



**HSSA BOARD OF DIRECTORS**  
**Minutes of the May 4, 2011 Meeting**  
**665 N. Riverpoint Boulevard, Spokane, WA**

**Members Present:**

Nancy Isserlis, Board Chair; Patricia Butterfield, Dr. Jeff Collins, Kevin Oldenburg, Jason Thackston and Mike Wilson. Kelsey Gray participated by phone.

**Members Absent:**

Earl F. “Marty” Martin and Dave Vachon.

**Staff Present:**

Susan Ashe, Acting Executive Director.

**Counsel Present:**

James Emacio

**Providing Financial Counsel:**

Gaylene Lewin, Total Business Concepts

**Guests:**

Amy Johnson and Christi D’Agostino, Institute for Systems Medicine; Dr. Dennis, Dyck, Washington State University.

**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**

Kevin Oldenburg moved to approve the minutes of the March 2, 2011 Board meeting, and Patricia Butterfield seconded the motion. The motion passed with one abstention by Nancy Isserlis, who stated she was unable to attend the March meeting.

**3) Board Actions**

- a) Kevin Oldenburg moved to approve a resolution to allow any two Board members to sign warrants, and Mike Wilson seconded the motion. The motion passed unanimously.

#### 4) Chair's Report

##### A) Authorization to Pay Warrants

Chair Isserlis informed the Board that she had signed Warrant Nos. 1131 through 1136 amounting to \$48,893.68. She and Finance Chair Jason Thackston also signed the Warrant Certification to Spokane County, and they both signed Warrant No. 1136 to ISM that was an amount over the \$10,000 signing limit and requires two signatures.

##### B) Increasing Board Members Discussion

The Board has the authority under its by-laws for the Board to increase its size by five additional members. There are currently nine members and the Board may have up to a total of 14 members. The nine slots are appointed by the Governor, the Board of County Commissioners and the Mayor of the City of Spokane. The Board Chair said that she was not suggesting that the Board take action on this at today's Board meeting, rather to think about it and discuss it as the Board's next meeting.

She asked, 1) Do we want to increase the number of Board members that we have some control over appointing, and 2) If we do, how many do we want? She said that the Board would not have to take up all five slots, and that she was familiar with a Board that has an odd number of members, so that could mean raising the number of our Board to 11 or 13. She also mentioned that HSSA had an excellent response to the recent Board vacancy to which Dave Vachon was appointed. There were three additional well qualified candidates who are all still interested in serving on the Board, although we don't have any vacancies at the time. One is Dr. John Coulter, former Executive Director, Health Sciences Administration & Associate VP for Medical Affairs, UW; Dr. Ron Ilg, Pediatric Medical Group of Washington and Medical Director, Neonatal Intensive Care Unit, Deaconess Medical Center, and Dr. Phil Werschler, dermatologist and clinical researcher. The Board cannot limit itself to these three applicants because we would need to put any request for interested applicants to serve on the HSSA Board out to public notice. Legal counsel Jim Emacio recommended that the Board should handle in the public notice manner.

Patricia Butterfield suggested that the Board might want to set aside some time to conduct a gap analysis at the June Board meeting. The goal of having a group that could review RFPs that have yet to be determined – that might not be realistic or desirable because it may be better to look at some level of external review at some point. She suggested that the Board review the HSSA legislation, understand the assets it has on the Board, and identify any additional assets or skills that would enhance or deepen the Board's conversations. She asked that the Board think about this approach at this time.

Kevin Oldenburg said that from his experience, any time you get more than five people in a room, the trouble you have coming to a decision on anything goes up exponentially. It was his opinion that the current Board is too big, not too small. The more people you have the more complicated it gets, the more politics there are, the more time it takes; now you could have 14 people in the room, each of whom has an opinion, each of whom takes 10

minutes to describe their opinion, and you don't come to any better decisions by having more people. The quorum requirement doesn't change since it is a simple majority.

Jim Emacio was asked to look at the question of establishing a quorum and will address it at the next meeting.

Mike Wilson said that in his experience, he knows more Boards that want to get smaller, not bigger, unless it is a foundation where you want as many people as you can.

The Chair asked staff to be sure this issue was on the June agenda to complete the discussion.

C) Current Health Sciences Research at WSU-Spokane, Dr. Dennis Dyck, Vice Chancellor and Associate Vice Provost for Research, WSU-Spokane.

