



health sciences & services authority of spokane county

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**HSSA BOARD OF DIRECTORS
Minutes of the November 3, 2010 Meeting
665 N. Riverpoint Boulevard, Spokane, WA**

Members Present:

Nancy Isserlis, Board Chair; Patricia Butterfield, Jeff Collins, Alethea McCann, Jason Thackston, and Mike Wilson.

Members Absent:

Earl F. "Marty" Martin, Kelsey Gray and Kevin Oldenburg.

Staff Present:

Susan Ashe, Acting Executive Director.

Providing Legal Counsel:

James Emacio, Spokane County.

Providing Financial Counsel:

Gaylene Lewin, Total Business Concepts

Guests:

Kalista Bubieli and Mariya Baldwin, WSU-CON; Tom Paine, Amy Johnson and Christi D'Agostino, Institute for Systems Medicine; Stephen Warren, Gonzaga University; Dave Vachon, Iasis Molecular Science; Antony Chiang and Brooke Foley, Empire Health Foundation.

1) Call to Order

Nancy Isserlis welcomed everyone and called the meeting to order at approximately 3 p.m. A quorum was established.

2) Approval of Minutes

Alethea McCann moved to approve the minutes of the September 1, 2010 Board meeting, and Mike Wilson seconded the motion. The motion unanimously passed.

3) Board Actions

- A) The Board deferred approval of the draft Bond Loan Policy, which will be redrafted by Mr. Emacio, for action at the December 1st Board meeting.
- B) Mike Wilson moved to approve renewing a one-year lease for office space at Sirti, and Alethea McCann seconded the motion. The motion unanimously passed.

C) Mike Wilson moved approval for Board participation in a planning session that includes multiple community parties to discuss the potential to have a coordinated strategic research grants process. The goal would be to complete a Strategic Plan within six months, and the HSSA will delay funding new bioresearch projects until this process is complete. Patricia Butterfield seconded the motion, and the motion unanimously passed. Board participants will be Mike Wilson and Patricia Butterfield, and Susan Ashe, Acting Executive Director.

4) **Chair's Report**

A) Authorization to Pay Warrants

The Chair informed the Board that she signed Warrant Nos. 1095 through 1102 amounting to \$77,733.17. She and Alethea McCann also signed the Warrant Certification to Spokane County, and they both signed Warrant No. 1101 to Project Access and No. 1102 to Institute for Systems Medicine as the amounts was beyond Ms. Isserlis' signature authorization of \$10,000.

B) Governor's Life Sciences Summit/WBBA Annual Meeting

On Friday, Oct. 22nd, Susan and I attended the Governor's Life Sciences Summit and WBBA Annual Meeting in Bellevue. It was well worth the investment. Clearly, the Seattle area has critical mass in the life sciences, as over 700 people attended. Some very interesting statistics to me:

- We learned that from 2007 through 2009, life sciences jobs grew 5% in the state vs. an average 4% decline in other industries. Clearly a growth industry in the state and I think this organization wants to see that trend continue and improve.
- It is now among the top 5 industries in the state and accounts for about \$1.4 Billion in our economy.

To sum up, the one message we heard time and again is that more capital is needed for the industry, and that we must also support the development of human capital by investing in K-12 and higher education. I would suggest that we try to send someone from this Board each year.

C) Board Terms

All three Board members whose terms were to expire in the fourth quarter of this year asked to be reappointed and those appointments have been made or are in the works. Kelsey has been reappointed by Mayor Mary Verner, Jeff's reappointment by the County Commissioners is in progress and expected to conclude by the end of the year, and I received official notification from Gov. Gregoire that I have been reappointed to a four-year term.

We need to have a discussion on secession planning at our next board meeting. I have served as interim Chair since that snowy November meeting hardly anyone was able to attend. I've thoroughly enjoyed every minute of it, and I'm happy to do it for another year, but that would be the extent of my time and talents.

