

**San Juan County Public Hospital District #3
Db: Orcas Island Health Care District**

Board of Commissioners - REGULAR Meeting Minutes

Tuesday, November 5, 2019

5:00 pm – 7:00 pm

Eastsound Firehall

Commissioners Present:

Art Lange`
Diane Boteler (remote)
Patricia Miller
Pegi Groundwater
Richard Fralick

Staff:

Superintendent Anne Presson

Commissioners Absent:

None

I. Call to Order

President Fralick called the 24th meeting of 2019 of the SJCPHD#3 also known as the Orcas Island Health Care District, to order at 5:02 pm. He explained that the meeting will be more formal as it includes Public Hearings to approve the 2020 Budget and Levy. The Hearings will be first on the Agenda and then the Board will return to normal operations.

II. Public Hearings

- a. 2020 Budget** – Commissioner Fralick opened the Public Hearing for the purpose of presenting, discussing and approving the SJCPHD #3 2020 Budget. For the record he introduced himself and the other four Commissioners, noting Commissioner Boteler was remote. He then introduced Superintendent Presson and turned the meeting over to her to walk through the 2020 Budget materials.

Superintendent Presson started with a review of a document titled 2020 Levy Summary. She reviewed the 2019 Revenue and its impact on the 2020 calculation. Most important is the fact that when the District was formed the Board had the authority to tax at the maximum rate of \$.75/1,000 of assessed property value. That maximum levy rate times the 2018 Total Assessed Value in thousands (\$2,366,120) determined the District's 2019 Highest Lawful Levy (HLL = \$1,774,590). Since the Board decided not to levy at the HLL for 2019, the difference between what could have been levied (\$1,774,590) and what was actually levied (\$1,535,192) is known as Banked Capacity (\$239,398). While that is expected Revenue, the Superintendent noted that the Revenue figure used in the District's Budget is discounted 4% to account for various programs that lead to annual tax collections being less than 100%. As result, it'll show as less than what's calculated to be the 2020 Property Tax Revenue.

When looking at the 2020 budget and levy, the District has a couple of options in accessing the Banked Capacity. While the calculation for next year's Revenue starts with the estimated Total Assessed Value for 2019 (\$2,691,667), the Board has the option to then take zero, all, or some percentage of \$239,398 Banked Capacity. The Superintendent walked through the 3 options and the associated impact on District Revenue and noted that the 2020 Budget was built using 75%

of the Banked Capacity (\$179,548). When adding the 1% allowed increase plus New Construction (\$20,534) to the \$179,548, the Levy becomes \$1,753,021. The Superintendent explained that the County Assessor recommends the amount be rounded up since the New Construction number is only an estimate at this point. In doing so, the Levy becomes \$1,755,500. Discounted by the 4% for budgeting purposes it results in a Property Tax Revenue number of \$1,685,280. That is the Revenue number reflected in the 2020 Budget document itself. Finally, the Superintendent explained that the estimated levy rate is determined by taking the \$1,755,500 divided by the initial 2019 Total Assessed Value (\$2,691,667), which gives an estimated Property Tax rate of \$.65/1,000 (rounded to two significant figures).

The Superintendent transitioned to the 2020 Budget document which contains information on 2019 YTD through September, as well as the 2019 and 2020 Budgets. She referenced the Property Tax Revenue items and commented that the only other source of Revenue will come from the final draw on the District's long-term General Obligation Bond (\$383,641). When combined with the Property Tax Revenue, the District expects to collect just over \$2 million in Revenue, not including Beginning Cash.

Superintendent Presson continued to walk through the District Expenses, noting that the largest category of Expense is subsidy payments to the two Clinics. Payments to UW Medicine (UW) and Orcas Family Health Center (OFHC) represent over half of Total Expenses. Payments to UW, as reflected in their 2020 Budget, will be \$723,000 and are paid twice a year coinciding with the District's Property Tax receipts. OFHC is paid quarterly at the start of each quarter of their fiscal year, which runs October through September, and their approved FY '20 subsidy is just over \$474,000.

The Superintendent pointed out other Expense items that were budgeted higher in 2020. This included an increase in Legal and Independent Consulting to account for support needed if there were to be any changes in the structure of the Clinics. The staff and payroll taxes include the Superintendent's salary, which was increased in September 2019 and will run through 2020. There is an allowance for consulting support related to Project Management, and as this will not be an employed relationship the compensation isn't subject to payroll taxes. The second largest item in the Expense category is Building/Equipment, representing just over 30% of Total Expenses. The 2020 Budget includes \$440,000 for capital expenditures related to replacing the Clinic's roof and HVAC, as well as painting the building's exterior. It was pointed out that the \$383,000 left in the GO Bond capacity is less than the District's expected capital needs so other funds will be needed to complete these items. An additional large Expense item is captured in the Building Other which accounts for costs that are unknown at this point which could be associated with a possible remodel should the Clinics decide to co-locate.

