



HSSA BOARD OF DIRECTORS
Minutes of the September 7, 2011 Meeting
665 N. Riverpoint Boulevard, Spokane, WA

Members Present:

Nancy Isserlis, Board Chair; Earl F. “Marty” Martin, Board Vice Chair; Patricia Butterfield; Kelsey Gray; Kevin Oldenburg, Jason Thackston and Dave Vachon.

Members Absent:

Dr. Jeff Collins

Mike Wilson

Staff Present:

Susan Ashe, Acting Executive Director.

Counsel Present:

James Emacio

Guests:

Suzanne Allen, Anne Marie Axworthy, Brian Pitcher, Stephen Warren, Daniel Smith, Antony Chiang and Brian Myers.

1) Call to Order

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

Approval of Minutes

Kevin Oldenburg moved to approve the minutes of the August 3, 2011 Board meeting, and Marty Martin seconded the motion, which passed unanimously.

Board Actions

- A. Kevin Oldenburg moved to authorize the Board Chair to sign an Amendment to a previous Agreement with Project Access to allow Project Access to receive payments over a six-month period from July 1, 2011 through December 31, 2011, rather than over one year and to be paid monthly. Marty Martin seconded the motion and it passed unanimously.

B. Jason Thackston moved to accept the draft Strategic Investment Plan as written with the portion carved out on pages 4 and 5 from Funding Phases through the 2016-2011 paragraph. Kevin Oldenburg seconded the motion, which passed unanimously.

2) **Chair's Report**

A) Authorization to Pay Warrants

Chair Isserlis informed the Board that she had signed Warrant Nos. 1155 through 1164 amounting to \$89,071.62. She and Board Vice Chair Marty Martin also signed the Warrant Certification to Spokane County, and they both signed Warrants that were greater She noted that there was a greater volume of warrants than usual due to some costs related to our Public Comment Hearing, the annual Directors & Officers Liability Insurance, and the first reimbursements under RFP #4 to Project Access.

3) **Board Development Ad Hoc Committee Report** – Jason Thackston

Jason Thackston reported that the Board had an ad hoc committee project related to Board size and composition. Kevin and I volunteered to research this. We did meet once with Susan and traded several emails about next steps. There were two tasks within the scope of this mini-subcommittee. One was to evaluate and recommend to this Board whether the size of the Board should remain as it is today or it should increase. After discussion we felt it was best for it to remain at this size; we didn't feel compelled to recommend an increase in the size of the Board even though we have the authority to do so. We feel that has been put to rest, at least from our perspective, and wouldn't recommend any change to the Board size. The second aspect, which is undergoing further discussion, is really around understanding better the capabilities and experiences of the Board that exist today, and to prepare for vacancies that may exist in the future by serving our capabilities and what our needs are for Board members. We have put together some information to send out to all the Board members to complete a survey that gets a sense from each of you on what skills and capabilities are necessary to effectively serve the needs of this Board, and a second one that highlights each of our individual capabilities and experiences so that we can look for gaps between the two. When vacancies come up for the Board, we can be more informed about what we're looking for in terms of skills, capabilities and experiences. That's forthcoming in the next month or two. It will be in the form of a questionnaire survey. We'll submit it outside the meeting, then summarize for this group at a meeting in the future.

Kevin Oldenburg said the thought is that if we have somebody who is leaving the Board, there might be a gap. For example, say we had only one finance person. If that person leaves the board, it would be nice to replace that person with someone with finance experience to be sure you have adequate representation. When you look at a Board, you have a finance person, a lawyer and people of expertise in your area of business. We just want to be sure we have the same thing. Say it's a County-appointed person, we can go to the County Commissioners and ask for someone to be appointed who fills that gap, or we can provide to them some candidates for their approval and appointment.

4) **Executive Director's Report**

Very briefly, it's been very busy, in addition to Grants Committee meetings and the August board meeting, we hosted a Public Comments Hearing on August 17th, which was well attended. We had about 25 people attend, of which 10 made public comment. Those comments are available on-line at our website. I also represented HSSA at a WSU roundtable discussion with Congressional staff visiting WSU's Riverpoint campus during August. Finally, I participated in numerous meetings with our partners on the Strategic Investment Plan.

