

BOARD MEETING MINUTES

Date: November 25, 2020

Time: 19:00 p.m.

Place: ZOOM Meeting, <https://zoom.us/j/375320938>

Present: Tom Langland, President
Don Wolczko, Secretary
Eric Pryne, Position 2
LeeAnn Brown, Position 3
Wendy Noble, Position 4
Eric Jensen, Superintendent
Jojo Weller, Administrative Director

1. Call to order at 19:00

President Langland introduces the board and administration, notes that this is a special meeting and the purpose for tonight's meeting is to enhance the transparency and recent deliberation process. The district realizes that they should have started their budget process earlier and delayed the levy rate vote to allow better notice and more public response. The board apologizes for these errors as the learning curve for their new district is somewhat steep and they have learned they will need to execute the process far better next year. He makes clear that tonight's meeting is not a budget hearing. This was held a few weeks ago therefore the district will not go through the various budget line items. However, Superintendent Jensen will summarize and compare a couple of budget scenarios that represent two levy rate options. The board has received a lot of emails most of them very formative but some suggest intentional misleading activities which President Langland assures there is no culture for this behavior in the district. The commissioners made some strong statements during their campaign based on what they knew then that they would not likely have to ever get near the parks levy. Those goals were based on global and known realities of 2019. While the district regrets the cataclysmic events related to a surprise pandemic, he would like the public to know there is no deceit intent in the district's culture.

2. Approve/Amend November 25 Agenda

Secretary Wolczko motions to amend the agenda to expand the 15 minutes public input to 30 minutes and Commissioner Pryne seconds the motion:

"I move to expand the agenda to 30 minutes of public comments."

AGENDA APPROVED 5-0

3. New Business

- a. Review Resolution 2020-9 adopting 2021 Budget and Levy, see attached document
 - i. Superintendent Jensen presents two levy rate options

b. Public Input, up to 30 minutes, collectively

There were 55 community members present at the meeting and Chief Craig Harmeling, Nick Keenan, Elaine Ott-Rocheford, Erik Bird, Susan McCabe, Ron Smothermon, Mike O'Connor, Marcie Rubardt, Jenny Giambattista, Robert Luke, Patricia Haley, Alan Aman, Jeff Chale, Jennifer Bonaventura and H. Turner had the chance to speak and express their views and thoughts.

Most everyone thanked and commended the board for their hard work and incredible work during the pandemic to get a clinic to Vashon. There were quite a few comments made of disappointments, betrayal and distrusts regarding the board's decision to pass the higher levy amount of \$0.588 mainly due to the understanding that the health care district would not impact the park and stay under the \$5.90 threshold when they went out for a vote in 2019. At that time the commissioners assured the passage of the health care district would not harm the services of the park district. One community member had been skeptical with the hospital district and the recent proceeding reinforced this skepticism. They were disappointed that the firm pledge to limit the budget when the commission was approved has been ignored. To all the park district is an important aspect to the community, a very important part of the island even now more than ever during the pandemic as it relieves some of the pressure and stress. There is a sailing program through the parks district that involves 120-150 kids every summer and this is a program that cannot happen without the parks district's time, people and energy.

One community member commented that the difference with the vote in 2019 and today is the COVID experience which has swamped the environment. While it is ideal to live within the smaller dollars, the reality is the alternative which is extremely limited. Another community member would prefer for the district to find a lower cost to maintain a primary care. The choice today in asserting the priority of maintaining a primary care clinic on the island is putting the dollars necessary to the only option available for the 2021 period as compared with losing the option of a primary care service and trying to rebuild a primary care system on the island. They would like to see option B voted in.

One community member feels the district fast tracked their budget without proper public review and comment. Another community member responded that the budget had not been fast tracked as the district had been working on it for most of the year. There were only six people last week when the budget was being talked about and there were only seven people at the meeting before that. Anybody who wants to get alerted to the board's activities can go to the health care district's website, www.vashonhealthcare.org, and sign up for email alerts to get involved or go to the calendar and/or the ZOOM meeting, <https://us02web.zoom.us/j/375320938>. Some have agreed that they have not been to all the meetings but they had the notion that they could trust the commissioners. They are very disappointed and will now be at the district's every meeting to bird dog what they are doing because the district has betrayed what they had implicitly told the community: to do no damage to the parks district. They feel the discussion on the budget should be based upon not what the district needs or what the ideal health care center should look like but what resources are available. This would be limited to allowing the full operation budget so the parks district is not harmed in the process. The community member very much look forward to being very, very active in engaging on the financial future because they really did think that the financial accountability was in the hands of the commissioners and unfortunately, they no longer have confidence in that. Another member notes that they are a sixth generation islander that may

need to move. They did not want to vote the hospital district in because of this fear and says that their partner is an employee with the park district and relies on this income that will potentially go away. They mention that Dow Constantine has done a great job protecting Vashon but the park district has not been protected.

