



5 Healthy Towns Foundation
Executive Committee
~ May 20, 2020 ~
4:30 p.m.

AGENDA

Any items in blue font are protected by attorney-client privilege.

- 1. Call to Order**
- 2. Approval of March 18, 2020 minutes***
- 3. Strategies**
 - a. State of the Foundation
 - i. Finance and budget
 - ii. One Big Thing
 - iii. Wellness planning
 - iv. Board and leadership turnover timeline
 - b. Succession planning*
 - i. Timeline
 - ii. Search committee
 - iii. Search firm

[Internet – 5healthytownsguest and Password –5HTwellness]

*Material on website

**Material available at the meeting



***5 Healthy Towns Foundation
Executive Committee Meeting***

March 18, 2020

4:30 p.m.

MEETING MINUTES

Any items in blue font are protected by attorney-client privilege and must not be shared with anyone outside our Board of Directors and 5HF attorneys.

Present: Amy Heydlauff, Sheila Gillman
Via Phone: P. Conlin, J. Wallace, Cindy Dresch, S. DeVol.
Absent: Scott Broshar

- 1) Call to Order:** 4:50
- 2) Approval of February 19, 2020 minutes as written**
- 3) Governance Recommendations**
 - a) 2020-21 Executive Committee
 - i) Chair – Sally DeVol
 - ii) Vice Chair -Pat Conlin
 - iii) Secretary – Cindy Dresch
 - iv) Treasurer – Kasie Cousino
 - b) New board members
 - i) John Newman – Dexter
 - ii) Elizabeth Pielsticker – Dexter
 - iii) Efforts to recruit from Grass Lake are underway

Action: Executive Committee and new board member recommendations will be taken to the BOD for final approval.

Action: A. Heydlauff will work with the Governance Committee to identify two additional members.

- 4) Strategies**
 - a) Re-Think data specific to 5HF
 - i) The Executive Committee endorsed the ReThink and A. Heydlauff's decision to delay One Big Thing for six to eight weeks. The stewardship assessment and VNL data will be reviewed proximate to renewed OBT activities.



- b) Covid-19
 - i) Due to the Covid-19 outbreak, 5HF's priorities are personal health and safety, and communication.
 - (1) Closed wellness centers on March 15, 2020
 - (a) Power Wellness laid off most of the employees
 - (b) Essential personnel remain onsite to respond to inquiries, lock & unlock doors for physical therapy and complete capital/maintenance projects best accomplished when the facilities are empty.
 - (c) April dues will be prorated to account for days we are closed in March.
 - (2) Reduce 5HF staff hours in April.
 - (a) Hourly staff hours will be reduced by 50%
 - (b) Salaried staff will be furloughed (2 weeks on and 2 weeks off, staggered)
 - (c) 5HF will cover 100% of staff health benefits during the furlough
 - (3) All grant funding is on hold until further notice unless intervention viability is threatened by a delay.

Action: The reduced staffing and benefit proposal will be taken to the Finance Committee's March meeting.

- c) Community Center
 - i) Reviewed the City of Chelsea's response to the 5HF Board letter regarding our desire to join the community center task force.
 - ii) Conversation with WCPARC
 - (1) C. Vaughn anticipates a June 2020 opportunity to invite the WCPARC Commissioners to agree to partner with 5HF on a long-term, capital project (WC gym)
 - (2) If 5HF determines a shift of wellness center focus to community center is prudent, we should engage members in advance.

Meeting adjourned: 5:35 pm
Recorded by: Sheila Gillman
Approved by:

Jeff Wallace, Chair

Date

Addendum April 20, 2020

Due to SBA, PPP funding we were able to call 5HF staff back from furlough and pay them their entire salaries/wages. Also called all FT and PT with benefits employees back for Power Wellness.

2020-21 5 Healthy Towns Foundation Budget Summary

Due to the Covid-19 pandemic, this is not the year we anticipated when we set out to propose a budget. Uncertainty, just when we usually adopt our new budget, led the Finance Committee to recommend the BOD delay budget adoption until there was some additional clarity. Our budget, generally relatively stable, is riddled with assumptions in areas we usually have some confidence. Specifically, we are uncertain how Wellness Center membership will hold up as a result of the Covid pandemic.

5 Healthy Towns Foundation's (5HF) budget is composed of two 'business lines'. The first is Foundation operations which include operating expenses, grants, investments and properties. Foundation expenses will not abate, regardless of the pandemic. The second is our Wellness Centers.

FOUNDATION

The Foundation's income is almost entirely our return on market investments. We also have income from SJMC outpatient physical therapy rent in Chelsea, ATI rent in Dexter and modest rental income as a result of land leases for the professional office building and UofM family practice on SJMC's campus for a total of \$333,000 in annual rental income in 2020-21.

