

## **History of the La Crosse Medical Health Science Consortium**

### **Overview Summary of the LMHSC**

In 1992, initial conversations began among seven healthcare/academic institutions to gauge interest in developing a Consortium. The primary founders of the Consortium were Phil Dahlberg (Gundersen Lutheran), Brian Campion (Franciscan Health System), Judith Kuipers (UW-La Crosse), Lee Rasch (Western Technical College) and Bill Medland (Viterbo University). In 1997 a Use Agreement and Limited Guaranty were signed. Due to healthcare merging, four of the initial institutions merged into two.

A capital campaign was launched to raise funding to build the Health Science Center. As part of this campaign, Western Technical held a successful referendum and donated the land for the project. A grant application was submitted for WiSTAR (Wisconsin Initiative for state Technology and Applied Research) funding and was awarded

The Health Science Center was built and officially opened for allied health programs in August 2000. Initially there were nine programs in the building and as of 2010 there are 14 programs housed in the building.

The Consortium was interested in researching the concept of a Health Science Research Institute (HSRI). They applied and received federal EDA funds to complete a feasibility study, which was completed in 2003 by Northstar Economics, Inc. and Rainey and Associates. The findings identified included a variety of challenges that needed to be addressed prior to implementing a HSRI. Therefore, the HSRI concept was not pursued further.

The Consortium expanded the budget further to hire a grant writer in an effort to receive funding for special projects. Unfortunately it was difficult to secure funding for projects and grant activity was merged with other personnel.

In 2005, the Board strategically made the decision to move away from deliberating the financial debt of the HSC and agreed to focus on forming collaborative project committees that would be beneficial to the partners. A few highlights of successful committee projects include:

- The creation of an online scorecard for the Consortium's 20 county service area
- Development of nine online cultural competency modules for healthcare professionals
- Tri-state nursing survey to research RNs interest in becoming a nurse educator
- Healthcare workforce Retirement and Departure Intention survey
- Healthcare Staff Assessment survey
- Launching of a health improvement plan for La Crosse County titled "Healthiest County 2015: La Crosse."

The LMHSC was one of the first regional and collaborative initiatives in the state of WI. Since then, other regions have formed collaborative partnerships and have looked to the Consortium for “lessons learned.”

## **The Beginnings**

The initial beginnings began with Marty Venneman (University of Wisconsin-La Crosse’s Allied Health Department) and Larry Liebecki (University of Wisconsin-La Crosse’s Assistant Chancellor for Administrative Services). Both individuals were interested in obtaining WiSTAR funding for the Western region of Wisconsin. Previously, WiSTAR funding gave priority to UW-Madison and UW-Milwaukee. They were optimistic that funding may be more likely if partnerships were formed and research could be joined with other disciplines. Funding was granted in the amount of \$13.7 million.

The first meetings were held with Gundersen and UW-La Crosse since they both had research interests. It was determined that other partners should be invited to be part of the project – Skemp Clinic, Franciscan Health System, Lutheran Hospital, Gundersen Clinic, Viterbo University and Western Wisconsin Technical College. (Note: Western Wisconsin Technical College changed their name to Western Technical College as of August 2006.)

All seven partners agreed they were interested in the concept and filed Articles of Incorporation in October 1994. Each partner contributed \$7,500 for start up dollars to further research the feasibility of the Consortium concept. UW-La Crosse provided release time for Marty Venneman to be the first Director of the Consortium. After the Consortium was off the ground, the director position became a budgeted expense of the Consortium.

The history is segregated as follows:

### **Phase I - Founding of the Consortium**

**LMHSC Governance Structure**

**LMHSC Board of Director Expansion**

**5% Corporate Partner Financial Policy**

**Ownership of the HSC Building at Debt Completion**

**LMHSC Personnel**

### **Phase II - Health Science Center**

**Formation of Health Science Center, Inc.**

**Student Health Center**

**HSC Building Insurance**

### **Phase III - Strategic Initiatives**

## **Phase I - Founding of the Consortium**

Meetings began in 1992, and the LMHSC, Inc. was formed in fall 1994 with articles of incorporation and bylaws. On April 4, 1997, the Limited Guaranty was signed. On June 6, 1997, the La Crosse Medical Health Science Research Center Use Agreement was signed.

