

San Juan County Public Hospital District #3
Db: Orcas Island Health Care District
Board of Commissioners - REGULAR Meeting Minutes
Tuesday, November 6, 2018 DRAFT
4:00 pm – 6:00 pm
Eastsound Firehall

Commissioners Present:

Art Lange`
Diane Boteler
Patricia Miller
Pegi Groundwater
Richard Fralick

Staff:

Superintendent Anne Presson

Commissioners Absent:

None

I. Call to Order

President Fralick called the meeting to order at 4:04 pm. He explained that the format of the meeting would be a little different being that the meeting includes Public Hearings to discuss the 2019 Budget and Levy. These items are first on the Agenda and once we complete those the format will return to normal operations. While the Public Comments item comes after the hearings, members of the public will be able to testify during the hearings on the two items being discussed.

II. Public Hearings

- a. **2019 Budget** – Commissioner Fralick opened the Public Hearing for the purpose of presenting and discussing the SJCPHD #3 2019 Budget. He introduced himself and the other four Commissioners, as well as Superintendent Presson. He then outlined the procedures for the hearing and turned the meeting over to the Superintendent.

Superintendent Presson led a discussion through the 2019 Budget document. She explained that the District uses the cash basis method of accounting, which is a simpler method and is appropriate for a District of this size. It also requires fewer resources due to the ease of reporting. Under the cash basis method, cash is recorded as it is received and expenses as they are paid out.

Superintendent Presson highlighted the primary source of Revenue which is property tax. Since the District won't receive tax funds until April 2019, there was a need to incur debt to finance activities until that time. As a result, proceeds from an intergovernmental loan from San Juan County and a long-term general obligation bond are shown in the Revenue section. She also noted that the revenue from expected tax proceeds is discounted by 4% to account for the fact that not 100% of the revenue is collected. There are programs for seniors and other groups which reduce the amount of tax collected. The District is using a conservative figure in their budget to account for those uncollected amounts.

Superintendent Presson continued to walk through the District Expenses with the largest category being subsidy payments to the two Clinics. She explained the differences in the payment approach to each. The UW contract pays in arrears and provides for semi-annual

payments that coincide with the receipt of tax revenue. UW's fiscal year runs July through June as compared to the District which runs on a calendar year. The agreement allows for payment of their July 1st through December 31st subsidy to coincide with April tax proceeds, and January 1st through June 30th subsidy to be paid with October tax proceeds. In 2019, the subsidy is lower since the July through December 2018 payment was paid by OMF prior to the District entering into the Interim Funding Agreement. As a result, the amount being paid to UW in 2019 only reflects two quarters, or January through June 2019.

The draft agreement states OFHC will be paid on a quarterly basis and is paid in advance of each quarter. In 2019 both clinics will receive an incentive associated with after-hours care. The total amount designated for the after-hours incentive program is \$100,000 and it is split based on expected patient volume. The result is an allocation of 60% to UW and 40% to OFHC.

Superintendent Presson continued through the 2019 Expenses, identifying costs associated with the operation of the District Office. Her salary and associated payroll taxes are included, as is an allocation for part-time admin support which she is hoping to make do without. She noted that all five Commissioners waived their per diem for 2019. The larger expenses in the Budget are associated with the building purchase and repairs. These include replacing the roof on the clinic building, painting the exterior of the building, and replacement of the HVAC system. Based on an inventory review, UW doesn't expect to have any major repairs or replacement of clinic equipment. UW did propose remodeling exam rooms to provide for increased privacy and an amount was allocated even though this has not yet been an approved expense.

The Budget spread sheet closes with total Revenue of \$1,919,075 and, total Expenses of \$1,542,113. The difference between the two becomes the ending cash balance, or \$376,962. In 2019 the Budget includes an allocation to a Reserve Fund of \$100,000. This will be set aside to cover any unexpected change in services or unforeseen downturn in the overall economy. After accounting the reserve allocation, the ending cash becomes \$276,962. These funds are necessary to cover the District during the first quarter of 2020 until tax revenue is received.