In 2019 the District repaid a \$400,000 loan, plus accrued interest, to the County. This leaves the GO Bond as the only debt in 2020. As explained earlier, it's also the only additional source of funds for capital projects. This includes any needed Clinic equipment, and there is a line item of \$50,000 for Clinic Equipment as a result of items identified by UW. These items have reached the end of their useful life yet aren't in immediate need of replacement. That said, the funds are in the budget in the event these items end up needing to be replaced in 2020.

Finally, the last page in the document shows Total Income versus Total Expenses. The difference between the two is called the Ending Cash. The District's Financial Management Policy stipulates an annual contribution to the Reserve Fund of \$100,000, with transfers of \$50,000 on April and

October following receipt of Property Tax Revenue. Once that is deducted, the final Ending Cash number is set. This becomes the Beginning Cash figure for the 2021 Budget year.

When Superintendent Presson ended her presentation, President Fralick asked the Commissioners if they had any questions. Commissioner Fralick asked about line 83 which was titled Clinic Equipment Purchase. There was a reference to it being related to OFHC, and it was confirmed that should be generic. The Superintendent will remove that reference. Commissioner Lange asked what percentage of the total Expenses the Administrative costs represents. Based on his initial calculation it seemed to be around 5% and he felt that was a good number. The Superintendent will follow-up to confirm and suggested that best practice does target 10% or less. Commissioner Miller recalled that work from the Town Hall, which included both 2018 and 2019 Expenses, seemed to reflect Admin was approximately 16% of the total budget. She did clarify those numbers also included all of the set-up costs which weren't recurring.

Having no further questions from the Commissioners the hearing was opened to public testimony. Members of the public were asked to identify themselves when asking a question at the podium. The first question was specific to the \$440,000 cost of building improvements. There was a concern that since these are one-time costs and not amortized, there would be a surplus in future years. Commissioner Miller explained that each year the Board builds a new budget so next year the Expense line item won't exist nor will the line item Revenue that's associated with the GO Bond. She pointed out that it's important to look at the \$383,000 in bond proceeds which will be used towards the Expense of \$440,000. That leaves only a little more than \$50,000 of the cost of the replacement coming from Tax Revenue.

President Fralick closed the Public Testimony reserving the right to re-open. Before deliberations he asked if there were any final questions from the Commissioners. Hearing none, President Fralick closed deliberations and asked for a motion to adopt Resolution 2019-04.

MOVED by Commissioner Miller, seconded by Commissioner Groundwater to adopt Resolution 2019-04, a Resolution of the Board of Commissioners of the San Juan County Public Hospital District No. 3, Dba Orcas Island Health Care District, to approve and adopt the 2020 Budget. VOTE 5:0:0. MOTION CARRIED.

Resolution 2019-05 was reviewed by the Superintendent Presson. She explained that this is a Department of Revenue (DOR) form telling taxpayers what the District took as far as a Levy in 2019 and what the District intends to take as a Levy in 2020. The total dollar amount of the increase for 2020 (\$197,294) is calculated by taking 75% of Banked Capacity plus the allowed 1% of the 2019 Highest Lawful Levy. The dollar increase represents a 12.851% increase from the prior year's Levy. It's important to note the dollar amount is different than the earlier calculation as it doesn't include New Construction or Refunds.

MOVED by Commissioner Miller, seconded by Commissioner Boteler to adopt Ordinance/Resolution 2019-05, a Resolution of the Board of Commissioners of the San Juan County Public Hospital District No. 3, Dba Orcas Island Health Care District, to approve and adopt the 2020 Levy. VOTE 5:0:0. MOTION CARRIED.

The first public hearing was closed.

- b. **2019 Levy** – Commissioner Fralick opened the second Public Hearing for the purpose of presenting and discussing the SJCPHD #3 2020 Levy. Once again, he noted for the record those Commissioners present and Commissioner Boteler was participating by phone. He also noted Superintendent Presson was present. He explained this item would follow the same procedures as the Budget hearing and then turned the meeting over to the Superintendent.

Superintendent Presson reviewed the DOR Levy Certification form. She explained that this establishes the maximum amount the Assessor's office can levy in 2020, subject to any limits. The Levy of \$1,755,500 was reviewed earlier on the Levy Summary Form, and there are no refunds available to the District.

