipment	391,649	18,531	(1,022)	411,202
Total capital assets being depreciated	1,214,936	19,768	(1,265)	1,233,439
Less: Accumulated depreciation				
Land improvements	(14,967)	(642)	-	(15,609)
Buildings	(263,206)	(32,419)	-	(295,625)
Right of use asset	(5,294)	(2,457)	-	(7,751)
Fixed and movable equipment	(298,426)	(16,531)	833	(314,124)
Total accumulated depreciation	(581,893)	(52,049)	833	(633,109)
Total capital assets being depreciated, net	633,043	(32,281)	(432)	600,330
Total capital assets, net	$ 677,327	$ (25,098)	$ (17,047)	$ 635,182

The District's right of use asset includes both building and equipment leases. The equipment leases are not material.

At June 30, 2022, the District was in the process of completing several construction and renovation projects. Commitments related to these projects totaled approximately $14.8 million.

The increase in the District's accumulated depreciation includes both operating and non-operating depreciation as detailed below:

(in thousands)	2022	2021
Change in accumulated depreciation		
Operating depreciation expense	$ 49,972	$ 52,116
Nonoperating depreciation expense	2,078	2,017
Disposal of fixed assets	(833)	(859)
Total increase in accumulated depreciation	$ 51,217	$ 53,274

The District's capital assets activity for fiscal year 2021 consisted of the following:

(in thousands)	Beginning Balance June 30, 2020	Increase	Decrease	Ending Balance June 30, 2021
Capital assets, not being depreciated				
Land	$ 27,616	$ -	$ -	$ 27,616
Construction in progress	7,424	16,549	(7,305)	16,668
Total capital assets not being depreciated	35,040	16,549	(7,305)	44,284
Capital assets being depreciated				
Land improvements	15,824	214	-	16,038
Buildings	772,641	18,545	(2)	791,184
Right of use assets	16,065	-	-	16,065
Fixed and moveable equipment	384,239	8,285	(875)	391,649
Total capital assets being depreciated	1,188,769	27,044	(877)	1,214,936
Less: Accumulated depreciation				
Land improvements	(14,269)	(698)	-	(14,967)
Buildings	(231,964)	(31,245)	3	(263,206)
Right of use assets	(5,265)	(29)	-	(5,294)
Fixed and movable equipment	(277,121)	(22,161)	856	(298,426)
Total accumulated depreciation	(528,619)	(54,133)	859	(581,893)
Total capital assets being depreciated, net	660,150	(27,089)	(18)	633,043
Total capital assets, net	$ 695,190	$ (10,540)	$ (7,323)	$ 677,327

At June 30, 2021, the District was in the process of completing several construction and renovation projects. Commitments related to these projects totaled approximately $0.8 million.

The Warm Springs assets activity for fiscal year 2022 consisted of the following:

(in thousands)	Beginning Balance June 30, 2021	Increase	Decrease	Ending Balance June 30, 2022
Capital assets, not being depreciated				
Land	$ -	$ 13,200	$ -	$ 13,200
Building	-	9,574	-	9,574
Total capital assets not being depreciated	-	22,774	-	22,774
Capital assets being depreciated	-	-	-	-
Less: Accumulated depreciation	-	-	-	-
Total capital assets, net	$ -	$ 22,774	$ -	$ 22,774

8. Credit Facilities

In fiscal year 2015, the District entered into an Irrevocable Standby Letter of Credit (LOC) in the amount of $2.1 million in connection with the construction of the new parking garage (completed in August 2016) and the Morris Hyman Critical Care Pavilion (completed in November 2018). In fiscal year 2022, the amount was reduced to $1.8 million. No draws have been made under the LOC. The current renewal expires March 2, 2023.

In fiscal year 2021, the District obtained a short term revolving line of credit in the amount of $20.0 million. No draws have been made under this line of credit. The current renewal expires on June 3, 2023.

In fiscal year 2021, Peninsula Surgery Center LLC entered into an Unsecured Revolving Line of Credit with DEVCO for $4.0 million. During fiscal year 2022, the agreement was amended and the line of credit was increased to $10.0 million (2nd Amendment). This amendment expires August 1, 2029. As of June 30, 2022, PSC has drawn approximately $6.6 million on this line of credit.

During the fiscal years 2022 and 2021, WOSC had a short-term $1.0 million revolving line of credit available. No draws have been made under this line of credit which expires September 30, 2023.

9. Long-Term Debt

The District issued general obligation bonds in November 2009 for the purpose of providing funds to pay costs related to the construction of a new Central Utility Plant and other major construction projects. The repayment of the general obligation bonds will be funded through property tax assessments to residents of the District. These bonds were refinanced in July 2019 by the 2019 Series A General Obligation Refunding Bonds – see additional information regarding this refunding transaction later in this footnote.

The District issued revenue bonds in December 2009 to provide funds for the construction of a new building that houses the Center for Joint Replacement and several smaller capital projects. To secure the payment of bond service charges and the performance of its other obligations under the indentures, the District has pledged, assigned, and granted the Hospital's revenues, as a security interest in favor of US Bank N.A. (Trustee), as defined in the Series indentures. These bonds were refinanced in July 2019 by the 2019 Series A Revenue Refunding Bonds – see additional information regarding this refunding transaction later in this footnote.

The District issued revenue bonds in November 2010 to provide funds for construction, renovations and expansion of space for medical use. The funds were also used for the purchase of additional medical equipment and expansion of other service areas around the Hospital campus. To secure the payment of bond service charges and the performance of its other obligations under the indentures, the District has pledged, assigned, and granted the Hospital's revenues, as a security interest in favor of US Bank N.A. (Trustee), as defined in the Series indentures. These bonds were refinanced in December 2020 by the 2020 Series A Revenue Refunding Bonds – see additional information regarding this refunding transaction later in this footnote.

In November 2013, the District issued two additional series of general obligation bonds (2013 Series A and 2013 Series B), as approved by voters in elections in 2004 and 2012. The combined amount of the two issuances was $145.5 million. The 2013 bonds were issued to provide funds for the construction of a new parking structure and the Hyman Pavilion which will include facilities for emergency care, intensive care and cardiac care services. The repayment of these general obligation bonds will be funded through property tax assessments to residents of the District.

In October 2015, the District issued revenue refunding bonds (2015 Series A) to refinance the outstanding amounts due on revenue bonds originally issued in 1999. The refunded bonds were originally issued for the purpose of providing funds to pay costs associated with the acquisition, construction and renovation the Hospital's facilities. To secure the payment of bond service charges and the performance of its other obligations under the indentures, the District has pledged, assigned, and granted the Hospital's revenues, as a security interest in favor of US Bank N.A. (Trustee), as defined in the Series indentures.

Also in October 2015, the District issued general obligation bonds (2015 Series B) for $145.5 million, the remainder of the amount approved by voters in the 2012 election. The 2015 bonds will provide additional funds for the construction of the Hyman Pavilion, as described above. The repayment of these general obligation bonds will be funded through property tax assessments to residents of the District.

In June 2016, the District issued general obligation refunding bonds (2016 Series) to refinance the outstanding amounts due on previously issued 2006 general obligation bonds. The refunded bonds were originally issued to provide funds to pay costs related to the construction of a new Central Utility Plant and other major construction projects. The repayment of the 2016 Series general obligation bonds will be funded through property tax assessments to residents of the District.

In April 2017, the District issued new money revenue bonds (2017 Series A) to provide funds for the continued construction and equipping of the Hyman Pavilion and other capital expenditures. To secure the payment of bond service charges and the performance of its other obligations under the indentures, the District has pledged, assigned, and granted the Hospital's revenues, as a security interest in favor of US Bank N.A. (Trustee), as defined in the Series indentures.

In June 2017, the District issued revenue refunding bonds (2017 Series B) to refinance the outstanding amounts due on previously issued 2007 revenue bonds. The refunded bonds were originally issued to provide funds for the construction of a new building for the Center for Joint Replacement and several smaller capital projects. To secure the payment of bond service charges and the performance of its other obligations under the indentures, the District has pledged, assigned, and granted the Hospital's revenues, as a security interest in favor of US Bank N.A. (Trustee), as defined in the Series indentures.

On July 2, 2019, the District issued refunding and revenue bonds (2019 Series A) to provide new money for future capital expenditures and to refinance the outstanding amounts due on the previously issued 2009 Series A revenue bonds, in order to take advantage of favorable market interest rates. The new money portion of the issuance was $11.0 million. The refunded 2009 Series A revenue bonds' principal amount of $46.1 million carried an average coupon rate of 6.2 percent and was refunded as part of the $49.4 million 2019 Series A bonds with an average coupon rate of 4.00 percent and an effective interest rate of 3.2 percent. The cash flows required to service the refunded 2009 Series A revenue bonds to maturity would have been $81.6 million, and the cash flows required to service the refunding portion of the 2019 Series A bonds to maturity will be $57.6 million. The economic gain (the difference between the present values of the old and new debt service payments) associated with the refunding was $12.2 million. The refunded 2009 Series A revenue bonds were originally issued to provide funds for the construction of the Center for Joint Replacement and several smaller capital projects. To secure the payment of bond service charges and the performance of its other obligations under the indentures, the District has pledged, assigned, and granted the Hospital's revenues, as a security interest in favor of US Bank N.A. (Trustee), as defined in the Series indentures.

Also on July 2, 2019, the District issued general obligation refunding bonds (2019 Series) to refinance the outstanding amounts due on previously issued 2009 Series A general obligation bonds, in order to take advantage of favorable market interest rates. The refunded 2009 Series A general obligation bonds' principal amount of $11.8 million carried an average coupon rate of 5.72 percent and was refunded by new debt of $11.1 million with an average coupon rate of 3.15 percent and an effective interest rate of 3.26 percent. The cash flows required to service the outstanding 2009 general obligation bonds to maturity would have been $23.3 million, and the cash flows required to service the 2019 Series refunding general obligation bonds to maturity will be $17.2 million. The economic gain associated with the refunding was $3.4 million. The refunded bonds were originally issued to provide funds for the construction of a new Central Utility Plant and other major construction projects. The repayment of the 2019 Series general obligation bonds will be funded through property tax assessments to residents of the District.

On December 3, 2020, the District issued refunding and revenue bonds (2020 Series A) to provide and to refinance the outstanding amounts due on the previously issued 2010 Series A revenue bonds, in order to take advantage of favorable market interest rates. The refunded 2010 Series A revenue bonds' principal amount of $48.6 million carried an average coupon rate of 5.43 percent and was refunded by the $40.9 million 2020 Series A bonds with an average coupon rate of 3.79 percent and an all-in true interest cost of 2.46 percent. The cash flows required to service the refunded 2010 Series A revenue bonds to maturity would have been $77.3 million, the cash flows required to service the refunding portion of the 2020 Series A bonds to maturity will be $56.2 million. The economic gain (the difference between the present values of the old and new debt service payments) associated with the refunding was $11.3 million. The refunded 2010 Series A revenue bonds were originally issued to provide funds for construction, renovations and expansion of patient care service areas, and additional medical equipment. To secure the payment of bond service charges and the performance of its other obligations under the indentures, the District has pledged, assigned, and granted the Hospital's revenues, as a security interest in favor of US Bank N.A. (Trustee), as defined in the Series indentures.

In November 2020, the residents of the District approved Measure XX, which authorized the issue of $425 million of general obligation bonds to fund certain capital building projects. In April, 2022, the District issued $20.0 million of the 2020 Election General Obligation Bonds, 2022 Series A. The proceeds of the issuance will be used to complete a portion of the construction necessary to make the Hospital earthquake-safe and ensure the hospital remains open and accessible to provide life-saving care during a major disaster, and to provide modern operating rooms and, intensive care for infants and modern patient facilities. Also, part of the proceeds will be used for the Morris Hyman Critical Care Pavilion Bridge and the Infill Project. Proceeds will also be used to pay the cost of issuance associated with the bonds. The repayment of these general obligation bonds will be funded through property tax assessments to residents of the District and are not secured by the revenues from the operations of the Washington Hospital Healthcare System. $405 million of the November 2020 bond authorization remains unissued.

The District is also required to meet certain covenants, the most restrictive of which is related to debt service coverage. The District has agreed that the Hospital will maintain a long-term debt service coverage ratio of no less than 1.1 to 1.0 on a yearly basis. The District was in compliance with these covenants as of June 30, 2022 and 2021, maintaining debt service coverage ratios of 4.44 to 1.0 and 2.73 to 1.0, respectively. The Hospital is the sole member of the obligated group for these bonds.

If, for any fiscal year, the long-term debt service coverage ratio falls between 1.0 and 1.1 to 1.0, the District is required to employ an independent consultant to make recommendations which will result in the long-term debt service coverage increasing to 1.1 to 1.0. As long as the District complies with the recommendations and the long-term debt service coverage is no less than 1.0 to 1.0, no further actions are required of the District.

In the event that the long-term debt service coverage ratio falls below 1.0 to 1.0, the Trustee, or a majority of the bondholders, shall be entitled to declare the bonds immediately due and payable.

WOSC is party to several multi-year lease agreements for surgical equipment. Amounts related to these obligations are included in current maturities of long-term debt and long-term debt, as appropriate.

In December 2016, WOSC entered into an unsecured promissory note to finance the construction of a surgery center in Napa, California. The original amount of the promissory note was $1.0 million at 4.5 percent with a maturity date of January 3, 2022. This financing was paid in full as scheduled in January 2022.

In November 2020, PSC entered into a business loan agreement (Loan) to finance construction expenditures related to a surgery center in Redwood City, California. The Loan was guaranteed by the Peninsula Surgical Partnership (PSP), LLC and the District. The original amount of the promissory note was $9.4 million at 4.25 percent with a maturity date of December 1, 2031.

A summary of the District's revenue bond, general obligation bond and loans payable activity for the year ended June 30, 2022 is as follows:

(in thousands)	Ending Balance, June 30, 2021	Additions	Amortization /Other	Repayments	Ending Balance, June 30, 2022	Due Within One Year
Bonds payable						
2022A General Obligation Bonds, principal and interest (at 4.00% to 5.00%) payable semiannually	$ -	$ 20,000			$ 20,000	$ -
Plus: Issuance premium	-	457	(6)		451	
Total 2022 General Obligation Refunding Bonds	-	20,457	(6)	-	20,451	-
2020A Revenue Refunding Bonds, principal and interest (at 3.00% to 5.00%) payable semiannually	40,865			(2,710)	38,155	$ 1,515
Plus: Issuance premiums	4,036		(633)		3,403	
Total 2019A Revenue Refunding Bonds Payable	44,901	-	(633)	(2,710)	41,558	1,515
2019A Revenue Refunding Bonds, principal and interest (at 3.00% to 5.00%) payable semiannually	48,045			(1,455)	46,590	1,530
Plus: Issuance premiums	2,719		(491)		2,228	-
Total 2019A Revenue Refunding Bonds Payable	50,764	-	(491)	(1,455)	48,818	1,530
2019A General Obligation Refunding Bonds, principal and interest (at 3.00% to 5.00%) payable semiannually	11,110			(65)	11,045	75
Plus: Issuance premiums	81		(30)		51	-
Total 2019A General Obligation Refunding Bonds	11,191	-	(30)	(65)	11,096	75
2017B Revenue Refunding Bonds, principal and interest (at 3.00% to 5.00%) payable semiannually	63,205			(1,290)	61,915	1,350
Plus: Issuance premiums	2,218		(341)		1,877	-
Total 2017B Revenue Refunding Bonds Payable	65,423	-	(341)	(1,290)	63,792	1,350
2017A Revenue Bonds, principal and interest (at 3.325% to 5.00%) payable semiannually	35,685			(715)	34,970	740
Plus: Issuance premiums	809		(117)		692	-
Tota Total 2017A Revenue Bonds Payable	36,494	-	(117)	(715)	35,662	740
2016 General Obligation Refunding Bonds, principal and interest (at 2.00% to 5.00%) payable semiannually	26,220			(1,220)	25,000	1,275
Plus: Issuance premiums	1,736		(319)		1,417	-
Total 2016 Gen'l Obligation Refunding Bonds Payable	27,956	-	(319)	(1,220)	26,417	1,275
2015A Revenue Refunding Bonds, principal and interest (at 3.25% to 5.00%) payable semiannually	21,665			(1,975)	19,690	2,080
Plus: Issuance premiums	389		(164)		225	-
Total 2015A Revenue Refunding Bonds Payable	22,054	-	(164)	(1,975)	19,915	2,080
2015B General Obligation Bonds, principal and interest (at 3.00% to 5.00%) payable semiannually	145,500			-	145,500	-
Plus: Issuance premiums	1,354		(50)		1,305	-
Total 2015B General Obligation Bonds Payable	146,854	-	(50)	-	146,805	-
2013B General Obligation Bonds, principal and interest (at 4.00% to 5.50%) payable semiannually	103,200			(1,080)	102,120	1,080
Plus: Issuance premiums	1,809		(134)		1,675	-
Total 2013B General Obligation Bonds Payable	105,009	-	(134)	(1,080)	103,795	1,080
2013A General Obligation Bonds, principal and interest (at 3.00% to 5.50%) payable semiannually	39,800			(420)	39,380	420
Plus: Issuance premiums	539		(37)		502	-
Total 2013A General Obligation Bonds Payable	40,339	-	(37)	(420)	39,882 -	420
Loans payable						
WOSC 2020 Loans, principal and interest (at 5.25% to 6.75%) payable annually	302			(40)	262	29
Total WOSC 2020 Loans Payable	302	-	-	(40)	262	29
PSC 2021 Loan, principal and interest (at 4.25%) payable monthly	9,400			(382)	9,018	788
Total PSC 2021 Loan Payable	9,400	-	-	(382)	9,018	788
WOSC 2017 Loan, principal and interest (at 4.50%) payable monthly	67			(67)		-
Total WOSC 2017 Loan Payable	67	-	-	(67)	-	-
Lease obligations principal and interest (at 4.25%) payable monthly	11,634	-		(2,314)	9,320	1,998
Total lease obligations	11,634	-	-	(2,314)	9,320	1,998
Total long-term debt payable	$ 572,388	$ 20,457	$ (2,322)	$ (13,733)	$ 576,791	$ 12,880

A summary of the District's revenue bond, general obligation bond and loans payable activity for the year ended June 30, 2021 is as follows:

