

**Leadership Survey on Fundraising
for Palm Drive Hospital**

**Final Report
of
Findings, Observations
and Recommendations**

Prepared by
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September 9, 2013

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September 9, 2013

Ladies and Gentlemen:

In June of this year, you commissioned us to survey the leadership of the Palm Drive Health Care District and the Palm Drive Health Care Foundation with regard to fundraising for Palm Drive Hospital (PDH). The purpose of this survey has been fourfold:

- 1) inform upcoming decisions through the lens of the leaders' commitment to PDH and their experience with fundraising and the local community;
- 2) demonstrate respect for differing perspectives;
- 3) begin to find common ground;
- 4) provide a baseline of information to organize the fundraising for the greatest benefit to PDH in advance of a capital campaign feasibility study.

We welcomed this assignment and undertook it with the full weight of our commitment and experience. What follows is a report of our findings, observations and recommendations.

Thank you very much for the opportunity to assist you at this important time in the Hospital's history. It is a pleasure working with you. We look forward to seeing you build upon the results of this process and arrive at the best possible model for fundraising on the Hospital's behalf.

Sincerely,

Gail Terry Grimes and Vera Berg
Study Directors

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1. EXECUTIVE SUMMARY

KEY FINDINGS

Please understand that findings reflect interviewee perceptions, and perceptions may, in some cases, have little or no basis in fact. In fund raising, however, perception is important, because decisions are made almost entirely from personal perception; therefore, in our case, perception is reality.

Most interviewees believe that Palm Drive Health Care Foundation should raise funds exclusively for the Hospital, not for other causes, and that the Foundation is not fulfilling its role as a fundraising organization. Most would support a closer formal relationship, in which the Hospital or District board oversees the Foundation and determines fundraising priorities based on PDH's strategic plans. Half of the Foundation interviewees support these findings.

The Foundation is not prepared for a capital campaign. Most believe that greater collaboration is needed between the Hospital and Foundation. More significantly, there is an all-round lack of major-gift fundraising experience, personal giving capacity, contacts and influence in the philanthropic community.

Relations between the Foundation and District are improving. Best of all, the new PDH CEO and CFO have earned the Foundation's trust; their arrival has been a turning point. Finally, whatever challenges and shortcomings may currently exist, the Foundation deserves kudos for its loyalty and staying power in the face great turmoil and uncertainty.

KEY RECOMMENDATIONS

- 1. Retain the current Foundation 501 (c) (3) corporation and change its mission to raise funds exclusively for Palm Drive Hospital.** To reflect the new mission, change the name of the Foundation to Palm Drive Hospital Foundation (PDHF), or, **if necessary, create a new 501 (c) (3) organization that reflects these changes.** Per best practices, the new PDHF should have **no role in determining hospital policy, purchases, personnel, physician relations, marketing or public relations.**
- 2. Adopt new Foundation by-laws** modeled after those of successful district hospital foundations, such as the Marin General Hospital Foundation, where the hospital is the sole member of the Foundation. Following best practices among district hospital foundations, the District Board must approve by-laws and subsequent by-law changes.

2. METHODOLOGY

The study followed best practices in qualitative research.

Study Materials. In collaboration with PDH CEO Tom Harlan, we started the project by writing a three-page white paper (“On the Role of Philanthropy in Support of Palm Drive Hospital”) describing the present situation and the Hospital’s philanthropic needs (Appendix A: White Paper). We also wrote a 16-question survey instrument designed to elicit input about the history, present circumstances and future of fundraising for PDH (Appendix B: Questionnaire).

Interviewees. In all, 25 individuals were interviewed, 22 of them using the survey instrument: all five District board members, all 13 Foundation board members, Mr. Harlan, PDH Chief Financial Officer Rick Reid, and Foundation Development Director Don Spradlin and Executive Assistant Susan Engle. In addition, we spoke with three senior representatives of other district hospitals for their perspectives on fundraising. (Appendix E: List of Interviewees).

Invitation Process. Invitations to participate in the survey were issued either in person or over the telephone by Gail Mullins. These verbal invitations were followed by a letter of confirmation sent by email or U.S. Mail (Appendix C: Confirmation Letter) from the Hospital CEO. A copy of the white paper accompanied each letter.

Interview Process. Interviews ranged in length from 45 to 90 minutes. They took place in private between one interviewee and one study director (either Ms. Grimes or Ms. Berg). Most interviews took place in the conference room of the Foundation offices; a few (5) were held in PDH Administrative offices or by telephone. **All participants were told their remarks would be held in confidence.**

Interviewees were asked if they had read the white paper; some had, some had not. If the answer was no, the study director provided a copy for the interviewee to read. Then the survey questions were asked orally and the responses recorded in handwritten or typed notes that the study directors later shared only with each other.

Report Format. This written report is organized as follows: Each finding and recommendation is numbered for ease of reference. Most are followed by a few explanatory words and one or more illustrative anonymous quotes (presented in italics) from the interviewees. Selected findings are also represented in graphic form.

3. FINDINGS AND OBSERVATIONS

3. a. OVERVIEW

FINDING #1: Interviewees were uniformly respectful and forthcoming. We were grateful for their courtesy and candor.

OBSERVATION: Virtually everyone seemed pleased, even eager, to participate. All who were invited to participate agreed to do so. People were punctual and, when necessary, willing to continue talking longer than the 45 minutes originally scheduled. This response bodes well for future cooperation between the Foundation and District boards.

FINDING #2: Four Foundation board members live outside of the Sebastopol city limits. At the time of the 2010 Census, Sebastopol had a population of 7,379, while the District serves a population of 60,000—in Graton, Forestville, Bodega Bay, Carmet, Salmon Creek, Jenner, Duncan's Mills, Guerneville, Occidental, Freestone, Rio Nido, Monte Rio, Guerneville Park, Summerhome and Mirabel Park, as well as Sebastopol.

OBSERVATION: This skewed representation could negatively impact fundraising if potential donors perceive PDH as a Sebastopol-only institution. Several Foundation members said recent attempts to recruit new board members from outlying areas have not been successful.

FINDING #3: There is a universal desire for greater collaboration.

“For the Foundation to be effective it must be able to work with the Hospital.”

3. b. HISTORICAL PERSPECTIVE

FINDING #4: A strong sense of place was the motivation behind the community’s decision to save PDH in 2000. People see the area as special, distinct and independent.