Expenses include 5HF operations (salaries, supplies, insurance, legal and accounting fees...), mortgage, mortgage interest, grants and other community support. We are ending our current fiscal year with a 2.88% interest rate on the variable portion of our mortgage (currently \$4.2M) and project we can conservatively decrease that rate to 2.5% for 2020-21. Our fixed rate is 3.64% and we have an outstanding balance of \$4.6M on that loan. The seven-year term of both loans ends on 12/20/2020, requiring loan negotiations this fall.

Our investment rate of return for the 2019-20 fiscal year is likely to be approximately 7% (net). Our portfolio has diminished because of regular and substantial withdrawals of cash and more recently, major declines in the market of >20%. We are projecting a rebound in the market, fraught with volatility. Without investment growth we are not protected from erosion in principal. The majority of the withdrawals pay mortgage principal, interest, and attorney fees.

The Finance Committee is projecting the inflation rate will be less than or equal to 2.0% so we budgeted for a 7.0% rate of return on our investments (5% will cover our required mission spending and 2.% to account for inflation).

2020-21 5 Healthy Towns Foundation Budget Summary

According to our Investment & Spending policy¹ any spending that causes us to draw down our principal (original \$25,000,000 plus growth equal to compounded inflation) requires a deliberate vote of the Board of Directors. We are not required to vote on the withdrawals, specifically, because the BOD voted to take out a mortgage and challenge the property tax decisions. Meeting the resulting obligations is required. A vote for the proposed 2020-21 budget must be made with an understanding withdrawal from principal will be necessary to meet our obligations. A motion will be put forth, outlining your understanding of the impact this budget will have on 5HF's perpetuity.

This budget includes a standard increase of 3% for Sheila, Matt and Lori. That is 1% greater than the anticipated inflation. I believe their work warrants the increase. It is our intent for Lori's salary to offset her historic consulting fees in combination with her ability to increase our magazine advertisement revenue. She's off to a good start with the spring issue. Ashley's budgeted increase is 4% and is based on her outstanding performance over the last year. A 4% increase is also budgeted for the CEO, per BOD direction. Salary increases follow staff evaluations in July. The Finance Committee discussed an increase of 2% for all staff salaries. They felt the savings were not significant enough to cause us to fall behind salary ranges, obtained through Council of Foundations annual surveys, particularly when performance is exemplary.

Grant funding for 2020-21 is \$546,000, increased by approximately \$15,000 over 2019-20. Although we made some reductions in grant spending, we added \$54,000 to support Manchester Community School's management of Manchester Wellness Center. In 2019-20 our net loss for MWC was \$149,000 so this \$54,000 grant represents a savings of \$95,000.

- Coalitions \$375,000
- Sponsorships (\$2000/community/year) \$ 10,000
- One Big Thing \$ 25,000
- Farm to Table sponsorship \$ 5,000
- National Kidney Foundation DIP \$ 7,500
- Wellness Center Scholarships \$ 50,000
- In kind (rent) \$ 20,000
- Scholarships \$ 50,000
- Manchester Community Schools \$ 54,000

In our previous budget we increased Coalition spending to encourage them to invest in One Big Thing. Although they made the financial commitment, they have not identified a

2020-21 5 Healthy Towns Foundation Budget Summary

project on which to spend their funds. This year a \$25,000 carry-over is available for their One Big Thing use. The Coalition Advisory Committee (CAC) will oversee decision making regarding these funds.

WELLNESS CENTERS

Wellness Center budgets are drafted by Cindy Cope/Power Wellness, reviewed by me and amended based on my review and 5HF (Finance Committee) feedback. Our income is almost entirely member dues. Expenses are primarily plant maintenance, operational expenses required to provide member services and Power Wellness management fees. In Chelsea we have a grounds-keeping contract with SJMC and in Dexter we have condo CAM expenses. We also pay rent in Stockbridge, albeit very affordable rent.

This year we anticipate a loss of membership (~10%) secondary to fear of Covid-19 infection and perhaps lost income for members. This will negatively impact our revenue by approximately \$960,000. A 10% membership loss may be optimistic.

It was our intent to increase dues at Chelsea and Dexter Wellness Center. However, historically, some members cancel their memberships when an increase is imposed. Because we anticipate a significant cancellation secondary to the pandemic, we determined rate increases are not a wise course of action, this year. .

The Wellness Center strategy is costly. As it was last year, cash flow is expected to be negative for all four centers in 2020-21 with total revenue of \$3,800,000 and operating and capital expenses of \$4,724,000, (net **\$956,000**), a \$425,000 improvement over last year. Programs like our bridge option (people can take multiple months off, without paying dues) eat into the revenue produced by our increased member numbers. Covid19 is leading to a high number of members bridging their account. In addition, new members are unlikely to materialize until the impact of the pandemic recedes, making even these numbers tenuous for 2020-21.

Capital expenditures will be significant, as they were last year. We plan to make major updates to CWC's boiler and water tank systems (\$185,000). At DWC we made the decision to make \$100,000 in repairs to our Dectron system (essentially the pool air circulation/heating and cooling system) rather than replace for \$400,000. It is our hope we will have 4-5 more years of useful life. Total capital expenditures are projected to be approximately **\$540,000**.