(in thousands)	Beginning Balance, June 30, 2020	Additions	Amortization /Other	Repayments	Ending Balance, June 30, 2021	Due Within One Year
Bonds payable						
2020A Revenue Refunding Bonds, principal and interest (at 3.00% to 5.00%) payable semiannually	$ -	$ 40,865			$ 40,865	$ 2,710
Plus: Issuance premiums	-	4,753	(717)		4,036	
Total 2019A Revenue Refunding Bonds Payable	-	45,618	(717)	-	44,901	2,710
2019A Revenue Refunding Bonds, principal and interest (at 3.00% to 5.00%) payable semiannually	49,445	-	-	(1,400)	48,045	1,455
Plus: Issuance premiums	3,255		(537)	-	2,718	-
Total 2019A Revenue Refunding Bonds Payable	52,700	-	(537)	(1,400)	50,763	1,455
2019A General Obligation Refunding Bonds, principal and interest (at 3.00% to 5.00%) payable semiannually	11,110	-	-	-	11,110	65
Plus: Issuance premiums	113	-	(32)	-	81	-
Total 2019A General Obligation Refunding Bonds	11,223	-	(32)	-	11,191	65
2017B Revenue Refunding Bonds, principal and interest (at 3.00% to 5.00%) payable semiannually	64,430	-	-	(1,225)	63,205	1,290
Plus: Issuance premiums	2,589	-	(371)	-	2,218	-
Total 2017B Revenue Refunding Bonds Payable	67,019	-	(371)	(1,225)	65,423	1,290
2017A Revenue Bonds, principal and interest (at 3.325% to 5.00%) payable semiannually	36,365	-	-	(680)	35,685	715
Plus: Issuance premiums	938	-	(129)	-	809	-
Tota Total 2017A Revenue Bonds Payable	37,303	-	(129)	(680)	36,494	715
2016 General Obligation Refunding Bonds, principal and interest (at 2.00% to 5.00%) payable semiannually	27,400	-	-	(1,180)	26,220	1,220
Plus: Issuance premiums	2,101	-	(365)	-	1,736	-
Total 2016 Gen'l Obligation Refunding Bonds Payable	29,501	-	(365)	(1,180)	27,956	1,220
2015A Revenue Refunding Bonds, principal and interest (at 3.25% to 5.00%) payable semiannually	23,565	-	-	(1,900)	21,665	1,975
Plus: Issuance premiums	599	-	(209)	-	390	-
Total 2015A Revenue Refunding Bonds Payable	24,164	-	(209)	(1,900)	22,055	1,975
2015B General Obligation Bonds, principal and interest (at 3.00% to 5.00%) payable semiannually	145,500	-	-	-	145,500	-
Plus: Issuance premiums	1,404	-	(50)	-	1,354	-
Total 2015B General Obligation Bonds Payable	146,904	-	(50)	-	146,854	-
2013B General Obligation Bonds, principal and interest (at 4.00% to 5.50%) payable semiannually	104,280	-	-	(1,080)	103,200	1,080
Plus: Issuance premiums	1,965	-	(156)	-	1,809	-
Total 2013B General Obligation Bonds Payable	106,245	-	(156)	(1,080)	105,009	1,080
2013A General Obligation Bonds, principal and interest (at 3.00% to 5.50%) payable semiannually	40,220	-	-	(420)	39,800	420
Plus: Issuance premiums	578	-	(39)	-	539	-
Total 2013A General Obligation Bonds Payable	40,798	-	(39)	(420)	40,339	420
2010 Revenue Bonds, principal and interest (at 5.00% to 5.50%) payable semiannually	50,245	-	-	(50,245)	-	-
Less: Issuance discounts	(730)	-	730	-	-	-
Total 2010 Revenue Bonds Payable	49,515	-	730	(50,245)	-	-
Loans payable						
WOSC 2020 Loans, principal and interest (at 5.25% to 6.75%) payable annually	-	327	-	(25)	302	26
Total WOSC 2020 Loans Payable	-	327	-	(25)	302	26
PSC 2021 Loan, principal and interest (at 4.25%) payable monthly	-	9,400	-		9,400	382
Total PSC 2021 Loan Payable	-	9,400	-	-	9,400	382
WOSC 2017 Loan, principal and interest (at 4.50%) payable monthly	279	-	-	(212)	67	67
Total WOSC 2017 Loan Payable	279	-	-	(212)	67	67
Lease obligations principal and interest (at 4.25%) payable monthly	13,964		-	(2,330)	11,634	2,314
Total lease obligations	13,964	-	-	(2,330)	11,634	2,314
Total long-term debt payable	$ 579,615	$ 55,345	$ (1,875)	$ (60,697)	$ 572,388	$ 13,719

A summary of the District's revenue bonds and general obligation bonds issuance information is as follows:

(in thousands)	Original Issue Amount	Maturity Date	Effective Interest Rate 2022	Effective Interest Rate 2021
Bond issue				
2022A General Obligation Bonds	$ 20,000	8/1/2052	4.05%	N/A
2020A Revenue Refunding Bonds	40,865	7/1/2038	2.51%	0.96%
2019A Revenue Refunding Bonds	49,445	7/1/2048	2.96%	2.92%
2019A Gen'l Obligation Refunding Bonds	11,110	8/1/2039	2.99%	2.97%
2017B Revenue Refunding Bonds	66,690	7/1/2037	3.69%	3.65%
2017A Revenue Bonds	37,655	7/1/2047	4.00%	3.95%
2016 Gen'l Obligation Refunding Bonds	30,725	8/1/2036	2.36%	2.28%
2015A Revenue Bonds	30,290	7/1/2029	3.48%	3.38%
2015B General Obligation Bonds	145,500	8/1/2045	3.94%	3.94%
2013B General Obligation Bonds	105,000	8/1/2043	4.96%	4.93%
2013A General Obligation Bonds	40,500	8/1/2043	4.96%	4.93%
2010 Revenue Bonds	60,725	7/1/2038	N/A	5.57%

The long-term debt payment requirements as of June 30, 2022, excluding unamortized discounts and premiums on bonds payable, are as follows:

(in thousands)	Private Long-Term Debt Principal	Private Long-Term Debt Interest	Public Long-Term Debt Principal	Public Long-Term Debt Interest	Total Long-Term Debt Principal	Total Long-Term Debt Interest
June 30,						
2023	$ 8,120	$ 9,006	$ 2,850	$ 14,910	$ 10,970	$ 23,916
2024	8,462	8,574	2,900	15,193	11,362	23,767
2025	8,898	8,153	1,470	14,977	10,368	23,130
2026	9,327	7,714	1,530	14,909	10,857	22,623
2027	9,732	7,253	1,610	14,830	11,342	22,083
2028 - 2032	55,731	29,206	20,265	72,499	75,996	101,705
2033 - 2037	64,094	16,101	53,310	65,169	117,404	81,270
2038 - 2042	30,900	5,363	107,180	47,073	138,080	52,436
2043 - 2047	12,245	1,974	140,840	14,755	153,085	16,729
2048 - 2052	3,340	68	8,780	1,039	12,120	1,107
2053 - 2057	-	-	2,310	-	2,310	-
Total long-term debt, excluding unamortized discounts and premiums	$ 210,849	$ 93,412	$ 343,045	$ 275,354	$ 553,894	$ 368,766

10. Employee Benefit Plans

Defined Benefit Retirement Plan

The District maintains a defined benefit retirement plan, the Washington Township Health Care District Retirement Plan (the Plan), that covers all employees who meet certain eligibility requirements. The Plan, as approved by the Board of Directors of the District, is a single employer plan funded solely by the District. Benefits under the Plan are calculated based on the participant's length of service, age at retirement, and average compensation as defined by the Plan. Employees are fully vested in the Plan after five years of service and are eligible to receive an unreduced benefit once they reach age 65. An employee who attains age 62 and has completed 20 years of service, or an employee who attains age 60 with 30 years of service is also eligible for an unreduced benefit. The Plan also provides disability and death benefits. The Plan does not issue a stand-alone financial report.

Based on guidance under GASB 68 the benefit discount rate is equal to the expected long-term (30 year) return on assets, which assumes that Plan assets will be invested in a diversified portfolio of stocks and bonds.

The District has flexibility in determining the amount to contribute to the Plan each year. In determining the amount of the annual contribution, the District considers the calculated actuarially determined contribution. The District has adopted a funding policy that is intended to result in the funding status of the Plan reaching 100 percent, as calculated under the provisions of GASB 68. In addition to the District's contributions, under the terms of the California Public Employees' Pension Reform Act (PEPRA), which became effective in January 1, 2013, new employees are required to contribute to the normal cost of their pension benefits. The projected amounts of these employee contributions have been considered in determining the actuarially determined contribution amounts.

Participant data for the Plan, as of the measurement date (December 31 of the prior year) for the indicated fiscal years, is shown in the table below:

	2022	2021
Active and suspended	1,511	1,525
Vested terminated	723	706
Retirees and beneficiaries	873	823
Total participants	3,107	3,054

Components of pension cost for years ended June 30, were as follows:

(in thousands)	2022	2021
Pension cost		
Service cost	$ 10,332	$ 9,548
Employee contributions	(2,140)	(1,919)
Interest	28,992	27,890
Expected return on plan assets	(29,739)	(26,591)
Administrative expenses	228	226
Recognition of deferred amounts	(12,079)	(30)
Total pension cost	$ (4,406)	$ 9,124

Components of deferred outflows and inflows of resources for the year ended June 30, 2022 were as follows:

(in thousands)		Deferred Outflows		Deferred (Inflows)
Differences between expected and actual experience	$	605	$	(1,156)
Change of assumptions		7,865		(1,807)
Net differences between projected and actual earnings		-		(43,306)
Contributions made subsequent to measurement date		4,050		-
Total	$	12,520	$	(46,269)

Components of deferred outflows and inflows of resources for the year ended June 30, 2021 were as follows:

(in thousands)		Deferred Outflows		Deferred (Inflows)
Differences between expected and actual experience	$	1,415	$	(2,754)
Change of assumptions		10,166		(2,400)
Net differences between projected and actual earnings		-		(25,220)
Contributions made subsequent to measurement date		5,775		-
Total	$	17,356	$	(30,374)

The District reclassified $17.4 million of Deferred outflows of resources – pension at June 30, 2021 in both the Statement of Net Position and the table above to Deferred inflows of resources – pension to conform to the 2022 presentation.

Amounts reported as deferred outflows and inflows of resources – pension will be recognized in pension expense as indicated in the following table:

(in thousands)		Deferred Outflows		Deferred (Inflows)		Total
2023		12,225		(18,743)	$	(6,518)
2024		3,540		(18,513)		(14,973)
2025		1,194		(11,260)		(10,066)
2026		196		(6,438)		(6,242)
Thereafter		-		-		-
Total deferred (inflows) and outflows of resources - pension	$	17,155	$	(54,954)	$	(37,799)

The following table summarizes changes in net pension (prepaid) liability from July 1, 2020 to June 30, 2022:

(in thousands)	**2022**	**2021**
Total pension liability		
Service cost	$ 10,332	$ 9,548
Interest	28,992	27,890
Change in assumptions	1,042	(2,992)
Difference between expected and actual experience	(786)	1,001
Benefit payments	(21,045)	(19,623)
Net change in total pension liability	18,535	15,824
Total pension liability (beginning of year)	424,951	409,127
Total pension liability (end of year)	443,486	424,951
Plan fiduciary net position		
Employer contributions	8,400	23,100
Employee contributions	2,140	1,919
Net investment income	61,077	47,613
Benefit payments	(21,045)	(19,623)
Administrative expense	(228)	(226)
Other	-	-
Net change in fiduciary net position	50,344	52,783
Fiduciary net position (beginning of year)	430,112	377,329
Fiduciary net position (end of year)	480,456	430,112
Net pension (prepaid) liability (end of year)	$ (36,970)	$ (5,161)
Fiduciary net position as percent of liability	108.3%	101.2%
Covered payroll (pension)	$ 181,577	$ 182,973
Net pension (prepaid)/liability as percent of covered payroll	20.4%	2.8%

The following table summarizes the actuarial assumptions used to determine net pension liability and plan fiduciary net position as of June 30, 2022 and June 30, 2021 (unless otherwise indicated, the same assumption was used for the valuations for both years):

Valuation date	December 31
Actuarial cost method	Entry Age Normal, Level Percent of Pay
Amortization method	Straight Line
Asset valuation method	Fair Value
Economic assumptions (including 3% inflation)	
Projected salary increases	3.00%
Discount rate	7.00%
Demographic assumptions	
Mortality table for healthy participants	December 31, 2021 - Pri-2012 tables and projected forward using MP-2021 projection scale on a generational basis
	December 31, 2020 - Pri-2012 tables and projected forward using MP-2020 projection scale on a generational basis
Mortality table for disabled participants	December 31, 2021 - Pri-2012 disabled tables and projected forward using MP-2021 projection scale on a generational basis
	December 31, 2020 - Pri-2012 disabled tables and projected forward using MP-2020 projection scale on a generational basis
Sensitivity of net pension liability at December 31, 2021 to changes in the discount rate, with no other changes -	
1 percent decrease (6.0%)	$17,345,000
Current discount rate (7.0%)	(36,970,000)
1 percent increase (8.0%)	(82,530,000)
Sensitivity of net pension liability at December 31, 2020 to changes in the discount rate, with no other changes -	
1 percent decrease (6.0%)	$47,635,000
Current discount rate (7.0%)	(5,161,000)
1 percent increase (8.0%)	(49,086,000)

The fair value of the District's pension investments measured as of December 31, 2021, and used for the purpose of the June 30, 2022 valuation, is reflected in the following table:

(in thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Cash And Cash Equivalents (Not Leveled)	Balance At Valuation Date
Money market funds	$ -	$ 4,209	$ 4,209
Fixed income funds	143,815	-	143,815
Domestic equity funds	149,223	-	149,223
International equity funds	113,743	-	113,743
Commodity funds	31,875	-	31,875
Real estate funds	27,846	-	27,846
Infrastructure funds	9,745	-	9,745
Total pension assets	$ 476,247	$ 4,209	$ 480,456

The fair value of the District's pension investments measured as of December 31, 2020, and used for the purpose of the June 30, 2021 valuation, is reflected in the following table:

(in thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Cash And Cash Equivalents (Not Leveled)	Balance At Valuation Date
Money market funds	$ -	$ 2,059	$ 2,059
Fixed income funds	130,901	-	130,901
Domestic equity funds	139,196	-	139,196
International equity funds	98,163	-	98,163
Commodity funds	25,555	-	25,555
Real estate funds	25,835	-	25,835
Infrastructure funds	8,403	-	8,403
Total pension assets	$ 428,053	$ 2,059	$ 430,112

For a description of the levels used for valuation, information about the valuation techniques and inputs used to measure the fair value of plan assets, see discussion regarding fair value measurements in Note 5.

The District also has a Deferred Compensation Plan available to employees. Generally, any employee is eligible to voluntarily enter into an agreement with the District to defer current wages at amounts limited by federal law. Effective January 1, 2010, under the terms of the Washington Township Health Care District Employer Matching Contributions Plan (the Matching Plan), the District makes contributions to this plan, matching participant contributions to the Deferred Compensation Plan to a maximum of 1.5 percent of gross earnings for employees with a minimum of 1,000 hours in a benefitted status. Under the Deferred Compensation Plan and the Matching Plan agreements, participants select and manage their own investments in mutual fund options approved by the District. All investment earnings, including market value appreciation and depreciation, are set aside for the benefit of the participants.

Matching contributions made by the District in fiscal years 2022 and 2021 were as follows:

(in thousands)

Contribution Year	Amount	Employee Deductions Being Matched
2022	$ -	Calendar year 2021
2021	$ 2,229	Calendar year 2020

The contribution for fiscal year 2022 was made in July 2022 in the amount of $2,293,000.

Defined Benefit Postemployment Medical Plan

Other postemployment benefits are provided by the District through a single employer defined benefit postemployment medical plan, the Washington Township Health Care District Postretirement Medical Plan (the OPEB Plan). The OPEB Plan provides benefits for salaried and non-salaried employees, as approved and/or amended by the Board of Directors of the District, and is administered by the District. Eligible individuals are those retiring directly from the District, at a minimum age of 55, with a minimum of fifteen years of service, who have been continuously in a benefited status for the five years prior to their retirement date.

Eligible retirees who are less than age 65, with at least fifteen years of service, are eligible for coverage under the Blue Shield Retiree Medical Plan, with the District providing premium subsidies of from 35 percent (with 15 years of service) to 100 percent (with 30 years of service). Eligible retirees with at least twenty years of service may elect coverage under the Blue Shield Retiree Medical Plan or may elect to receive a monthly reimbursement for medical expenses up to a stipulated amount under the Retiree Medical Reimbursement Plan. This reimbursement amount is fixed and is not subject to future increases under the current terms of the OPEB Plan. Participation in either the Blue Shield Retiree Medical Plan or the Retiree Medical Reimbursement Plan is only available until the retirees reach age 65.

Once eligible retirees reach age 65, the OPEB Plan allows for reimbursement to the retiree of the standard Medicare Part B insurance premium amounts, with automatic reimbursement increases when Medicare increases the standard premium amounts. Employees retiring at or after age 55 with 25 years of benefited service are also eligible for a prescription drug benefit which provides reimbursement up to a stipulated amount for 10 years beginning at the later of age 65 or retirement. The stipulated reimbursement amount is fixed and is not subject to future increases under the current terms of the OPEB Plan.

A separate financial report is not prepared for the OPEB Plan.

The District has flexibility in determining the amount to contribute to the OPEB Plan each year. In determining the amount of the annual contribution, the District intends to contribute, at a minimum, the actuarially determined contribution for each year. The District has adopted a funding policy that is intended to result in the funding status of the Plan reaching 100 percent, as calculated under the provisions of GASB 75.