“There’s always been a fierce local identity. People here want it to mean something that they’re from Sebastopol.”

“There was a very strong desire to keep health care local. I’m typical; I maybe go to Santa Rosa 2-3 times a year. Very strong community based—lot of anti-big-business feeling.”

“(The feeling was), if the community was going to flourish, it needed its own hospital.”

Other reasons given for the success of the campaign to save PDH:

A strong economy. *“The whole process came at a time when people were flush with money.” “There were plenty of people who had retired here with big bank accounts.”*

Disaster preparedness. *“I remember when we had the Loma Prieta earthquake; they stopped traffic (in and out of the area). People were stranded.” “Homeland Security wants to have small hospitals to triage—it’s vital.”*

FINDING #5: No one from the District or Foundation board was involved in saving the hospital. Most organizations have long-term relationships, yet no one from the “35 for Palm Drive” group is now part of the Hospital’s inner circle, even though the event was only 13 years ago.

“It was made up of well-connected people and doctors – community leaders, many of whom had a related health care background. A dynamite group.”

OBSERVATION: Fundraising is largely a function of relationships, which take time to build. The current break with the past represents an obstacle to campaign success.

3. c. THE FOUNDATION AND ITS ROLE

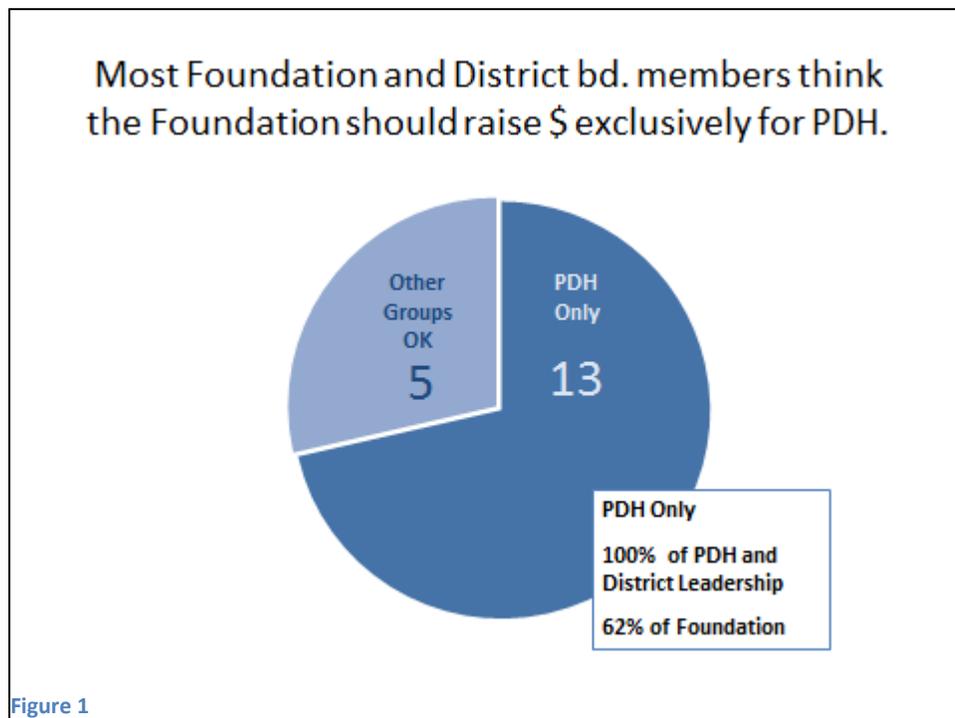
FINDING #6: Most Foundation and District board members believe the Foundation should raise money exclusively for PDH, not for other causes. (See Figure 1)

“The purpose of the Foundation is to support PDH, not west county health care.”

“It’s not our objective to raise money for anything other than the Hospital.”

“The Foundation’s role is to help raise money for the Hospital.”

OBSERVATION: Most, though not all, U.S. hospitals have a foundation or development department dedicated exclusively to furthering their mission. In Northern California, Healdsburg District Hospital is the rare exception; its philanthropy comes from a community foundation that also serves other groups. (Appendix D: Mission statements of other Northern California district hospitals.)



FINDING #7: Thirty-eight percent of the Foundation board members believe they should raise money for other causes as well as for the Hospital.

“Both the District and the Foundation have a broader mandate than operating the Hospital, so it’s not necessarily limited or centered on there being a hospital here.”

“Our mission is the county.”

OBSERVATION: The practice of supporting other organizations in addition to PDH misleads the community, given that the Foundation has Palm Drive in its name. Moreover, the size of the Hospital’s philanthropic need makes it unlikely there will be dollars to spare for other causes in the near future.

FINDING #8: Many Foundation board members see their primary roles for PDH as public relations, cheerleading, and some aspects of Hospital operations.

“(The Foundation’s role is) working with the Hospital from a PR standpoint to communicate messages that the Hospital wants to tell.”

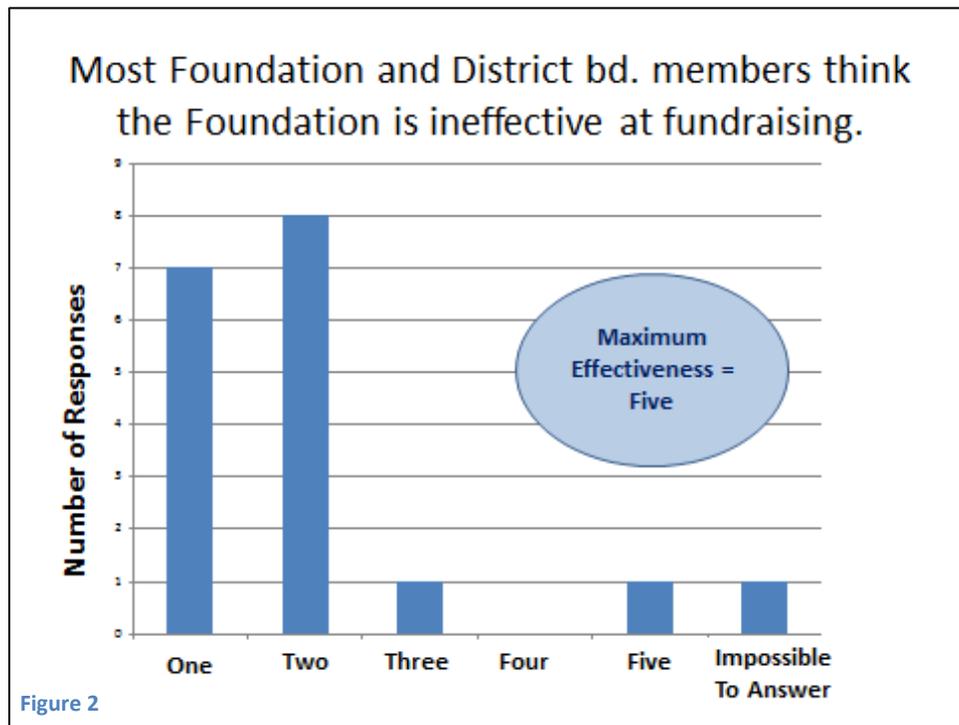
“The Foundation was going to M.D.’s to identify the Hospital’s needs, going around management.”