5) **Board Committee Reports**

A) **Finance Committee** –Jason Thackston reported for the Finance Committee:

Everything appears to be in good financial shape. In July we received just under \$124,000 in our share of the state's sales and use tax revenues, and about \$12,500 interest. Year-to-date, the county-wide sales and use tax revenues are just under \$824,000 and the interest from the County's investment pool is just under \$96,000. Combined year-to-date through July our revenues are about \$31,000 above what we budgeted, so we are on the right side of the equation there. Our cash balance at the end of July is about \$13.8 million, \$11.7 million restricted for bond debt, and another \$430,000 for current accounts payable. Our administrative costs are about \$9,400 in July, about 7% of total sales tax and interest earnings. We did make our first interest payment on our bonds August 1st.

A couple things that I wanted to highlight for you, you can see that we are over budget on revenues and under budget on expenses, so again, that's the right side of the equation for us. The largest of the items under budget is in professional fees, and we are about \$30,000 under budget and that is primarily related to the work that we are doing with the strategic investment plan and the timing of the fees there. One other thing I wanted to highlight to you, we did receive our bill for D&O insurance, and because our asset base increased substantially we the increase of our bonds, our D&O insurance we pay, based on asset size, ended up being \$1,000 more, so it's roughly \$3,000 for this year as opposed to \$1,900 last year. We budgeted \$2,400 for D&O and General Liability insurance, so by the end of the year we will be over budget on that line item, but we know its coming and we are prepared for it. Not a large amount, but I wanted you to be aware of it.

The last page of this section is a reconciliation of the bond debt just to highlight for all of us where we are with the bond payable and the debt service between now and the end of the year, and the reserves that we have set aside to pay that debt service. The last line on the page where we see Surplus/(Deficit), we like to see it when it's positive; that means we are reserving enough to cover our pending expected payments, and it is positive \$74,000, so again, we are on the right side of the equation. So the bottom line is that sales tax revenues are coming in above what we budgeted, the income from our investment related to the proceeds of the bonds are coming in above budget, and all seems well.

Chair Isserlis reminded the Board that HSSA also set aside \$500,000 in an account at the County at their request until such time that they determined we were no longer a non-payment risk.

B) Grants Committee

Kevin Oldenburg, a member of the Grants Committee reported on behalf of Mike Wilson who was traveling and unable to attend. He said that the HSSA EHF Health Sciences Research Strategic Investment Plan (SIP) has been a long work in progress. The Grants Committee has met many, many times working through the various details of the proposal, so he thanked the Grants Committee members for all the hard work they have done, the consultants for putting this together for us pulling in 30-plus interviewees from the greater Spokane area and the County. The Public Comment hearing on August 17th was invaluable. There were a number of things either on the Grants Committee or the Board in general that needed to be addressed in this proposal. The Grants Committee met yesterday to review the final version of the Strategic Investment Plan. He invited Kelsey Gray and Dave Vachon, also members of the Grants Committee, to comment as well.

Our goal was in devising the SIP was to give us a document that would allow us to write RFPs around three strategic goals with the understanding that we don't know which of these goals would be a wild success or could be a dismal failure. Likely any investment, you never know, but we have done everything we can within our power to make the SIP as bullet-proof as possible. The idea was to make it flexible enough so that we could amend at any time to allocate money toward products or projects that are most successful. If we can make this entire project very successful, there's nothing that says that we can't go back to the Legislature and request they increase our level of funding from .02 to .20 and now have some real money to invest in our community. Our goal is to make this productive and show it is as successful as possible and seek additional funds.

Looking at the document, it's been redlined. If you look at Strategic Goal 1 that allows all local universities to submit proposals for a faculty member who does 65% research/35% teaching, so there's nothing that says 100% goes into the WWAMI program. We want to open up the process because we cannot see foresee who might be the best recipient for investment.

Again, in the proposal, Strategic Goal No. 2 is written such that if Greater Spokane Incorporated and other economic development organizations are unable to recruit new companies, the matching money offered here may be reallocated by the Board. A number of people stated during the Public Comment Hearing that we needed to be flexible.

We determined again yesterday when we met that yes, the proposal was good, it met all the requirements that thought should be met, it gave us flexibility in writing in our RFPs, and as a Grants Committee, we voted unanimously to recommend this Strategic Investment Plan to the full Board.