When Superintendent Presson ended her presentation, President Fralick asked the Commissioners if they had any initial questions. Hearing none, he opened the floor to Public Testimony. Pierrette Guimond went to the podium for testimony. She thanked the Commissioners for their hard work and for waiving their per diem. She asked for clarification on the 2019 UW subsidy and that it only included two quarters. Superintendent confirmed that is the case since the first two quarters were prepaid by OMF in 2018. Pierrette also asked if the Clinical Service Agreements (CSAs) have been signed by either Clinic. President Fralick responded that there is an Interim Funding Agreement in place with UW and neither of the CSAs have been signed.

Having no further request from the public to testify, President Fralick closed the Public Testimony subject to the right to re-open.

President Fralick asked the Commissioners if they had questions at this point. Commissioner Miller asked if all the proper procedures are in place to preserve the banked levy capacity should the District need to increase the Budget at some point in the future beyond the 1% limit. Superintendent Presson will confirm with the Assessor's office there is no additional action required.

Commissioner Lange asked about the Property Tax expense. Commissioner Miller explained that the Leasehold tax comes into play when a governmental entity leases property to an organization that doesn't qualify for an exemption. Since the District is leasing the clinic to UW, and UWNC is not an exempt entity, the District will pay the tax. The leasehold tax is expected to be about the same as the current property tax. Commissioner Lange asked if the leasehold tax would apply if the District were to own the practice rather than lease the building to an entity to run the Clinic. Commissioner Miller confirmed in that scenario it would not apply.

President Fralick closed deliberations and then the hearing and asked for a motion to adopt Resolution 2018-21.

MOVED by Commissioner Miller, seconded by Commissioner Boteler to adopt Resolution 2018-21, a Resolution of the Board of Commissioners of the San Juan County Public Hospital District No. 3, Db a Orcas Island Health Care District, approving and adopting the 2019 Budget. The amount adopted per Fund are:

#6541 2019 GENERAL FUND BUDGET	\$ <u>1,919,075</u>
#6544 2019 DEBT SERVICE FUND BUDGET:	\$ <u>434,557</u>

VOTE 5:0:0. MOTION CARRIED.

- b. **2019 Levy** – Commissioner Fralick opened the Public Hearing for the purpose of presenting and discussing the SJCPHD #3 2019 Levy. He explained this item would follow the same procedures as the Budget hearing. He then introduced himself and the other four Commissioners, as well as Superintendent Presson. He then turned the meeting over to the Superintendent.

Superintendent Presson reviewed the Levy Certification form. She explained that this amount establishes the maximum that the Assessor's office can levy in 2019. The levy amount was determined by taking the monies required to fund the general fund budget and debt service requirements and is estimated to equate to an estimated millage rate of \$.65 per \$1,000. The total assessed value will be certified in January and could change somewhat at that point.

President Fralick asked the Commissioners if they had any questions about the Levy Certification form. Hearing none, he opened Public Testimony. One member of the Public participated and asked for clarification if the total assessed value were to come in significantly higher than the preliminary estimate, would the Assessor apply the \$.65 to the higher rate and collect more, or would the millage rate be reduced. Superintendent Presson responded it would be the latter, the millage rate would be reduced since the Levy Certification stipulates the maximum the Assessor can collect. President Fralick closed public testimony reserving the right to re-open.

President Fralick asked if the Commissioners had additional questions. A question arose as to whether the Board needed to rescind the Resolution passed earlier in the year for the interim budget. That is not the case as the levy amount, which was established to assist in obtaining the interlocal loan with the County, was clearly adopted as a preliminary amount. President Fralick closed deliberations and the public hearing.

President Fralick entertained a motion to approve the 2019 Levy Certification form showing a Regular Levy in the amount of \$1,535,192.00.

MOVED by Commissioner Groundwater, seconded by Commissioner Lange to approve the Levy Certification for the San Juan County Public Hospital District No. 3, Dba Orcas Island Health Care District, in the amount of \$1,535,192.00. VOTE 5:0:0. MOTION CARRIED.