“The Foundation board has always been a co-mingling of people wanting to raise money and wanting to have a say in running the Hospital, and the money we raise will give us that credential (meaning, that right to have a say in the running of the Hospital).”

FINDING #9: Most District and Foundation board members think the Foundation is not fulfilling its role. (See Figure 2, page 6)

“It’s clear that our community-based Foundation that historically has put on small fundraisers or sent out newsletters does not generate the kind of support that has to take place for the Hospital to survive.”

“It bothers all of us to some degree that we aren’t being more successful.”



FINDING #10: Almost all interviewees see the Foundation’s “passion” for the Hospital as its greatest strength.

“They care about the Hospital. They want to see it do well and survive and be a meaningful institution in Sebastopol and West County.”

FINDING #11: With a few exceptions, interviewees characterized the Foundation as “well-intentioned but not equipped to do” what is needed.

“(The Foundation is) a group of people who really love the hospital. What I struggle with is, and I have come to the conclusion is, that that’s not enough.”

FINDING #12: According to several interviewees, people in the community do not trust the Foundation to use gifts appropriately and are withholding contributions on that basis.

“They have good intentions but they lack the trust of the community.”

“Important members of the community are steering clear of the Foundation.”

“Funding other organizations adversely affects fundraising. People want to know exactly where their contributions are going.”

FINDING #13: Some newer Foundation members are questioning their involvement. “

“I’m still struggling with whether I bring a whole lot to the table.”

“I’m rethinking whether to stay on. The more I’ve learned the less compelling it (the Foundation) seems.”

3. d. RELATIONS BETWEEN FOUNDATION AND DISTRICT BOARD

FINDING #14: Both sides lack trust.

“Cautious.”

“Cordial but not intimate.”

FINDING #15: Most Foundation board members see their ineffectiveness at fundraising as the result of a lack of communication, direction and encouragement from the District and Hospital. They say this has given them no choice but to work independently.

“We’re held back by a lack of information by which to promote the Hospital.”

“There is no discussion of fundraising on the (District) agenda (and) the Foundation is only allowed a couple minutes of comment, so it doesn’t feel very inclusive.”

“It’s difficult when we hold a fundraising function and no one from the District shows up.”

OBSERVATION: Leaders of the Hospital, District and Foundation all want to maximize the potential of fundraising efforts going forward, but without cordial and collegial relationships between District leaders and community volunteers who support the Hospital, significant fundraising is nearly impossible.

3. e. RELATIONS BETWEEN FOUNDATION AND ADMINISTRATION

FINDING #16: Most District and Foundation board members see relations between the Foundation and Hospital Administration as much improved. They credit Tom Harlan and Rick Reid with this turnaround.

Tom Harlan: *“He has wonderful experience.” “Cooperative, friendly.” “Very trusted.” “By temperament he’s going to be a real asset.” “The Foundation respects Tom and trusts him. He’s kind and cautious and will treat them thoughtfully.”*

Rick Reid: *“Top notch.” “Knows what he’s doing” “Wonderful – very honest, open but tactful. Genuinely respected.”*

OBSERVATION: This newfound trust has given everyone a lift. It represents a turning point that is the best news we uncovered for future cooperation.

3. f. FUNDRAISING STRUCTURE/PROCESS/STRATEGY

FINDING #17: All interviewees were open to changes in how fundraising is done—though they disagree as to what the changes should be.

“We’ve been doing events and letters for 13 years and can hardly cover our overhead, so it’s time to do something different.”

FINDING #18: Most District and Foundation board members favor a closer organizational relationship with the Hospital, in which fundraising priorities derive from PDH rather than from the Foundation. Beyond this, suggestions varied.

“Maybe fold us into the Hospital operations, so we’re under the umbrella of the Hospital.”

“The Foundation and Hospital need to be tied together structurally. The Foundation executive director needs to report to the CEO and be part of the Hospital leadership team to know what’s going on.”

FINDING #19: A few Foundation members expressed a preference for the current, or even greater, separation between the Foundation and Hospital.

“There’s a lot of feeling from the Hospital side that the Foundation should come under the Hospital umbrella, but we want our autonomy.”

FINDING #20: Most interviewees said they favor a greater emphasis on major-gift fundraising.

“Large funds come from relationships and personal asks.”

FINDING #21: Several District and Foundation board members mentioned legacy gifts as their other preferred method of raising funds for PDH. The Foundation recently approved the establishment of a planned giving program.

OBSERVATION: Planned giving is a specialized form of fundraising. While bequests provide a simple means of securing planned gifts, and should always be encouraged, a small hospital like PDH, with limited fundraising infrastructure, does not usually take on the demands (and long-range payoff) of a complex deferred giving program when outright gifts are urgently needed.

FINDING #22: Several District and Foundation board members suggested grants as a potential major source of funding for the Foundation.

OBSERVATION: Grants from corporations are almost non-existent unless there is a strong connection to corporate leadership or the gift provides a formidable marketing opportunity for the corporation. Grants from foundations are highly competitive and are most likely won if there are connections to the directors. Such contacts were not identified by anyone in the survey.