Board Chair Isserlis said that as part of the Board's continuing effort to develop understanding about current and evolving health sciences research here in Spokane we would hear a presentation, and she asked Patricia to introduce the speaker. Patricia said that Dennis Dyck is a colleague on the WSU campus, and has played a central role involved in the build out and discussion regarding health sciences, medical education and the research portfolio at the campus. Dr. Dyck discussed the current portfolio on the WSU-Spokane campus and what is evolving

He reported that the local portfolio of expenditures is between \$13-\$14 million per year, and that does not count the Applied Science Lab that is functioning in the Sirti Technology Center and is also technically a part of WSU. The "mix" or "type" of research WSU does are done in Centers and Institutes (WSU Extension & Area Health Education Center, \$1.5 M) and in Academic Colleges and Units (Spokane Nursing, \$4.7M due to Patricia Butterfield's and John Roll's leadership; most in behavioral health programs and exponentially increasing at the College of Nursing; Spokane Pharmacy, \$1 M in Spokane; the scientific arm is in Pullman in pharmaceutical sciences, and in Spokane there is pharmaca therapy and health policy and administration program, .54M; Spokane WWAMI/Vet Med; four years ago WSU hired four research-intensive faculty along with Ken Roberts in the WWAMI program, hired for the most part as young assistant professors and their research careers are just beginning, molecular bioscience starting to come into its own, and a Vet Med group that teaches within the WWAMI program, and most of these are neuroscientists focusing on the biochemistry of sleep, \$7.4 M.

The next wave of hires will build up more basic science and key clinical trials research or medical science needs.

He described the funded research in two categories of Behavioral Clinical (\$8M) and Basic Science (\$2M).

The framework for research growth and opportunities at WSU-Spokane include health informatics, which was identified by the AAAS in an analysis conducted several years ago and somewhat related to the creation of ISM. The College of Pharmacy will move to the

Spokane campus and Dean Gary Pollack's vision is to develop the general area of quantitative systems pharmacology, a new disciplinary area that draws upon biochemical pharmacology, pharmacokinetics/pharmacodynamics, systems biology, and biomathematics, as an area of excellence. This will interface with disease-state focus areas such as cancer, neurosciences (pain, sleep, mental health, drug abuse, neurodegenerative disorders ... all occurring in Spokane ... metabolic disorders and probably infectious diseases. The college will also develop a strong translational research emphasis so that pharmacology can interact more closely with pharmaceutical sciences in research. The next 5-10-15 years will really be exciting here.

(Dr. Dyke's presentation slides are attached).

Mike Wilson asked how much of the total budget is just built into being a university and how much comes from grants outside specifically for a particular focus. Dr. Dyck said that it has been changing. As state funding has been shrinking, the WSU operating budget from the state was about \$500 million; that's been cut to about \$300 million. Our research expenditures last year system-wide was about \$300 million. So, you can see the shift from almost 75/25 to funding for academic programs vs. research to almost 50/50. Sounds great, but the problem with research funding it is targeting and focused on projects and not something you can flexibly move around to support academic programs that are hurting.

- D) Other. At the Board's last meeting which the Chair did not attend, legal counsel raised the issue of the independent contractor v. employee status for the Acting Executive Director, making sure that we are in compliance with all IRS and other regulations. There is an IRS questionnaire that has been completed, and it is very comprehensive. The Executive Director completed it and Counsel has reviewed it. She said that she had reviewed the IRS document and that she is satisfied, as is our Counsel, that we are in compliance with all IRS regulations. Is that correct?

Jim Emacio, Counsel, said that it is the responsibility of the employer to pay social security withholding, medicare and other benefits. If you improperly characterize a person whom you are employing you are subject to penalties. There are two things we have to look at, he said: the IRS regulations and in this state, the Department of Retirement Systems regulations which are very similar to the template that the IRS uses. He handed out the completed 11-point test that the IRS uses to determine if one is an employee or an independent contractor. The categories are behavioral, financial and type of relationship.

He said that he had Susan complete this form. What he learned after Susan went through the information with him (we always think we know what Susan does and it was, frankly, an eye opener to him, he said), because his original concern was that we had an office for Susan, we've had her on board for two years, and wouldn't that kind of ring a bell. When he asked her to go through the IRS criteria and to indicate what she is doing and indicate whether she's an independent contractor or not, you get a different understanding for what she does. The reason I handed this out is in the event you want to ask Susan any questions either now or next time we meet. You can seek input from the IRS; unfortunately, it takes about six months to get back. My sense is you actually have to know what the person does. From my looking this over, I believe Susan is an independent contractor. That is not

to say that if you wanted to create a full-time or part-time position you couldn't consider that, but I think based on this, that if you wanted to renew her contract, change her tasks or add to her tasks, we could proceed in that manner.

Chair Isserlis said that this exercise was helpful to her because she has clients who have done it wrong, which can get you in trouble. She said that she is comforted that we have not been running afoul of the IRS. She asked the Board to look at this, and that if there are any questions, to please let her know.