As of the December 31, 2021 and December 31, 2020 measurement dates, the numbers of current and former employees who were eligible, or potentially eligible, for the OPEB Plan were as follows:

	2022	**2021**
Active	1,417	1,431
Retirees	562	552
Total participants	1,979	1,983

Components of postemployment medical benefits cost for years ended June 30, were as follows:

(in thousands)	**2022**	**2021**
Postemployment medical benefits cost		
Service cost	$ 1,911	$ 1,885
Interest	4,155	3,948
Expected return on plan assets	(1,373)	(1,013)
Administrative expenses	53	52
Recognition of deferred amounts	(4,327)	(3,949)
Total postemployment medical benefits cost	$ 419	$ 923

Components of deferred outflows and inflows of resources for the year ended June 30, 2022 were as follows:

(in thousands)	Deferred Outflows	Deferred (Inflows)
Differences between expected and actual experience	$ 432	$ (572)
Change of assumptions	4,872	(11,583)
Net differences between projected and actual earnings	-	(1,809)
Contributions made subsequent to measurement date	2,601	-
Total	$ 7,905	$ (13,964)

Components of deferred outflows and inflows of resources for the year ended June 30, 2021 were as follows:

(in thousands)	Deferred Outflows	Deferred (Inflows)
Differences between expected and actual experience	$ 188	$ (679)
Net differences between projected and actual earnings	-	(998)
Change of assumptions	6,342	(15,658)
Contributions made subsequent to measurement date	2,611	-
Total	$ 9,141	$ (17,335)

The District reclassified $17.4 million of differences between projected and actual earnings listed above that were previously classified as deferred outflows at June 30, 2021 to deferred inflows to conform to the 2022 presentation.

Amounts reported as deferred outflows and inflows of resources – postemployment medical benefits (OPEB) will be recognized in OPEB expense as indicated in the following tables:

(in thousands)	Deferred Outflows	Deferred (Inflows)	Total
2023	$ 1,673	$ (5,740)	$ (4,067)
2024	1,125	(5,670)	(4,545)
2025	954	(1,422)	(468)
2026	945	(579)	366
2027	630	(304)	326
Thereafter	75	(347)	(272)
Total deferred inflows of resources - postemployment medical benefits (OPEB)	$ 5,402	$ (14,062)	$ (8,660)

The following table summarizes changes in the net postemployment medical benefit liability from July 1, 2020 to June 30, 2022 and related ratios:

(in thousands)	2022	2021
Total postemployment medical benefits liability		
Service cost	$ 1,911	$ 1,885
Interest	4,155	3,948
Difference between expected and actual experience	349	(555)
Change of assumptions	(1,217)	(385)
Benefit payments	(2,005)	(1,904)
Net change in postemployment medical benefits liability	3,193	2,989
Total postemployment medical benefits liability (beginning of year)	58,442	55,453
Total postemployment medical benefits liability (end of year)	61,635	58,442
Plan fiduciary net position		
Employer contributions	5,305	5,204
Net investment income	2,689	1,900
Benefit payments	(2,005)	(1,904)
Administrative expense	(53)	(52)
Other	-	-
Net change in fiduciary net position	5,936	5,148
Fiduciary net position (beginning of year)	18,023	12,875
Fiduciary net position (end of year)	23,959	18,023
Net postemployment medical benefits liability (end of year)	$ 37,676	$ 40,419
Fiduciary net position as percent of liability	38.9%	30.8%
Covered employee payroll	$ 181,577	$ 182,973
Net postemployment medical benefits liability as percent of covered employee payroll[1]	20.7%	22.1%

[1] Required disclosure; neither OPEB Plan contributions nor benefits are based on covered employee payroll.

The following table summarizes the actuarial assumptions used to determine net OPEB liability and plan fiduciary net position as of June 30, 2022 and June 30, 2021 (unless otherwise indicated, the same assumption was used for the valuations for both years):

Valuation date	December 31
Actuarial cost method	Entry Age Normal, Level Percent of Pay
Amortization method	Straight Line
Asset valuation method	Fair Value
Economic assumptions (including 3% inflation)	
Projected salary increases	3.00%
Discount rate	7.00%
Demographic assumptions	
Mortality table for healthy participants	December 31, 2021 - Pri-2012 tables and projected forward using MP-2021 projection scale on a generational basis
	December 31, 2020 - Pri-2012 tables and projected forward using MP-2020 projection scale on a generational basis
Mortality table for disabled participants	December 31, 2021 - Pri-2012 tables and projected forward using MP-2021 projection scale on a generational basis
	December 31, 2020 - Pri-2012 tables and projected forward using MP-2020 projection scale on a generational basis
Other assumptions	
Healthcare cost trend rate	Getzen Model of Long-Run Medical Cost Trends
Sensitivity of postretirement employee medical benefits liability as of December 31, 2021 to changes in the discount rate, with no other changes -	
1 percent decrease (6.00%)	$46,385,000
Current discount rate (7.00%)	$37,676,000
1 percent increase (8.00%)	$30,444,000
Sensitivity of postretirement employee medical benefits liability as of December 31, 2021 to changes in the health cost trend rate, with no other changes -	
1 percent decrease	$29,672,000
Current healthcare cost trend rate	$37,676,000
1 percent increase	$47,587,000
Sensitivity of postretirement employee medical benefits liability as of December 31, 2020 to changes in the discount rate, with no other changes -	
1 percent decrease (6.00%)	$48,527,000
Current discount rate (7.00%)	$40,419,000
1 percent increase (8.00%)	$33,656,000
Sensitivity of postretirement employee medical benefits liability as of December 31, 2020 to changes in the health cost trend rate, with no other changes -	
1 percent decrease	$32,883,000
Current healthcare cost trend rate	$40,419,000
1 percent increase	$49,730,000

The fair value of the District's OPEB investments measured as of December 31, 2021, and used for the purpose of the June 30, 2022 valuation, is reflected in the following table:

(in thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Cash And Cash Equivalents (Not Leveled)	Balance At Valuation Date
Money market funds	$ -	$ 946	$ 946
Fixed income funds	6,939	-	6,939
Domestic equity funds	7,256	-	7,256
International equity funds	5,457	-	5,457
Commodity funds	1,547	-	1,547
Real estate funds	1,353	-	1,353
Infrastructure funds	461	-	461
Total OPEB assets	$ 23,013	$ 946	$ 23,959

The fair value of the District's OPEB investments measured as of December 31, 2020, and used for the purpose of the June 30, 2021 valuation, is reflected in the following table:

(in thousands)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Cash And Cash Equivalents (Not Leveled)	Balance At Valuation Date
Money market funds	$ -	$ 26	$ 26
Fixed income funds	5,532		5,532
Domestic equity funds	5,775		5,775
International equity funds	4,154		4,154
Commodity funds	1,087		1,087
Real estate funds	1,088		1,088
Infrastructure funds	361		361
Total OPEB assets	$ 17,997	$ 26	$ 18,023

Pension Plan and OPEB Plan Portfolios

Long term (30-year) expected rate of returns are forecasted on a forward-looking basis by each asset class. Then the total portfolio's return is forecasted by combining returns of the asset classes based on the respective Plan's asset allocation targets as well as the asset classes' diversification benefits. The forecasting method takes into consideration current market conditions, as well as potential future changes, such as yield shifts or valuation changes. For example, equity asset class methodology includes two models that focus on variables including expected earnings growth, dividend income and expected inflation to triangulate on a reasonable expected return. Fixed income models rely heavily on the existing yield environment but current projections assume a rising rate environment, given that prevailing yields are near historic lows. The forecasting methodology combines insights of expected returns for the next immediate period and a long term equilibrium period, to maintain capital markets' long term integrity.

The expected rates of return are presented as geometric means. The details are summarized in the following table:

	Long Term	
Total portfolio	7.10 %	
Total portfolio asset allocation		**Asset Class Expected Returns**
U.S. Equity	30 %	7.50 %
Non-U.S. Equity	25 %	8.00 %
Core fixed income	12 %	4.50 %
Opportunistic credit	10 %	6.50 %
Real assets	15 %	7.00 %
Private Credit	8 %	7.00 %
Total	100 %	

11. Insurance Plans

The District's hospital professional and general liability insurance, and the directors and officers liability deductible and insured programs, are purchased from BETA Healthcare Group (BETA). BETA was formed in 1979 for the purpose of operating an insured program with excess insurance coverage for certain hospital districts of the Association of California Hospital Districts (ACHD). Effective October 1, 1989, BETA became a separate joint powers authority, establishing itself as a public agency and distinct from ACHD. BETA is managed by a board of 15 elected representatives (the BETA council). The BETA council and its six committees meet quarterly to vote on all matters affecting the program. A representative from the District occupies one seat on the BETA Council.

The District is self-funded for its workers' compensation claims and has been issued a Certificate of Consent to Self-Insure by the State of California, Department of Industrial Relations. The District purchases excess workers' compensation insurance coverage.

Significant primary and excess insurance coverage types, limits and retention/deductible amounts are included below:

Coverage	Policy Limit	Self-insured Retention/ Deductible Per Occurrence
General		
All risk property	$ 1,000,000,000	$ 100,000
Boiler and machinery insurance	100,000,000	100,000
Hospital professional and general liability	40,000,000	25,000
Directors and officers liability	10,000,000	25,000
Excess workers' compensation	Statutory	1,250,000
Commercial crime	10,000,000	50,000
Automobile insurance	10,000,000	500
Cyber liability	5,000,000	250,000
Cyber excess, including notifications	5,000,000	-
Pollution	2,000,000	50,000

Settled claims have not exceeded the District's policy limits in any year.

The District has actuarial reviews performed annually on its self-insured claims programs, including professional and general liability, directors' and officers' coverage, workers' compensation, and employee health, vision and dental benefits. Estimated liabilities include amounts for incurred but not reported (IBNR) claims.

12. Compensated Absences

District employees earn paid leave at varying rates depending on length of service and job classification. Employees can accumulate up to 640 hours of paid leave. All accumulated unused leave in excess of the maximum accrual amount is paid at the employee's anniversary date. Upon separation, unused vested leave balances are paid in full. As of June 30, 2022 and 2021, the approximate liability for unpaid compensated absences was $21.8 million and $19.5 million, respectively.

13. Blended Component Unit Information

Condensed financial statement information related to certain of the District's blended component units for the year ended June 30, 2022 is as follows:

(in thousands)	Hospital	DEVCO	Eliminations	District
CONDENSED STATEMENTS OF NET POSITION				
Current assets	$ 136,425	$ 18,478	$ -	$ 154,903
Long-term investment and restricted funds	236,919	-	-	236,919
Capital assets, net	600,578	34,604	-	635,182
Other assets	344,386	7,402	(273,930)	77,858
Total assets	1,318,308	60,484	(273,930)	1,104,862
Deferred outflows of resources	20,425	2,016	-	22,441
Total assets and deferred outflows of resources	$ 1,338,733	$ 62,500	$ (273,930)	$ 1,127,303
Liabilities				
Current liabilities	$ 117,643	$ 286,731	$ (273,930)	$ 130,444
Other non-current liabilities	593,215	15,964		609,179
Total liabilities	710,858	302,695	(273,930)	739,623
Deferred inflows of resources	82,412	-	-	82,412
Net position				
Net investment in capital assets	92,850	-	-	92,850
Restricted - expendable	28,817	-	-	28,817
Restricted for minority interest	-	3,345	-	3,345
Unrestricted	423,796	(243,540)	-	180,256
Total net position	545,463	(240,195)	-	305,268
Total liabilities, net position and deferred inflows of resources	$ 1,338,733	$ 62,500	$ (273,930)	$ 1,127,303
CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION				
Operating revenues	$ 522,801	$ 81,627	$ (15,165)	$ 589,263
Operating expenses	(448,888)	(100,749)	15,286	(534,351)
Depreciation	(45,854)	(4,118)	-	(49,972)
Operating income (loss)	28,059	(23,240)	121	4,940
Non-operating revenues and expenses, net	(8,120)	(882)	(121)	(9,123)
Increase (decrease) in net position before minority interest and restricted funds	19,939	(24,122)	-	(4,183)
Other, including minority interest	674	(1,184)	-	(510)
Increase (decrease) in net position	20,613	(25,306)	-	(4,693)
Net position				
Beginning of year	524,959	(214,998)	-	309,961
End of year	$ 545,572	$ (240,304)	$ -	$ 305,268
CONDENSED STATEMENTS OF CASH FLOWS				
Net Cash provided (used) by:				
Operating activities	$ 19,788	$ (26,610)	$ (121)	(6,943)
Noncapital financing activities	(23,912)	$ 24,494	-	582
Capital and related financing activities	(140)	(5,443)	121	(5,462)
Investing activities	(21,642)	3,834		(17,808)
Net increase (decrease) in cash and cash equivalents	$ (25,906)	$ (3,725)	$ -	$ (29,631)
Cash and cash equivalents - beginning of year	31,619	9,078	-	40,697
Cash and cash equivalents - end of year	$ 5,713	$ 5,353	$ -	$ 11,066

Condensed financial statement information related to certain of the District's blended component units for the year ended June 30, 2021 is as follows:

(in thousands)	Hospital*	DEVCO	Eliminations	District*
CONDENSED STATEMENTS OF NET POSITION				
Current assets	$ 155,439	$ 20,893	$ -	$ 176,332
Long-term investment and restricted funds	234,220	-	-	234,220
Capital assets, net	640,048	37,279	-	677,327
Other assets	283,276	6,771	(248,141)	41,906
Total assets	1,312,983	64,943	(248,141)	1,129,785
Deferred outflows of resources	26,497	2,689	-	29,186
Total assets and deferred outflows of resources	$ 1,339,480	$ 67,632	$ (248,141)	$ 1,158,971
Liabilities				
Current liabilities	$ 155,409	$ 17,883	$ (6)	$ 173,286
Other non-current liabilities	588,647	264,747	(248,135)	605,259
Total liabilities	744,056	282,630	(248,141)	778,545
Deferred inflows of resources	70,465	-	-	70,465
Net position				
Net investment in capital assets	122,886	-	-	122,886
Restricted - expendable	30,005	-	-	30,005
Restricted for minority interest	-	4,528	-	4,528
Unrestricted	372,068	(219,526)	-	152,542
Total net position	524,959	(214,998)	-	309,961
Total liabilities, net position and deferred inflows of resources	$ 1,339,480	$ 67,632	$ (248,141)	$ 1,158,971
CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION				
Operating revenues	$ 469,919	$ 74,485	$ (10,791)	$ 533,613
Operating expenses	(431,382)	(92,307)	11,168	(512,521)
Depreciation	(47,900)	(4,216)	-	(52,116)
Operating income (loss)	(9,363)	(22,038)	377	(31,024)
Non-operating revenues and expenses, net	436	1,539	(377)	1,598
Increase (decrease) in net position before minority interest and restricted funds	(8,927)	(20,499)	-	(29,426)
Other, including minority interest	2,051	(57)	-	1,994
Increase (decrease) in net position	(6,876)	(20,556)	-	(27,432)
Net position				
Beginning of year	531,835	(194,442)	-	337,393
End of year	$ 524,959	$ (214,998)	$ -	$ 309,961
CONDENSED STATEMENTS OF CASH FLOWS				
Net Cash provided (used) by:				
Operating activities	$ 3,124	$ (12,610)	$ 363	$ (9,123)
Noncapital financing activities	(22,057)	27,240	14	5,197
Capital and related financing activities	(24,708)	(3,443)	(377)	(28,528)
Investing activities	6,647	(5,531)	-	1,116
Net increase (decrease) in cash and cash equivalents	$ (36,994)	$ 5,656	$ -	$ (31,338)
Cash and cash equivalents - beginning of year	68,613	3,422	-	72,035
Cash and cash equivalents - end of year	$ 31,619	$ 9,078	$ -	$ 40,697

* The Fiscal Year 2021 amounts for Current Assets, Unrestricted Net Position, Operating Revenues and Increase in Net Position presented in the table above, have been reduced by $3.7 million to correct an immaterial error in the previously presented information.

14. Commitments and Contingencies

Lease Commitments

The District has entered into leases for medical clinic facilities and equipment. In fiscal year 2022 the District adopted GASB 87 – *Leases*, effective for the District's fiscal year beginning July 1, 2021. This statement establishes a single approach to accounting for and reporting leases based on the principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use asset. Lease obligations for fiscal years 2022 and 2021 were $3.0 Million and $3.1 Million, respectively.

The District's future lease obligations are as follows:

(in thousands)	Principal	Interest
2023	$ 1,983	$ 333
2024	1,784	254
2025	1,505	185
2026	1,570	119
2027	907	64
Thereafter	1,044	49
Total lease commitments	$ 8,793	$ 1,004

The District is a lessor of buildings under agreements that extend through 2067. Some leases include one or more lessee options to renew, with renewal terms that can extend the lease term from one to 5 years. Certain of the District's lease agreements include rental payments that are adjusted periodically, primarily for inflation. The lease agreements do not contain any material lease incentives paid, residual value guarantees, material restrictive covenants or material termination penalties. The District measures the deferred inflow of resources at the present value of payments expected to be received including any advance lease payments or lease incentives during the lease term. During the years ended June 30, 2022 and 2021, the District recorded $3.8 million and $3.7 million, respectively, in lease revenues.

Litigation

The District is involved in various claims and litigation, as both plaintiff and defendant, arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, these matters will be resolved without material adverse effect on the District's financial position.

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, and 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. Violations of these laws and regulations 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. While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or not asserted at this time.

15. The CARES Act

In response to the disruptions that the COVID-19 pandemic caused in operations for health care organizations, on March 27, 2020 the Federal Government passed the CARES Act which made funds available to the District through various provisions of the legislation. Through June 30, 2021 the District received and recognized CARES Act provider relief funding of $32.5 million, as federal grant revenue on the statement of revenues, expenses and changes in net position. In fiscal year 2022, the District received an additional $1.4 million in provider relief funding which was also recognized in the same way.

Under continually evolving regulations related to the after-the-fact justification of funding amounts received, the District is required to provide reporting as to how provider relief funding was used, either to offset pandemic-related expenses or to replace pandemic-related net revenue losses.

The reporting deadline for provider relief funding received in the District’s fiscal year 2021 was September 30, 2022 and the District submitted its reporting on that date. The District’s pandemic-related additional expenses and lost revenues far exceeded the CARES funding received and the District is confident that all amounts recognized into revenue for fiscal 2022 are correctly reported.

Also in fiscal year 2021, the District began the required repayment of $59 million in payments received in fiscal year 2020 under the Medicare Accelerated and Advanced Payments Program. As of June 30, 2022, the District has repaid approximately $48 Million and the remaining amount due is reflected as liabilities due to third party payors on the statement of net position for fiscal year 2022.