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. Bob Thomas revisited some of the statements and materials previously provided by the Coalition during the campaign to pass the PHD. He commented that most of the Commissioners were also members of the Coalition. Discussion continued around the expected levy that was used in Coalitions materials and the fact that it was about \$.10 less than what was just adopted in the Resolution. Commissioner Miller explained that the services included in the Coalition material were less than what will be delivered in 2019. Mr. Fralick explained that the average home value of \$450,000 used in the Coalition materials was meant to be illustrative. Commissioner Miller reiterated that the Coalition estimates didn't include an allocation for after-hours care, and the OIHCD budget has \$100,000 for an after-hours incentive and \$50,000 for a Project Manager to design and oversee a more robust after-hours trial. There was also no allocation for reserves in the Coalition model and the PHD will be setting aside \$100,000 in 2019. **After continued discussion specific to how the millage rate of \$.55 estimated by the Coalition became \$.65 with what appears to be an increase in property values, Commissioner Miller committed to provide additional detail from the Coalition effort to help explain the difference.**

IV. Consent Agenda

President Fralick asked if there were any changes to the 10/30 Regular Board Minutes, 10/16 AP Voucher or 10/30 AP Voucher which were all included in the Consent Agenda. Superintendent Presson noted that she received some minor grammatical edits on the Minutes from Commissioner Groundwater. Since these didn't represent material changes, there was consensus Superintendent Presson would make those changes.

MOVED by Commissioner Groundwater, seconded by Commissioner Boteler to approve the 10/30 Regular Meeting Minutes subject to making the grammatical changes as identified by Commissioner Groundwater. No changes to the 10/16 and 10/30 AP Voucher Reports as presented in the Consent Agenda. VOTE 5:0:0. MOTION CARRIED.

V. Committee & Work Group Reports

a. After-Hours Work Group:

President Fralick reminded the Board that Commissioners Boteler and Lange were chosen to serve on a small work group which will be assembled to discuss after-hours care. Debra Gussin committed that the two new regional leaders, Matt Jaffy and Mark Bresnick, will represent UW. Since Mark is on vacation until November 13th, the meeting will likely take place shortly thereafter. **Superintendent Presson was tasked with coordinating a date for the meeting.**

Commissioner Boteler once again requested that UW provide the Board with their Privilege Sheet. They committed to doing so over the summer and the Commissioners have yet to see it. While UW agreed to comparing that document to the OIHCD skills document, she feels it would be helpful for the Board to go through the same exercise.

Commissioner Lange provided an update on his efforts to capture information specific to what other remote clinics are doing to provide after-hours care. At this point he's talked with over 40 such entities and the information he's getting is consistent. All clinics without an urgent care or emergency room close provide after-hours call coverage and access to a physically available physician for any caller.

b. Building Purchase

President Fralick shared that the building transfer happened last Thursday, 11/01, despite weather challenges, and funds were transferred the following morning. Commissioner Groundwater reported on the property insurance item. She had been working with the District's liability carrier, Enduris, as well as the existing property carrier Liberty Mutual. In the end, the \$3 million policy with Liberty Mutual was less extensive, but was for a higher aggregate amount than what could be provided with Enduris, so the coverage was left with the existing carrier.

The Liberty Mutual coverage contains a coinsurance clause which is basically an incentive to make sure a building is insured at the proper replacement value. It penalizes policyholders who deliberately under insure to keep their premium low. Commissioner Groundwater is in the process of determining the true replacement cost to make sure the coinsurance doesn't come into play. She is talking with the school, library and fire department who have all gone through construction projects. The library is insured at \$575 per sq. foot yet they did have quite a bit of site work when they put on their addition. Commissioner Groundwater has also asked for a quote to provide earthquake coverage and will bring that back for review. Finally, the Enduris policy includes coverage for builders' risk, which isn't covered by Liberty Mutual. A question came up if builders' risk could be an issue with the roof replacement, and it might be something to investigate separately. Commissioner Groundwater also commented that the coinsurance limitation only applies to the building and not equipment. The equipment is insured for \$400,000.

c. Contract Negotiations Committee:

Commissioner Miller reported that the Committee is making good progress with OFHC on their 2018-19 CSA. Commissioners were asked if they had any concerns with the latest draft and discussion centered around the structure of the current malpractice insurance. Following a lengthy discussion, it was clear that the CSA was not ready to be approved and would be brought back to the next Board meeting.

d. Finance Committee

There was no additional report from the Committee.

