

**BOARD OF HEALTH
MEETING MINUTES
November 4, 2011**

Call to Order

Chairman James Beaver called the meeting to order at 1:30 p.m.

Roll Call

Present: Chairman James Beaver, Board Members Leo Bowman, Rick Miller, Brad Peck, Shon Small, and Executive Secretary Jason Zaccaria

Excused: Bob Koch

Staff Present: Dr. Jecha, Health Officer; Dr. Person, Health Officer; Cody Lewis, IT Manager; Amy Serven, Administrative Services; Sandy Owen, Preventive Health Director; Bruce Perkins, Environmental Health Director; Lisa Wight, Human Resources Manager; Dan Howard, Finance Manager; Jim Coleman, Representing Local 17.

Visitors: Eric Johnson, WSAC; Bob Johnson & Mark Brault, Grace Clinic; Michele Dupler, Tri City Herald

Approval of Agenda

Commissioner Bowman moved, seconded by Commissioner Miller to approve the agenda. Motion carried unanimously.

Approval of October 19, 2011 Minutes

Commissioner Bowman moved, seconded by Commissioner Small to approve the minutes of October 19, 2011. Motion carried unanimously.

FY12 Budget

Chairman Beaver reported on the budget packets that were sent to the Commissioners by Jason previously (see attached). Chairman Beaver stated that the District is anticipating the revenue to be \$8,872,420. A balanced budget would mean that we would have expenses of \$8,872,420. Our contingency fund would have \$500,000. He wanted to discuss the balance forward line item. The District acquires bills from November and December of the previous year that are not paid until the next year. He wanted to make sure it was clear that this line item is not money that can be used to pay for expenses incurred during the next fiscal year. He stated that there has been a discussion in Benton County about Benton County Public Health support issue 33862.1 and Franklin County Public Health support 33862.2. There appears to be a decline in the

Franklin County line item and he understands this is due to the budget situation. Based on historical information Benton County contributes approximately 67% and Franklin County approximately 32%. He stated that their discussion was that if Franklin County was going to withdraw to balance their budget, Benton County would be looking at their percentage withdraw in the line item contribution. This is roughly \$30,000 for Franklin County and roughly \$50,000 for Benton County. Commissioner Peck stated that it was not his belief that the amount was rolled back for the purpose of budgeting but that it was presented to them by their administrator as a per capita share. He thought perhaps it could be the \$30,000 on the annex building in Franklin County, although that should not be a 2012 line item as it was a repayment from Benton County from the previous year. He felt this line item needs to be revisited. Jason stated that he could revisit this line item with the two County Administrators. Commissioner Peck added that Franklin County has no intentions of reducing its contribution as they have gotten to a balanced budget. If they had to find additional cuts in their budget to continue their support of the Health Department they would probably do so. Discussion took place on using the per capita rates for each county contribution.

Chairman Beaver also called attention to a payment made to Benton County as space rent. This line item is considerably higher due to the \$100,000 payment. This is just how that payback was accounted for. Jason added that there was a change in the accounting process for the better to more correctly categorize that fee into space rent rather than intergovernmental payments.

Jason stated that in the budget there were potential assumptions and potential impacts. Some of the areas that will be potentially impacted include MVET which could possible eliminate over a million dollars from the Health District's bottom line. The Governor's proposed alternative is a 20% reduction, which is roughly \$218,000 from the Health District's bottom line. Another item potentially impacted is Maternity Support Services, which has been proposed for a possible elimination which would wipe that line item clean of roughly \$285,000. The Governor's proposed alternative for that is a 50% reduction. Also on the table are blue ribbon funds, the 5930 funds as well as local capacity funding. Also at this time the District is unsure of the employer contribution rates for the Department of Retirement, and if there are any layoffs or reductions in force, there will be corresponding unemployment and potential leave cash-outs. Jason reassured the Board that the District is looking very closely at these changes and we will be anchoring and adjusting as necessary and will bring that information forward to the Board as soon as further updates are available.

Jason stated that we need to make a determination as to the next steps, other than what has already been mentioned in terms of approving the budget before the end of December 31st at midnight. He questioned whether the Board would like to see a revised budget with the county contributions corrected after the appropriate discussions with the county administrators around the per capita rates, and have the budget come back to the December meeting for approval.

Chairman Beaver affirmed that this is the next step. Jason stated that the other components in terms of the budget assumptions include an increase in the COLA and a continued 50-50 split on the health care premiums and the rest of the budget would remain whole as presented. Commissioner Peck questioned whether there is a dollar value attached to the COLA. His reason for asking is that perhaps the staff would prefer to forgo the COLA if it eliminates the need for any layoffs. Commissioner Bowman questioned how any potential cuts by the Governor are reflected in the services provided by Grace Clinic. Do they match up or are they not even close so that the services we would lose with these cuts would not be offset by the services offered by Grace Clinic? He wondered if Grace Clinic has the ability to provide those services versus the ones that are in the agreement. Commissioner Peck responded that the draft lease is in place. He feels that it is not possible without knowing what those cuts from the Governor will be to line up Grace Clinic contributions to match up with those. So the question becomes, once the agreement is in place and we see the cuts from the Governor, does the lease allow adequate flexibility to Grace Clinic to adjust its support to fit the areas where we need the greatest help? That comes under the good faith clause that is in the lease.