2020-21 5 Healthy Towns Foundation Budget Summary

We continue to explore ideas to reduce costs and increase revenue. Many of the options are complicated but we continue pursue multiple ideas, hoping to build partnerships where feasible to create opportunities.

Here are WC historic, annual, membership numbers for your information. The 2020-21 entries represents the original projected members over the revised projected number.

FY End WC Memberships

| | 2015-16 budget | 2015-16 projected | 2016-17 budget | 2017-18 budget | 2018-19 budget | 2019-20 budget | 2020-21 budget* |
|-------|-------------------|----------------------|-------------------|-------------------|-------------------|-------------------|--------------------|
| CWC | 3256 | 3167 | 3210 | 3255 | 3242 | 3526 | 3445/3084 |
| DWC | 3277 | 2943 | 2993 | 3149 | 3415* | 3757 | 3825/3499 |
| SWC | 372 | 243 | 315 | 279 | 288 | 316 | 320/308 |
| Total | | 6610 | 6792 | 6975 | 7230 | 7880 | 7590 |

In April, 2020 we applied for and received \$541,000 in the form of a Small Business Administration, Payroll Protection Plan loan through Chelsea State Bank. The intent is to cover payroll costs for our Wellness Centers and 5HF staff until we can return to usual business. It also covers up to \$135,000 in utility, mortgage interest and rent expenses. If we use the funds as directed it will be forgiven (we will not need to pay it back). It is likely we will use all these funds, as intended. Our prescribed 8-week loan period is April 20, 2020 through June 15, 2020.

ⁱ Policy excerpt: SPENDING

Community investment (spending) will meet regulatory requirements. Non-charitable investment income available for spending is determined using a rolling average value of investments, on a total return basis, of as many immediate past quarters as available up to five years. Spending decisions will reflect the goal of maintaining the real value of the original principal.

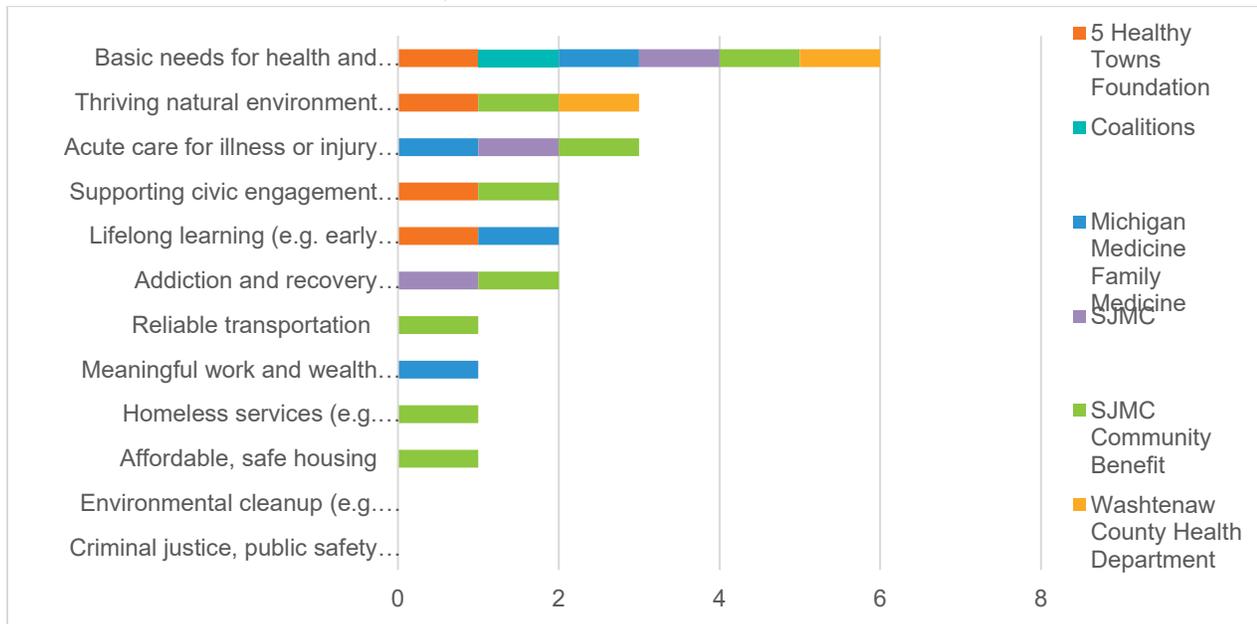
Spending greater than spending defined in this spending policy statement will require approval by the Board of Directors. In such circumstances the Board of Directors may elect to adjust the value of the principal to account for the greater spending.

Consistent spending in excess of the 5 percent regulatory requirement substantially increases the risk we will not achieve the Pool's performance goals.