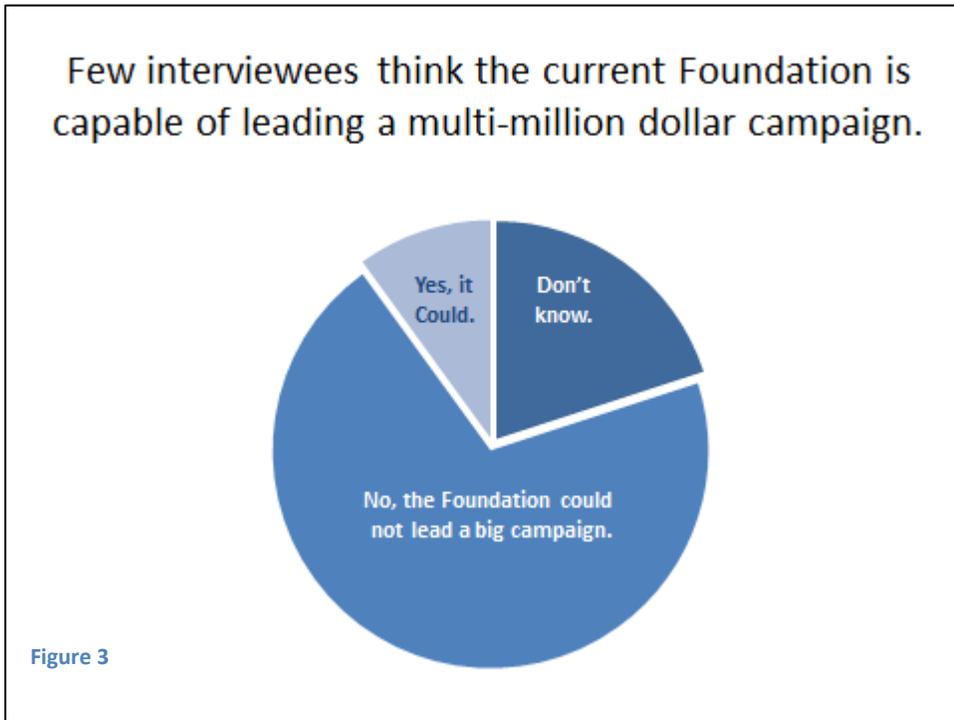
3. g. FUNDRAISING POTENTIAL AND A CAPITAL CAMPAIGN

FINDING #23: Many but not all interviewees think the community served by PHD has less potential for major gifts than other North Bay communities.

“We don’t have the liquidity of wealth that Marin, Napa, Sonoma, even Healdsburg have. It’s a much smaller pool of wealth.”

“I don’t see it being the numbers (raised in) Sonoma or Healdsburg.”

FINDING #24: As currently configured, the Foundation lacks what is needed to launch a successful multi-million dollar capital campaign. (See Figure 3.) This is borne out by Findings #25– 31.



FINDING #25: There are no potential major donors on either board and no one with a peer-level connection to significant wealth in the community. This reflects the historical emphasis on small gifts and grassroots events and letters.

“I don’t believe the people on the (Foundation) board could pick up the phone and create ‘35 for Palm Drive’ again.”

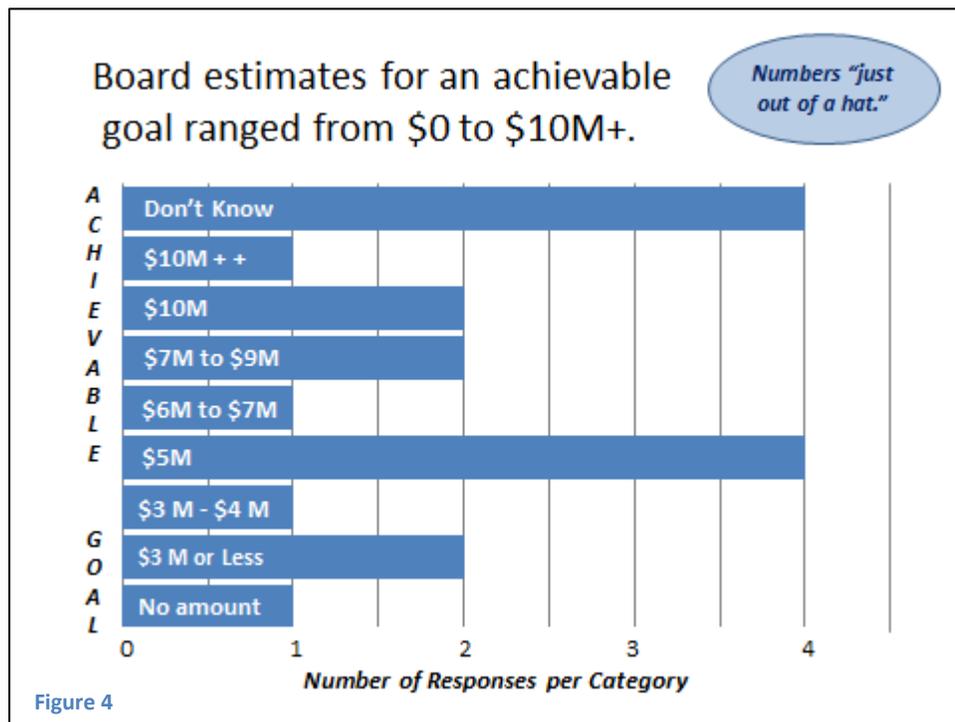
“Heavy hitters in the community who want to build the next step do not exist on the board now. Not even close.”

“There are no deep pockets.”

OBSERVATION: Without members from philanthropic circles who are able to give generously themselves and attract major gifts, the Foundation cannot possibly raise anywhere near what the Hospital needs. As one interviewee put it: *“We need a classic hospital foundation that can raise lots of money and write big checks.”*

FINDING #26: Estimates for an achievable campaign goal varied widely, from zero to more than \$10 million. (See Figure 4.)

OBSERVATION: It is unfortunate that the closest friends of such a long-established institution have little knowledge of the local philanthropic community’s capacity or interest. This makes interviews with ‘35 for Palm Drive’ members and other community leaders who are not currently on the Foundation Board an essential next step in determining the feasibility of major fundraising.



FINDING #27: Those who believe a high goal is possible seem to underestimate and misunderstand the experiences and interpersonal connections required to secure large gifts.

“It’s just a case of reviving people’s consciousness and knowledge of the Hospital.”

“Once they get stable leadership like Tom and a plan, they can go out and ask.”

FINDING #28: All but one Foundation board member said they would be willing to play an active role in a campaign, yet few see their role as personally asking for large gifts.

Instead, most volunteered to play a supporting role.

“I could host events.”