It was agreed to build a building that would focus on allied health and research, along with increasing the amount of articulation agreements between allied health programs in the La Crosse higher educational institutions. Several articulation agreements were established for health care Associate Degree graduates to articulate to Baccalaureate Degrees. At this time it was agreed to not include nursing programs in the layout of the building.

In fall 1995, Skemp Clinic and Franciscan Health System merged with Mayo and formed Franciscan Skemp Healthcare. In addition, Lutheran Hospital and Gundersen Clinic merged to form Gundersen Lutheran Health System. The LMHSC now consisted of five partners versus seven.

A "Program Statement" was prepared for the UW Board of Regents to review the project, and it was approved. The HSC would be built under state regulations (due to WiSTAR Funding) and would be considered the state's property until the debt was paid in full. WiSTAR funding would pay for approximately one-half of the construction cost and the other half needed to be raised.

Western Technical College chose to coordinate a referendum in order to pay for a portion of the construction, which was \$5.4 million. At this time, Wisconsin Technical College state rules mandated that any new projects over \$500,000 had to be approved through voters via a referendum. In an effort to ensure a successful referendum, the Consortium formed a steering team with representatives from each of the Consortium partners. A consultant (Ivan Imm) was hired to complete a regional study. The research study showed the rural areas (outside of La Crosse County) were projecting health care workforce shortages. In addition, Western Technical College donated the land for the building, which was previously East Hall dormitory, along with \$500,000 in equipment.

A referendum package was developed and many presentations were made within the Western Technical College's districts. Western staff, and at least one member of the steering team, presented and shared the vision of the HSC, with the key points being related to increasing graduates to help with the health care workforce projections. The referendum passed unanimously in all counties in March 1996. However a funding gap still remained of \$8 million for the building match requirement.

A grant application was submitted to the Office for the Advancement of Telehealth, Health Resources and Services Administration and U.S. Dept. of Health and Human Services. Thanks to both HRSA and Senator Kohl's support for awarding approximately \$1 million to the LMHSC. The purpose of the grant was to provide a regional network for the delivery of educational programming via distance education technology to rural and regional medical centers. The grant evolved into providing funding for the creation of online courses, providing curriculum support for distance ed classes and supporting continuing education for nurses through distance ed. Though these dollars could not be counted toward the building match, this grant became an additional benefit to the rural

areas because classes, continuing education, joint meetings, etc. could be delivered via ITV (interactive television) to students and professionals in the regional area.

Linda Hamilton was hired as a consultant to assist in raising the capital dollars. Looking back there were a few identifiable issues that affected the fundraising outcome:

- An \$8 million capital campaign was setting precedence (previously that large of a campaign was not initiated in the La Crosse area).
- There was optimism that the Kresge Foundation would assist in the funding of the HSC. However, the timing and necessary communication did not align properly, therefore the LMSHC was not awarded the grant.
- There was transition among the larger “area” donors due to deaths, changes in business ownership etc. and therefore dollars were not committed.
- The consultant was from “outside” the area and due to campaign timeframe, did not have enough time to cultivate donor relationships prior to asking for larger donations.
- A few of the partners were anxious to move their respective organization strategic plans forward and wanted this campaign “behind them.”

In order for the state to fund the building, the State Building Commission needed to have secured dollars. Each partner spoke with their respective Foundation and/or Board and requested a “backstop” payment in case the dollars were not raised. Unfortunately, the scenario given to the foundations was presented very optimistically that the funds would be raised through a planned campaign, and this backstop was “just a necessary step” to ensure the building would move forward and be built. In the end, three foundations provided backstops: Western Technical College Foundation, UW-La Crosse Foundation and Franciscan Skemp’s Foundation. Gundersen Lutheran decided to pay as needed and Viterbo’s Board chose to opt out by not providing a backstop agreement. An anonymous donor came forward with a \$1 million donation and it was contingent upon Viterbo remaining a Consortium member. The LMHSC Board unanimously approved this contingency.