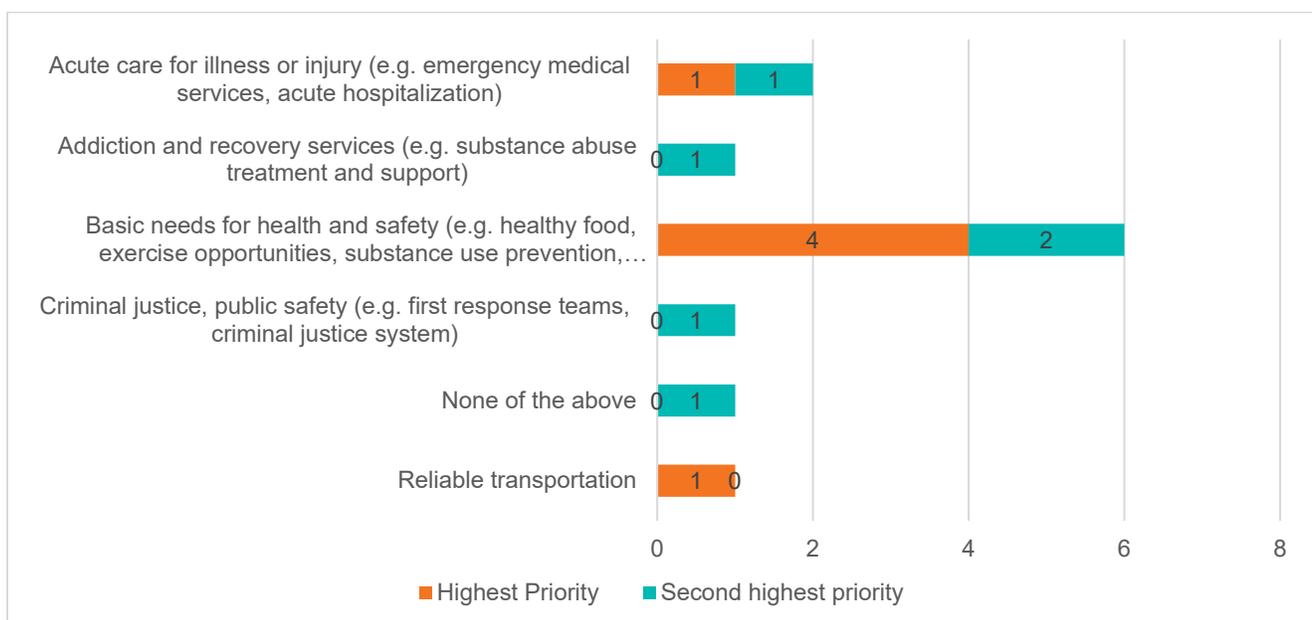
5 Healthy Towns Foundation Data Packet

VNL Network Mapping

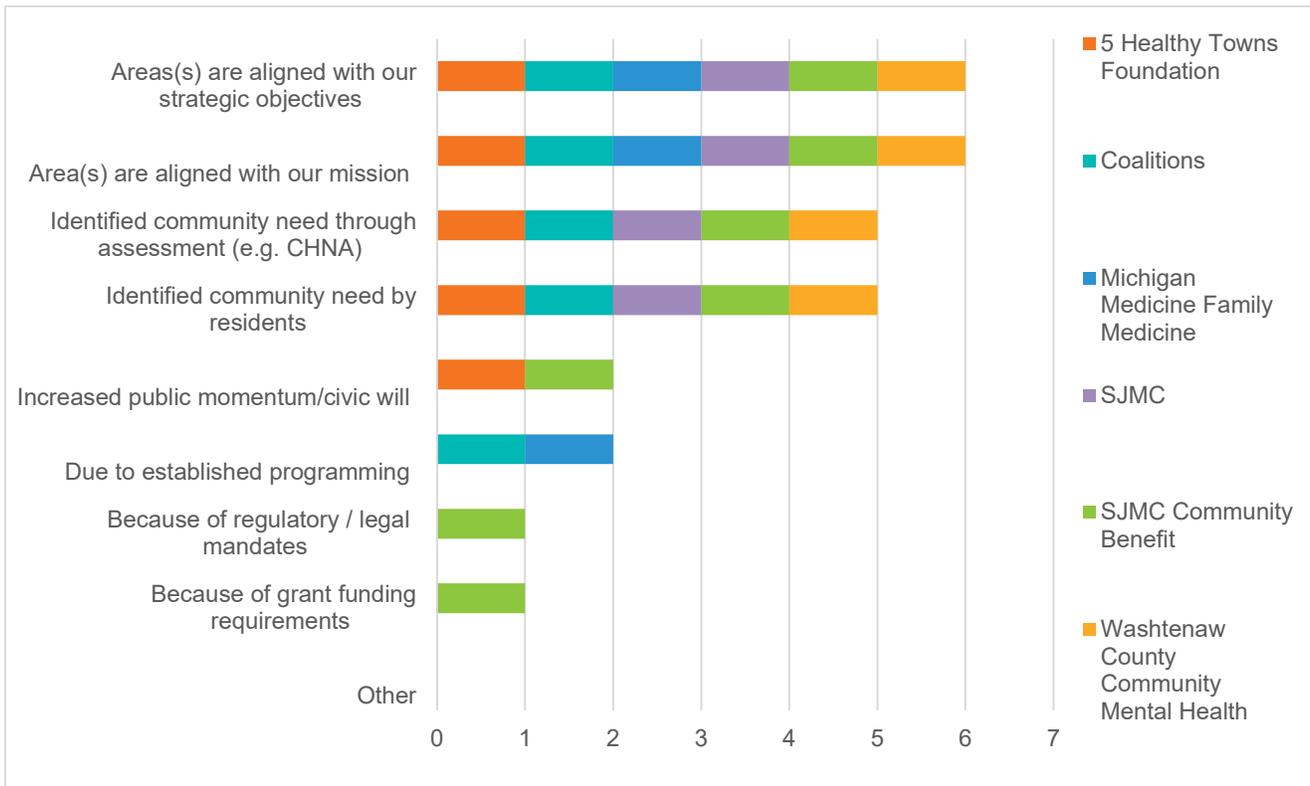
Question 6: Where does your organization/initiative/department allocate resources related to mental and behavioral health in the 5 Town Region?