One community member thanked the board for reconsidering their position and for their consideration of coming down two cents. The effect of the levy to the park district hits from the fire district and health care district coupled with the drop in the assessed property value. The parks will have an 11% drop which will result cuts in staff, services and capital projects.

A community member who has been involved since the beginning asks the district if they can make option B their target then at least the district will do less harm and cover what the district believes their cost to be to meet their needs and make their budget as tight as possible. Another community member notes that option B is a nice start but could be trimmed and option A is comfortable. They comment that there is no such thing as no risk and to be a little bit uncomfortable to protect the park district. A comment was made that there is not a lot of taxing surface that the district is up against to afford raising taxes on fixed income residents. One community member thinks the district is using worst case scenario financials and asking for the maximum amount that the district thinks they might need to forestall a potential transient cash flow issue. There was encouragement for the commissioners to work hard to find other solutions that do not impact the park district. One would like to see out of the box thinking.

There was a suggestion of the possibilities of pulling together representatives from each of the taxing districts to figure out how much money each needs and ways each taxing districts could adjust their levy amount so that everybody thrives. We are one community: we want parks, we want health, we want the fire district and the taxes can afford it. The hospital district may have higher needs this year as they are just getting started. There was a comment on the variance from 11/11 budget of \$132,000 and it was mentioned up front that one of the primary reasons for this variance was so it would be available for the first quarter of 2022 because of the way the tax revenue flows in. They asked if this extra money will be needed every year after 2022 to go forward. One community member would like a good source of information to understand the revenue problems happening in health care.

President Langland clarifies that the residual amount at the end of the budget is to take the district through the first quarter until the tax revenue comes in. He notes that the board got a lot of emails which could take a few days to answer. He thinks the suggestion of executives from each taxing district conferring can move ahead earlier in the year.

Superintendent Jensen notes that 2021 will likely be the highest subsidy the district will have to provide. The dollars that Sea Mar is requesting is significantly above what would have been projected back in 2019 based on the higher clinic volumes. That's the difference in projections. The volume really dropped so the revenue really dropped. If the volumes return to historical levels the subsidy will be significantly less. Since the subsidy is a high majority of the budget, he would anticipate the district's needs to be less in subsequent years. He adds that the district is in debt because the board made the decision to support Neighborcare from July through October and then Sea Mar starting in November before any tax revenue started coming in. The district has been borrowing money from King County Finance in order to maintain

the primary clinic on the island. Had the district not done that the clinic would have closed. If the clinic closed it would have taken a couple of years to restart a clinic. If the district had to start a new clinic it would have been significantly more expensive. Regarding why health care has revenue problems one of the big impacts from COVID is the surgeries. Surgeries are profitable services and not inpatient services. When the pandemic hit in March the surgeries were dramatically impacted by COVID and major and small hospitals lost significant amount of revenue. He invites anyone who would like information to directly email him and he will be happy to send them informational links.

Secretary Wolczko heads the finance committee for the district. He and Commissioner Pryne asked King County Finance in January 2020 to borrow 1M. They brought with them a very detailed budget that looked at average superintendent salaries and subsidy that was required to keep primary care in the community for the district's size. He thought the district would be inundated with responses for the request for proposal (RFP) for a new clinic since there would be a public subsidy to support it. However not one organization responded to the district's RFP. Superintendent Jensen had some connections and the district got a multiple clinic, a cooperative group who had a lot more resources than Neighborcare. The original subsidy amount required to support a clinic went up from \$500,000 to 1.5M due to the financial statement used from January 2020 – July 2020 which was Neighborcare's worst Profit and Loss statement. The district will audit this subsidy each year. He adds that he has already visited Sea Mar twice and had gotten a follow up call asking what his experience was like and asked what they can do better. He thinks the new clinic will meet the needs of the community and the subsidy will be less in the coming years but this year it is 1.5M. The district has over 1M in debt due to maintaining the health care transition without a lapse. He is for the \$0.588.