Though more than \$5 million was raised, the campaign did fall short and the backstop became reality. This has served as an area of tension and concern with the Founding Partners. This became an issue of dissension for a period of time. (Please refer to the ‘financial history’ – exhibit A for history in regard to the financing and debt of the HSC.)

To assist in moving beyond the dissension the Board opted to complete a feasibility study in February 2003 to create a Health Science Research Institute (HSRI). The Board felt this would provide further collaborative opportunity among the partners related to research. The Consortium applied for federal Economic Development Act (EDA) funds and funding was awarded. The study was completed by Northstar Economics, Inc. and Rainey & Associates. The study indicated that creating a HSRI at that point in time would be challenging and documented the following challenges: (Please refer to feasibility study for complete details.)

1. Broadening the number and scope of organizations with whom the Consortium “partners”
2. Developing the research culture, as well as expertise necessary to move research projects into business programs
3. Developing the expertise and relationships to secure intellectual property
4. Assuring projects have access to necessary capital
5. Making several organizational changes in the corporate structure of the Consortium

## **LMHSC Governance Structure**

The LMHSC Board is the overseer of the Consortium. There are two additional governance groups that report to the board: (1) Finance Committee and (2) Health Science Management Group (HSCMG).

Finance Committee: This committee meets quarterly and has two representatives from each Founding organization to (1) ensure institutional memory, (2) provide consistency when transitions occur and (3) to keep all Partners informed and updated to the finances of the LMHSC. The Finance Chair is elected for a one year term and is on a rotating alphabetical order based on organization name.

HSC Management Group: Once the HSC, Inc. was disbanded, the HSC Inc. Board of Directors was renamed the HSC Management Group. There are three representatives from each of the 5% partner organization housed in the HSC. Both the chair and representative terms are on a rotated basis. Each organization is encouraged to have two representatives who are housed in the HSC and one representative from their main campus.

## **LMHSC Board of Director Expansion**

The bylaws state the board can have 9-12 members. After some time, the rural areas began to voice their concern that the referendum was approved in several districts, yet the Consortium focus seemed to be La Crosse. The Board agreed that representation on behalf of the rural areas would be a benefit for the LMHSC. A representative from the WI Hospital Association was invited to join the board as an ad-hoc member. After time it was decided to have a rural member become an official member of the Board. Phil Stuart, CEO from Tomah Memorial Hospital was asked to join and became the first “non-founding director” nominated to the LMHSC Board of Directors. In June 2005, the bylaws were updated to address potential concerns (ie: voting on financial issues, etc.) of non-founding partners, and at the same time providing the rural board members with confidence his/her input has an overall impact.

Phil resigned from the Board in 2007. In 2009, two additional members were added: (1) Doug Mormann – Director of La Crosse County Health Department and (2) Gerald Kember, Superintendent of La Crosse School District.

## **5% Corporate Partner Financial Policy**

Each year the “5% or more users” of the HSC fund the building operations of the HSC. (Please refer to “5% Partner Occupancy” – Exhibit B.) After the building had been opened for two years, UW-La Crosse made an appropriations request to the state of WI to assist with funding the operations of the HSC; this request was funded. Western Technical College also made a request which was added to the Joint Finance budget. However, these dollars would have come from the statewide Technical College System and Western Technical College was uncomfortable with the ramifications related to future needs and funding. Lee Rasch worked with Representative Mark Meyer to pull the request prior to the budget hearing.

## **Ownership of the HSC Building at Debt Completion**

Four of the founding partners have been paying towards the debt of the building based on the schedule their respective organization selected. When the bond is paid in full the HSC will be owned by the LMHSC. If the LMHSC dissolves, the Consortium will provide residual ownership shares to the founding partners relative to their contributions.

## **LMHSC Personnel**

### Current:

Catherine Kolkmeier, Director  
Joanne Sandvick, Project Specialist

### Previous:

Previous Directors: Marty Venneman, Deb Suchla and John Katrana

Capital Campaign: Linda Hamilton and Tim Tracy

Grant Writers: Mary McLaughlin and Frank Zacher

Telehealth Grant: John Katrana, Sara Williams and Kelly Barton

## **Phase II - Health Science Center**

The building was constructed and opened in August of 2000.