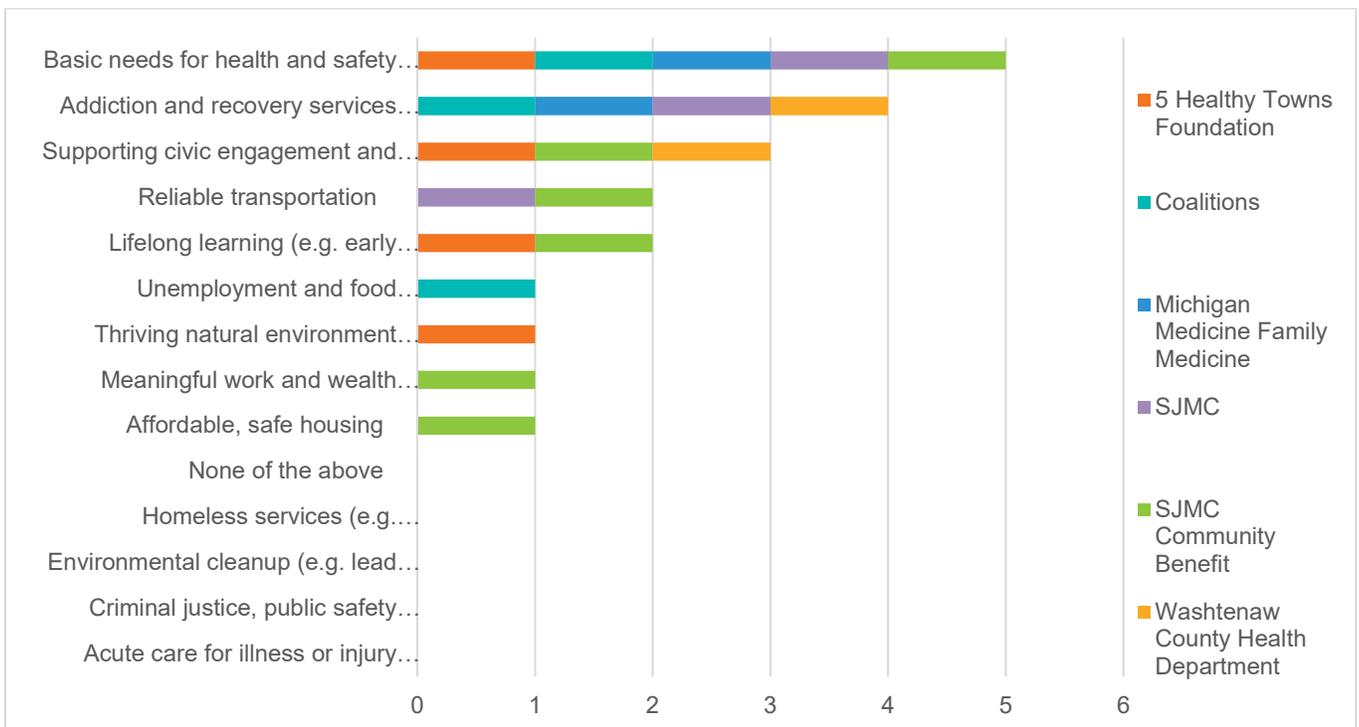
Questions 7 and 8: Which do you think should be the **highest** and **second highest** funding/resource priority for mental and behavioral health in the 5 Town Region (i.e. receive more or additional funding)?



Question 9: Why does your organization/department/initiative fund or resource the areas that it does?