5) Acting Executive Director's Report

- The Governor's Office of Financial Management (OFM) informed me that the Higher Education Coordinating Board (HECB) has submitted agency request legislation to our authorizing legislation. This proposal would allow the HECB to keep their main duty of overseeing the process that allows HSSA's like ours to be appointed in the state of Washington. However, they don't want to do the biennial legislative report any more because of budget and personnel constraints, and HSSA would have that responsibility. We suggested that rather than the HECB establishing HSSA's performance, that the HSSA Board do so and asked for this language to be included should the agency request legislation move forward.
- On behalf of HSSA, I was invited and did participate in the GSI Public Policy Committee state legislative agenda setting meeting. We asked GSI for continued support and with help monitoring the legislature.
- ISM will provide an annual update on its grant at our December meeting.
- Ms. Ashe concluded by suggesting that the Board consider a budget discussion at its December meeting, and that the Finance Committee meet with Ms. Lewin and Ms. Ashe once in the interim. The Finance Committee and Board agreed to do so.

6) Board Committee Reports

A) Finance Committee

Alethea McCann, Finance Committee Chair, referred to the finance reports each Board member had in his or her packet and made the following comments:

- She had reviewed the financials, and finds the HSSA to be in good financial shape.
- HSSA received \$257,044.74 from August and September county-wide sales and use tax revenues.
- We also received in September \$10,730,000 in bond proceeds.
- The average monthly sales tax collections for the first 9 months of this year are \$117,843; about 3% below collections for the same period last year.
- The County reports that HSSA's ending available cash balance as of September 30th is \$12,473,081.
- HSSA has committed \$1,080,000 in three Grant Competitions. At the end of September, there was a \$718,062 Grants payable balance. (We have paid out \$361,935 to date).
- Administrative costs for August and September was \$28,585, or about 10.9%. For the entire year, we are at 8.6%, well within the 10% limit.
- You will also notice a large item under Other Expenses. This is interest expense that we are accruing on a monthly basis. Our first **interest payment** of \$219,195.77 and is due on June 1, 2011.

Gaylene Lewin, Financial Counsel, reviewed a short PowerPoint that recapped the meeting she and Ms. Ashe had with Nan Spears, Spokane County Auditor's Office, and some of the changes that were made in our accounting system to reflect the different funds that we have to track. We now have four funds to manage. (The PowerPoint is attached). The Chair found the presentation very helpful and asked Ms. Lewin to show us each month if we are on track to meet our debt payment. Mr. Wilson noted the comment that sales tax revenues were down

and suggested that the Board receive fairly frequent reports on the variance. The Chair agreed that the report not only be on dollars received compared to the year before, but also the percent variance. The Chair reminded the Board that we have an emergency fund and should never be in default with the County in the event there is any deficiency.

B) Grant Subcommittee

Dr. Butterfield, Chair of the Grant Subcommittee Committee, said that she would provide an overview, and then drill into grant making philosophy, and for that she would defer to Mike Wilson, and then come back for some closing comments. She thanked the members of the Grant Subcommittee: Kevin Oldenburg, Mike Wilson and Kelsey Gray; and Susan Ashe.

She noted that this also marks a decision by her not to continue as Chair of the Grant Subcommittee, and she announced that Mike Wilson had stepped forward to lead the Grant Subcommittee, for which she thanked him.

The Subcommittee met on September 15th to look at decisions regarding the fourth request for proposals. A series of decisions were made about what would be recommended to the full Board regarding areas of science, a balance between basic and applied science. She had planned to review those and ask the Board to weigh in on these recommendations, but since then we have had a couple of good conversations. One of those has been that Mike Wilson and Susan have met with Empire Health Foundation (EHF) about a broader discussion on grant making philosophy and approach. Whether this is grounded in a public health indicators approach or how one makes a series of decisions about the best and optimal return on these grants.

Mike Wilson said that he and Susan attended a meeting with Antony Chiang, EHF, and Ken Roberts, WSU/UW WWAMI. The person absent from that meeting was Dr. Kathy Tuttle who is funded by Providence and is probably one of the premier researchers in the community. He provided highlights of the discussion. He said that it causes us to assess how best we should be providing funding, and whether we should be coordinating with the rest of the community engaged in research funding.