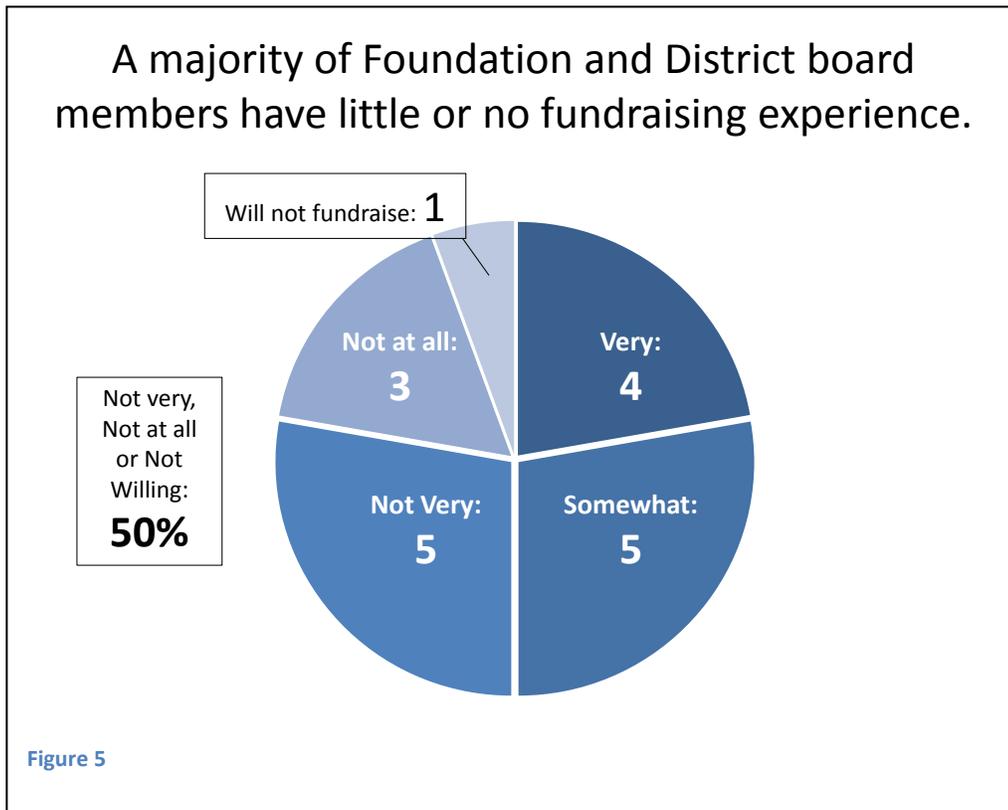
“I’m good with language and public speaking.”

“I’m a good strategizer.”

“I could be helpful with vision.”

FINDING #29: Although half of the District and Foundation board members reported having some fundraising experience, only one person has directly asked for a gift of more than four figures. (See Figures 5 and 6.)

OBSERVATION: The Foundation Board has far less knowledge and experience of fundraising than most other hospital foundation boards.



FINDING #30: When asked what needs to happen for a campaign to succeed, most Foundation board members put forth one or all of the following suggestions:

- **A greater investment in positive public relations.**

“We need far more publicity about the Hospital and its capabilities, its positive situation both financially and the various programs. That could very easily be done. If that were to happen, then the current Foundation could do a campaign.”

- **A compelling plan for the future of the Hospital.**

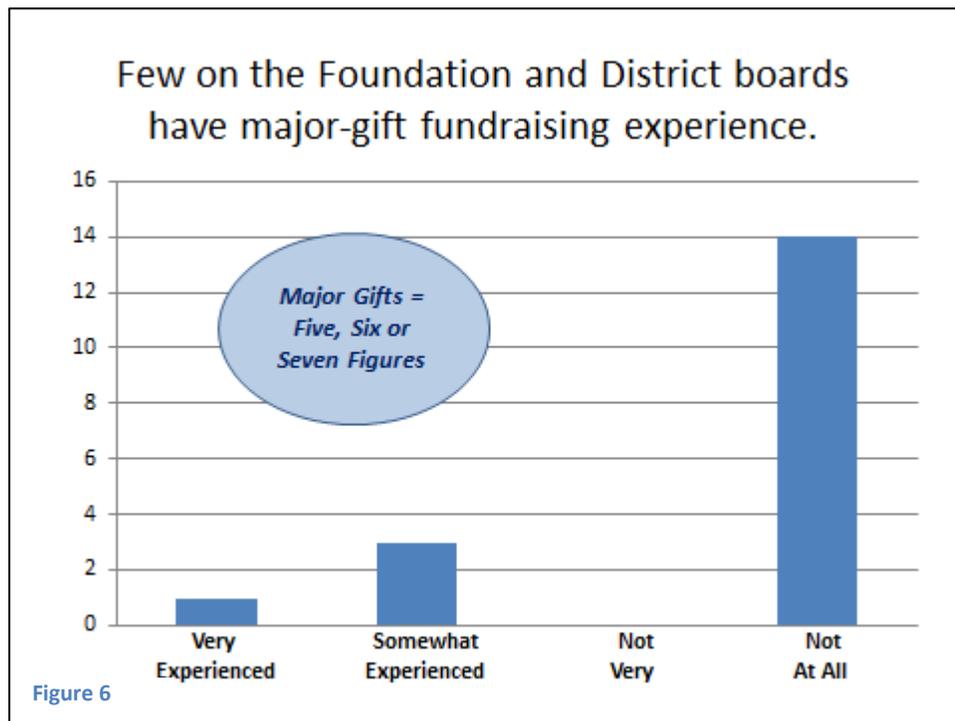
“(The Foundation has been) treading water . . . hoping the Hospital could articulate something compelling.” “People of wealth want to know how their money will be used.”

- **Improved relations between the District and Foundation boards.**

“All (Palm Drive) boards need to have a cordial and collegial relationship to function.

- **An enlargement of the Foundation board. A couple people suggested this and one person said,**

“We need to outsource the campaign to people who have the skill to do the job. We need expertise.”



3. h. IMPACT OF NEW SUTTER HOSPITAL

FINDING #31: Most, but not all, District and Foundation board members think the new Sutter Hospital in Santa Rosa will have a negative impact on PDH.

“My concern is that (Sutter) will . . . want their docs to feed cases (only) to them (and no longer allow them to admit to PDH).”

“The northern part of the District will use Sutter and reduce patients to Palm Drive.”