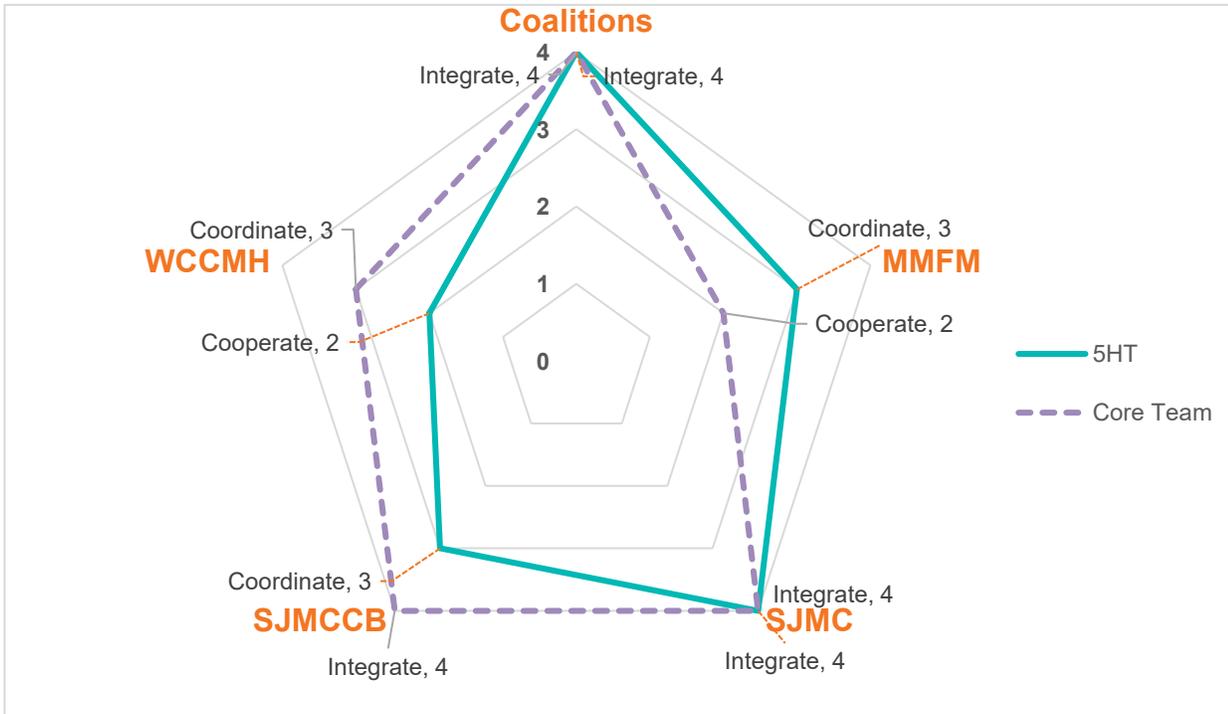
Question 23: If your organization/department/initiative is willing to shift investments, services, or programs to which of the following focus area would you shift?