There were two areas of “special interest” for the HSC that were part of the initial design of the building:

1. “R.E.A.D. Clinic” – This literacy program was initially funded through Lutheran Hospital’s Foundation and was housed in a variety of locations. The R.E.A.D. Clinic was a passion of Adolph Gundersen and he also served as a fundraiser for major gifts. Due to Adolph’s wishes, the R.E.A.D. Clinic became part of the HSC. Eventually UW-La Crosse’s Educational Studies Department took over the literacy program and due to budget cuts over the years, was unable to continue funding the clinic. The R.E.A.D. Clinic was disbanded in 2004. In addition, there continued to be some controversy from donors that the funding they provided was intended for operations vs. “brick and mortar.” There have been many discussions in regard to this and the Consortium is confident the campaign was

portrayed as a capital campaign. In fall 2009, UW-L's Recreation Management/Therapeutic Recreation Department remodeled the suite and moved their program into the HSC.

2. "Scenic Bluffs – Three Rivers Dental" - Western Technical College's Dental Hygiene Program (DH) was moved to the HSC in 2000. Due to underserved populations for dental care, a model was developed to provide dental care for the underserved at the HSC through a non-profit dental clinic – Three Rivers Dental. This creative model was precedent setting. Three Rivers Dental disbanded in April of 2007 due to the DH program doubling in size (no chairs available for patients due to student use) and general budget issues on behalf of Scenic Bluffs. In August 2007, the HSC signed a lease with La Crosse Community Dental to provide dental care to the underserved.

### **Formation of Health Science Center, Inc.**

Initially HSC operating expenditures were reviewed and approved by the LMHSC Board as a whole. Expenses were approved by all five partners, but the actual funding was the responsibility of two partners. By forming the HSC, Inc. decisions would be made by the partners that would be financially impacted. Therefore, the LMHSC Board agreed they were not interested in "running a building" and formed the HSC Inc. in March 2001. It was determined that forming a separate corporation would be in the best interest for the respective partners paying for the operation of the building. (Please refer to the "financial history" – Exhibit A and the 5% Corporate Partner Policy – Exhibit B)

HSC Inc. created a reporting structure which consisted of the HSC, Inc. Board of Directors and four teams reporting to the HSC Board: (1) Academic Team, (2) Operations Team, (3) Research Team and (4) IT/AV Team. One positive outcome was the reduction in operating costs of the HSC.

In May 2005, the HSC Inc. was dissolved and merged back into the LMHSC, Inc. Attorney George Parke provided the opinion for the merger. HSC Inc. had created designated reserve accounts and had the potential to create a tax issue. The building had now been in operation for five years and policies, procedures, and the creation of a Finance Committee, etc. were now in place to assist with financial decisions.

### **Student Health Center**

The Student Health Center is available for both UW-La Crosse and Western Technical College students. Viterbo students were surveyed and prefer the proximity of both Franciscan Skemp and Gundersen Lutheran for their healthcare needs and chose not to be part of the Student Health Center.

### **HSC Building Insurance**

Wisconsin's UW-System owns title to the HSC until the debt is paid in full. Previously the HSC was on the state's liability insurance policy and during the June 30, 2006 audit, the building was booked as an asset to LMHSC, Inc. UW System indicated this may no longer fall under the parameters of the state insurance. However, Bill Colclough (UW-L Interim Chief Financial Officer during this time period) had been informed the state will continue to insure the HSC and is currently working with UW-Legal to have this

clarification documented for future reference. The Limited Guaranty does indicate the insurance cost will be reimbursed to UW-L for the HSC. This operating cost is funded through the HSC operation budget.

### **Phase III - Strategic Initiatives**

(Implementation of focused Sub-committees – approved November 2005)

The Board agreed a more defined focus was needed and wanted to create collaborative projects with tangible outcomes. Eight sub-committees were formed which included:

Advanced Technology  
Cultural Competency  
Economic Development  
Fellowships  
Healthcare Workforce Shortages  
Nursing Clinical Placements  
Population Health  
Research

As of December 2006, the following three committees were disbanded due to lack of identifying a collaborative focus that would benefit the Consortium: (1) Advanced Technology, (2) Economic Development and (3) Fellowships. In fall 2009, the Health Science Academy joined the HSC. This was a pilot project with high school juniors on behalf of the La Crosse School District. They focused on selecting students who were interested in a health career, but may not have had the opportunity to be exposed to these types of careers or academic rigor. In fall 2010, two cohorts will be attending classes at the HSC.