In addition, in fiscal 2021 The Washington Outpatient Surgery Center (WOSC) received a $1.6 million Paycheck Protection Program loan for small business. In fiscal year 2022 WOSC submitted for forgiveness of this loan. Forgiveness was subsequently received in August 2022.

Required Supplementary Information

Defined Benefit Retirement Plan

The District's actuarially determined contribution and actual contributions, for this plan year and the nine plan years prior, are presented in the following table:

(in thousands)	Actuarially Determined Contribution	Actual Contribution	Contribution Excess (Deficiency)	Covered Payroll (Pension)	Contributions as % of Covered Payroll
Fiscal Year Ended					
2010	$ 12,594	$ -	$ (12,594)	$ 121,053	0.00%
2011	15,683	-	(15,683)	131,700	0.00%
2012	18,344	-	(18,344)	142,590	0.00%
2013	19,800	-	(19,800)	145,324	0.00%
2014	18,500	134,026 [1]	115,526	144,445	92.79%
2015	18,000	22,700	4,700	136,999	16.57%
2016	17,700	22,100	4,400	142,319	15.53%
2017	22,300	22,000	(300)	146,438	15.02%
2018	23,100	22,300	(800)	168,165	13.26%
2019	23,100	28,875	5,775	165,710 *	17.43%
2020	23,100	23,100	-	177,841	12.99%
2021	23,100	23,100	-	182,973	12.62%
2022	8,181	6,675	(1,506)	181,577	3.68%
	$ 243,502	$ 304,876	$ 61,374		

* The Fiscal Year 2019 amounts for Covered Payroll (Pension) and Contributions as % of Covered Payroll have been reduced by $8.0 Million and 0.81%, respectively, to correct an immaterial error in the previously presented information.

[1] For the years 2010 to 2013, the District Board set aside the following amounts in accounts designated for future pension funding, all of which were included in the 2014 Actual Contribution amount of $134,026,000.

(in thousands)	
2010	$ 22,000
2011	22,000
2012	19,000
2013	21,800
Total pension funding for years 2010 to 2013 included in 2014 actual contribution	$ 84,800

The following table summarizes changes in net pension liability from July 1, 2012 to June 30, 2022:

(in thousands)	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total pension liability										
Service cost	$ 10,332	$ 9,548	$ 9,075	$ 8,190	$ 6,500	$ 6,494	$ 5,669	$ 5,434	$ 5,456	$ 6,580
Interest	28,992	27,890	27,395	26,693	24,436	24,263	23,657	21,585	20,223	19,283
Difference between expected and actual experience	(786)	1,001	(703)	(8,586)	15,019	8,244	(13,656)	578	4,395	(5,173)
Change in assumptions	1,042	(2,992)	16,421	-	-	-	-	14,522	362	2,148
Benefit payments	(21,045)	(19,623)	(18,146)	(16,330)	(15,043)	(30,410)	(13,760)	(13,762)	(11,483)	(9,298)
Net change in total pension liability	18,535	15,824	34,042	9,967	30,912	8,591	1,910	28,357	18,953	13,540
Total pension liability (beginning of year)	424,951	409,127	375,085	365,118	334,206	325,615	323,705	295,348	276,395	262,855
Total pension liability (end of year) (a)	443,486	424,951	409,127	375,085	365,118	334,206	325,615	323,705	295,348	276,395
Plan fiduciary net position										
Employer contributions	8,400	23,100	23,100	23,100	22,300	22,000	27,100	36,200	115,526	-
Employee contributions	2,140	1,919	1,655	1,235	980	732	374	139	-	-
Net investment income	61,077	47,613	59,371	(18,935)	42,293	7,817	1,740	10,805	19,342	12,619
Benefit payments	(21,045)	(19,623)	(18,146)	(16,330)	(15,043)	(30,410)	(13,760)	(13,762)	(11,483)	(9,298)
Administrative expense	(228)	(226)	(226)	(224)	(252)	(216)	(64)	(65)	(62)	(69)
Other	-	-	-	-	(1)	(126)	-	-	-	-
Net change in fiduciary net position	50,344	52,783	65,754	(11,154)	50,277	(203)	15,390	33,317	123,323	3,252
Plan fiduciary net position (beginning of year)	430,112	377,329	311,575	322,729	272,452	272,655	257,265	223,948	100,625	97,373
Plan fiduciary net position (end of year) (b)	480,456	430,112	377,329	311,575	322,729	272,452	272,655	257,265	223,948	100,625
Net pension liability (end of year) (a) - (b)	$ (36,970)	$ (5,161)	$ 31,798	$ 63,510	$ 42,389	$ 61,754	$ 52,960	$ 66,440	$ 71,400	$ 175,770
Plan fiduciary net position as percent of total pension liability	108.3 %	101.2 %	92.2 %	83.1 %	88.4 %	81.5 %	83.7 %	79.5 %	75.8 %	36.4 %
Covered payroll (pension)	$ 181,577	$ 182,973	$ 177,841	$ 165,710 *	$ 168,165	$ 146,438	$ 142,319	$ 136,999	$ 144,445	$ 145,324
Net pension liability as percent of covered payroll	(20.4)%	(2.8)%	17.9 %	38.3 % *	25.2 %	42.2 %	37.2 %	48.5 %	49.4 %	121.0 %
Deferred outflows of resources										
Employer contributions after measurement date	$ 4,050	$ 5,775	$ 5,775	$ 5,775	$ -	$ -	$ -	$ 5,000	$ 18,500	$ -
Fiduciary net position as percent of liability including deferred outflows of resources	109.2 %	102.6 %	93.6 %	84.6 %	88.4 %	81.5 %	83.7 %	81.0 %	82.1 %	36.4 %
Net pension liability as percent of covered payroll including deferred outflows of resources	(22.6)%	(6.0)%	14.6 %	34.8 % *	25.2 %	42.2 %	37.2 %	44.8 %	36.6 %	121.0 %

* The Fiscal Year 2019 amounts for Covered Payroll (pension) has been reduced by $8.0 Million, Net pension liability as a percent of covered payroll has been increased by 1.7%, and Net pension liability as a percent of covered payroll including deferred outflows of resources has been increased by 1.6% to correct an immaterial error in the previously presented information.

The following table summarizes the significant actuarial assumptions used to determine net pension liability and plan fiduciary net position as of June 30 for the years presented (unless otherwise indicated, the same assumption was used for the valuations for all years):

Discount rate	December 31, 2019 - 2021	7.00%
	December 31, 2012 - 2018	7.50%
Demographic assumptions		
Mortality table for healthy participants	December 31, 2021	Pri-2012 mortality tables and projected forward using MP-2021 projection scale on a generational basis
	December 31, 2020	Pri-2012 mortality tables projected forward generationally using MP-2020 projection scale
	December 31, 2019	Pri-2012 mortality tables projected forward generationally using MP-2019 projection scale
	December 31, 2014 - 2018	RP-2014 base table with two-dimensional projection scale BB projected generationally
	December 31, 2012 - 2013	Internal Revenue Code Section 430(h)(3)(A) using static tables and separate mortality rates for annuitants and non-annuitants
Mortality table for disabled participants	December 31, 2021	Pri-2012 disabled tables and projected forward using MP-2021 projection scale on a generational basis
	December 31, 2020	Pri-2012 disabled mortality tables projected forward generationally using MP-2020 projection scale
	December 31, 2019	Pri-2012 disabled mortality tables projected forward generationally using MP-2019 projection scale
	December 31, 2014 - 2018	RP-2014 Disabled retiree table
	December 31, 2012 - 2013	RP-2000 Disabled mortality tables for females and males

Defined Benefit Post-Employment Medical Plan (OPEB)

The following table summarizes contributions to the OPEB Plan from July 1, 2016 (year of GASB 75 adoption) to June 30, 2022:

(in thousands)	Actuarially Determined Contribution	Actual Contribution	Contribution Excess (Deficiency)	Covered Employee Payroll [1]	Contributions as % of Covered Employee Payroll [1]
Fiscal Year Ended					
2017	$ 5,099	$ 1,455	$ (3,644)	$ 146,438	0.99%
2018	5,451	5,995	544	168,165	3.56%
2019	6,200	6,400	200	165,710	3.86%
2020	7,400	4,891	(2,509)	177,841	2.75%
2021	7,400	6,046	(1,354)	182,973	3.30%
2022	7,400	5,444	(1,956)	181,577	3.00%
	$ 38,950	$ 30,231	$ (8,719)		

[1] Required disclosure; neither OPEB Plan contributions nor benefits are based on covered employee payroll.

Washington Township Health Care District

Required Supplementary Pension and Postemployment Benefits Information (unaudited)

The following table summarizes changes in the net postemployment medical benefits (OPEB) liability from July 1, 2016 (year of GASB 75 adoption) to June 30, 2022, and related ratios:

(in thousands)	2022	2021	2020	2019	2018	2017
Total postemployment medical benefits (OPEB) liability						
Service cost	$ 1,911	$ 1,885	$ 1,473	$ 3,049	$ 2,948	$ 3,007
Interest	4,155	3,948	3,461	2,495	2,457	2,260
Difference between expected and actual experience	349	(555)	(265)	368	-	-
Change of assumptions	(1,217)	(385)	6,880	(29,183)	3,541	(2,045)
Benefit payments	(2,005)	(1,904)	(1,508)	(1,569)	(1,494)	(1,412)
Net change in postemployment medical benefits (OPEB) liability	3,193	2,989	10,041	(24,840)	7,452	1,810
Total postemployment medical benefits (OPEB) liability (beginning of year)	58,442	55,453	45,412	70,252	62,800	60,990
Total postemployment medical benefits (OPEB) liability (end of year)	61,635	58,442	55,453	45,412	70,252	62,800
Plan fiduciary net position						
Employer contributions	5,305	5,204	4,808	9,969	1,494	1,412
Net investment income	2,689	1,900	1,510	(270)	-	-
Benefit payments	(2,005)	(1,904)	(1,508)	(1,569)	(1,494)	(1,412)
Administrative expense	(53)	(52)	(49)	(15)	-	-
Other	-	-	1	(2)	-	-
Net change in fiduciary net position	5,936	5,148	4,762	8,113	-	-
Fiduciary net position (beginning of year)	18,023	12,875	8,113	-	-	
Fiduciary net position (end of year)	23,959	18,023	12,875	8,113	-	-
Net postemployment medical benefits (OPEB) liability (end of year)	$ 37,676	$ 40,419	$ 42,578	$ 37,299	$ 70,252	$ 62,800
Fiduciary net position as percent of liability	38.9%	30.8%	23.2%	17.9%	0.0%	0.0%
Covered employee payroll	$ 181,577	$ 182,973	$ 177,841	$ 165,710	$ 168,165	$ 146,438
NOL as a % of Covered Emplyee Payroll	20.7%	22.1%	23.9%	21.5%	41.8%	42.9%
Deferred outflows of resources						
Employer contributions after measurement date	$ 2,750	$ 2,611	$ 1,769	$ 1,686	$ 4,500	$ -
Fiduciary net position as percent of liability including deferred outflows of resources	43.3 %	35.3 %	26.4 %	21.6 %	6.4 %	0.0 %
Net OPEB liability as percent of covered employee payroll including deferred outflows of resources	19.2 %	20.7 %	22.9 %	21.5 %	39.1 %	42.9 %

The following table summarizes the significant actuarial assumptions used to determine net OPEB liability and plan fiduciary net position as of June 30 for the years presented (unless otherwise indicated, the same assumption was used for the valuations for all years):

Discount rate	December 31, 2019 - 2021	7.00%
	December 31, 2018	7.50%
	December 31, 2017	3.44%
	December 31, 2016	3.78%
	December 31, 2015	3.57%
Other assumptions		
Healthcare cost trend rate	Getzen Model of Long-Run Medical Cost Trends	

APPENDIX C

FORM OF CONTINUING DISCLOSURE AGREEMENT

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "Disclosure Agreement") is executed and delivered by Washington Township Health Care District, a local health care district of the State of California (the "District"), and Hilltop Securities Inc. (the "Dissemination Agent"), in connection with the issuance of $__________ aggregate principal amount of Washington Township Health Care District (Alameda County, California), 2020 Election General Obligation Bonds, 2023 Series B (the "Bonds"). The Bonds are being issued pursuant to certain provisions of the California Government Code and other applicable laws and pursuant to Resolution No. _____, adopted by the Board of Directors (the "Board") of the District on __________, 2023 (the "District Resolution"). The District and the Dissemination Agent hereby covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the District and the Dissemination Agent for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the District Resolution, which apply to any capitalized term used in this Disclosure Agreement, 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 Agreement.

"Beneficial Owner" shall mean any person that 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).

"CUSIP Numbers" shall mean the Committee on Uniform Security Identification Procedure's unique identification number for each public issue of a security.

"Dissemination Agent" shall mean Hilltop Securities Inc., acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the District and which has filed with the Paying Agent a written acceptance of such designation.

"EMMA System" shall mean the MSRB's Electronic Municipal Market Access system.

"Financial Obligation" means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Holder" or "Holders" shall mean registered owners of the Bonds or, if the Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

"Listed Events" shall mean any of the events listed in Section 5 of this Disclosure Agreement.

"MSRB" means the Municipal Securities Rulemaking Board, or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule.

"Official Statement" shall mean the Official Statement, dated __________, 2023, with respect to the Bonds.

"Participating Underwriter" shall mean BofA Securities, Inc.

"Rule" shall mean Rule l5c2-12(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.

Section 3. Provision of Annual Reports; Quarterly Reports. (a) The District shall or shall cause the Dissemination Agent, not later than six months after the end of the District's fiscal year (which date would be January 1 following the end of the District's fiscal year on the prior June 30), commencing with the report for the 2022-23 fiscal year, to provide to the MSRB through its EMMA System an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Agreement. 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 Agreement; provided that, if the audited financial statements of the District are not available by the date required above for the filing of the Annual Report, the District shall submit unaudited financial statements and submit the audited financial statements as soon as available. 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) In addition to the Annual Report required to be filed pursuant to subsection (a), the District shall, or shall cause the Dissemination Agent to, provide to the MSRB through its EMMA System, no later than 75 days after the end of each quarter of the District's fiscal year (except for the fourth fiscal quarter), beginning with the [first] quarter of the 2023-24 fiscal year (commencing [July 1], 2023), unaudited financial information for the District for such fiscal quarter prepared by the District, including a balance sheet, a cash flow statement and a statement of revenues, expenses, and changes in net position.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB through its EMMA System by the date required in subsection (a), the Dissemination Agent shall send a notice to the MSRB through the EMMA System substantially in the form attached as Exhibit A hereto.

(d) The Dissemination Agent shall file a report with the District certifying that the Annual Report has been provided to the MSRB through the EMMA System pursuant to this Disclosure Agreement.

Section 4. Content of Annual Reports. The Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the District for the most recently concluded fiscal year, prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Government Accounting Standards Board. If the audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the District shall file or cause to be filed with EMMA an Annual Report containing unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and shall then file its audited financial statements in the same manner when they become available.

(b) To the extent not contained in (a) above, (i) assessed value of taxable property in the District as shown on the most recent equalized assessment role; (ii) property tax levies, collections and delinquencies for the District, for the fiscal year most recently concluded; and (iii) the ten largest property owners in the District for the then-current fiscal year, as measured by secured assessed valuation, the respective taxable values of their property and their percentage of total secured assessed value.

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 MSRB through its EMMA System. If the document included by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each such other document included by reference.

Section 5. Reporting of Listed Events. The District shall give or cause to be given, notice to the MSRB of the occurrence of any of the following Listed Events with respect to the Bonds:

(a) principal and interest payment delinquencies;

(b) non-payment related defaults, if material;

(c) unscheduled draws on debt service reserves, if any, reflecting financial difficulties;

(d) unscheduled draws on any credit enhancement facility reflecting financial difficulties;

(e) substitution of the provider of any credit enhancement facility or liquidity facility or any failure by said provider to perform on any credit enhancement facility or liquidity facility;

(f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax-exempt status of the Bonds;

(g) modifications to rights of Holders, if material;

(h) Bond calls, if material, and tender offers;

(i) defeasances;

(j) release, substitution or sale of property securing repayment of the Bonds, if material;

(k) rating changes;

(l) bankruptcy, insolvency, receivership or similar event of the District[1];

(m) 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, if material;

(n) appointment of a successor or additional paying agent or the change of name of a paying agent, if material;

(o) incurrence of a Financial Obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect Holders, if material; and

(p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.

The District shall file, or shall cause to be filed, a notice of the occurrence of a Listed Event with the MSRB through its EMMA System, in an electronic format as prescribed by the MSRB, in a timely manner but not in excess of ten (10) business days after the occurrence of such Listed Event.

If the Dissemination Agent has been instructed by the District to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB with a copy to the District.

The Dissemination Agent shall, within one (1) business day of obtaining knowledge of the occurrence of any of the Listed Events, inform the District of the event, and, for any Listed Event that requires the District to determine if such event is material, request that the District promptly notify the Dissemination Agent in writing whether or not to report the event.

[1] This Listed Event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer of 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 governing 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.

Section 6. CUSIP Numbers. Whenever providing information to the Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference in the Annual Reports and notices of Listed Events, the District shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

Section 7. Termination of Reporting Obligation. The District's and the Dissemination Agent's obligations under this Disclosure Agreement 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 or substitution in the same manner as for a Listed Event under Section 5(i).

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a different Dissemination Agent to assist it in carrying out the obligations under this Disclosure Agreement and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. 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 Agreement. If at any time there is not any other designated Dissemination Agent, the Paying Agent shall be the Dissemination Agent. The initial Dissemination Agent shall be Hilltop Securities Inc.

The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees, as amended from time to time, and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the District and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the District which does not impose any greater duties, nor greater risk of liability, on the Dissemination Agent) and any provision of this Disclosure Agreement 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 or 5, 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; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the District Resolution for amendments to the District Resolution with the consent of Holders, or (ii) does not, in the opinion of the Dissemination Agent or nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, 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, 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 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement 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 Agreement. 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 Agreement, the District shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the District or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Dissemination Agent may (and, at the request of the Participating Underwriter or the Holders of at least twenty-five percent (25%) aggregate principal amount of Outstanding Bonds, shall), or 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 or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the District Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of the District or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance. A default under this Disclosure Agreement shall not create a presumption of any kind that a violation of any applicable securities laws or regulations (other than the Rule) has occurred. The Dissemination Agent shall not owe any fiduciary duty to the Participating Underwriter, nor shall its failure to comply with the request of the Participating Underwriter result in a breach of any of its fiduciary duties owed to the Holders.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liability 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 reasonable attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct or breach of this Disclosure Agreement. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment in full of the Bonds.