Board of Health Conference Room Doors

Jason reported that at the last meeting Commissioner Bowman had asked Jason to look at the legal implications of a closed door versus an open door during a public meeting. Jason checked with legal council and the opinion was that an open meeting does not mean the doors themselves have to remain open if there is excessive noise. It is generally in the best interest to leave the doors open, however, if there is excessive noise we have the ability to close the doors and place a sign on the outside of the doors indicating that it is an open meeting and to feel free to enter.

Canal Street Building

Jason stated that in the Board of Health packet there were numerous materials including a definition of the agreed upon in-kind services. There was also a broker opinion of value which states in summary the cost per square foot should equal at least \$6 per square foot. Another item in the packet was a projection of the in-kind services for the first two years. Another item pertaining to the lease is the tracking of in-kind services as well as the capital equipment items. Next is the actual lease. There was a revised lease presented to the Board at the time of the meeting that had a few changes from the lease included in the board packet that was sent out. Jason asked if the Board had any comments about the changes with the terms of the lease as presented. He asked if there was a level of comfort in the actions the sub-committee has taken to scrutinize the process including the lease, or would they prefer to have more time to look at the details of the lease and come back at another time for discussion. Commissioner Bowman stated that the lease that was sent to him stated that under capital and tenant improvements that the parties would come to an agreement what is designated as capital or tenant improvements and the fair market value thereof. He stated that he did not see that statement in the updated lease but he feels that the understanding of the difference between capital and tenant improvements should

be included. Commissioner Peck clarified that paragraph 3C defines tenant improvements as those improvements to the premises that are approved by the landlord and that those changes or adjustments are undertaken primarily to facilitate tenants' use of the premises without significantly enhancing the market value of the premises. He stated that in effect it is those things that are done to facilitate efficient use of the building by the tenant whereas capital improvements are things that improve the value of marketability regardless of who might be using the structure. Commissioner Peck stated that he had taken the original lease and made modifications based on concerns by Grace Clinic. The Health District's legal counsel reviewed his changes and agreed with all but one. Paragraph 3B talks about capital improvements and what period of time they could be counted as credit toward rent. The section states "tenant shall be given credit toward rent for any capital improvements agreed to by the landlord and said credit will be applied at tenants discretion during the life of the lease". The original lease the attorney approved stated the credit must be taken within the first 48 months of the lease agreement. Commissioner Peck stated that if this were a lease agreement or contract that had a for profit motive, he would agree. Since this is a public interest agreement where we are trying to facilitate both sides, he didn't feel there was a necessity to force those credits to be taken in any particular time frame. Chairman Beaver questioned if the Board would be amenable down the road to a lease amendment to put the building up for sale. Commissioner Peck stated that the original drafted lease outlined a 48 month term with 9 two-year renewals and that Grace Clinic had the right to those renewals as long as they were not in default of the agreement. But after that it stated that we have the right to cancel it without cause at any time, which negated any right to renewal for Grace Clinic. This was one of the changes Commissioner Peck made and legal council agreed to it. It now reads in 2B-Mutual Options to Renew that as long as they are not in default they have the right to renew. Then it says the landlord has 30 days to reject said option for renewal if changes in the landlord's financial health, primary goals or other unforeseen changes make it unable to continue in the best interest of public health. Grace Clinic will take occupancy on January 1, 2012 but no rent will be due in the first three months because they don't intend to commence operations until the second quarter of 2012. The first quarter will allow them to go in and get the building fit for occupancy. Jason stated that it was pointed out by the Washington State Auditor's office that there is a clause in the lease in terms of adjusting the fair market value lease cost periodically to adjust for market fluctuations. Commissioner Small moved, seconded by Commissioner Miller to approve the commercial lease as written for the building at 800 W. Canal Drive in Kennewick WA 99336. Commissioner Peck stated that since there were members of Grace Clinic present, it might be wise to give them a chance to comment on the lease before the Board votes. Mark Brault from Grace Clinic stated that they had not had sufficient time to look over the revised lease. Commissioner Bowman made a friendly amendment that the motion be contingent upon Grace Clinic's acceptance of the lease and that they can sign it absent of the Board if they agree with the way it is written. Commissioner Small accepted the amendment to his motion. Commissioner Miller concurred as the second to the

motion. The motion is to approve the amendment carried unanimously. The motion to approve the slightly amended lease carried unanimously.

Approval of Vouchers

Commissioner Miller moved, seconded by Commissioner Small to approve payment of vouchers number 147 to 148 in the amount of \$568,790.17. Motion carried unanimously.

Executive Session

At 2:15p.m. the Board went into Executive Session for up to 13 minutes to discuss union negotiations . Michele Dupler of the Tri City Herald reminded the Board that pursuant to RCW 42.30.140 paragraph 4, discussion of any employees who are not union members would not be covered by the exception and that discussion by any governing body of salaries, wages, and other conditions of their employment to be generally applied within the agency shall occur at a meeting open to the public and when the governing body elects to take final action, that must also be done in public. At 2:26 p.m. the Board reconvened with no formal action taken.

The date of the next meeting is to be determined as some of the Board Members will be unavailable on the original date. Jason stated that he would email the Board and get a consensus of what date would work for all.

Meeting adjourned at 2:27 p.m.

Prepared by:

Amy Serven, Administrative Assistant
Benton-Franklin Health District

Approved in Regular Session December 14, 2011