President Fralick asked the Commissioners if they had any questions about the Levy Certification form. Hearing none, he opened the meeting to Public Testimony. One member of the Public had a comment about the Levy Rate versus the amount of money received. He noted that the 2019 rate was \$.65, and this year also assumes a rate of \$.65. The DOR Ordinance/Resolution document shows a dollar amount a lot higher in 2020 than in 2019 and it isn't apparent to many people that the levy amount is going up by such a high amount since the levy rate remains the same. In the interest of full transparency, he suggested the District include a comment about the higher assessed value and resulting dollar increase when the levy rate is referenced. Commissioners agreed it's important that when bringing up the \$.65 rate it be called out that it's applied to a much higher Total Assessed Value, and that results in a higher levy increase. Superintendent Presson was asked about the rate on Lopez. She clarified Lopez did tax at the \$.75 max; however, since their Total Assessed Value also increased by approximately 11% their expected 2020 levy rate will be lower than \$.75 in 2020 for the same total budget. The Commissioners were asked if they could envision a reduction in the levy down the road, and that the levy rate could be cut back after all of these upfront costs are behind them. President Fralick felt the Board will have a better sense of that after some of the unknown questions are answered. Commissioner Miller commented that some costs which are funded by the Bond will be paid back over an eight-year period, so there will be some recurring expense related to debt service..

President Fralick closed public testimony reserving the right to re-open. He asked if the Commissioners had additional questions before deliberations. Commissioner Miller suggested Resolution 2019-05 to adopt the 2020 Levy should have been done as part of the Levy Hearing versus the Budget Hearing. As such, it was revisited.

MOVED by Commissioner Miller, seconded by Commissioner Groundwater to reapprove the DOR Ordinance/Resolution 2019-05, a Resolution of the Board of Commissioners of the San Juan County Public Hospital District No. 3, Dba Orcas Island Health Care District, to approve and adopt the 2020 Levy. VOTE 5:0:0. MOTION CARRIED.

President Fralick entertained a motion to approve the DOR 2020 Levy Certification form showing a Regular Levy in the amount of \$1,755,500.

MOVED by Commissioner Miller, seconded by Commissioner Groundwater to approve and authorize President Richard Fralick to submit the DOR Levy Certification to the County Legislative Authority. VOTE 5:0:0. MOTION CARRIED.

The second hearing was closed, and the Commissioners return to the normal meeting agenda.

III. Public Comment

Once returning to the normal course of business, President Fralick asked for a show of hands as to how many guests were interested in presenting a public comment.

Leif asked for clarification as to how the New Construction number is determined. President Fralick clarified what the New Construction represents, and that it's a number provided by the County Assessor.

IV. Consent Agenda

Included in the Consent Agenda were the 10/15 Regular Board Meeting Minutes and a 10/27 AP Voucher Report in the amount of \$3,925.30.

MOVED by Commissioner Miller, seconded by Commissioner Groundwater to approve the Consent Agenda as presented. VOTE 5:0:0. MOTION CARRIED.

V. Old Business

a. Revised Procurement Policy

Following discussions with the MRSC, Commissioner Groundwater proposed the Board change the Services section of the existing Procurement Policy to simplify the process. Commissioner Lange commented that he likes that the changes allow for more operational flexibility while maintaining the integrity of the process, and ensuring selections are done in a fair manner. Discussion continued around the appropriate thresholds to set for decision-making authority specific to the Superintendent, the Board President, and what requires review of the full Board.

The following edits were made during the meeting and presented for approval by the Board. The rest of the changes to the document will be brought back to the next Board meeting.

6.4. Guidelines for Service Contracts. The Superintendent shall:

- A. *Obtain recommendations, identify consultants on the consultant list or research to identify one or more consultants qualified to perform the work.*
- B. *Provide the description of the services to the consultants that have been identified and interview each of them in person or telephonically to determine which is the best fit for the project. If the total cost of the services in a year is likely to be greater than \$5,000, the Superintendent shall include two Board members in the interviews.*
- C. *In determining which consultant to hire or recommend, the Superintendent (and Board members, if applicable) shall consider, among other factors, the following elements, as applicable:*
 1. *Price;*
 2. *Ability, capacity and skill to perform the work within the time specified;*
 3. *Character, integrity, reputation, judgment, experience and efficiency to perform the work;*
 4. *Quality of work under previous contracts, if any;*
 5. *Compliance by the consultant with laws relating to those contracts; and*
 6. *Other information that may have a bearing on the decision to make the award.*
- D. *The Superintendent may select the consultant for services estimated to total less than \$5,000 in a year. If the total annual cost is estimated to be more than \$5,000 but less than \$15,000 the Superintendent and the two Board members who participated in the interviews shall select the consultant. All contracts greater than \$15,000 annually shall be approved by the Board.*

MOVED by Commissioner Miller, seconded by Commissioner Groundwater to replace Section 6.4 and 6.5 of the existing SJCPHD #3 Procurement Policy with the language provided by Commissioner Groundwater in her 11/5 email at 6:15 pm, received and reviewed during the Board meeting. VOTE 5:0:0. MOTION CARRIED.

b. Project Management Candidate Summary

Superintendent Presson reported that she and Commissioners Miller and Groundwater interviewed the two Project Management candidates. It was apparent each has unique qualities that will provide value to the District, and the recommendation is to allow for flexibility and allow the Work Group to contract, as needed, with each consultant as the projects evolve.

