



health sciences & services authority of spokane county

**HSSA BOARD OF DIRECTORS  
Minutes of the May 5, 2010 Meeting  
665 N. Riverpoint Boulevard, Spokane, WA**

**Members Present:**

Nancy Isserlis, Board Chair; Earl F. “Marty” Martin, Vice Chair; Dr. Jeff Collins, Mari Thomas, Jason Thackston and Mike Wilson. Kelsey Gray participated by phone.

**Members Absent:**

Dr. Patricia Butterfield and Alethea McCann.

**Staff Present:**

Susan Ashe, Acting Executive Director.

**Providing Legal Counsel:**

James Emacio, Spokane County.

**Guests:**

David Condon, U.S. Rep. Cathy McMorris Rodgers’ Spokane office; Rep. John Driscoll; Tom Paine, Tony Bonanzino, Brian Pitcher, Howard Grimes and Dr. Kathryn Tuttle, all representing the Institute for Systems Medicine; Roy Koegen, Koegen Edwards LLP participated by phone, and John Lederer and Susan Musselman, Higher Education Coordinating Board, via phone.

1) Call to Order

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

2) Approval of Minutes

Marty Martin moved to approve the minutes of the April 13, 2010 Board meeting, and Mari Thomas seconded the motion. The motion unanimously passed.

3) Board Actions

- a) Jason Thackston moved and Mike Wilson seconded a motion to accept the Intellectual Property Policy as drafted by counsel. The motion unanimously passed.
- b) Mike Wilson moved and Jason Thackston seconded a motion for the HSSA Board to direct Spokane County on its behalf to bond up to 100% but only seek 75% at this time. The motion unanimously passed.
- c) Marty Martin moved and Mike Wilson seconded a motion to extend Susan Ashe’s contract by six months. The motion unanimously passed.

#### 4) Chair's Report

The Chair informed the Board that she had signed warrant numbers 1059-1063 for a total of \$51,352.27, and that Vice Chair Martin also signed the warrant certification and one check to Project Access that was greater than her signatory authority.

The Board Chair announced that Mari Thomas, an inaugural Board member, has notified the Board that she will be leaving Spokane in late June with her husband, Fairchild Air Force Base Commander Bob Thomas and family. Her last meeting will be in June. Ms. Ashe was asked to notify the Mayor who will need to appoint Mari's replacement. The Board was asked to suggest nominees for the appointment, particularly with research experience, if possible to be passed on to Mayor Mary Verner.

Susan Ashe's contract expires at the end of May and the Board Chair asked for a motion to extend this contract for another six months. Marty Martin made the motion and Mike Wilson seconded it, and the motion passed unanimously. The Chair asked Mr. Emacio to prepare the necessary documentation for signature by the Chair at other than a public meeting.

#### 5) Acting Executive Director's Report

We are continuing HSSA outreach, and Ms. Ashe reported that she has met with Chris Rivera, President of the Washington Biotechnology & Biomedical Association, ([www.washbio.org](http://www.washbio.org)), and after that meeting the WBBA granted HSSA reciprocal non-profit status, so the HSSA is an affiliate member of the WBBA for which there are no membership dues. WBBA will hold its annual Life Sciences Leadership Summit at WSU-Spokane on June 30<sup>th</sup> and HSSA Board members are encouraged to attend. WBBA will have an open house in Seattle on August 12<sup>th</sup>. WBBA shares space with the Life Sciences Discovery Fund, and again, we are welcome to attend.

In addition, Ms. Ashe reported that she had met with Antony Chiang, the new President of the Empire Health Foundation ([www.empirehealthfoundation.org](http://www.empirehealthfoundation.org)), and Theresa Sanders, Board Member, to introduce HSSA to Antony and to begin thinking about ways in which our organizations have common interests and goals, and ways in which we might leverage funds for important community health-related goals.

Ms. Ashe noted that the HSSA had received a favorable opinion editorial in the Spokesman-Review authored by Doug Floyd on Saturday, May 1st, and a brief about the reissuance of RFP #3 in the same publication on May 3<sup>rd</sup>. We have received our first letter of intent in response to the RFP.

Bond Decision Presentation. At our last Board meeting, Vice Chair Martin asked that staff provide a framework for today's discussion about bonding. (See the attached Bond Decision presentation).

Mr. Emacio reminded the Board of the following points:

- These are taxable bonds rather than non-taxable, and that taxable bonds will cost more money because whatever rate the County pays it will simply pass on to the HSSA with respect to paying back the bonds.