Gaylene Lewin, Financial Consultant, also pointed out that there is an RCW that addresses independent contractor versus employee, and knowing Susan's business as she does, she also qualifies under the state law as an independent contractor. It requires that she has her business licenses, pays B&O and sales tax to the state and those sorts of things.

5) **Acting Executive Director's Report** – Susan Ashe, Acting Executive Director, reported the following:

- The HEC Board's bill, HB 1425, to relieve itself of the responsibility of reporting about HSSA to the legislature passed and was signed into law by the Governor on April 22<sup>nd</sup>. It will become law in 90 days.
- Governor called Special Session last Thurs., 4.26.11, to complete final negotiations on the state budget, of which there are three budgets: operating, capital and transportation. The transportation budget passed last week at nearly \$9 billion.
- There are differences between the House and Senate in both the operating and capital budgets. Policy issues of note yet to be resolved: debt ceiling, workers' compensation
- Legislature can meet up to 30 days to conclude its business
  - Bills that failed to pass through both chambers during regular session revert back to chamber of origin and must pass both chambers again and be signed by Governor
  - Budget committees of both Senate & House must hold hearings on remaining bills with fiscal impact
  - Senate & House must reconcile differences in their budget proposals and any policy bills that passed both chambers but with differing mechanisms
- Everyone is working diligently toward concluding within the 30-day Special Session, but if not, there could be a Second Special Session.
- Of note for this Board is the expanded medical education building on the WSU campus
  - \$35 MM in House capital budget; \$60 MM in Senate capital budget
  - Senate operating budget has \$1.2 MM for UW and \$600k for WSU for expanding WWAMI and curriculum development
  - There will be something for the school; leaning toward the larger number; WSU introduced phasing, so could go that way, although that costs more in the long run according to Sen. Brown
- Innovate Washington, the proposed successor of a combined Sirti and WTC has found \$7.1 MM in the Senate operating budget; the House identified separate amounts for keeping the entities separate, although negotiations seem to be moving along toward the combined model of one economic development for the state

- Budget cuts to the blue-ribbon flexible health spending plan that allows the Regional Health District to address emerging infectious diseases is getting attention with Dr. Joel McCollough and others are in Olympia addressing this issue, citing the Sacred Heart water issue as an example of the kind of emerging issue the health district could not address in the future if the cuts remain
- The MOU between the HSSA and EHF was signed on March 31<sup>st</sup>, and will conclude July 15<sup>th</sup>, which was a couple weeks later than we had originally anticipated, so I wanted to point out to you.
- She pointed out that the ISM second quarter 2011 report was in each board packet for review.
- To address a recent Board discussion on whether or not we had acknowledged procedures related to our grant competitions, she had developed a document she handed out for review and comment entitled “Grant Competition Procedures and Guidelines.” Obviously, once the strategic plan on the research side of the business is concluded, this will have to be addressed again to meet the needs for that review.
- Ms. Ashe reported that HSSA was a partner in presenting the April 12<sup>th</sup> Health Sciences Innovation forum, along with LaunchPad INW, WSU, Sirti, and GSI. She said that Kevin Oldenburg served on a panel that was very well received. She said that HSSA will continue to work with its partners to bring more such events to Spokane in its effort to inform and educate itself and the community about this innovative and exciting industry that we are trying to grow here. She also represented HSSA at U.S. Rep. Cathy McMorris Rodgers’ annual grant workshop.

## **6) Board Committee Reports**

A) **Finance Committee** – Jason Thackston, Finance Committee Chair, reported that he wanted to just highlight two things from the report that Gaylene prepared for us. Sales tax revenues are about \$7,000 more than we expected, so we’re on the right side of the equation. On the expense side, he said that HSSA was well below its budgeted expenses by about \$24,000. The largest expense is for professional fees and that relates to the strategic planning process that we have committed to but now yet spent. We are doing fine relative to what we budgeted. The other item he highlighted was the bond debt service document that provides the Board a high level view shows us what our commitments are under our bonds over this year, taking into consideration the expected revenues that we will set aside to cover our bonds, and our interest and debt service payments due this year. We are positive by about \$72,000, which indicates that what we set aside to cover our debt service is slightly more and we’re on the right side of that equation.

- The Committee has reviewed the financials through March 31, 2011 and finds the HSSA to be in good financial shape.
- HSSA has received \$366,695 for the month of January from county-wide sales and use tax revenues, \$2,638 above of our projected revenue for the 1<sup>st</sup> quarter of 2011.
- The County reports that HSSA’s ending cash balance as of March 31, 2011 is \$13,506,241. Of this \$1,153,023 is restricted for bond debt, and \$391,377 is reserved for current grants payable.

- Administrative costs for the first quarter were \$35,072 or about 9% of total state sales tax and interest earnings.