Section 13. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the District:	Washington Township Health Care District 2000 Mowry Avenue Fremont, California 94538-1716 Attention: Treasurer Telephone: [510-745-6580] Facsimile: [510-739-3895]
To the Dissemination Agent:	Hilltop Securities Inc. 1201 Elm Street, Suite 3500 Dallas, TX 75270 Attention: [Tanya Calvit, Director] Telephone: [214-953-4037] Facsimile: [214-953-4050]

Either party may, by written notice to the other party listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 14. Beneficiaries. This Disclosure Agreement 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 15. MSRB: EMMA SYSTEM. Documents submitted to the MSRB through its EMMA System pursuant to this Disclosure Agreement shall be in electronic format and accompanied by identifying information as prescribed by the MSRB in accordance with the Rule.

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Section 16. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Dated: __________, 2023

WASHINGTON TOWNSHIP HEALTH CARE DISTRICT

By:____
Authorized Officer

HILLTOP SECURITIES INC.,
as Dissemination Agent

By:____
Authorized Officer

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD OF FAILURE TO FILE ANNUAL REPORT

Name of District: Washington Township Health Care District

Name of Bond Issue: Washington Township Health Care District (Alameda County, California), 2020 Election General Obligation Bonds, 2023 Series B

Date of Issuance: __________, 2023

NOTICE IS HEREBY GIVEN that Washington Township Health Care District has not provided an Annual Report with respect to the above named Bonds as required by the Continuing Disclosure Agreement relating to the Bonds, dated __________, 2023. Washington Township Health Care District anticipates that the Annual Report will be filed by __________.

Dated: __________________

HILLTOP SECURITIES INC.,

on behalf of
Washington Township Health Care District

By:____

cc: Washington Township Health Care District

APPENDIX D

FORM OF BOND COUNSEL OPINION

[Closing Date]

Washington Township Health Care District
2000 Mowry Avenue
Fremont, California 94538-1716

Re: *$_________ Washington Township Health Care District (Alameda County, California) 2020 Election General Obligation Bonds, 2023 Series B*

Ladies and Gentlemen:

We have acted as Bond Counsel to the Washington Township Health Care District, Alameda County, State of California (the "District"), in connection with the issuance by the District of $________ aggregate principal amount of the District's 2020 Election General Obligation Bonds, 2023 Series B (the "Bonds"). The Bonds are issued pursuant to Section 53506 *et seq.* of the Government Code of the State of California and a resolution adopted by the Board of Directors of the District on August 9, 2023 (the "Resolution"). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Resolution.

As Bond Counsel, we have examined copies, certified to us as being true and complete copies, of the proceedings of the District for the authorization and issuance of the Bonds. In connection thereto, we have also examined such certificates of public officials and officers of the District as we have considered necessary for the purposes of this opinion. We have, with your approval, assumed that all items submitted to us as originals are authentic and that all items submitted to us as copies conform to the originals.

On the basis of such examination, our reliance upon the assumptions contained herein and our consideration of those questions of law we considered relevant, and subject to the limitations and qualifications in this opinion, we are of the opinion that:

1. The Bonds have been duly authorized and issued and constitute legally valid and binding obligations of the District, enforceable in accordance with their terms and the terms of the Resolution.

2. The Bonds are payable solely from and are secured by a pledge of *ad valorem* taxes which may be levied without limitation as to rate or amount upon all taxable real property in the District, and which, under the laws now in force with respect to the Bonds, may be levied within the limit prescribed by law upon all taxable personal property in the District, and from other available funds as set forth in the Resolution.

3. The Resolution has been duly authorized by the District and constitutes the legally valid and binding obligation of the District, enforceable in accordance with its

terms. The Bonds, assuming due authentication by the Paying Agent, are entitled to the benefits of the Resolution.

4. The Internal Revenue Code of 1986, as amended (the "Code") sets forth certain requirements which must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Bonds. Pursuant to the Resolution and the Tax and Nonarbitrage Certificate executed by the District in connection with the issuance of the Bonds (the "Tax Certificate"), the District has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the District has made certain representations and certifications in the Resolution and the Tax Certificate. We have not independently verified the accuracy of those certifications and representations.

   Under existing law, assuming compliance with the tax covenants described herein and the accuracy of the aforementioned representations and certifications, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. We are also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code. For taxable years beginning after December 31, 2022, interest on the bonds will be taken into account in computing the alternative minimum tax imposed on certain corporations under the Code to the extent that such interest is included in the "adjusted financial statement income" of such corporations.

5. Interest on the Bonds is exempt from personal income taxes of the State of California under present state law.

The opinions set forth in paragraphs 1, 2 and 3 above (i) assume that the Paying Agent has duly authenticated the Bonds and (ii) are subject to (a) applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally (including, without limitation, fraudulent conveyance laws), (b) the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and (c) the limitations on legal remedies against government entities in the State of California.

In rendering the opinions set forth in paragraph 4 above, we are relying upon representations and covenants of the District in the Tax Certificate concerning the investment and use of Bond proceeds, the rebate to the federal government of certain earnings thereon, and the use of the property and facilities financed with the proceeds of the Bonds. In addition, we have assumed that all such representations are true and correct and that the District will comply with such covenants. We express no opinion with respect to the exclusion of the interest on the Bonds from gross income under Section 103(a) of the Code in the event that any of such representations are untrue or the District fails to comply with such covenants, unless such failure to comply is based on our advice or opinion.

Except as stated in paragraphs 4 and 5, we express no opinion as to any other federal, state or local tax consequences of the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other counsel.

No opinion is expressed herein on the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds. This opinion is expressly limited to the matters set forth above and we render no opinion, whether by implication or otherwise, as to any other matters.

Our opinions are limited to matters of California law and applicable federal law, and we assume no responsibility as to the applicability of laws of other jurisdictions. We call attention to the fact that the opinions expressed herein and the exclusion of interest on the Bonds from gross income for federal income tax purposes may be affected by actions taken or omitted or events occurring or failing to occur after the date hereof. We have not undertaken to determine, or inform any person, whether any such actions are taken, omitted, occur or fail to occur.

Respectfully submitted,

APPENDIX E

BOOK-ENTRY SYSTEM

The Depository Trust Company ("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, each in the aggregate principal amount of such maturity, 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, as amended. 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 for 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 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 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 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 and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their beneficial ownership interests in 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 may be 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 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 the 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 Paying Agent and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity of Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Money Market Instrument Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District 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 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 District or the Paying Agent, on a payment date 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 Participants and not of DTC nor of its nominee, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, redemption proceeds and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or 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.

The District may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this Appendix concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

The District and the Underwriter 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, premium, if any, and interest 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. Neither the District nor the Underwriter 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.

None of the District, the Underwriter or the Paying Agent will have any responsibility or obligation to Direct Participants, to Indirect Participants or to any Beneficial Owner with respect to (i) the accuracy of any records maintained by DTC, any Direct Participant, or any Indirect Participant; (ii) the payment by DTC or any Direct Participant or Indirect Participant of any amount with respect to the principal of or premium, if any, or interest on the Bonds; (iii) any notice that is permitted or required to be given to Holders under the Bond Resolution; (iv) the selection by DTC, any Direct Participant or any Indirect Participant of any person to receive payment in the event of a partial redemption of the Bonds; (v) any consent given or other action taken by DTC as Owner of the Bonds; or (vi) any other procedures or obligations of DTC, Direct Participants or Indirect Participants under the book-entry system.

$________
WASHINGTON TOWNSHIP HEALTH CARE DISTRICT
(Alameda County, California)
2020 Election General Obligation Bonds, 2023 Series B

BOND PURCHASE CONTRACT

August __, 2023

Washington Township Health Care District
2000 Mowry Avenue
Fremont, California 94538

Ladies and Gentlemen:

BofA Securities, Inc., as underwriter (the "Underwriter"), hereby offers to enter into this Bond Purchase Contract (the "Bond Purchase Contract") with Washington Township Health Care District, a local health care district duly organized and validly existing under and pursuant to the laws of the State of California (the "Issuer"), whereby the Underwriter will purchase and the Issuer will sell the Bonds (as defined and described below). The Underwriter is making this offer subject to the acceptance by the Issuer at or before 11:59 p.m., Pacific Time, on the date hereof. If the Issuer accepts this Bond Purchase Contract, this Bond Purchase Contract shall be in full force and effect in accordance with its terms and shall bind both the Issuer and the Underwriter. The Underwriter may withdraw this Bond Purchase Contract upon written notice delivered by the Underwriter to an authorized officer of the Issuer at any time before the Issuer accepts this Bond Purchase Contract. Terms used but not defined in this Bond Purchase Contract are defined in the District Resolution or the Official Statement (each as defined below).

1. Purchase and Sale. 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 Issuer, and the Issuer hereby agrees to sell and deliver to the Underwriter, all (but not less than all) of the following bonds: $________ aggregate principal amount of Washington Township Health Care District (Alameda County, California), 2020 Election General Obligation Bonds, 2023 Series B (the "Bonds"), at the purchase price of $________, representing the aggregate principal amount of the Bonds less an Underwriter's discount of $________, [plus/less] [net] original issue [premium/discount] of $________).

The Issuer acknowledges and agrees that: (i) the Underwriter is not acting as a municipal advisor within the meaning of Section 15B of the Securities Exchange Act, as amended, (ii) the primary role of the Underwriter, as an underwriter, is to purchase securities for resale to investors, in an arm's length commercial transaction between the Issuer and the Underwriter, and the Underwriter has financial and other interests that differ from those of the Issuer; (iii) the Underwriter is acting solely as a principal and is not acting as a municipal advisor, financial advisor or fiduciary to the Issuer and has not assumed any advisory or fiduciary responsibility to the Issuer with respect to the transaction described herein and the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the Issuer on other matters); (iv) the only obligations the Underwriter has to the Issuer with respect to the transaction contemplated hereby are expressly set forth in this Bond Purchase Contract; and (v) the Issuer has consulted its own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent it has deemed appropriate.

2. Description and Purpose of the Bonds. The Bonds have been authorized pursuant to Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "Act") and shall be issued pursuant to Resolution No. ______, adopted by the Issuer on August 9, 2023 (the "District Resolution"). The Bonds shall be dated their date of delivery.

The Bonds represent general obligations of the Issuer payable from *ad valorem* taxes. The Bonds shall mature in the years, bear interest, be purchased at the prices and be subject to redemption at the times and in the amounts, all as set forth in Schedule I attached hereto. The authorized denominations, record dates, interest payment dates, principal payment dates, and other details and particulars of the Bonds shall be as described in the District Resolution and the Official Statement of the Issuer (as defined below).

The proceeds of the sale of the Bonds will be used to (i) finance a portion of the projects authorized by Measure XX, which was approved by voters in an election held on November 3, 2020 ("Measure XX"), which projects include the acquisition and construction of facilities to be used by the Issuer for its public health purposes to complete the construction necessary to make Washington Hospital (the "Hospital") earthquake safe and ensure the Hospital remains open and accessible to provide the life-saving care during a major disaster, to provide modern operating rooms, intensive care for infants and modern patient facilities, as specified in Measure XX, and (ii) pay costs of issuance associated with the Bonds.

3. Public Offering. The Underwriter hereby represents that it has been duly authorized to execute this Bond Purchase Contract and to perform its obligations as set forth herein. The Underwriter agrees to make an initial public offering of the Bonds at the price or prices described in Schedule I hereto; *provided*, *however*, that the Underwriter reserves the right to change such initial public offering prices as the Underwriter deems necessary or desirable, in its sole discretion, in connection with the marketing of the Bonds, and may offer and sell the Bonds to certain dealers, unit investment trusts and money market funds, certain of which may be sponsored or managed by the Underwriter, at prices lower than the public offering prices or yields greater than the yields set forth therein (but in all cases subject to the requirements of Section 8 hereof).

4. Delivery of the Official Statement and Other Documents.

(a) The Issuer has approved and delivered or caused to be delivered to the Underwriter copies of the Preliminary Official Statement dated August __, 2023, which, together with the cover page and appendices and any supplement thereto, is herein referred to collectively as the "Preliminary Official Statement." It is acknowledged by the Issuer that the Underwriter may deliver the Preliminary Official Statement and a final Official Statement electronically over the internet and in printed paper form. [For purposes of this Bond Purchase Contract, the printed paper form of the Preliminary Official Statement and the Official Statement are deemed controlling.] The Issuer deems the Preliminary Official Statement final as of its date, and as of the date hereof, for purposes of Rule 15c2-12 promulgated by the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), except for any information which is permitted to be omitted therefrom in accordance with paragraph (b)(1) thereof.

(b) Within seven (7) business days from the date hereof, and in any event not later than two (2) business days before the Closing Date, the Issuer shall deliver to the Underwriter a final Official Statement relating to the Bonds dated the date hereof (such Official Statement, including the cover page, and all appendices attached thereto, together with all information previously permitted to have been omitted by Rule 15c2-12 and any amendments or supplements and statements incorporated by reference therein or attached thereto, as have been approved by the Issuer, Bond Counsel, Underwriter's Counsel and the Underwriter, is referred to herein as the "Official Statement") and such additional conformed copies thereof as the Underwriter may reasonably request in sufficient quantities to comply with Rule 15c2-12 and with the rules of the Municipal Securities Rulemaking Board (the "MSRB") and to meet potential customer requests for copies of the Official Statement.

(c) The Underwriter agrees to file a copy of the Official Statement, including any amendments or supplements thereto prepared by the Issuer, with the MSRB on its Electronic Municipal Markets Access ("EMMA") system. An Authorized Officer of the Issuer shall execute the Official Statement. The Official Statement shall be in substantially the same form as the Preliminary Official Statement and, other than information previously permitted to have been omitted by Rule 15c2-12, the Issuer shall only make such other additions, deletions and revisions in the Official Statement which are approved by the Underwriter. The Underwriter hereby agrees to cooperate and assist in the preparation of the Official Statement. The Issuer hereby agrees to deliver to the Underwriter an electronic copy of the Official Statement in a form that permits the Underwriter to satisfy its obligations under the rules and regulations of the MSRB and the U.S. Securities and Exchange Commission (the "SEC") including in a word searchable pdf format and including any amendments thereto. The Issuer hereby ratifies, confirms and consents to and approves the use and distribution by the Underwriter, before the date hereof, of the Preliminary Official Statement and hereby authorizes the Underwriter to use the Official Statement and the District Resolution in connection with the public offering and sale of the Bonds. The Issuer agrees that its audited financial statements as of and for the years ended June 30, 2022 and 2021 will be included in an appendix to the Preliminary Official Statement and the Official Statement, and the Issuer will obtain letters from its auditors addressed to the Issuer, agreeing to the use of the auditors' report dated February 8, 2023, in the Preliminary Official Statement and the Official Statement, respectively.

(d) In order to assist the Underwriter in complying with Rule 15c2-12, the Issuer will undertake, pursuant to the Continuing Disclosure Agreement, dated September __, 2023 (the "Continuing Disclosure Agreement"), by and between the Issuer and Hilltop Securities Inc., as dissemination agent for the Issuer (the "Dissemination Agent"), to provide annual and other required financial information and notices of the occurrence of specified events. A description of the Continuing Disclosure Agreement is set forth in, and a form of such agreement is attached as an appendix to, the Preliminary Official Statement and the Official Statement.

5. Representations, Warranties and Agreements. The Issuer represents and warrants to and agrees with the Underwriter that, as of the date hereof and as of the Closing Date (as defined below):

(a) The Issuer is a local health care district validly existing under the Constitution and Sections 32000 *et seq.* of the Health and Safety Code of the State of California and has and, at Closing (as defined below), will have full legal right, power and authority under laws of the State of California and the District Resolution (1) to enter into, execute and deliver this Bond Purchase Contract and the Continuing Disclosure Agreement, (2) to approve and execute the Official Statement, (3) to issue, sell and deliver the Bonds to the Underwriter pursuant to the District Resolution as provided herein, (4) to operate its health facilities and conduct the business thereof as set forth in and described in the Official Statement, and (5) to carry out, give effect to and consummate the transactions described in this Bond Purchase Contract, the District Resolution and the Official Statement;

(b) The Issuer has complied and at the Closing Date will be in compliance in all respects with the terms of the laws of the State of California, this Bond Purchase Contract and the District Resolution, as they pertain to the transactions described therein, herein and in the Official Statement;

(c) The Issuer has duly and validly adopted the District Resolution, has duly authorized and approved the execution and delivery of the Bonds, this Bond Purchase Contract, the Continuing Disclosure Agreement and the Official Statement and has duly authorized and approved the performance by the Issuer of its obligations contained in and the taking of any and all actions as may be necessary to carry out, give effect to and consummate the transactions described in each of said documents;

(d) Each official of the Issuer executing this Bond Purchase Contract, the Official Statement and the Continuing Disclosure Agreement is authorized to execute the same on behalf of the Issuer;

(e) The Issuer has executed and delivered, or will execute and deliver on or before the Closing Date, this Bond Purchase Contract, the Official Statement and the Continuing Disclosure Agreement. The Issuer's obligations contained in this Bond Purchase Contract, the Continuing Disclosure Agreement and the District Resolution constitute, or will constitute as of the Closing Date, as applicable, legal, valid and binding obligations of the Issuer, enforceable in accordance with their respective terms, except as enforcement of each document may be limited by bankruptcy, insolvency, reorganization, moratorium and fraudulent conveyance laws, laws affecting the enforcement of creditors' rights generally, the application of principles of equity and judicial discretion, and the covenant of good faith and fair dealing, which may be implied by law into contracts; and the Bonds, when issued, delivered and paid for in accordance with the District Resolution and this Bond Purchase Contract, will constitute legal, valid and binding general obligations of the Issuer entitled to the benefits of the District Resolution and enforceable in accordance with their terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium and fraudulent conveyance laws, laws affecting the enforcement of creditors' rights generally, the application of principles of equity and judicial discretion, and the covenant of good faith and fair dealing, which may be implied by law into contracts; and, upon the issuance, authentication and delivery of the Bonds, the District Resolution will provide, for the benefit of the owners and holders, from time to time, of the Bonds, the legally valid and binding pledges it purports to create, as set forth therein;