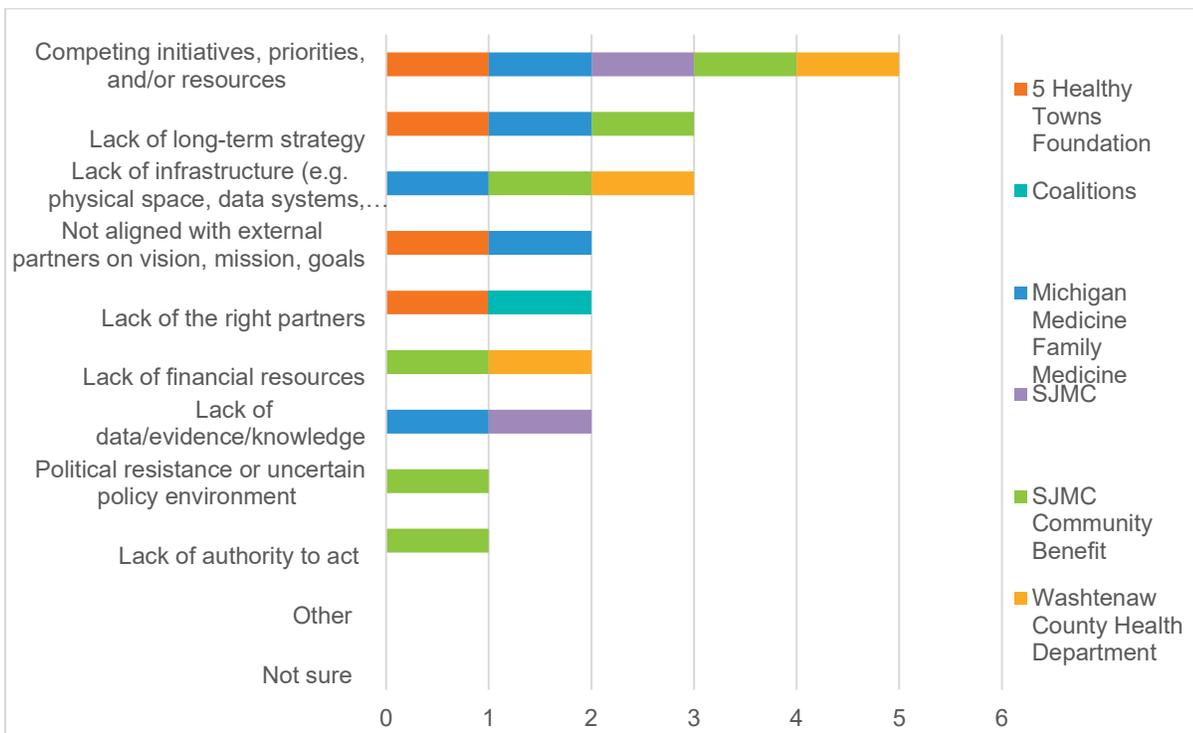
Network Relationship Responses

Question 11: How do you interact with this organization/ department/ initiative related to mental and behavioral health?

- 5HT and Core Team Member responses - Green is your organization's response; green is the other Core Team Members response about your organization.



Question 21: What barriers or challenges have hindered success of mental and behavioral health needs being met in the 5 Town region?



KEY STEPS IN CHIEF EXECUTIVE SUCCESSION PLANNING

There are a number of things that board members should understand, respect, and act on to implement an effective succession plan before an executive search looms on the horizon.

1. UNDERSTAND THE JOB OF THE NONPROFIT CHIEF EXECUTIVE.

The multiple dimensions of the demands placed on the modern nonprofit chief executive should encourage boards to take a closer look at what keeps many of them awake at night or quietly determined to limit their time of service. Boards that find ways to help their executives manage the stresses that come with the position, compensate them fairly, and provide a climate for them to succeed are likely to secure a greater return on their investment in succession planning.

- Is there a current and adequate written job description that clearly spells out the responsibilities of the chief executive?

2. DEVELOP AN EMERGENCY LEADERSHIP TRANSITION MANAGEMENT PLAN.

One of the most unsettling events in the life of an organization is a change within the top professional position. Organizations that gracefully weather an abrupt chief executive departure are more likely to have boards that have anticipated what needs to be done to ensure the wellbeing of the organization and its stakeholders. An effective emergency leadership management plan provides clarity on who will do what in the event that the chief executive cannot perform his or her essential duties.

- Does the board have in place emergency transition management policies in the event that the chief executive is not able to serve or departs suddenly?

3. DEFINE THE MUTUAL EXPECTATIONS OF THE CHIEF EXECUTIVE AND THE BOARD.

As organizations undergo changes in institutional strategy, environmental conditions, and staff members, boards and chief executives need to communicate regularly about the expectations they have of one another. Forging a healthy relationship between the chief executive and board chair in which each is willing to challenge and support the other takes time and trust.

Governing in constructive partnership with the chief executive is one of the characteristics of exceptional boards identified in [The Source](#). For a board to be exceptional, it must recognize that its effectiveness and the effectiveness of the chief executive are interdependent.

- Is there a climate of mutual trust and respect between the board and the chief executive?
- Is there agreement between the board and the chief executive on their respective roles and mutual expectations?
- Do the board and the chief executive have a collective vision of how the organization should be evolving over the next three to five years?

4. DESIGN AND IMPLEMENT A CONSTRUCTIVE AND HUMANE PROCESS FOR EVALUATING THE CHIEF EXECUTIVE'S PERFORMANCE.

Agreeing in advance on a formal chief executive assessment process as part of a succession plan provides a framework for a regular dialogue between the board and the chief executive. A board strengthens the succession planning process by offering constructive feedback at regular intervals rather than waiting until an annual review. The assessment process can also provide a diplomatic opening for the board and chief executive to discuss the future leadership needs of the organization.

While a performance assessment is an opportunity to discuss problems, the overarching purposes of the process should be to clarify goals for the chief executive and the organization, to foster the growth of the chief executive, and to provide constructive feedback.

- Does the board have a constructive process for reviewing the chief executive's performance, salary, and benefits on a regular basis?

5. DEVELOP A PRODUCTIVE PROCESS FOR BOARD SELF-ASSESSMENT.

The prospect of selecting a new chief executive illuminates the quality of the board's effectiveness and its performance. A good board periodically asks itself if it is doing the right work in the right way. A hallmark of effective succession planning is a regular, periodic process for reviewing and strengthening the board's effectiveness.

- Do board members understand their roles and responsibilities?
- Does the board have a clear understanding of the financial condition of the organization?
- Do board members support the current mission statement?

BoardSource Recommended Governance Practice: Chief executive evaluation

A formal annual evaluation, based on well-defined and mutually agreed upon expectations, benefits and protects both the chief executive and the board. The evaluation should be written and involve the full board. Even if the board chair or a committee leads the evaluation, the full board must participate by being given the opportunity to provide feedback, approve the final evaluation, and ensure all compensation recommendations are appropriate.