- Taxable bonds are also helpful to us because the non-taxable proceeds have to be expended within a certain time frame and taxable bond proceeds do not; therefore, arbitrage issues would not be a concern.
- The term “bonds” is defined as two things: bond anticipation notes where we go to the County’s investment pool (SCIP) that has about a half billion dollars in it, from which the County, by a bond anticipation note, borrows the money and then makes it available to the HSSA. The interest the Treasurers’ Office charges will be de minimus, such as 1-1/2 to 2 percent. When the County deems it appropriate, it will go out and sell bonds in the same amount as the bond anticipation note and then redeem the note, and the bonds will be paid from our revenue stream.
- The time frame for the County to issue the bonds is normally 90 days from Marshall Farnell’s (County CEO’s) direction to bond counsel to do so – 90 days to issue the bonds and close the transaction, pay off bond anticipation note, and have the bonds out there. Mr. Farnell has not yet given direction to bond counsel. It may be July, it may be later than July, but for our purposes (HSSA), it’s actually less expensive to go to the SCIP Pool and borrow the money because we don’t have to pay all the costs to issue the bonds right now and the interest rate is going to be lower than the bonds.

Bond Proceeds Spending Plan. The Grant Subcommittee met once by phone, and it did put on hold the discussion we were having about an open grant competition – RFP #4 – for bioscience research. It was put on hold because HSSA coincidentally received a memo for some guidelines about how we might allocate these dollars for research and infrastructure capacity from ISM. Dr. Butterfield asked that ISM be contacted and asked to present to us.

#### ISM Presentation.

Dr. Howard Grimes, Vice President, Research, WSU, and ISM Board Member. Brief one-page overview handed out. The ISM has undergone some excellent transitions over the last couple of years and we are now in a position where we are both financially stable, and the Board has been reconstituted where it can offer some powerful assistance as we move forward here. One of the ways that we’ve transitioned that Board is that we now have quite a bit of scientific expertise and a broad base in the biomedical research areas represented on it. Our mission at ISM is to build the infrastructure necessary to support and to drive biomedical research within Spokane County across the various entities and platforms that would do that. We need to do that in a way that promotes economic development as well as basic science as well as translational science that is unique to this community. ISM proposes to assist HSSA with the successful implementation of competitive funding cycles in the following ways:

- 1) Identify and convene objective grant review panels and expertise in the types of projects proposed;
- 2) Develop and implement processes to monitor funded projects to ensure appropriate use of funds, adherence to protocols, and adequate progress toward objectives;
- 3) Based on monitoring activities, provide regular progress reports to HSSA to share with community stakeholders.

How do you drive a new research process in Spokane County that's going to be highly leveraged and lead to additional funding coming into the county in multiple ways, you have to define three distinct mechanisms:

- 1) Discovery-based Research – classic, biomedical research; it's hypothesis driven; it's probably going to lead to individual investigator NIH RO1 type of grant outcomes, and we would link those milestones that ISM would be monitoring and the criteria that we would be using for selection. It's important that that discovery research lead to ongoing extramural funded research by the federal government. One of the biggest things that I think about if you expect the states or local enterprises to fund research, it is not a good assumption. Where the money lies and whose going to come out of the economic crisis the quickest is the federal government and that's where the bulk of the R&D money in the country exists and that's the source that we have to go and be able to access reliably and repeatedly.
- 2) Infrastructure Development – we have to figure out what infrastructure is needed across the county. Acquiring the equipment is the baby step that you take to initiate the process, the real costs come from how you replace that initial acquisition, how you maintain it, how you build the facility around those initial acquisitions, so we are going to have to get quite a bit of leveraging around that and again, ISM would be paying particular attention to that. Projects must demonstrate a plan for long-term sustainability going in.
- 3) Research Team Capacity-Building. We need to focus on building the right teams inside of Spokane taking full advantage of the assets of the local community and the opportunities that exist here that are unique and to be optimal at the federal level. You will get a lot more bang for the buck. How we put the right teams together is important so that instead of RO1s that can be pursued in Spokane, we can go after PO1s (these are the project grants in NIH parlance). At WSU Pullman we are transitioning a lot of our work from RO1s to PO1s because of the funding size difference and the magnitude of problems that can be addressed. RO1s are typically a million dollar expenditure over a year's time; PO1s are \$5-7 million, so there's a lot of extra ROI. If you build the teams correctly at the outset, you can leverage your investment into the future far more effectively than if you limit yourselves to just one of these categories or even two. Building a research infrastructure is great especially if you do it in concert with the scientific expertise you are assembling in the third mechanism.

Dr. Kathy Tuttle, Medical & Scientific Director of Providence Research Center based at Providence Sacred Heart & Children's Hospital, and ISM Board Member. I would just comment that Howard has done an excellent job of summarizing some discussion that we've been having at the ISM board meetings. I would say currently in Spokane, all of those three areas, Discovery Research, Infrastructure Development and Research Team Capacity-Building are quite nascent. There are a few individual laboratories, the one that we have at Providence and several at the WSU-Spokane campus that I think have done remarkably well with the existing resources, but I think in order to scale up along the lines of the charge of the HSSA and the ISM, we really have to put into place the infrastructure and the team capacity-building. For example, my lab goes for RO1s, but we can't go for a program project grant (PO1s) without other people to work with. We have collaborations across the state; our collaborative opportunities will be substantially enhanced by co-locating people here who can actually work together on a day-to-day basis, and then there are many technologies that can be shared between teams, especially with some of the

newer molecular technologies that many of us would like to use but that no one individually can afford. HSSA has funded a data repository and a human tissue bank through ISM, and all these pieces come together to build the kind of vision we share for our community. It's more a matter of pulling together disparate pieces that now operate in silos and that limits our opportunity because we're not focused in the way Howard has articulated.