(f) The Issuer is not in any material way in breach of or default under any applicable constitutional provision, applicable law or administrative regulation of the State of California or the United States or any applicable judgment or decree, except as set forth in the Preliminary Official Statement and the Official Statement, or under any escrow agreement, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Issuer is a party or is otherwise subject, and no event has occurred and is continuing that, with the passage of time or the giving of notice or both, would constitute an event of default under any such instrument, except as expressly set forth in the Preliminary Official Statement and the Official Statement;

(g) The passage of the District Resolution, the execution and delivery of the Bonds, this Bond Purchase Contract, the Continuing Disclosure Agreement, the District Resolution and the Official Statement, and the consummation of the transaction herein and therein contemplated will not conflict with or constitute a breach of or default under any constitutional provision, administrative regulation, applicable law, judgment, decree, loan agreement, indenture, bond, note, ordinance or resolution, agreement or other instrument to which the Issuer is a party or by which the Issuer's property or assets are otherwise subject or bound, nor will any such passage, execution, delivery or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Issuer to be pledged to secure the Bonds or under the terms of any such law, regulation or instrument, except as provided by the Bonds and the District Resolution;

(h) The Bonds and the District Resolution conform to the descriptions thereof contained in the Preliminary Official Statement and the Official Statement, and the Bonds, when delivered in accordance with the District Resolution and paid for by the Underwriter on the Closing Date as provided herein, will be validly issued and outstanding general obligations of the Issuer entitled to all the benefits and security of the District Resolution;

(i) All authorizations, approvals, licenses, permits, consents and orders of any governmental authority (except in connection with Blue Sky proceedings), legislative body, board, agency or commission having jurisdiction of the matter, which are required in connection with the authorization, approval, execution and delivery of the Bonds, this Bond Purchase Contract, the District Resolution and the Official Statement and the consummation of any transaction herein or therein contemplated have been duly obtained and are in full force and effect;

(j) No action, suit or proceeding at law or in equity, before or by any court, regulatory agency, public board or body, is pending or threatened and no inquiry or investigation before or by any regulatory agency, public board or body is pending or threatened, in either case, in any way (1) affecting the existence of the Issuer or the titles of its officers to their respective offices; (2) affecting or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the

Bonds, or the application of the proceeds thereof, or the collection of the taxes pledged thereto; (3) contesting or affecting the validity or enforceability of the Bonds, the District Resolution, this Bond Purchase Contract, the Continuing Disclosure Agreement or any action of the Issuer described in any of said documents; (4) contesting in any way the completeness or accuracy of the Official Statement or any supplement or amendment thereto; or (5) which, if adversely determined, could materially adversely affect the operating condition of the Issuer or the transaction described in the Bonds, the Official Statement or this Bond Purchase Contract; (6) contesting the powers of the Issuer or its authority with respect to the Bonds, the District Resolution, this Bond Purchase Contract, the Continuing Disclosure Agreement or any action of the Issuer contemplated by any of said documents or by the Official Statement; or (7) which would adversely affect the exclusion of interest paid on the Bonds from gross income for purposes of federal income taxation, nor, to the knowledge of the Issuer, is there any basis therefor. The Issuer shall advise the Underwriter promptly of the institution of any proceedings known to it by any governmental agency prohibiting or otherwise adversely affecting the use of the Preliminary Official Statement or the Official Statement in connection with the offering, sale or distribution of the Bonds;

(k) The Issuer will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order for the Underwriter (1) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and (2) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualification in effect so long as required for distribution of the Bonds; provided, however, that in no event shall the Issuer be required to qualify as a foreign corporation or take any action which would subject it to general or unlimited service of process in any jurisdiction in which it is not now so subject;

(l) Except for information which is permitted to be omitted pursuant to Rule 15c2-12(b)(1), the Preliminary Official Statement (and except for the information under the caption "UNDERWRITING" and the information contained in APPENDIX D – "FORM OF BOND COUNSEL OPINION" and APPENDIX E – "BOOK ENTRY SYSTEM"), as of its date and as of the date hereof, was and is true and correct in all material respects and did not and does not contain any untrue or misleading statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(m) At the time of the Issuer's acceptance hereof and at the Closing Date, the Official Statement (except for the information under the caption "UNDERWRITING" and the information contained in APPENDIX D – "FORM OF BOND COUNSEL OPINION" and APPENDIX E – "BOOK ENTRY SYSTEM"), as amended or supplemented pursuant to this Bond Purchase Contract, is and will be true and correct in all material respects and does not and will not contain any untrue or misleading statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(n) The financial statements of the Issuer as of and for the years ended June 30, 2022, and 2021, which appear in Appendix B to the Preliminary Official Statement and the Official

Statement, fairly represent the receipts, expenditures, assets, liabilities and cash balances of such amounts and, insofar as presented, other funds of the Issuer as of the dates and for the periods therein set forth. Except as disclosed in the Preliminary Official Statement and the Official Statement or otherwise disclosed in writing to the Underwriter, there has not been any materially adverse change in the financial condition of the Issuer or in its operations since June 30, 2022, and there has been no occurrence, circumstance or combination thereof which is reasonably expected to result in any such materially adverse change;

(o) The health care facilities operated by the Issuer are duly licensed under the laws of the State of California and accredited by The Joint Commission and by all local, state and federal agencies whose license and accreditation are necessary for the full utilization and operation of such health care facilities;

(p) Any certificate signed by any official of the Issuer authorized to do so in connection with the transactions contemplated by this Bond Purchase Contract shall be deemed a representation and warranty by the Issuer to the Underwriter as to the statements made therein;

(q) If, between the date of this Bond Purchase Contract and the Closing Date, an event occurs, of which the Issuer has knowledge, which might or would cause the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading, the Issuer will notify the Underwriter, and if, in the opinion of the Underwriter or the Issuer, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Issuer promptly will amend or supplement the Official Statement in a form and in a manner reasonably approved by the Underwriter, provided that all expenses thereby incurred will be paid by the Issuer;

(r) If the Preliminary Official Statement or the Official Statement is supplemented or amended, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended) at all times subsequent thereto up to and including the time of that date that is 25 days from the "end of the underwriting period" (as defined in Rule 15c2-12), the Preliminary Official Statement or the Official Statement as so supplemented or amended will be true and correct in all material respects and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(s) The Issuer will apply or cause to be applied the proceeds from the sale of the Bonds as provided in and subject to all of the terms and provisions of the District Resolution and Measure XX, or as otherwise permitted under State law, and the Issuer will not take or omit to take any action that would adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bonds;

(t) The representations, warranties and agreements in this Section 5 shall survive the Closing under this Bond Purchase Contract and shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Underwriter or any person who controls the Underwriter of any matters described in or related to the transactions contemplated hereby and by the Official Statement and the District Resolution;

(u) This Bond Purchase Contract shall be binding upon and inure solely to the benefit of the Underwriter and the Issuer and persons controlling the Underwriter, and their respective past, present and future directors, officers, employees and agents and personal representatives, successors and assigns, and no other person or firm shall acquire or have any right under or by virtue of this Bond Purchase Contract. No recourse under or upon any obligation, covenant or agreement contained in this Bond Purchase Contract shall be had against any officer or director of the Issuer, except as may be caused by their bad faith;

(v) Between the date hereof and the time of the Closing, the Issuer shall not offer or issue any bonds, notes or other obligations for borrowed money, or incur any material liabilities, direct or contingent, payable from or secured by any of the taxes which will secure the Bonds, without the prior written consent of the Underwriter;

(w) Except as described in the Preliminary Official Statement and the Official Statement, the Issuer has not failed during the previous five (5) years to comply in all material respects with any previous undertakings in a written continuing disclosure contract or agreement delivered by the Issuer under Rule 15c2-12; and

(x) The Issuer, to the best of its knowledge, has never been and is not in default in the payment of principal of, premium, if any, or interest on, or otherwise is not nor has it been in default with respect to, any bonds, notes, or other obligations which it has issued, assumed or guaranteed as to payment of principal, premium, if any, or interest.

The execution and delivery of this Bond Purchase Contract by the Issuer shall constitute a representation by the Issuer to the Underwriter that the representations, warranties and agreements contained in this Section 5 are true as of the date hereof. If any of the provisions in this Section shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Bond Purchase Contract and such invalidity, illegality or unenforceability shall not affect any other provision of this Bond Purchase Contract, and this Bond Purchase Contract shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein.

6. Closing. At 8:00 a.m., Pacific Time, on September __, 2023, or at such other time or date as the Underwriter and the Issuer may mutually agree upon (the "Closing Date"), the Issuer will deliver or cause to be delivered to the Underwriter, at the offices of Nixon Peabody LLP ("Bond Counsel"), One Embarcadero Center, 18th Floor, San Francisco, California 94111, or at such other place as the Underwriter and the Issuer may mutually agree upon, the Bonds, through the facilities of The Depository Trust Company, New York, New York ("DTC"), duly executed and authenticated, and the other documents specified in Section 7. On the Closing Date, (a) upon satisfaction of the conditions herein specified, the Underwriter shall accept the delivery of the Bonds, and pay the purchase price therefor in federal funds payable to the order of the Paying Agent for the account of the Issuer and (b) the Issuer shall deliver or cause to be delivered the Bonds to the Underwriter through the facilities of DTC in definitive or temporary form, duly executed by the Issuer and in the authorized denominations as specified by the Underwriter, and the Issuer shall deliver the other documents hereinafter mentioned (such delivery and payment being herein referred to as the "Closing"). The Bonds shall be made available to the Underwriter at least one (1) business day before the Closing Date for purposes of inspection. Notwithstanding

the foregoing, neither the failure to print CUSIP numbers on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Underwriter to accept delivery of and pay for the Bonds on the Closing Date in accordance with the terms of this Bond Purchase Contract. Upon initial issuance, the ownership of such Bonds shall be registered in the registration books kept by the Paying Agent in the name of Cede & Co., as the nominee of DTC.

7. Conditions Precedent. The Underwriter has entered into this Bond Purchase Contract in reliance upon the representations and agreements of the Issuer contained herein and the performance by the Issuer of its obligations hereunder, both as of the date hereof and as of the Closing Date.

(a) The Underwriter's obligations under this Bond Purchase Contract are and shall be subject to the following further conditions:

(i) The representations of the Issuer contained herein shall be true, complete and correct in all material respects on the date of acceptance hereof and on and as of the Closing Date.

(ii) At the time of the Closing, the Official Statement, the District Resolution, this Bond Purchase Contract and the Continuing Disclosure Agreement shall be in full force and effect and shall not have been amended, modified or supplemented except as may have been agreed to in writing by the Underwriter.

(iii) The Issuer shall perform or have performed all of its obligations required under or specified in the Bonds, the District Resolution, this Bond Purchase Contract, the Continuing Disclosure Agreement and the Official Statement to be performed at or prior to the Closing.

(iv) The Issuer shall have delivered to the Underwriter copies of the final Official Statement by the time, and in the numbers, required by Section 4 of this Bond Purchase Contract.

(v) As of the date hereof and at the time of Closing, all necessary official action of the Issuer relating to the Bonds, the District Resolution, this Bond Purchase Contract, the Continuing Disclosure Agreement and the Official Statement shall have been taken and shall be in full force and effect and shall not have been amended, modified or supplemented in any material respect.

(vi) After the date hereof, up to and including the time of the Closing, there shall not have occurred any change in the Issuer, the Act, the District Resolution, this Bond Purchase Contract, the Bonds, the Continuing Disclosure Agreement or the collection of taxes pledged to payment of the Bonds, as the foregoing matters are described in the Official Statement, which in the reasonable judgment of the Underwriter materially impairs the investment quality of the Bonds.

(vii) At or prior to the Closing, the Underwriter shall receive the following documents (in each case with only such changes as the Underwriter shall approve):

(1) The approving opinion of Bond Counsel relating to the Bonds, dated the Closing Date, substantially in the form attached as Appendix D to the Official Statement, and a reliance letter with respect thereto addressed to the Underwriter;

(2) The supplemental opinion of Bond Counsel, addressed to the Underwriter, dated the Closing Date, in substantially the form attached hereto as Exhibit B;

(3) The opinion of Norton Rose Fulbright US LLP, counsel to the Underwriter, dated the Closing Date,[in form and substance acceptable to the Underwriter;][to the effect that (i) the Bonds are exempt from registration under the Securities Act of 1933, as amended, the Bonds are municipal securities within the meaning of the Securities Exchange Act of 1934, as amended, and the District Resolution is exempt from qualification under the Trust Indenture Act of 1939 (the "Trust Indenture Act"), as amended; (ii) based upon information made available to such counsel in the course of such counsel's participation in the transaction as counsel to the Underwriter and without having undertaken to determine independently or assuming any responsibility for the accuracy, completeness or fairness of the statements contained in the Preliminary Official Statement and the Official Statement, no facts came to such counsel's attention that caused them to believe that the Preliminary Official Statement as of its date and the Official Statement as of its date and as of the Closing Date (except for any financial statements or the statistical data, the information regarding DTC, the book-entry system and the information contained in Appendices A, B, D and E included in the Preliminary Official Statement and the Official Statement, as to which no opinion or view need be expressed), contained or contains any untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and (iii) assuming the enforceability of the Continuing Disclosure Agreement, the continuing disclosure undertaking contained in the Continuing Disclosure Agreement satisfies the requirements contained in paragraph (b)(5) of Rule 15c2-12;]

(4) The opinion of counsel to the Issuer, dated the Closing Date and addressed to the Underwriter and Bond Counsel, in substantially the form attached hereto as Exhibit C;

(5) A certificate of an officer of the Issuer acceptable to the Underwriter (the "Issuer Authorized Representative"), dated the Closing Date, to the effect that (i) the representations and agreements of the Issuer

contained herein are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date; (ii) no litigation or proceeding against it is pending or threatened that would (a) contest the right of the officers or officials of the Issuer to hold and exercise their respective positions, (b) contest the due organization, valid existence or powers of the Issuer, (c) contest the validity, due authorization and execution of the Bonds, the District Resolution, the Continuing Disclosure Agreement, the Official Statement or this Bond Purchase Contract, or (d) attempt to limit, enjoin or otherwise restrict or prevent the Issuer from issuing and delivering the Bonds or functioning and directing the County, on behalf of the Issuer, to collect taxes pledged and other money to be applied to make payments on the Bonds pursuant to the District Resolution; (iii) the District Resolution has been duly passed by the Issuer, is in full force and effect and has not been modified, amended or repealed; (iv) there have been no material adverse changes in the operations or financial condition of the Issuer relative to the sources of taxes pledged as security for the Bonds nor in the general economy of the service area of the Issuer, except as described in the Preliminary Official Statement and the Official Statement; and (v) no event affecting the Issuer has occurred since the date of the Official Statement that would cause, as of the Closing Date, any statement or information contained in the Official Statement to contain any untrue statement of a material fact, or omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading;

(6) Executed or certified copies of the Bond Purchase Contract and the Continuing Disclosure Agreement;

(7) A Tax and Nonarbitrage Certificate of the Issuer, in form satisfactory to Bond Counsel, executed by such officials of the Issuer as shall be satisfactory to the Underwriter and Bond Counsel;

(8) A certified copy of the District Resolution;

(9) Evidence satisfactory to the Underwriter of the rating of "_____" assigned to the Bonds by Moody's Investors Service [and the rating of "_____" assigned to the Bonds by Fitch Ratings, Inc.];

(10) The letters of PricewaterhouseCoopers LLP addressed and provided to the Issuer, agreeing to the use of its report dated February 8, 2023, with respect to the audited financial statements as of and for the years ended June 30, 2022 and 2021, in the Preliminary Official Statement and in the Official Statement, respectively;

(11) A certificate of an authorized officer of the Paying Agent, dated the Closing Date, in substantially the form attached hereto as Exhibit D;

(12) Two copies of the Official Statement executed on behalf of the Issuer by a District Authorized Representative;

(13) Evidence that a Form 8038-G relating to the Bonds has been executed by the Issuer and will be filed with the Internal Revenue Service within the applicable time limit;

(14) A copy of the Blue Sky Memorandum with respect to the Bonds;

(15) A copy of the Issuer's executed Blanket Letter of Representation to The Depository Trust Company; and

(16) Such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter, counsel for the Underwriter or Bond Counsel may reasonably request to evidence compliance by the Issuer with legal requirements, the truth and accuracy, as of the time of Closing, of the representations of the Issuer contained herein and the due performance or satisfaction by the Issuer at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the Issuer and all conditions precedent to the issuance of additional Bonds pursuant to the District Resolution shall have been fulfilled.

8. Establishment of Issue Price.

(a) The Underwriter agrees to assist the Issuer in establishing the issue price of the Bonds and shall execute and deliver to the Issuer at Closing an "issue price" or similar certificate, substantially in the form attached hereto as Exhibit A, together with the supporting pricing wires or equivalent communications, with such modifications as may be deemed appropriate or necessary, in the reasonable judgment of the Underwriter, the Issuer and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Bonds.

(b) [Except for the maturities set forth in Schedule I attached hereto as "hold-the-offering-price maturities" (each a "Restricted Maturity"),] the Issuer represents that it will treat the first price at which 10% of each maturity of the Bonds (the "10% test") is sold to the public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% test). [If, as of the date hereof, the 10% test has not been satisfied as to any maturity of the Bonds for which the Issuer has elected to utilize the 10% test, the Underwriter agrees to promptly report to the Issuer the prices at which it sells Bonds of that maturity or maturities to the public. That reporting obligation shall continue until the earlier of the date upon which the 10% test has been satisfied as to the Bonds of that maturity or maturities or the Closing Date.]

(c) The Underwriter confirms that it has offered the Bonds to the public on or before the date of this Bond Purchase Contract at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in Schedule I attached hereto, except as otherwise set forth therein. Schedule I also sets forth, as of the date of this Bond Purchase

Contract, the maturities, if any, of the Bonds for which the 10% test has not been satisfied and for which the Issuer and the Underwriter agree that the restrictions set forth in the next sentence shall apply (the "hold-the-offering-price rule"). So long as the hold-the-offering-price rule remains applicable to any [maturities set forth in Schedule I attached hereto as "hold-the-offering-price maturities" (each a "Restricted Maturity")][Restricted Maturity] of the Bonds, the Underwriter will neither offer nor sell unsold Bonds of a Restricted Maturity to any person at a price that is higher than the initial offering price of such Restricted Maturity to the public during the period starting on the sale date and ending on the earlier of the following:

(1) the close of the fifth (5th) business day after the sale date; or

(2) the date on which the Underwriter has sold at least 10% of the Bonds of the particular Restricted Maturity to the public at a price that is no higher than the initial offering price of such Restricted Maturity to the public.