Chair Isserlis said she recalled there being discussion at the Public Comment Hearing changing the allocation of funds for the research faculty. Kevin responded that the Grants Committee did move it down to 65%. Susan was the one who spoke to the Vice Provost and

Dean of Pharmacy at WSU about his comment that the number was too high, and he suggested 55-65% was more reasonable. Again, when we write the RFP we have some flexibility there. We recognize that it might be difficult, no impossible, but very difficult to get a senior researcher to this community, but a rising young start? We might be able to pull him or her in. It is still up to the Board to give a university the money recruit for a research faculty position. It is not a blank check.

Dave Vachon said the argument was that 65/35% is more realistic, and one of the principle reasons that it is more reasonable is that there is no infrastructure here. So, it's going to be someone who wants to come here and is interested in a project.

Marty Martin commented on Strategic Goal No. 1 because it is structured differently than the other two goals. It goes further than the other two. If I apply categories to what's presented in each goal, the first statement I would label the objective, the next section Qualifiers & Funding Guidelines or Strategic Elements as we do, those are sort of the metrics, the performance guides that are going to drive whether or not we are going to fund any particular thing. But then with Strategic Goal 1, we then go further and we talk about – actually in Strategic Elements there is reference to a strategic program, WWAMI, and the funding phases gets us right down into the tactics as to how we would be spending the money for one particular entity. That's why what you just said, Kevin, caught my ear, that there is the opportunity for other institutions to submit proposals for funding under Strategic Goal 1, I don't read this as saying that. And I also notice in the Grant Committee Minutes of Sept. 6, 2011, it recommends and passed a motion that will draft three RFPs for each strategic goal. That caught my eye because I'm thinking, "What does the RFP look like for Strategic Goal No. 1?" given the document already seems to commit to a particular entity and a particular cycle of funding.

Kevin Oldenburg said that he wouldn't say it "commits," because it says it will "prioritize research faculty hiring." It doesn't say "exclusive research faculty hiring to WWAMI." That just says that we are committing to the medical school, because we think there needs to be a core group of researchers at one facility. It's saying we are prioritizing it to that facility and encouraging collaboration with other institutions.

Marty continued by saying that if it's not there, then we go into these funding phases (in the document) with a lot of specificity around funding for the medical school down to the dollars that would be spent in the first two years and dollars to be spent in future years according to certain criteria. He said that he was feeling like if he votes for this, we are already committing to fund what's in the document as opposed to soliciting from all comers. Institutions of higher education, make your proposals for research faculty that would meet the criteria of 65/35 in the biosciences area and spur economic development.

Kevin said that he didn't think the goal was to be that specific, and that the goal in the Grants Committee was to make sure that money was not a blank check to anyone. They would have to make a proposal to the Board and justify that money. No one on the Board had the intention of giving anyone a blank check.

Dave Vachon said that the only caveat is that the researcher from whatever institution has to have some level of funding – bring funding to the table -- \$1.5 million of funding. We are putting that as a mark because we think that's realistic.

Marty said that's why he would feel much better if we stopped Strategic Goal 1 after Strategic Elements. Kevin agreed with Marty and said the detail under Funding Phases is better put in the RFP and not in the Strategic Plan.

Marty said that he was much more comfortable with the Plan if we do this (delete the detail under Funding Phases in Strategic Goal 1). He then said that part of being strategic in our mind is money goes to where it is most needed and that need will not be served otherwise. He said there is an open question on the WWAMI piece, the medical school piece, that there is a lot of momentum built up not just within this community, but within the state, and is that where our money is best spent or will that need be satisfied through other funds if we don't step up. But if we make this more an open competition then that gets to that concern as well.

Kevin said he shared that concern. If the state was going to commit \$35 million here, they are going to put faculty in it. Faculty members have to be accredited at an accredited medical school so they have to spend some time on research anyway. So I was under the mistaken impression that you could hire faculty members here at the medical school and have them be 100% teaching and no research, which is certainly not the case. I agree with you completely. I don't know that we need to fund Strategic Goal No. 1.