Commissioner Noble notes the district had a mandate to make sure that people had access to a primary medical clinic particularly the most vulnerable. The commission sincerely believed last year that they could keep a low budget. They expected organizations vying to come open up a clinic on the island and to have a reasonable subsidy offer. They had no way of knowing last fall that this year was going to look so different. If the commissioners did not sign the loan with King County the island would not have health care as of July when Neighborcare was originally leaving. She mentions that the board had poor process and timing posting a variety of numbers thinking this or that levy might work. What the district talked about last fall would have been fine if there was not a pandemic. She mentions that the district should not have posted all those numbers earlier than when the district had an opportunity to really look at them and had the data to know what would really work. The district rushed through the budget without taking the time for public input and contacting the other districts. She adds that she is a retired Nurse Practitioner who has worked for many different health care organizations, have been in health care her whole life and have never seen a crisis like COVID that has completely decimated the health care system. She appreciates Susan McCabe's suggestion for partnership and working together. Commissioner Noble is a volunteer with the Medical Reserve Corps (MRC) group and there is a lot of effort to collaborate between MRC, VashonBePrepared and the fire district with the clinic.

Commissioner Pryne voted against the levy resolution for \$0.588 and this is where he is at today. He thinks the \$0.548 levy is the way to go partly because he fears the consequences for the district's credibility and the loss of goodwill. Beyond that he believes the district can adopt a responsible budget for \$0.548 within the \$5.90 cap. It has the same amount of borrowing as the other two options, A and B, it has the same

total expenses, it has the same interest and principal payments but has less levy revenue where it shows up on the cash balance at the end of the year. The district would have roughly \$305,000 at the end of the year until tax revenues show up in 2022. The district's anticipated expenses in the first few months of 2022 equal \$272,000 which leaves a \$33,000 cushion. He looked at the cash flow issue with Superintendent Jensen with the thought of the district not getting levy revenue in July, August and September but based on the other district's cash flow and King County the district will be getting anywhere from 2.5%-4% of total levy dollars which is a minimum of \$45,000. So, the district is left with a smaller cushion to cover expenses in the first part of 2022.

Commissioner Brown talks to people almost every day who are grateful that the clinic is open. She feels strongly that the island voted for a health care clinic. The district never imagined that they would need so much money to fund it. When the commissioners were campaigning, they were all careful not to commit but confident that they would not need to go into the park district's budget. She wants the board to do better with being transparent with their process. It was unfortunate that the district had to rush the budget process. She still feels the district go for the higher levy amount to be sure to start paying their debt service.

President Langland regrets that he and his colleagues made the strong pre-COVID statement a year ago pledging to do everything in their power to keep harm from the park district. In a way he thinks the district has done that, everything possible in short of agreeing to a levy rate that puts in doubt the sustainability of the local health care. The district is soon to pass 1M in debt and as a new entity do not have reserves. The clinic promotes wellness and quality of life as well as helps to sustain life offering broad health care services. He has received a lot of letters that contain messages like "don't gut our park district" more than once. He attended a parks district meeting which included the operational responses to the potential loss of about \$130,000 of their approximate budget of 1.5M. It sounded to him that 90% of the cutbacks would be in the form of postponed capital projects or maintenance projects rather than primarily programs and services. He would not describe the delay of projects as gutting anything. He regrets to ask the park to shoulder a minor portion of the COVID related blind side that has befallen the health care district and the island. Some of the park district proponents have claimed that this narrative is misleading and inappropriate. Doesn't the unprecedented low tide represented by COVID have the potential to lower more than just one boat in this sea represented by Vashon Island. While he entirely dismissed the viability of a \$0.548 levy rate, he did spend some time digging hard into the metrics of a proposed compromise of \$0.568. He could almost make it work but it would still present the risk of negative cash flow, create more need for debt and it would not address any of the 2021 uncertainties. He cannot endorse a budget that is irresponsible and risky and he firmly rejects the notion of thinking about extending an already cumbersome debt. He has high expectation that the district can lower their levy rate not far from now. The subsidy in the next few years can change.

- c. Consider Resolution 2020-10 and revised 2021 Budget and Levy, see attached document

Commissioner Pryne motions to adopt Resolution 2020-10 changing the levy rate to \$0.568 President Langland seconds the motion:

"I move to adopt Resolution 2020-10."

Commissioner Pryne comments that he still supports the 54.8-cent levy rate, but considers the 56.8-cent rate preferable to 58.8.

MOTION DEFEATED 1-4

Secretary Wolczko motions adjournment and Commissioner Pryne seconds the motion:

“I move we adjourn.”

ADJOURNMENT APPROVED 5-0

Adjourned at 20:55