The Underwriter shall promptly advise the Issuer when it has sold 10% of the Bonds of the particular Restricted Maturity to the public at a price that is not higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

(d) The Underwriter confirms that any selling group agreement and any retail or other third-party distribution agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group and each broker-dealer that is a party to such retail or other third-party distribution agreement, as applicable, to (A)(i) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the Underwriter that either the 10% test has been satisfied as to the Bonds of that maturity or all Bonds of that maturity have been sold to the public and (ii) comply with the requirements for establishing issue price of the Bonds, including, but not limited to, the agreement to comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the Underwriter, (B) promptly notify the Underwriter of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to a regulatory underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and (C) acknowledge that, unless otherwise advised by the dealer or broker-dealer, the Underwriter shall assume that each order submitted by the dealer or broker-dealer is a sale to the public. The Issuer acknowledges that, in making the representation set forth in this subsection, the Underwriter will rely on (i) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable, as set forth in a selling group agreement and the related pricing wires, and (ii) in the event that a retail or other third-party distribution agreement was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable, as set forth in the retail or other third-party distribution agreement and the related pricing wires. The Issuer further acknowledges that the Underwriter shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail or other third-party distribution agreement, to comply with its corresponding agreement regarding the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule as applicable to any Restricted Maturity.

(e) The Underwriter acknowledges that sales of any Bonds to any person that is a related party to the Underwriter shall not constitute sales to the public for purposes of this Section. Further, for purposes of this Section:

(i) "public" means any person other than a regulatory underwriter or a related party to a regulatory underwriter,

(ii) "regulatory underwriter" means (A) any person that agrees pursuant to a written contract with the Issuer (or with the lead regulatory underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail or other third-party distribution agreement participating in the initial sale of the Bonds to the public),

(iii) a purchaser of any of the Bonds is a "related party" to a regulatory underwriter if the regulatory underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) "sale date" means the date of execution of this Bond Purchase Contract by all parties.

9. Termination. If the Issuer shall be unable to satisfy the conditions of the Underwriter's obligations contained in this Bond Purchase Contract or if the Underwriter's obligations shall be terminated for any reason permitted by this Bond Purchase Contract, this Bond Purchase Contract may be terminated by the Underwriter at, or at any time before, the time of the Closing. Notice of such termination shall be given by the Underwriter to the Issuer in writing, or by telephone confirmed in writing. The performance by the Issuer of any or all conditions contained in this Bond Purchase Contract for the benefit of the Underwriter may be waived by the Underwriter.

(a) The Underwriter shall also have the right, before the time of Closing, to cancel its obligation to purchase the Bonds, by written notice from the Underwriter to the Issuer, if between the date hereof and the time of Closing:

(i) Any event or circumstance occurs or information becomes known, which, in the reasonable judgment of the Underwriter, makes untrue in any material respect any statement of a material fact set forth in the Preliminary Official Statement and the Official Statement or results in an omission to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading; or

(ii) The market for the Bonds or the market prices of the Bonds at the initial offering prices set forth in the Official Statement or the ability of the Underwriter to enforce contracts for the sale of the Bonds shall have been materially and adversely affected, in the reasonable judgment of the Underwriter, by:

(1) An amendment to the Constitution of the United States or the State of California shall have been passed, or legislation shall have been introduced in or enacted by the Congress of the United States or the legislature of the State of California, or legislation pending in the Congress of the United States shall have been amended, or legislation shall have been recommended to the Congress of the United States or to the State of California or otherwise endorsed for passage (by press release, other form of notice or otherwise) 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 legislation shall have been proposed for consideration by either such Committee by any member thereof or presented as an option for consideration by either such Committee by the staff of such Committee or by the staff of the joint Committee on Taxation of the Congress of the United States, or legislation shall have been favorably reported for passage 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, or a decision shall have been rendered by a court of the United States or of the State of California or the Tax Court of the United States, or a ruling shall have been made or a regulation or temporary regulation shall have been proposed or made or any other release or announcement shall have been made by the Treasury Department of the United States, the Internal Revenue Service or other federal or State of California authority, with respect to federal or State of California taxation upon revenues or other income of the general character to be derived by the Issuer or upon interest received on obligations of the general character of the Bonds which, in the reasonable judgment of the Underwriter, may have the purpose or effect, directly or, indirectly, of affecting the tax status of the Issuer, its property or income, its securities (including the Bonds) or the interest thereon, or any tax exemption granted or authorized by State of California legislation; or

(2) The declaration of war or engagement in or escalation of military hostilities by the United States or the occurrence of any other

national emergency or calamity or terrorism affecting the operation of the government of, or the financial community in, the United States; or

(3) The declaration of a general banking moratorium by federal, New York or California authorities; or

(4) The occurrence of a major financial crisis, a material disruption in commercial banking or securities settlement or clearance services, or a material disruption or deterioration in the fixed income or municipal securities market; or

(5) Additional material restrictions not in force or being enforced as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange; or

(6) The general suspension of trading on any national securities exchange; or

(iii) Legislation enacted, or a decision rendered by a court established under Article III of the Constitution of the United States or by the Tax Court of the United States, or an order, ruling, regulation (final, temporary or proposed) or official statement issued or made by or on behalf of the SEC, or any other governmental agency having jurisdiction of the subject matter shall have been made or issued to the effect that the Bonds, other securities of the Issuer or obligations of the general character of the Bonds are not exempt from registration under the Securities Act of 1933 (the "1933 Act"), or that the District Resolution is not exempt from qualification under the Trust Indenture Act; or

(iv) Any change in or particularly affecting the Issuer, the Act, the District Resolution, the Bonds, the Continuing Disclosure Agreement or the collection of *ad valorem* property taxes pledged to payment of the Bonds as the foregoing matters are described in the Preliminary Official Statement or the Official Statement, which in the reasonable judgment of the Underwriter materially impairs the investment quality of the Bonds; or

(v) An order, decree or injunction of any court of competent jurisdiction, 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 any or all underlying obligations, as described herein or in the Preliminary Official Statement or the Official Statement, is or would be in violation of any applicable law, rule or regulation, including (without limitation) any provision of applicable federal securities laws as amended and then in effect; or

(vi) A stop order, ruling, regulation or official statement by the SEC or any other governmental agency having jurisdiction of the subject matter shall have been issued or made or any other event occurs, the effect of which is that the issuance, offering or sale of the Bonds, or the execution and delivery of any documents, as described herein or in the Preliminary Official Statement or the Official Statement, is or would be in violation of any applicable law, rule or regulation, including (without limitation) any provision of applicable federal securities laws, including the 1933 Act, the Securities Exchange Act of 1934 or the Trust Indenture Act, each as amended and as then in effect; or

(vii) Any litigation has been instituted or is pending at the time of the Closing to restrain or enjoin the issuance, sale or delivery of the Bonds, or in any way contesting or affecting any authority for or the validity of the proceedings authorizing and approving the Bonds, the District Resolution, this Bond Purchase Contract, the Continuing Disclosure Agreement or the existence or powers of the Issuer with respect to its obligations under the Bonds, this Bond Purchase Contract or the Continuing Disclosure Agreement; or

(viii) A reduction or withdrawal in the following assigned rating, or, as of the Closing Date, the failure by Moody's Investors Service to assign the rating of "____" to the Bonds [or Fitch Ratings, Inc. to assign the rating of "____" to the Bonds].

10. Amendments to Official Statement. During the period commencing on the Closing Date and ending twenty-five (25) days after the end of the underwriting period, the Issuer shall advise the Underwriter if any event relating to or affecting the Official Statement shall occur as a result of which it may be necessary or appropriate 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 or "potential customer" (as defined for purposes of Rule 15c2-12). If any such event occurs and in the reasonable judgment of the Underwriter and the Issuer, an amendment or supplement to the Official Statement is appropriate, the Issuer shall, at its expense, forthwith prepare and furnish to the Underwriter a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to counsel for the Underwriter) that will amend or supplement the Official Statement so that it will not contain any 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 the Official Statement is delivered to a purchaser or "potential customer," not misleading.

11. Expenses. All reasonable expenses and costs of the Issuer incident to the performance of its obligations in connection with the authorization, issuance and sale of the Bonds to the Underwriter, including the costs of printing or reproduction of the Bonds and the Official Statement in reasonable quantities, fees of consultants, fees of rating agencies, advertising expenses, fees and expenses of the Paying Agent and its counsel and fees and expenses of the Issuer's municipal advisor, counsel to the Issuer, counsel to the Underwriter and Bond Counsel, shall be paid by the Issuer from the proceeds of the Bonds or other revenues of the Issuer. The Issuer shall be solely responsible for and shall pay for any expenses incurred by the Underwriter on behalf of the Issuer's employees and representatives which are incidental to implementing this Bond Purchase Contract, including, but not limited to, meals, transportation, lodging, and entertainment of those employees and representatives. All out-of-pocket expenses and costs of the Underwriter incurred under or pursuant to this Bond Purchase Contract, including, without

limitation, California Debt Investment and Advisory Commission fees, meals and travel expenses, shall be paid by the Underwriter (which may be included as an expense component of the Underwriter's discount).

12. Use of Documents. The Issuer hereby authorizes the Underwriter to use, in connection with the public offering and sale of the Bonds, the District Resolution, this Bond Purchase Contract, the Preliminary Official Statement, the Official Statement and the Continuing Disclosure Agreement, and the information contained herein and therein.

13. Qualification of Securities. The Issuer will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and to provide for the continuance of such qualification; *provided*, *however*, that the Issuer will not be required to qualify as a foreign corporation or to file any general or special consents to service of process under the laws of any state.

14. Notices. Any notice or other communication to be given to the Issuer under this Bond Purchase Contract may be given by delivering the same in writing to 2000 Mowry Avenue, Fremont, California 94538, Attention: Thomas McDonagh, and any such notice or other communication to be given to the Underwriter may be given by delivering the same in writing to BofA Securities, Inc., Bank of America Tower, One Bryant Park, New York, New York 10036, Attention: Robert Junqua.

15. Benefit. This Bond Purchase Contract is made solely for the benefit of the Issuer and the Underwriter (including their respective successors or assigns) and no other person, partnership, association or corporation shall acquire or have any right hereunder or by virtue hereof. Except as otherwise expressly provided herein, all of the agreements and representations of the Issuer contained in this Bond Purchase Contract and in any certificates delivered pursuant hereto shall remain operative and in full force and effect regardless of: (i) any investigation made by or on behalf of the Underwriter; (ii) delivery of and payment for the Bonds hereunder; or (iii) any termination of this Bond Purchase Contract, other than pursuant to Section 9.

16. Attorneys' Fees. In the event of a dispute arising under this Bond Purchase Contract, the prevailing party shall have the right to collect from the other party its reasonable costs and necessary disbursements and attorneys' fees incurred in enforcing this Bond Purchase Contract.

17. Governing Law. This Bond Purchase Contract shall be construed in accordance with and governed by the Constitution and laws of the State of California applicable to contracts made and performed in the State of California. This Bond Purchase Contract shall be enforceable in the State of California, and any action arising hereunder shall be filed and maintained in Alameda County, California.

18. Counterparts. This Bond Purchase Contract may be executed in several counterparts, each of which shall be deemed an original hereof.

19. Miscellaneous. This Bond Purchase Contract contains the entire agreement between the parties relating to the subject matter hereof and supersedes all oral statements, prior writings and representations with respect thereto.

Very truly yours,

By: BofA SECURITIES, INC., as Underwriter

By: ______________________________
Authorized Representative

Approved and Agreed to:

August __, 2023

WASHINGTON TOWNSHIP HEALTH CARE DISTRICT

By: ______________________________
District Authorized Officer

SCHEDULE I

Maturity Dates, Principal Amounts, Interest Rates, Yields, Prices
and Redemption

The Bonds shall mature in the amounts and in the years, shall bear interest at the respective rates per annum and be offered to the public at the yields specified in the following table:

Maturity Date (August 1)	Principal Amount	Interest Rate	Yield	Price
H A	$	%	%	%
				C

$__________ _____% Term Bonds due August 1, 20__; Price _____% Yield _____%

$__________ _____% Term Bonds due August 1, 20__; Price _____% Yield _____%

(H) Represents a Maturity subject to the hold-the-offering-price rule.
(A) Represents a Maturity which satisfies the 10% test.
(C) Priced to optional redemption date of August 1, 20__.

Optional Redemption. The Bonds maturing on or after August 1, 20__ are subject to redemption prior to their stated maturities, at the option of the Issuer, as a whole or in part on any date, on or after August 1, 20__, from any source of available funds, at a redemption price equal to the principal amount of Bonds to be redeemed, without premium, plus accrued interest thereon to the date fixed for redemption.

Mandatory Redemption.

The Bonds maturing on August 1, 20__ are subject to redemption prior to their stated maturity from mandatory sinking fund payments on August 1 of each year, beginning August 1, 20__ at a redemption price equal to the respective principal amounts thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amounts of such Bonds to be so redeemed and the dates therefor and the final principal payment date are as indicated in the following table:

Bond due August 1, 20__

Redemption Date (August 1)	Mandatory Sinking Fund Payment
	$
†	

† Maturity.

The Bonds maturing on August 1, 20__ are subject to redemption prior to their stated maturity from mandatory sinking fund payments on August 1 of each year, beginning August 1, 20__ at a redemption price equal to the respective principal amounts thereof, together with accrued interest to the date fixed for redemption, without premium. The principal amounts of such Bonds to be so redeemed and the dates therefor and the final principal payment date are as indicated in the following table:

Bond due August 1, 20__

Redemption Date (August 1)	Mandatory Sinking Fund Payment
	$
†	

† Maturity.

EXHIBIT A
TO BOND PURCHASE CONTRACT

$________
Washington Township Health Care District
(Alameda County, California)
2020 Election General Obligation Bonds, 2023 Series B

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of BofA Securities, Inc. ("BofA Securities"), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the "Bonds").

[Select appropriate provisions below:]

1. [Alternative 1[1] – All Maturities Use General Rule: ***Sale of the Bonds***. As of the date of this certificate, for each Maturity of the Bonds, the first price at which at least 10% of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule A.][Alternative 2[2] – Select Maturities Use General Rule: ***Sale of the General Rule Maturities***. As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule A.]

2. ***Initial Offering Price of the [Bonds] [Hold-the-Offering-Price Maturities].***

a) [Alternative 1[3] – All Maturities Use Hold-the-Offering-Price Rule: BofA Securities offered the Bonds to the Public for purchase at the respective initial offering prices listed in Schedule A (the "Initial Offering Prices") on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.] [Alternative 2[4] – Select Maturities Use Hold-the-Offering-Price Rule: BofA Securities offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the "Initial Offering Prices") on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as Schedule B.]

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1 If Alternative 1 is used, delete the remainder of paragraph 1 and all of paragraph 2 and renumber paragraphs accordingly.

2 If Alternative 2 is used, delete Alternative 1 of paragraph 1 and use each Alternative 2 in paragraphs 2(a) and (b).

3 If Alternative 1 is used, delete all of paragraph 1 and renumber paragraphs accordingly.

4 Alternative 2(a) of paragraph 2 should be used in conjunction with Alternative 2 in paragraphs 1 and 2(b).

b) [Alternative 1 – All Maturities use Hold-the-Offering-Price Rule: As set forth in the Bond Purchase Contract, BofA Securities has agreed in writing that, (i) for each Maturity of the Bonds, it would neither offer nor sell any of the unsold Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the "*hold-the offering-price rule*"), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail or other third-party distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail or other third-party distribution agreement, to comply with the hold-the-offering-price rule. BofA Securities has not offered or sold any Maturity of the unsold Bonds at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.] [Alternative 2 – Select Maturities Use Hold-the-Offering-Price Rule: As set forth in the Bond Purchase Contract, BofA Securities has agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the unsold Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the "*hold-the-offering-price rule*"), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail or other third-party distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail or other third-party distribution agreement, to comply with the hold-the-offering-price rule. BofA Securities has not offered or sold any unsold Bonds of any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.]

3. ***Defined Terms***

a) *[General Rule Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the "*General Rule Maturities*."]

b) *[Hold-the-Offering-Price Maturities* means those Maturities of the Bonds listed in Schedule A hereto as the "*Hold-the-Offering-Price Maturities*."]

c) [*Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (August __, 2023), or (ii) the date on which BofA Securities has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.]

d) *Issuer* means Washington Township Health Care District.

e) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

f) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

g) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is August __, 2023.

h) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail or other third-party distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents BofA Securities' interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and Agreement with respect to the Bonds and with respect to compliance with the federal income tax rules affecting the Bonds, and by Nixon Peabody LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of Internal Revenue Service Form 8038-G, and other federal income tax advice it may give to the Issuer from time to time relating to the Bonds. The representations set forth herein are not necessarily based on personal knowledge.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

BofA SECURITIES, INC.

By: ____
Authorized Representative

Dated: September __, 2023

SCHEDULE A

SALE PRICES OF THE GENERAL RULE MATURITIES AND INITIAL OFFERING PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES

(Attached)

SCHEDULE B

PRICING WIRE OR EQUIVALENT COMMUNICATION

(Attached)

Proposed Form of Supplemental Opinion of Bond Counsel

[TO BE UPDATED]

September __, 2023

BofA Securities, Inc.
Bank of America Tower
One Bryant Park
New York, New York 10036

Washington Township Health Care District
2000 Mowry Avenue
Fremont, California 94538

$________
WASHINGTON TOWNSHIP HEALTH CARE DISTRICT
(Alameda County, California)
2020 Election General Obligation Bonds, 2023 Series B

Ladies and Gentlemen:

This letter is addressed to you pursuant to Section 7(a)(vii)(2) of the Bond Purchase Contract, dated August __, 2023 (the "Purchase Contract"), between BofA Securities, Inc., as underwriter (the "Underwriter") and the Washington Township Health Care District (the "District"), providing for the purchase of the above-referenced bonds (the "Bonds"). The Bonds are being issued in accordance with Resolution No. ________, adopted by the District on ________, 2023 (the "District Resolution"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the District Resolution or, if not defined in the District Resolution, in the Purchase Contract.