Susan added that the discussion of the WWAMI program has been part of the Work Group discussion for months, and her understanding is the funds that we would commit to that is for research faculty component only, not for teaching faculty. These dollars are additive to what the other institutions have available, otherwise it doesn't get funded. In fact, there will be a community drive to meet even additional funds to meet the needs for research faculty identified by the WWAMI program, and allows the second year of four-year medical school in Spokane. UW doesn't have the capacity to grow any more in its medical education program, it's physically constrained, and that there is a tremendous need and demand for physicians and it makes sense to grow them at the WWAMI satellite locations. There have been years of thought and study into creating and growing an Academic Health Sciences Center here where you did have all four years of medical school and the subsequent return on the investment of both medical education and economic development. These studies were all analyzed by our consultants, as well.

Mr. Emacio said the question is can we fund the research element of those people who are hired, and said he thought HSSA could. But the question is, if we adopt a Plan that indicates we are going to fund that, why would the legislature give any money to them. If I were a legislator, and I saw that there were some percentage of \$10 million, would you fund the medical school that amount of money, no, so the question you are raising is are we adversely affecting our money by agreeing to fund something which is really the legislature's responsibility.

Susan stated that there really is no money for the first two years, after which the universities
... ..

Mr. Emacio said we say that, but that's a legislative function, isn't it?

Susan said the biennial budget has already been funded.

Marty would argue against agreeing to just that right now. We stop at Strategic Elements for all three goals.

Kevin said what convinced him was the argument that this will happen even if we didn't put money into it, but it won't happen nearly as quickly, so to get a research community here two or three years sooner, it is well worth the investment.

We will have "open" RFPs that will be before this Board next month to review in each of the three strategies. So we would anticipate that the universities who have health sciences research faculty or need to hire research faculty will apply for funding.

Kevin said that the worst thing we could do is put one faculty member at WSU, one at Eastern, one at Whitworth and one at GU, because now you don't have a core of researchers. They are working in isolation. We thought it important to keep the focus on the medical school, trying to get all your researchers in one facility and emphasize collaboration with researchers at other universities. Otherwise, we do research in isolation. You need your colleagues to be successful so that you will be successful.

Chair Isserlis said that she would take the flip side of the argument and understands that if we commit this money to a designated focus area, WWAMI, that that somehow disincentivizes the legislature from funding its constitutional mandate to fund those kinds of things. If there are three or four very good researchers in town who want to make a proposal and apply to us for funding, doesn't that somehow relieve the institutions for which they are working of their financial responsibility to fund the position that they've been hired for. Why should HSSA be subsidizing Gonzaga.

Marty said he would invite that discussion right now, that goes to the whole core of Strategic Goal 1, is should we be funding personnel in any institution as opposed to new infrastructure or new entities that are going to come and re-locate to Spokane and engage in an activity in a bioscience area that engenders economic development. I don't feel compelled to even defend, is that an appropriate goal for GU or anybody in the first place.

Nancy said that our legislative mandate summarizes what we can do and I think that what this strategic plan does is take that narrow window or door you can go through and really gives us the opportunity to do some additional things.

Kevin, speaking personally, what I'd like to see in this Plan, what if GSI goes out and hits it out of the park. They go out and start recruiting companies here, and within a year they bring 10 companies here and they've utilized all three or four million dollars for this. At that point,

I'd like to see them come back to us and say that we've recruited all these companies here, and we (HSSA) need to take money out of Goal 1 and 3 and put in in Goal 2 because they've brought a hundred jobs to the community. On the other hand, GSI may sit on their hands for the next two years and not do anything, and we certainly don't want the money sitting there being wasted. At that point maybe we do say to GU, WSU, Eastern, guys, we need research faculty members here, let's support those faculty members. I don't know if Goal 1 is going to work. I think it's probably not our job to be investing in local universities. I think that's the state's job, private individuals, whatever. I think it would be a bad risk to put all our eggs in basket 2 and 3 and ignore 1, because Strategic Goal 1, if done properly, has a high chance for success.

Kelsey Gray added that if the legislature sees that the local community is willing to do some investment into a medical center, then we have a better chance of getting those legislative dollars within a few years than what we would have if we don't have that goal to put some funding investing in those researchers. All the data says if you have researchers, you have economic development.