4. RECOMMENDATIONS

4. a. INTRODUCTION

- **The most important, strongest and most universal reaction to the survey is that everyone wants Palm Drive Hospital to survive and continue to serve the residents of the District.**
- **Members of both boards agree that to survive the Hospital must have significant philanthropic support.**
- **The findings and observations of this report clearly show that changes are imperative in the current system of fundraising in order to attract the level of philanthropy necessary for the operational and capital needs of the hospital.**
- **Philanthropy will make the difference between maintaining a top-notch hospital and closure.**
- **As your consultants, with more than 60 years of strategic hospital fund development experience between us, we have given the philanthropic structure at Palm Drive Hospital considerable thought and discussion, and we have not made these recommendations lightly. We realize that implementing them will be difficult, but they are necessary to the future of Palm Drive Hospital and the care it provides the people of West Sonoma County.**
- **The community is counting on you - the elected, volunteer and administrative leadership -to make the right decisions that will keep PDH open and to make sure the hospital continues providing the best possible emergency, inpatient and outpatient services.**

We are proposing the following recommendations to create the best possible philanthropic structure for Palm Drive Hospital:

4. b. FOUNDATION STRUCTURE

1. **Retain the current Foundation 501 (c) (3) corporation** to build on what exists and provide continuity and avoid the appearance of conflict

2. **Change the Foundation's mission to raise funds exclusively for Palm Drive Hospital.** This will help reestablish the community trust and encourage previous donors and new donor prospects to give.
3. **Change the name of the Foundation to Palm Drive Hospital Foundation** to reflect the new, focused fundraising mission and to signal the community that all gifts will go toward the Hospital, as intended.
4. Create a **Foundation board member handbook** containing by-laws, board responsibilities, committee descriptions, minimum Board giving levels, term limits, etc.
5. **Institute specific term limits for Foundation Board members.** It is a best practice to have term limits in non-profit foundation by-laws to retire long-standing board members and make way for new faces and new ideas to extend a broader reach into the community. This is also the healthiest way to transition the board and leave history behind.

4. c. ROLES AND RESPONSIBILITIES

6. Per best practices, give no role to the Palm Drive Hospital Foundation **in determining hospital policy, purchases, personnel, physician relations, marketing or public relations.** These are hospital, not foundation, functions.
7. Establish procedures whereby the **Hospital CEO and District Board routinely provide the Foundation with strong, clear direction and updates on the Hospital.**
8. **The Hospital CEO should serve as liaison between the District and Foundation boards.** He should communicate the financial needs and priorities of the Hospital to the Foundation Board and provide frequent updates that will prepare Foundation Board members to be well-informed and intelligent fundraisers.
9. **Give the District Board final approval** of prospective members of the newly configured Foundation.
10. **Grant the CEO a well-defined role in reorganizing the Foundation** that will not interfere with his already extraordinary task of running the Hospital.
11. **Make the Hospital CEO an ex officio member of the Foundation Board** and allow him to participate in fundraising when appropriate.

12. **Conduct Foundation Board meetings in private.** By nature, fundraising strategy and donor discussions are confidential.
13. **Ask the Foundation Board to carry out two initial tasks:**
 - a. **Adopt new Foundation by-laws incorporating relevant recommendations.** Model the new by-laws after those of successful district hospital foundations, such as the Marin General Hospital Foundation, where the hospital is the sole member of the Foundation. These new by-laws will reflect the new structure suggested in these recommendations. Following best practices among district hospital foundations, the District Board must approve by-laws and subsequent by-law changes.
 - b. **Identify new board prospects from the entire West Sonoma County area.** This should be a **slow and deliberate process** to assure that only those who are willing to give and ask for gifts are invited.

4. d. FUNDRAISING STAFF

14. **Engage an experienced professional full-time director of development** to staff the Foundation and to guide its Board in fundraising best practices. This is an investment that is essential to an expanded fundraising program.
15. **Agree that the Director of Development will report to the Hospital CEO and the chairperson of the Foundation Board.** As with other successful Foundation and District board relationships, the District Board should have no role in supervising Foundation personnel or running the Foundation.

4. e. FUNDING PRIORITIES AND GOALS

16. Have **the District Board determine funding priorities and** communicate them through the Hospital CEO to PDHF, inviting input from the Foundation as to what projects will be most attractive to donors.
17. **Ask the Foundation to determine its financial goals** for each year based on the needs of the Hospital (as determined by the District Board and communicated by the Hospital CEO), the prior year's Foundation income and whatever increased funding potential has been achieved.

4. f. PUBLIC RELATIONS

18. **The Hospital should launch a public relations campaign** to get ahead of the opening of the new Sutter Medical Center, highlighting the benefits of a small, patient-centered neighborhood hospital.
19. **Publically recognize retiring members** with a proclamation and celebration of their accomplishments. The passion and hard work of the current PDHCF board have been outstanding.
20. **Establish an Honorary Board** of members who retire from the Foundation in good standing. The sole purpose of the Honorary Board is to support the fundraising activities of PDHF.
21. **Send press releases** announcing the new focus of the Foundation, its new name and remaining board members.

4. g. A SEPARATE FOUNDATION

23. **A highly successful fundraising program, fully dedicated to the Hospital, is essential to PDH's survival amid the financial uncertainties inherent in healthcare today.** If the PDHC Foundation Board chooses not to follow the recommendations outlined here, the District must **create its own separate foundation following these guidelines.**

4. h. A CAPITAL CAMPAIGN

24. If Palm Drive Hospital moves forward with a Campaign Planning and Feasibility Study, and, if the Feasibility Study suggests that PDH proceed with a capital campaign, **a capital campaign committee—comprised of key members of the community who have the ability to make significant gifts and/or who have contacts in the community capable of the kind of gifts necessary for a successful campaign — should be recruited. The campaign committee will run the campaign concurrent to the Foundation transition process.**

APPENDIX A: WHITE PAPER

WHITE PAPER

On the Role of Philanthropy in Support of Palm Drive Hospital
As of June 12, 2013

The Hospital and Foundation leadership wish to maximize the potential of fundraising efforts going forward. How best to proceed is currently under discussion; a range of options is on the table, including a possible restructuring of development.

The purpose of this study is to determine the best possible fundraising model to provide the hospital with strong philanthropic support to enable it to care for our community with the finest hospital staff, medical staff, facilities and equipment.

The outcome of the study will be based primarily on interviews with the District and Foundation leadership for their insights, ideas and expectations for the future. No one knows Palm Drive Hospital or the West County community better than these individuals. A fuller understanding of their individual perspectives will be of great value at this time. Selected CEOs of other District Hospitals will also be interviewed to learn from their experience and successes.