Elements of a Succession Plan

- An up-to-date job description for the chief executive
- Clear annual performance expectations for the chief executive
- Measurable indicators for the performance of the entire organization
- Determination at regular intervals of whether the organization is going in the right direction and what the key qualities of the chief executive should be
- Assumption that the chief executive must be capable of taking the organization to its expected level of performance
- A process for hiring a new chief executive
- Options for managing the executive transition period
- Emergency measures for unexpected loss of the chief executive
- Keeping the board undivided and focused on the future

Resources: [*The Handbook of Nonprofit Governance, Chief Executive Succession Planning*](#)

SUCCESSION PLANNING PROCEDURE

Definitions

Acting Director – The person identified to assume the chief executive roll with the expectation the current executive will be returning.

Interim Director – The person identified to assume the chief executive roll until a permanent replacement is identified.

Executive information inventory and contact list – Links, contacts, hard copy and electronic documents the current chief executive believes are critical to organizational functioning. Corporate documents must be included.

Procedure

In the event of a departure of the chief executive, the Executive Committee will oversee the process, including securing an acting, interim or permanent replacement, if needed.

In the event of a **temporary, planned, short-term** (up to 3 months) and **long-term** (4-9 months) absence

1. The chief executive will prepare the organization for the transition.
 - a. Determine key functions and
 - i. Which specific duties require assignment during the absence
 - ii. If so who s/he recommends
 - iii. Implement training
 - b. Work with the Executive Committee to determine if an acting director will be necessary
 - i. If an acting director will be named make a recommendation to the executive committee regarding level of function including
 1. Authority to sign checks
 2. Evaluate, hire and fire
 3. Sign contracts
 4. Develop or amend budgets
 5. Issue press releases
 6. Engage the board in strategic planning
 - c. Ensure the board of directors and staff are adequately informed throughout the process
 - d. Develop a communication strategy if the absence requires notification outside the organization.
 - i. Engage the Communication Committee as needed
 - ii. Determine who will act as spokesman

In the event of a **planned, permanent** absence the chief executive will have prepared the organization for transition. In addition

1. Notify the board of directors up to two years in advance to allow for transition planning
2. Clarify board and committee responsibility
3. Work with the Executive Committee to determine if an interim director will be necessary
4. Update chief executive information inventory and contact list
5. Review and update job descriptions and assure staff evaluations are up to date.
6. Identify critical chief executive functions and update chief executive job description

SUCCESSION PLANNING PROCEDURE

7. Cross train staff as appropriate
8. Update the communication plan as needed
9. Develop a transition plan to assist successor
10. The Executive Committee will conduct an exit interview with the departing executive

In the event of a **temporary, unplanned, short-term** (up to 3 months) and **long-term** (4-9 months) absence

1. As soon as feasible the board chair should convene a meeting of the executive committee to affirm next steps.
 - a. Assign immediate responsibilities as necessary
 - i. Communication with the full board
 - ii. Communication with staff
 1. Determine their most pressing job-related concerns
 2. Establish a communication process to keep them informed.
 - iii. Appoint a spokesperson for 5HF if external communication will be necessary
 - iv. Determine initial communication with select stakeholders (see communication plan for stakeholders)
 - v. Determine if an interim executive will be necessary, if so how 5HF will determine who and compensation method, if any
 - b. Determine who will be responsible for operational activities
 - i. Assure financial stability
 - ii. Oversee wellness center activities
 - iii. Oversee legal and contractual issues
 - c. Review chief executive information inventory and contact list for details. The inventory list is stored in the 5HF safe. The list provides directions to locate
 - i. Confidential 5HF documents
 - ii. Corporate documents
 - iii. Financial documents
 - iv. Human Resource documents
 - v. Monthly wellness center reports
 - vi. Building management documents
 - vii. Insurance information
 - viii. Non-corporate legal documents
2. The board chair will convene a Board meeting as soon as feasible to
 - a. Inform board members of necessary details
 - b. Clarify roles
 - i. Executive Committee will provide oversight
 - ii. Communication Committee will direct communications
 - iii. Board of Directors will review and approve committee recommendations
 - c. Assure the board understands
 - i. *Relevant* circumstances for the absence
 - ii. Current financial position
 - iii. Current legal activity
 - iv. Contractual obligations

SUCCESSION PLANNING PROCEDURE

- v. Human resource arrangements
- d. Determine next steps
 - i. Are their outstanding issues that require special attention?
 - ii. Consider the executive committee's recommendation re: appointing an interim director and make the final decision
 - iii. Determine if it will be necessary to use a consultant to oversee operations or assist in identifying an interim executive

In the event of an **unplanned, permanent** absence follow all the steps for an unplanned, temporary absence except determine if an outside firm will be used to search for the subsequent chief executive.

Unless there are potential legal consequences or it is not possible for another reason, conduct an exit interview with the departing executive.