Board Chair Isserlis had to leave the meeting at this point and turned the gavel over to Finance Chair Jason Thackston.

## B) **Grant Committee**

Mike Wilson, Grant Committee Chair, made the following report on two issues.

- 1) RFP #4 Grant Competition. We received 10 inquiries, 8 completed applications for the \$200,000 that is available. He will set up a meeting of the Grant Committee before the June meeting to review and score these and bring to the Board. Mr. Wilson said that he may ask Grant Committee members to take a couple of these proposals and go into a little more depth, maybe make a couple of phone calls and to measure the grant request against the criteria that we set out in the RFP.

Patricia Butterfield asked that the record show that she requested to have one of the proposals from her own institution (WSU School of Nursing) removed from her RFP #4 proposal notebook and she will recuse herself and if there is a request for her to recuse herself from reviewing other proposals that would be fine. That was the only conflict she noted. Mike Wilson said that he serves on one of the Boards that also have submitted a recommendation.

Kevin Oldenburg asked whether Dave Vachon had been contacted to serve on the Grant Committee given his grant knowledge and experience, and Mike Wilson asked the Executive Director to do so.

- 2) HSSA/Empire Health Foundation Health Sciences Research Work Group Report. The group meets every other Tuesday. There have been 20 interviews conducted of various leaders in the community, and there are 3 or 4 more to be conducted. Some funding strategies are beginning to emerge, and these are a few of themes:
  - Identify existing research assets, and make investments that strengthen existing assets,
  - Identify emerging research and make investments that strengthen emerging assets,
  - Understand who is currently leading the research in these areas,
  - Focus on type II translational research,
  - Identify additional funding sources,
  - Build a plan that is both vertical and horizontal – depth and breadth -- over multiple years,
  - Develop strategies for collaborative funding by our two organizations for really good ROI-type projects that fit our respective strengths.

Patricia Butterfield said that the discussion with Bonnie Berk and Jim Gore, our consultants, has been very fruitful and a nice exploration through interviews of key stakeholders in the community about what strategic opportunities there are.

Antony Chiang, EHF President and visitor, said that the report was an accurate summary but did not reflect the richness of the discussion. He thinks the consultants have really hit their stride in working with the working group in the last two sessions whereas before it was very much an information-gathering phase where we were impatiently waiting for some significant progress on what we're hoping will be a framework of recommendations for what will essentially be an investment plan. He was extremely pleased with the last two sessions, and believes that framework is developing, and his hope is that within one or two more sessions there actually might be an initial framework that may be shared and that we continue to iterate on, especially after we get the next phase of extra interviews. We are making progress on the consultants looking at where the big funding opportunities – National Cancer Institute, NAIAD – where the big center grants coming from, translational grants, likelihood of medical school coming, so that any dollars our two organizations would put in there's probably going to be 10x dollars coming operationally. So they need to build out their faculty, and having Ken Roberts who is designing all that on our work group is perfect. This great confluence of things happening and I'm hopeful they will lay out year one in an investment opportunity, in a portfolio style, year two, year three, year four ...

For example, in conversations with Dean Ramsey at the UW School of Medicine, that he had with him six months ago, the dynamic of that conversation was very different than it was when the consultants talked with him recently now that the medical school building here looks like it has real legs to it in this legislative session. So now, maybe for a two-year investment in faculty here in Spokane prior to even the building being finished where six months ago he was talking about no faculty investments and using existing faculty in Seattle. There is something interesting about having the consultants do the interviews in a skillful way that elicits different input than sort of the conversations we've been having for a long time.

Patricia said that as the HSSA we were approached about did we want to align and be in a broader conversation about how the assets of the community are really realized, and we decided to make the investment of \$30,000 and the hopes was that the yield would be a sophisticated conversation about unique opportunities, a better understanding of where the community is developmentally and really where that capacity exists, and she is very encouraged by the conversations. She thinks they have been really at that type of critical analysis level.

Kevin asked if the HSSA Board would get a list of all the interviewees, questions and answers. Antony Chiang responded positively.

#### 7) **Counsel's Report** – James Emacio

There was no further report from the legal counsel.



8) **Board Member Comments and Announcements**

Mike Wilson asked about the independent contractor-employee analysis, that if the director was an employee, who would that person work for. Mr. Emacio responded that the position would be an employee of the HSSA Board.

Mr. Oldenburg asked when the consultant would be done with the strategic plan and Ms. Ashe responded that the contract concluded on July 15<sup>th</sup>.

9) **Executive Session**

There was no Executive Session.

Board Finance Committee Chair Thackston adjourned the meeting at approximately 4:45 p.m. The next HSSA Board meeting will be **June 2, 2011**, 3 p.m. at Sirti, 665 N. Riverpoint Boulevard, Fourth Floor Board Meeting Room.