Because healthcare is continuously changing, the need for philanthropy is perpetual.

Not-for-profit hospitals increasingly depend on philanthropy to help fund annual needs and capital investments. In fact, industry experts predict that soon only those communities with strong philanthropic support for their local hospitals will have access to the best healthcare.

Philanthropy has always been important to Palm Drive Hospital, and the need for philanthropic support is increasing for both annual and capital needs. Breakthroughs in technology and medicine have transformed healthcare, raising expectations for what a hospital should provide and driving up the cost of care. Meanwhile, insurers are reducing what they pay hospitals, and government grants have almost entirely disappeared. The result is a serious under-funding of operations and capital investments, intensified by the dramatic shift in the economy since 2008. As a result, **dozens of California hospitals have been forced to close, significantly reduce services or merge with huge hospital chains and thereby lose their local mission and control.**

The Challenges Facing Palm Drive Hospital

Palm Drive Hospital provides excellent care and exemplary programs for the community. Outstanding physicians are drawn to the Hospital for the opportunity to work in a small, welcoming environment and for the quality of life the West County offers. However, the physical plant does not reflect the exceptional care and medical expertise within the hospital walls and, as in every not-for-profit hospital in the country, operational income does not and cannot cover the cost of capital improvements. Capital funding must come from philanthropy.

The capital needs at Palm Drive Hospital are significant. Once the facility assessment currently underway is finalized, the numbers are likely to change.

- Senior staff has identified a **preliminary estimate of \$20 million in capital needs.**
- Included are **major renovations and expansion of both the Emergency Department (ED)** (Preliminary estimate: **\$5.3 million**) **and the Intensive Care Unit.** (Preliminary estimate: **\$4.5 million**).
- In medical equipment, one of several significant needs is to **replace the existing CT scanner.** (Preliminary estimate: **\$1 million** plus necessary facility upgrades to accommodate it).
- Infrastructure/core systems - **mechanical, electrical & plumbing systems are approaching or have surpassed the end of their acceptable lifespans** and need replacement. In addition, as hospital building and life safety codes have changed, certain systems need to be upgraded to meet current code requirements.

In addition to capital needs, the Hospital requires *annual* support.

- Key clinical programs have an annual operating shortfall.
- Physician recruitment is already a significant annual cost and will increase. In primary care, several local physicians are near retirement. If no one replaces them, patients will likely seek care elsewhere, reducing hospital revenue that is crucial to Palm Drive's continuing service to the community. Costs associated with this and other business development must be absorbed locally.

The success of the study depends on a frank and honest assessment of the strengths and weaknesses of the current fundraising structure. Toward that goal, **individual interviews will be confidential**; results will be presented only in aggregate in the Leadership Study Report.

The Leadership Study interviews, analyses and recommendations will be conducted by Gail Terry Grimes and Vera Berg. Interviews should take no more than 45 minutes each and will be conducted either by phone or in person.

For your information, short bios of Gail and Vera follow:

Vera Berg is the president of **Vera Berg and Associates**, a company specializing in fund development with an emphasis on feasibility studies and capital campaigns. Ms. Berg has worked in development for more than 30 years. She has successfully conducted campaigns for hospitals, museums and schools, both private and public. Before creating Vera Berg and Associates, Vera served as President of the Foundation at Mills Peninsula Hospital and Director of Development at Pacific Presbyterian Medical Center Foundation in San Francisco in addition to work in various fundraising capacities for other non-profit organizations.

Gail Terry Grimes has served more than 150 non-profit organizations as an external consultant for information analysis, development and marketing communications, presentation design and project management. Gail's clients are mostly not-for-profit institutions in healthcare, education and human services. Her portfolio of writing and media occupies 25 linear feet of filing space. She has orchestrated projects small and large, including surveys, events, group processes and printed documents. She has interviewed thousands of board members, community leaders, philanthropists, healthcare professionals and their patients, medical researchers, educators, non-profit administrators, small business owners and industry leaders. A native of New Hampshire and a long-time San Francisco resident, she now lives in the town of Sonoma.

Vera and Gail both have extensive experience with community hospital fundraising in the North Bay. Most recently, they worked together on a capital campaign for Sonoma Valley Hospital. Previously, Vera was the consultant on the Healdsburg Hospital campaign that raised \$14.5 million. Over the years Gail has consulted on development communications for Marin General Hospital, Santa Rosa Memorial Hospital, Petaluma Valley Hospital and Napa's Queen of the Valley Hospital.

APPENDIX B: QUESTIONNAIRE

Palm Drive Hospital Leadership Study Questionnaire

JUNE 5, 2013

Name of Interviewee: _____ Date: _____

INTERVIEWER: I would like to talk with you about fundraising for Palm Drive Hospital – how it's done today and how best to structure it to meet current and future needs. We are interviewing about two dozen people—primarily the Foundation and District board members - to hear your views about how fundraising might be best accomplished. When we report our findings, we will do so only in the aggregate. No one will be identified by name, so you can be assured of confidentiality.

Have you had an opportunity to read the background material that was sent to you summarizing the needs of the hospital? (If not, interviewer supplies a copy and leaves the room for a few moments while the interviewee reads the material.)

1. Let's start by looking back to when the community purchased the hospital and created the District. At the time, community volunteers raised more than \$1.5 million and saved the hospital. So many other communities have failed to save their community hospitals.
 - a. What do you think made it possible here?
 - b. What role did philanthropy play?
 - c. What can you tell me about how the community raised \$1.5 million?

2. Moving on to the present, how would you describe the role of the Foundation in fundraising for the Hospital today?
 - a. Do you think it is fulfilling its role?
 - b. What would you say are the Foundation's greatest strengths?
 - c. And weaknesses?

3. How would you describe the current relationship between the Foundation and the District board?
 - a. What are the strengths of that relationship?
 - b. And weaknesses?

4. How would you describe the relationship between the Foundation and the Hospital administration?
 - a. What are the strengths of that relationship?
 - b. And weaknesses?

5. Using a scale of one to five, how would you rank the Foundation's overall effectiveness in meeting the fundraising needs for the Hospital, with five being the most effective?