There was a consensus of the Board to accept the PM Work Group's recommendation and allow the Work Group to engage each of the PM Consultants, as needed.

VI. New Business

a. Clinic Structure

Commissioners Miller and Groundwater were tasked with the responsibility of developing an RFP for FQHC consulting services. In the process of developing the document they realized the Board wasn't quite at the point of committing to the FQHC mode. There were a lot of unanswered questions, and the Commissioners felt that it was necessary to continue to explore the pros/cons of the various models.

The Commissioners spoke with another firm that specializes in FQHCs; however, they felt a firm with a broad understanding of both FQHCs and Provider-Based RHCs would be most helpful. That led to a conversation with WIPFLI and a recommendation to schedule an all-day workshop to have them walk through the pros/cons/requirements of the options once again.

The two consultants from WIPFLI are agreeable to coming in person to a Special Meeting. There was considerable discussion over the focus for the meeting, including the date and the price the District is willing to pay. There was also agreement on the need to provide questions in advance that must be answered to position the Board for a decision at the close of the meeting. Finally, President Fralick asked if the Board felt it was appropriate to establish new Work Groups and have them gather the information needed and report back. There was consensus of the Board that this is a good idea but a little too early to be able to parse out the work. The Commissioners felt it would be good to wait to define the Work Group following the meeting with WIPFLI.

MOVED by Commissioner Miller, seconded by Commissioner Groundwater to approve executing a contract with WIPFLI Associates in an amount not to exceed \$7,500 for consulting services and to help reach a decision on the long-term clinic structure. VOTE 5:0:0. MOTION CARRIED.

b. Change in Time for Regular Meetings

Following the trial period, the Commissioners agreed that starting the meetings at 5 pm allowed for more public participation.

MOVED by Commissioner Miller, seconded by Commissioner Groundwater to adopt Resolution 2019-06, a Resolution of the Board of Commissioners of the San Juan County Public Hospital District No. 3, Db a Orcas Island Health Care District, to permanently change the time of Regular Board meetings to start at 5 pm. VOTE 5:0:0. MOTION CARRIED.

VII. Building/Equipment Committee Report

President Fralick noted that Hargis Engineering provided the 1st set of drawings and materials to be used in the HVAC RFP. He's impressed with the amount of work that went into these documents and feels for a 30% requirements document this is a very good set of plans. The drawings don't cover the roof and the Committee continues to gather insight into the cost of roofing materials. Commissioner Miller asked that at some point the Committee revisit what makes the roof and HVAC so complicated.

VIII. Operations Report

Superintendent Presson shared a request from the Inter Island Healthcare Foundation to participate in a HRSA grant proposal for further study of the County's long-term care needs. After discussion, there was consensus to express the Board's support of the concept to study the need; however, with everything on their plate the Commissioners are unable to actively participate at this time. The Commissioners also clarified that the support is specific to understanding the need and not necessarily support of whatever strategy is developed, as that remains unknown at this time.

IX. Public Comment

Bob Thomas had two comments. One was around the FQHC and he likes that the Board is taking time to make the right decision. He feels money could come with a lot of regulations when the federal government is involved. He also feels that once we know what's necessary the Board have a conversation with the community. His second comment was specific to the long-term care item, and he was happy the Board decided not to participate in the Inter Island Healthcare Foundation grant proposal.

X. Upcoming Meetings

A list of the upcoming meetings was included on the Agenda. Commissioner Miller asked the other Commissioners to get her any additional questions for Wipfli by Monday, 11/11. Commissioner Miller also asked if the Board felt the 11/19 meeting could be cancelled and have the Work Groups use that time to continue their efforts.

MOVED by Commissioner Miller, seconded by Commissioner Groundwater to cancel the 11/19 Regular Board meeting. VOTE 5:0:0. MOTION CARRIED.

XI. Meeting adjournment

MOVED by Commissioner Groundwater, seconded by Commissioner Miller to adjourn the meeting at 6:50 pm. VOTE 5:0:0. MOTION CARRIED.

Minutes approved this ____ day of _____, 2019.

Patricia Miller, SJCPHD#3 Secretary