Dr. Grimes said that this proposal presents a concerted package to assist the biomedical researchers already in Spokane at Providence, Gonzaga, WSU, Eastern, or wherever they exist. These discovery research grants can go right into their hands to be used to leverage submission of NIH RO1 grants, and other grants, we don't want to limit our thinking to just NIH. A model that I would propose to you is this collaborative model, and that we really have to make it work if this enterprise is to be successful in Spokane. The state has the Stars funding with the research universities in the state – UW and WSU – but those funding mechanisms are tied very, very tightly to how do use that funding mechanism to drive economic development in the state. I think that these funding mechanisms are designed to drive economic development in the establishment and rapid growth of a biomedical research enterprise here in Spokane that also drives economic development locally.

Dr. Tuttle added one other comment that she believed to be important for the HSSA Board to know, and that is that the funding range described was strategically recommended based on smaller grants less than \$50,000 that can be obtained at our institutions. The NIH grants RO1 level typically in the \$250,000 and up range. The real gap in our community in terms of bootstrapping our way up to the NIH is in this funding range of \$100,000 - \$250,000, that's really beyond what's reasonable for the local institutions but less than we would get out of the NIH.

A lengthy discussion followed the ISM presentation, after which the Chair thanked the presenters.

Vice Chair Earl Martin had to leave early so asked to speak before leaving and said that on the question of should we bond, yes, we should. On the question of the amount, his preference would be to bond for as much as we can to protect that money both from being reclaimed by the state, but for me more importantly, to be in a position to get the money into circulation sooner rather than later, and to be able to support bigger projects than we could support on the annual tax revenue if indeed there are projects out there.

The Chair said that there is a motion and a second before the Board on the adoption of the Intellectual Property Policy, in conjunction with a conversation about a decision of the Board to request the County to issue bond anticipation notes and/or bonds up to 100% of our revenue stream but at this time only request only 75% be issued at this time before December 31, 2009.

The IP Policy unanimously passed with the understanding in future discussions about grants and any decisions we make about spending the money that we will have as a result of these bond anticipation notes or bonds as issued, that we will consider the ramifications of the IP Policy that we have now adopted.

The Board unanimously passed the amended motion to ask Spokane County to issue a bond anticipation note and/or bonds up to 100% of our revenue stream, but that the HSSA only requests 75% actually are bonded at this time, secured by 75% of HSSA's annual revenue stream.

Chair Isserlis said that she would write a letter to the Board of County Commissioners making this request per our Agreement with the County.

Mr. Emacio said that the County also requires a report on the amount requested, how it will be spent, and the spend-down plan that needs to be included in the letter to the BOCC.

Ms Ashe said that the HSSA would provide a general outline that would probably satisfy the BOCC, the spend-down schedule is now through 2023, the request of the amount we established today, and the anticipated uses the Board still has to have some discussion on.

Chair Isserlis said that because Patricia Butterfield was not present, the discussion about the grant allocation process and how HSSA will proceed will have to wait until our June meeting when she is available to chair that conversation. Mike Wilson supported the Chair's approach because he said that what he heard Marty Martin say about the spending is different than his philosophy on spending, so he would want Mr. Martin present for that discussion.

Mr. Emacio recommended that the Chair be authorized to talk to the County Treasurer to see if the Treasurer would be interested in issuing 5-year bond anticipation notes, renewable on a one-year basis with interest going up, and then report back on that topic. The Chair committed to speak to the County Treasurer and bring back that conversation for the next meeting.

The Chair gave a quick finance report on behalf of the Finance Chair, Alethea McCann as follows:

- She reviewed the financials as of March 31, 2010, and found the HSSA to be in good financial shape.
- The County reports that \$98,726.31 is the March allocation to HSSA from county-wide sales and use tax, the first month revenue has fell below \$100,000 (see income by month report, Jan. 2009 through March 2010), plus \$2,239.13 in interest earnings, or \$100,965.44 total income in March.
- The County also reports that the HSSA ending balance as of March 31<sup>st</sup> is \$2,132,641.25.
- Administrative costs for period ending March 31<sup>st</sup> are \$10,565.18 or approximately 10.46% of the HSSA total revenue, largely due to the drop in sales tax revenue in March and travel expenses to Olympia. For the year, we are well within the 10% limit.
- The HSSA disbursed \$4,313.67 to grantees in March.

Chair Isserlis made a special acknowledgement of and thanks to Rep. John Driscoll, who has joined us. It's owing to his hard work and dedication to what we do, and also to Sen. Chris Marr, that HSSA is here today and still able to fulfill our mission, she said.

The Chair adjourned the meeting at 5 p.m.