In connection with our role as Bond Counsel, we have reviewed the Purchase Contract; the District Resolution; the Tax and Nonarbitrage Certificate; opinions of counsel to the District, and the Paying Agent; certificates of the District, the Paying Agent, and others; and such other documents, opinions and matters to the extent we deemed necessary to provide the opinions or conclusions set forth herein.

The opinions or conclusions 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 or conclusions 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.

Based on and subject to the foregoing and in reliance thereon, as of the date hereof, we are of the following opinions or conclusions:

1. The Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the District Resolution is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

2. The statements contained in the Preliminary Official Statement and the Official Statement under the captions "THE BONDS," "SECURITY FOR THE BONDS," "TAX MATTERS," and APPENDIX D – "FORM OF BOND COUNSEL OPINION," excluding any material that may be treated as included under such captions by cross-reference, insofar as such statements purport to summarize certain provisions of the Bonds, the District Resolution and the final form and content of our final legal opinion, dated the date hereof, concerning certain tax matters relating to the Bonds, are accurate in all material respects.

3. We are not passing upon and do not assume any responsibility for the accuracy (except as explicitly stated in paragraph 2 above), completeness or fairness of any of the statements contained in the Preliminary Official Statement or the Official Statement and make no representation that we have independently verified the accuracy, completeness or fairness of any such statements. In our capacity as bond counsel in connection with issuance of the Bonds, we participated in conferences with your representatives, your counsel, and others, during which conferences the contents of the Preliminary Official Statement and the Official Statement and related matters were discussed. Based on our participation in the above-referenced conferences, and in reliance thereon and on the records, documents, certificates, opinions and matters herein mentioned (as set forth above), subject to the limitations on our role as bond counsel, we advise you that no facts came to the attention of the attorneys in our firm rendering legal services in connection with such issuance which caused us to believe that the Preliminary Official Statement, as of its date and as of the date of the sale of the Bonds, and the Official Statement, as of its date and as of the date hereof (except for CUSIP numbers, any financial, statistical, economic, engineering or demographic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, or any information about book-entry, The Depository Trust Company, and the information contained in Appendices A, B, C and E of Preliminary Official Statement and the Official Statement, as applicable, included or referred to therein, as to which we expressly exclude from the scope of this paragraph and as to which we express no opinion or view) contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

4. The Purchase Contract has been duly authorized, executed and delivered by the District, and, assuming due authorization, execution and delivery by the Underwriter, constitutes

a legal, valid and binding agreement of the District enforceable against each in accordance with its terms, except as the enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and equitable remedies if equitable remedies are sought, and except no opinion is expressed as to the enforceability of the indemnification, waiver, choice of law or contributions provisions contained in the Purchase Contract.

This letter is furnished by us as bond counsel. No attorney-client relationship has existed or exists between our firm and the Underwriter in connection with the Bonds or by virtue of this letter. Our engagement with respect to the Bonds has concluded with their issuance. We disclaim any obligation to update this letter. This letter is delivered to the Underwriter as the underwriter of the Bonds, is solely for the benefit of the Underwriter in such capacity and is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any person other than the District and the Underwriter. This letter is not intended to, and may not, be relied upon by owners of the Bonds or by any other party to whom it is not specifically addressed.

Very truly yours,

Proposed Form of Opinion of District Counsel

[TO BE UPDATED]

September __, 2023

BofA Securities, Inc.
Bank of America Tower
One Bryant Park
New York, New York 10036

Nixon Peabody LLP
One Embarcadero Center, 32nd Floor
San Francisco, CA 94111

Re: $________ Washington Township Health Care District (Alameda County, California) 2020 Election General Obligation Bonds, 2023 Series B

Ladies and Gentlemen:

I have acted as special counsel to Washington Township Health Care District, a political subdivision of the State of California (the "District"), organized and existing under and pursuant to The Local Health Care District Law of the State of California (Division 23 of the California Health and Safety Code (the "Law")) in connection with the issuance of the Washington Township Health Care District (Alameda County, California), 2020 Election General Obligation Bonds, 2023 Series B (the "Bonds").

My opinion is delivered pursuant to Section 7(a)(vii)(4) of the Bond Purchase Contract for the Bonds, dated August __, 2023 (the "Bond Purchase Contract"), between BofA Securities, Inc., as underwriter (the "Underwriter"), and the District. My opinion is based on the general transaction structure described below. All capitalized terms not otherwise defined herein shall have the meanings given to them in Resolution No. ________, adopted by the Board of Directors of the District on ________, 2023 (the "District Resolution"), or in the Bond Purchase Contract.

The Bonds were authorized at an election of the District held on November 3, 2020, pursuant to Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Authorization"), and are being issued on the date hereof (the "Closing Date") in accordance with the District Resolution. The Bonds are payable from *ad valorem* taxes levied and collected by the County of Alameda.

The District will undertake, pursuant to a Continuing Disclosure Agreement, dated September __, 2023, between the District and Hilltop Securities, Inc., as dissemination agent, to provide quarterly and annual reports as described therein and notices of certain events relating to the Bonds.

An Official Statement dated August __, 2023 (the "Official Statement"), has been prepared to furnish information concerning the offering of the Bonds.

The District has executed a Tax and Nonarbitrage Certificate dated September __, 2023 (the "Tax Certificate").

In rendering the opinions expressed herein, I have examined such documents, obtained and relied upon such certificates from public officials and officers and representatives of the District and made such investigations of fact and law as I have determined to be necessary or appropriate as a basis for the opinions expressed below. As to questions of fact relevant to this opinion, I have been furnished with, relied solely upon and have not verified the accuracy of (i) certificates and oral confirmations of public officials, (ii) certificates and oral confirmations of certain officers and authorized representatives of the District, (iii) answers given by officers and other representatives of the District to questions regarding, and documents submitted to me in response to, the information request to the District sent January 28, 2022 (including (A) the Alameda County Board of Supervisors Resolution No. 50910 dated June 17, 1948, declaring the District a duly organized hospital district under and pursuant to the Local Hospital District Law (now known as the Local Health Care District Law) (the "1948 Resolution"), [(B) Registry of Public Agencies Filing dated ________, 2023, filed with the Secretary of State on ________, 2023, and certified by the Secretary of State on ________, 2023], (C) the current bylaws of the District, (D) (I) Resolution No. 1213 (Resolution Ordering An Election to Authorize the Issuance of General Obligation Bonds in an Amount not to Exceed $425,000,000, Setting forth the Specifications thereof and Requesting Consolidation with Other Elections Occurring on November 3, 2020, and Authorizing Certain Actions and Accountability Measures with Respect thereto) adopted at a meeting of the Board of Directors of the District held on July 20, 2020, (II) Certified Final Results (Cumulative Totals) of all votes cast in Alameda County and in Washington Township Health Care District at the General District Election held on Tuesday, November 3, 2020, certified on December 1, 2020, by the Registrar of Voters for the County of Alameda, State of California, and (III) Sample Ballot of the County of Alameda, State of California for the General Election held on Tuesday, November 3, 2020 (the "2020 Election Documents"), and (E) the District Resolution), (iv) representations and warranties made by the District in the agreements and certificates executed by the District in connection with the Bonds, and (v) other information provided to me by the District. I have assumed and have not verified the accuracy of the facts stated in any certificate, answers to questions, or the documents provided to me in response to the information request including, without limitation, those listed above.

As described above, I have acted as special counsel to the District in matters related to the sale and delivery of the Bonds, but I am not general counsel to the District.

As used herein, the words "to my knowledge" or similar language means my actual knowledge, based solely upon (i) my review of the Bonds, the District Resolution, the Bond Purchase Contract and the Continuing Disclosure Agreement (collectively, the "District Documents"), (ii) my review of documents made available by the District in response to the Due Diligence List sent ________, 2023, and (iii) information and certifications contained in a certificate of the Chief Executive Officer of the District dated ________, 2023 (the "Officer's Certificate"), all without further investigation; provided that for purposes of the opinions expressed in (A) subparagraphs (a) through (d) of paragraph 5, "to my knowledge" means my actual knowledge based solely on a litigation search, without further investigation, of the docket of [(1) the federal court for the Northern District of California and (2) the Alameda County Superior Court, in each case, performed by CLAS Worldwide Information Services as of February 2, 2022, and February 1, 2022, respectively (the "Litigation Search")], and (B) subparagraph (b) of paragraph 8, "to my knowledge" means my actual knowledge based solely on the Litigation Search and the Officer's Certificate, each without further investigation.

My opinion in (i) paragraph 1 is based solely upon my review of the 1948 Resolution, and (ii) paragraph 4 is based solely upon my review of the 2020 Election Documents.

In rendering this opinion, I have made the following assumptions:

- (1) the authenticity of all items submitted to me as originals, (2) the conformity to originals of all items submitted to me as certified or photostatic copies, (3) originals or certified or photostatic copies submitted have not been amended or modified after submission to me, and (4) except for the signatures on behalf of the District, the genuineness of such signatures and the legal capacity and due authority of all persons executing the same.

- All parties other than the District have: (1) the requisite corporate or other authority and power to execute, deliver and perform their obligations under the documents to which they are parties; (2) duly authorized by all requisite corporate or other action the execution and delivery of the documents to which they are parties; and (3) duly executed and delivered the documents to which they are parties.

- All documents to be executed by parties other than the District constitute valid and binding agreements enforceable against each of such parties thereto in accordance with their respective terms.

Based on the foregoing and solely in reliance thereon, and subject to the qualifications set forth below, as of the date hereof, it is my opinion that:

1. The District is a local health care district and public entity duly organized and existing under the Law and the Constitution of the State of California.

2. The District has full right, power and authority, as a local healthcare district, to execute and deliver, and perform its obligations under, the District Documents and as described in the Official Statement.

3. The District Resolution was duly adopted at a meeting of the District's Board of Directors, with all notice required by law and at which a quorum was present and acting throughout, and is in full force and effect and has not been modified, amended or rescinded.

4. The Authorization was duly approved at an election duly called and held in compliance with applicable laws of the State of California.

5. (a) Except as otherwise disclosed in the Official Statement, to my knowledge, there is no litigation, proceeding, action, suit, or investigation at law or in equity before or by any court, governmental agency or body, pending or threatened against the District, challenging the creation, organization or existence of the District or the right or title of any officer of the District to hold his or her respective office or exercise or perform the powers and duties pertaining thereto.

(b) Except as otherwise disclosed in the Official Statement, to my knowledge, there is no litigation, proceeding, action, suit, or investigation at law or in equity before or by any court, governmental agency or body, pending or threatened against the District, challenging the validity of the District Documents or the Authorization, or seeking to restrain or enjoin the issuance, sale or repayment of the Bonds, or in any way affecting the validity of the District Documents or the Authorization, or contesting the authority of the District to enter into or perform its obligations under any of the District Documents.

(c) Except as otherwise disclosed in the Official Statement, to my knowledge, there is no litigation, proceeding, action, suit, or investigation at law or in equity before or by any court, governmental agency or body, pending or threatened against the District, under which a determination adverse to the District would have a material adverse effect upon the financial condition, or operations or the revenues of the District.

(d) Except as otherwise disclosed in the Official Statement, to my knowledge, there is no litigation, proceeding, action, suit, or investigation at law or in equity before or by any court, governmental agency or body, pending or threatened against the District, which, in any manner, questions the right of the District to cause *ad valorem* taxes to be applied to the repayment of the Bonds or affects in any manner the right or ability of the District to collect or pledge such *ad valorem* taxes to the payment of the principal of and interest on the Bonds.

6. The District Documents have each been duly authorized, executed and delivered by the District.

7. The District Documents constitute the legal, valid and binding obligations of the District enforceable against the District in accordance with their respective terms except, in each case, as such enforceability may be limited by bankruptcy, reorganization, insolvency and other similar laws affecting the enforceability of creditors' rights generally, by the application of equitable principles, if equitable remedies are sought, and the application of judicial discretion, by the covenant of good faith and fair dealing which by law may be implied into contracts, and except as the enforcement of any indemnification provisions may be (i) held to be against public policy, or (ii) limited by applicable law.

8. The authorization, execution and delivery by the District of, and the performance by the District of its obligations under, the District Documents do not constitute a violation or

breach of or default under (a) any California or federal law known to me to be applicable to the District and typically applicable to transactions of the type described in the District Documents, (b) any applicable court order or decree known to me, or (c) to my knowledge, any contract, instrument or agreement to which the District is a party or by which it is bound, which violation, breach or default might have consequences that would materially and adversely affect consummation by the District of the transactions described in the District Documents.

9. Based upon the information made available to me in the course of my review of the Official Statement, in preliminary form (the "Preliminary Official Statement"), and the Official Statement, and without having undertaken to determine independently or assuming any responsibility for the accuracy, completeness or fairness of the information or the statements contained in the Preliminary Official Statement or in the Official Statement, nothing has come to my attention that would lead me to believe that the Preliminary Official Statement, as of the date thereof and as of the date of sale of the Bonds, or the Official Statement, as of the date thereof and as of the date hereof (except, in each case, for the financial statements or financial information (including pro forma information), demographic, statistical, economic or engineering data or forecasts, numbers, charts, tables, graphs, projections, assumptions or expressions of opinions, the information concerning The Depository Trust Company its nominee the book-entry system, or the Paying Agent, and Appendices A, B, D, and E, as to all of which I express no opinion or view), contains or contained any untrue statement of a material fact or omits or omitted to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

I express no opinion with respect to the laws of any state or jurisdiction other than California, except that I express my opinion with respect to federal law with respect to (i) subparagraph (a) of paragraph 8 and (ii) paragraph 9. My opinion with respect to the enforceability of, or the effect of any fact upon, any agreement referred to herein is rendered as if such agreement were to be construed in accordance with and governed by the laws of the State of California, whether or not such agreement is to be so construed or governed. I advise you that under existing law, a provision for indemnity of any person may not be enforced to the extent such person is guilty of fraud, bad faith or willful misconduct. I further advise you that enforcement of indemnification provisions in any of the documents may be limited by applicable securities or other laws or held to be against public policy. I express no opinion as to the enforceability of any provision concerning governing or choice of law, jurisdiction, waiver or contribution.

I express no opinion as to any state or federal securities or blue sky laws or their application to any of the documents referred to herein or any transaction described in such documents, except as to the standards of materiality necessary to give my opinion in paragraph 9.

My opinions herein are based on laws, regulations, rulings and court decisions as of the date hereof.

My opinions herein are further qualified as follows: (i) as special counsel to the District in this matter, I have not rendered financial advice to it and do not represent by this letter or otherwise that I have reviewed or made any assessment about, nor do I express any opinion with respect to, the past, present or future financial condition of the District or any of its affiliates, (ii) as set forth above, I have undertaken a limited review in connection with the opinions expressed herein, and because of the complexity of the laws applicable to, and the myriad of operations and transactions entered into by, a modern hospital, healthcare system and healthcare district and all their related organizations, (A) there can be no assurance that all relevant facts have been revealed to me in the course of my review, and (B) my limited review would not necessarily disclose every violation of applicable law.

The opinions set forth herein are expressed as of the date of this letter, and I assume no obligation to advise you of any circumstances, events or developments which may be brought to my attention following the date hereof and which may alter, affect or modify the opinions expressed herein.

This opinion is furnished by me as special counsel to the District and it may be relied upon only by the addressees in connection with the transactions described in the District Resolution, the Bond Purchase Contract and the Official Statement. This letter shall not be used, quoted, disseminated, circulated or relied upon by any other person or entity, for any purpose without my prior written consent; except that it may be included in the transcript of documents prepared in connection with the execution and delivery of the Bonds.

Very truly yours,

MARY K. NORVELL
Attorney at Law

EXHIBIT D TO
BOND PURCHASE CONTRACT

CERTIFICATE OF PAYING AGENT

[TO BE UPDATED]

The undersigned hereby states and certifies as follows:

(a) the undersigned is an authorized officer of U.S. Bank Trust Company, National Association (the "Bank"), a national banking association duly organized and validly existing under the laws of the United States of America and serving as paying agent in connection with the $________ aggregate principal amount of Washington Township Health Care District (Alameda County, California), 2020 Election General Obligation Bonds, 2023 Series B (the "Bonds"), which are issued in accordance with Resolution No. ________ (the "District Resolution") of the Board of Directors of the Washington Township Health Care District (the "District"), adopted on _________, 2023;

(b) to the knowledge of the undersigned officer, the compliance with the provisions on the Bank's part contained in the District Resolution and the Paying Agent Agreement, dated as of September 1, 2023 (the "Agreement"), between the Bank and the District, will not conflict with or constitute a breach of or default under any law, administrative regulation, judgment, or decree (except that no representation, warranty or agreement is made with respect to any federal or state securities or Blue Sky laws or regulations), nor will any such execution, delivery or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets held by the Bank pursuant to the District Resolution and the Agreement under the terms of any such law, administrative regulation, judgment, or decree, except as provided in the District Resolution and the Agreement;

(c) to the knowledge of the undersigned officer, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, that has been served on or threatened against the Bank affecting the existence of the Bank or the entitlement of its officers to their respective offices, or seeking to prohibit, restrain or enjoin the execution and delivery of the Agreement or the collection of moneys pledged or to be pledged to pay the principal, premium, if any, and interest on the Bonds or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Agreement, or contesting the power or authority of the Bank to enter into, adopt or perform its obligations under the foregoing, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Agreement;

(d) within the scope of its obligations imposed by the District Resolution and the Agreement, the Bank will furnish such information as it has in its possession, execute such applications and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in writing in order to enable (i) the qualification of the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States of America as the Underwriter may designate and (ii) the determination of the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, or to enable the continuance of such qualification in effect so long as required for distribution of the Bonds; provided, however, that in no event shall the Bank be required to take any action that would (i) subject it to any service of process in any jurisdiction in which it is not now so subject or (ii) result in it doing business in any jurisdiction in which it is not now so doing business.

Unless otherwise specified, all capitalized terms used herein shall be as defined in the District Resolution.

Dated: ________, 2023

U.S. Bank Trust Company, National Association,
as Paying Agent

By: ______________________________
Authorized Representative