VI. Old Business

a. Resolution 2018-22 Interlocal Agreement with Lopez Island PHD

Commissioner Groundwater reminded the Board that they approved an Agreement with LIHD to reimburse for health care premium payment. In reviewing what types of actions require Resolutions, she recently realized that the Board should have also passed a Resolution. A Resolution was prepared and is brought back for adoption.

MOVED by Commissioner Groundwater, seconded by Commissioner Miller to adopt Resolution 2018-22, a Resolution of the Board of Commissioners of the San Juan County Public Hospital District No. 3, Db a Orcas Island Health Care District, authorizing an Interlocal

Agreement between Orcas Island Health Care District and Lopez Island Hospital District providing for the provision of employee medical and other benefits. VOTE 5:0:0. MOTION CARRIED.

b. Revised Public Records Policy

This item has been on several Agendas over the past few meetings, and the document includes revisions to the Public Records Policy, as reviewed by the AGs office. Commissioner Lange felt that he was ready to take action and there was a consensus of the Board to proceed as there were no additional questions.

MOVED by Commissioner Groundwater, seconded by Commissioner Lange to approve the Revised Public Records Policy as edited. VOTE 5:0:0. MOTION CARRIED.

VII. New Business

The packet contained a draft Debt Policy and a draft Financial Management policy. Since these were long and complex documents they are brought to the Board for information only at this point. Commissioners were asked to review and provide comments to Commissioner Groundwater. The one outstanding question in the Financial Management policy is whether it needs to include language specific to an investment policy. Since funds are retained by the County it's unlikely; however, Commissioner Miller offered to ask the SJC Treasurer if it's necessary in the District's policy.

President Fralick thanked Commissioner Groundwater for the work as he really liked the Reserve Policy contained in the Financial Management Policy. He found it be simple and straightforward. Commissioner Boteler asked how larger expenses fit into the Reserve Fund, and there was a question if equipment repairs would come from this fund. Chief Williams offered some insights into how they've handed their Reserves. The Fire Department established a Capital Asset Fund which funds predicted and scheduled expenses. Conversely, the Reserve Fund is more of the unexpected, emergency expenses. Having this separated has come into play when OIFR has applied for certain grants.

Commissioner Groundwater will revise the policies and bring them back to the next meeting. Again, Commissioners were asked to direct any questions or comments to Commissioner Groundwater, so she can incorporate everyone's feedback into the next version.

VIII. Operations Report

Superintendent Presson revisited the action taken at the last meeting in response to the new Paid Family Medical Leave act (PFML). She was able to get additional clarification from Employment Security, which clarified that the voluntary payment doesn't impact the employee benefit. What it provides is \$3,000 in coverage to the employer to help when an employee goes out on leave. After discussion around the value of having what is categorized as a grant versus the paying the voluntary premium, there was consensus to rescind the prior motion and choose to not pay the voluntary premium.

MOVED by Commissioner Groundwater, seconded by Commissioner Miller to rescind the prior election which adopted Plan E for the new Paid Family Medical Leave. The District will choose to NOT pay the voluntary premium. VOTE 5:0:0. MOTION CARRIED.

IX. Public Comment

There was one member of the public interested in the final public comment period. Pierrette Guimond asked for clarification on the revisions to the Public Records Policy. Superintendent Presson explained that the Consultant in the AG's office offered to review the policy which resulted in a few suggested changes which were very minor.

X. Upcoming Meetings

A list of the upcoming meetings was included on the Agenda. While the Board will need to keep the 11/13, an alternate time and/or location will be required since OIFR has another meeting in the room that will last until 5 pm. **It was decided that the Board will meet at the Library from 3-5 on 11/13. Notice of the change will be posted.**

XI. Meeting adjournment

**MOVED by Commissioner Miller, seconded by Commissioner Groundwater to adjourn the meeting at 6:04 pm.
VOTE 5:0:0. MOTION CARRIED.**

Minutes approved this ____ day of _____, 2018.

Attest: Anne L. Presson, OIHCD Superintendent