6. Which of the following do you think is the most effective way to raise the most money for Palm Drive Hospital?
 - a) Special events, such as the annual dinner
 - b) Letters mailed to the community
 - c) Grants from corporations and foundations
 - d) Individual major gifts, in which a team of volunteers asks a prospective donor for a specific gift amount?
 - e) Some combination of these, with an emphasis on one: _____
 - f) Don't know
 - g) Some other method(s) _____

7. Is there anything else you would like to say about the current fundraising picture?

8. Other small communities in the North Bay are raising significant dollars for their hospitals. Sonoma Valley Hospital is in the middle of a capital campaign right now that is well on its way to raising \$11 million. And, not long ago Healdsburg Hospital raised \$14.5 million. Neither one of these hospitals had ever done anything anywhere near that level before.
 - a. Do you think the West County community could raise this level of funding for Palm Drive over a two-year campaign with pledges payable over three to five years?
 - b. If not, what amount does seem attainable to you?

9. Do you think the current Foundation is capable of leading a successful capital campaign for \$_____ (Amount based on previous answer)?
 - a. If not, what do you think would need to happen to achieve that level of success?

10. Now I'm going to describe some of the structures that other hospitals have used to organize their fundraising efforts.
 - a. First, would you describe how you see the existing fundraising structure at Palm Drive?
 - b. Do you think this is the most effective structure to conduct a successful capital campaign?
 - c. What do you think of a development department within the hospital's own administrative structure?
 - d. What do you think of a separate 501© 3 foundation devoted exclusively to raising money for the Hospital, with leadership that reports to the Hospital CEO and the District Board?

- e. What do you think about a completely independent community foundation that raises money for a variety of causes, including but not necessarily exclusive to the hospital, with no reporting relationship to the District Board or the Hospital administration?
- f. What do you think about some combination of two or more of these?
- g. Do you have ideas about a different structure?
- h. Don't know.

11. If the hospital were to undertake a campaign in the range of \$5 million to \$10 million raised over two years with pledges payable over three to five years, would you want to be involved? Yes No

- a. If so, what kind of role do you see for yourself?

12. How would you describe your own personal experience as a fundraiser? Would you say you are:

- a. Very experienced
- b. Somewhat experienced
- c. Not very experienced
- d. Not at all experienced – a novice.

13. Do you have any experience fundraising for gifts in the five-, six- and seven-figure range?

- a. Very experienced
- b. Somewhat experienced
- c. Not very experienced
- d. Not at all experienced – a novice.

If experienced, would you describe your experience?

14. Let's say you could appoint a capital campaign fundraising committee to raise \$3 million or more for Palm Drive Hospital and you could select anyone from the West County. Who would be on your dream committee? (At least five names.)

15. What impact, if any, do you think the new Sutter Health hospital in Santa Rosa might have on Palm Drive?

16. What haven't we talked about that you would like to tell me?

APPENDIX C: CONFIRMATION LETTER

Letter mailed with the White Paper after interviews were scheduled:

Dear

Thank you for agreeing to participate in the Palm Drive Hospital Fundraising Leadership Study. Gail Grimes and Vera Berg, experienced healthcare fundraising consultants, have been asked to conduct a study to assess the perceptions of Foundation and District Board members. They will ask you questions pertaining to our current fundraising practices and about how you think we might increase philanthropic income. Following the interviews, Gail and Vera will prepare a report of the findings and suggest a fundraising structure to help us prepare for a successful future.

Enclosed is a White Paper for your review. The White Paper briefly describes some of the challenges we are facing and a few of the hospital's most urgent needs. Please take a few minutes to read it prior to the interview.

Approximately 25 individuals will participate in the study: The Foundation and District Boards, members of Hospital administration, and a few leaders of other District Hospitals. We are counting on your open and honest replies to the interview questions.

Gail and Vera will keep the responses to the interviews confidential and attribute them to no one person.

Your interview is scheduled for _____ on _____ at _____. Please phone Gail Mullins at _____ if you need to reschedule. The interview should take no more than 45 minutes.

Again, thank you for your cooperation. Your views are very important.

Sincerely,

Thomas Harlan

Chief Executive Officer

APPENDIX D: MISSION STATEMENTS FROM OTHER DISTRICT HOSPITALS

Five out of the six district foundations sampled raise funds exclusively for their community hospital. The sixth, Healdsburg, has a broader mission.

Sonoma Valley Hospital Foundation is dedicated to bringing health and well-being to the Sonoma Valley community through philanthropic and volunteer support for Sonoma Valley Hospital. Our contributions assist the Hospital in its mission to maintain, improve and restore the health of everyone in our community.



Tahoe Forest Health System Foundation is the philanthropic incubator for innovative and creative advancement of Tahoe Forest Health System.



Marin General: The mission of Marin General Hospital Foundation is to inspire philanthropy for the benefit of Marin General Hospital.



Washington Hospital Healthcare Foundation (Fremont): The mission of the Washington Hospital Healthcare Foundation is to enhance the Washington Hospital Healthcare System by increasing public awareness and by providing financial support.



Mendocino Coast Hospital Foundation: To engage in fundraising and community involvement that supports Mendocino Coast District Hospital's ability to deliver quality healthcare services.



Healdsburg (Healthcare Foundation of Northern Sonoma County): Bringing together our community to engage donors in the support of healthcare in northern Sonoma County.

APPENDIX E: LIST OF INTERVIEWEES

Palm Drive Health Care Foundation Board Members

Ed Bauman, M.Ed., Ph.D., President
John Moise, Vice President
Duane Phillips, Treasurer
Gail Thomas
Karen M. Cauthen
Stewart Goldberg, Past President
Dennis Colthurst
Bob Gillen
Heidi Gillen
Mark Olson
Roger Pitzen, M.D.
Dewey Watson
Martin Webb

Palm Drive Health Care District Board Members

Nancy Dobbs, President
Marsha Sue Lustig, Vice President
Sandra DeBella Bodley, Secretary
Chris Dawson, Treasurer
Jim Maresca, Member

Thomas Harlan, Chief Executive Officer, Palm Drive Hospital
Richard Reid, Chief Financial Officer, Palm Drive Hospital
Don Spradlin, Development Director, Palm Drive Health Care Foundation
Sue Engle, Executive Assistant, Palm Drive Health Care Foundation

Representatives of Other District Hospitals

Kelly Mather, Chief Executive Officer, Sonoma Valley Hospital
Lee Domanico, Chief Executive Officer, Marin General Hospital
Jon Friedenber, Chief Fund & Business Development Officer, Marin General Hospital