After providing more detail, Mr. Wilson asked the Board to agree for us to work with Antony Chiang, Dr. Tuttle, and Ken Roberts. He suggested that we move ahead in conjunction with EHF and others in a collaborative strategic planning effort that would take no more than six months to complete, and hopefully come out the other side, knowing that we have a clear basis for what we're expending the public's dollars on and with a focus that we can state fairly easily.

Dr. Butterfield said that she found Mr. Wilson's comments very helpful. She reminded the Board that this is the core decision about the investment of the public's resources here, and what the approach will be by which we participate in those investments in the community. She said that another type of approach that Empire and other groups have looked at is a public health indicator approach, that looks at key indicators of mortality and morbidity in a community, and at what the opportunity is to serve in a way to have the maximum public good on an indicator such as high school drop-out rates or percentage of prematurity. In that

way you're tying the effort directly to the health outcomes and the health metrics, and you're using those metrics as the roadmap for the grant. I certainly support Mike's suggestion that because of the importance of this decision, rather than issuing a fourth RFP, which was our original charge, that we come back with a more strategic process for some group of us to look at to come up with a roadmap.

After significant Board discussion, as well as comments by legal counsel and from some of the public in attendance, Mr. Wilson made the following motion: I would move that the Board participate in a planning session that includes multiple community parties to discuss the potential of having a coordinated research granting process; that our goal is to complete this within six months, and that we delay funding of new bioresearch projects between now until that process is complete. The motion passed unanimously.

Mike Wilson, Patricia Butterfield and Susan Ashe will represent HSSA during the strategic planning process.

C) Counsel's Report – James Emacio

At the last meeting in September, the Board adopted Res. No. 2010-03, and in that resolution we agreed to establish certain funds to guarantee our payment of the bonds that were to be issued. During the course of signing that resolution, Mr. Wilson suggested that he wanted some sort of policy adopted so that the Board would know substantially in advance if there were insufficient revenues being generated from the sales tax to pay the bond proceeds.

Mr. Emacio said that as the P&I payment becomes payable on June 1st and December 31st, the County would first look to the HSSA Debt Service Account to pay the P&I due (75% account). If for some reason there are insufficient monies in our Debt Service Account, then we look to the Reserve Account, which is the \$500,000 account. If for any reason there are insufficient monies in either of those accounts to pay, then we start invading our operating funds, which are the monies we use to pay for Project Access-type projects as well as our administration of the HSSA itself.

Following is the proposed Bond Loan Policy's most important points:

- HSSA Debt Service Account balance.
- A projection on whether the HSSA Debt Service Account will have a sufficient balance to pay the next principal and interest payment due under the debt service schedule.
- In the event there is a projection that there will not be a sufficient balance in the HSSA Debt Service Account to pay the next principal and interest payment due, a projection on the amount of money in the Reserve Account that will be necessary to pay the next principal and interest payment.
- A projection, based on monthly amounts deposited into the HSSA Debt Service Account to the date of the Monthly Budget Report, as to whether or not any future annual principal and interest payment(s) due under the debt service schedule will come out of the Reserve Account or moneys transferred from the Operating Account into the Debt Service Account. This Projection shall be for as many remaining years of the HSSA Loan as possible.

Based on Board discussion, the policy will include the following additional items.

- The percentage increase or decrease in the amount of sales tax revenues generated to date of the Budget Report above or below the amount projected in conjunction with the HSSA Loan.
- Such other information as the HSSA Board shall be subsequent action determines is appropriate.

Gaylene Lewin will provide this information to the Finance Committee and the Executive Director in the form of bullets on the Monthly Budget Summary for their review and approval.

D) Board Member Comments and Announcements

There were none.

E) Executive Session

There was no Executive Session.

The Chair adjourned the meeting at approximately 5:00 p.m. The next HSSA Board meeting will be December 1, 2010, 3 p.m. at Sirti, 665 N. Riverpoint Boulevard, Fourth Floor Board Meeting Room.