Dave Vachon agreed, and said that we only have models today that point us in the right direction. We can argue as much as we want, but if you look at the Bay Area, Boston, Minneapolis, those cores are built around high tech companies and universities; big Ph.D.-granting institutions, medical schools. That's an optimal situation. That's a breeding ground for ideas for people to get together. We don't have that here. We are devoid of that, and if you think that we are going to be able to bring companies here, I disagree completely.

Kelsey added to look at researchers as part of the infrastructure.

Marty said that he didn't disagree with any of that; his concern is on two levels. Strategic Goal 1, as opposed to 2 and 3, goes straight to specific parameters around which we're going to go ahead and give money to a particular entity, but those parameters are very soft. And at the end of the day, if we adopted Strategic Goal 1 as written, and started awarding funds based upon what's written then I don't think we've put much in the way of requirements around WSU at all because of the way we talk about flexibility and so on.

Dave responded that it was the Grants Committee understanding that we would carve that out more specifically in the RFPs.

Marty said that when that's what he saw in the Grants Committee meeting notes about the RFPs, he thought that was good because there's more intended than just this.

Dave said that obviously this is a very high level document.

Marty said that he could support it if we stop at Strategic Elements on Strategic Goal 1 as we do in the other goals, and then we work on the RFPs.

Kevin said that was the intention.

Susan said that what she heard was that this Board would consider the motion before it as long as there is an amendment to the document that would delete the Funding Phases found on page 4 and the top of page 5 through 2016-2022 funding.

Jason Thackston moved to accept the draft Strategic Investment Plan as written with the portion carved out on pages 4 and 5 from Funding Phases through the 2016-2011 paragraph. Kevin Oldenburg seconded the motion, which passed unanimously.

At this point in the meeting, Patricia Butterfield joined the group and Chair Isserlis told her that the Board had just approved the SIP and asked Marty Martin to explain the change to her. Marty said that Strategic Goal 1 was framed up in a different or more expansive fashion, than strategic goals 2 and 3 in that the second and third stopped at Strategic Elements and remained higher altitude in terms of what we would be doing in the future whereas Strategic Goal 1 went into these Funding Phases that appeared to make a specific commitment to a specific program, and I objected to that and out of the conversation we agreed to strike that language specificity will come in the form of the Request for Proposals.

Patricia said that that made sense.

Chair Isserlis said that what it did was made all three goals more consistent and more integrated in the document. She complemented the Grants Committee for the wonderful work.

Dr. Brian Pitcher asked the Chair to be heard, which was granted. He said that he wanted to make a point of clarification with the comment about how medical schools are funded, so Kevin was correct in that every faculty has a research expectation. The goal of this proposal is to build a \$70 million operation, or as Dean Pollack said, a \$100 million. Currently, 75% of all medical schools, external grant funding is less than \$50 million, so it requires an additional investment in some way.

6) **Counsel's Report** – James Emacio

We were advised by Project Access that they would like the Board to consider providing them their grant money over a six-month time frame rather than 12 months because of the way they budgeted. My recollection was that the HSSA Board was amenable to that, so when I learned of this at Susan's request I prepared an Amendment to the previous Agreement and it basically provided that they would get their one-year allocation over a six month time frame starting July 1, 2011 through December 31, 2011. I modified the previous Agreement so that they would be paid on a monthly basis rather than quarterly. Because of the fact that we get audited I thought it was appropriate that we have an Agreement that articulated their request and your acquiescence and authorize the Chair to sign the Agreement. We probably just need a motion to do so. Kevin Oldenburg moved to authorize the Board Chair to sign an Amendment to a previous Agreement with Project Access to allow Project Access to received payments over a six-month period from July 1, 2011 through December 31, 2011, and to be paid monthly. Marty Martin seconded the motion and it passed unanimously.

7) **Board Member Comments and Announcements**

There were no board member comments or announcements.

8) **Executive Session**

There was no Executive Session.

Board Chair Isserlis adjourned the meeting at approximately 4:45 p.m.

The Board will hold a **Public Comment Hearing** on the HSSA/EHF Health Sciences Research Strategic Investment Plan on **August 17, 2011**, 4-6 p.m. at Sirti, 665 N. Riverpoint Boulevard, Fourth Floor Board Meeting Room.

The next **HSSA Board meeting** will be **September 7, 2011**, 3 p.m. at Sirti, 665 N. Riverpoint Boulevard, Fourth Floor Board Meeting Room.