Four teams report to the HSCMG: (1) Academic Team, (2) IT/AV Team, (3) Operations Team and (4) Safety Team.

### **Attachments:**

Exhibit A  
Health Science Center Building Debt History  
(Summary of LMHSC Finance Committee held on October 26, 2005)

Exhibit B  
5% Corporate Partner Financial Policy

Exhibit C  
LMHSC Operations Budget

*Approved by LMHSC Board 12-7-10*



**Exhibit A**  
**Health Science Center Building Debt History**  
***Updated July 2021***

The Health Science Center was built for a total cost of \$27.1 million, which came from these sources:

- ▶ \$13.7 million UW-La Crosse contribution (WISTAR funds - Wisconsin Initiative for State Technology and Applied Research)
- ▶ \$3.65 million local tax dollars (WWTC referendum passed March 1996)
- ▶ \$1.75 million for building site and equipment (WWTC)
- ▶ \$8 million regional and national fundraising (capital campaign)

The capital campaign goal was not reached in time for construction to begin, and although some of the total had been raised in the form of contributions and pledges, the LMHSC Board agreed to bond the entire \$8 million as fundraising continued. The Board agreed that all five partners would share equally in any building debt that remained after fundraising and requested each partner (or their foundation) to agree to “backstop” one-fifth of the \$8 million bond total (\$1.6 million per partner), in the event the fundraising goal was not reached.

Any unfunded debt, divided among the partners, would form the base of each partner’s “Institutional Share.”

Viterbo’s Board of Directors voted that Viterbo would be unable to participate in this bond backstop commitment. The resulting unfunded share was initially referred to as the “unfunded delta;” the LMHSC Finance Committee later renamed it the “5% Partner Occupancy Share” to clarify that it would be divided among those partners who occupied more than 5% of the HSC (currently known as “HSC Partners”). In later years, the name was simplified to the “5<sup>th</sup> Share.” At the time of the bond, only UWL and Western were 5% (HSC) Partners and divided the 5<sup>th</sup> Share

Donors had the option to attribute their contribution towards a particular partner’s Institutional Share, or could donate to the general fund. Each partner’s Institutional Share was reduced by fundraising contributions and pledges that were specified by the donor as being attributed to that partner. A particular partner’s share was divided evenly among the four partners (not the 5<sup>th</sup> share). The “Institutional Share” amount, less the amount of prorated funds raised, was the partner’s debt responsibility to be covered for each year until the bond was paid in full in 2020.

From the opening of the HSC, UWL and Western Technical College were solely responsible for the 5<sup>th</sup> share because they were the only partners occupying more than 5% of the HSC space. Based on square foot usage, both institutions were also responsible for their respective percentage of the HSC operating budget. In 2008, Gundersen Health System (then Gundersen Lutheran) became a 5% Partner and took on their respective share of the 5<sup>th</sup> share and the annual operating budget.

The HSC Management Group (then HSC, Inc.) approved applying lease revenue as follows:

85% of room rental and lease revenue to the 5<sup>th</sup> share

15% of room rental and lease revenue for equipment replacement

The LMHSC lease and cell tower revenue is applied 100% to the 5% Partner Occupancy Share.

Once the 5<sup>th</sup> share is paid in full in 2020, lease revenues and other incomes generated by the building will be used to offset HSC building operating expenses, currently being covered by the 5% Partner Institutions (HSC Partners), based on the percentage of occupancy they use in the HSC.

To avoid having large debt payments in the future for their Institutional Share, UWL and Western initially “over-billed” themselves for the HSC Operating Budget, the excess of which was invested. In 2008 and 2009, these “over-billed” amounts were refunded to these partners.

### **Update of Use Agreement**

The 1997 Use Agreement between the Consortium and UW System, holder of the HSC bond, had several incomplete elements at the time of its signing. These remained incomplete until 2018.

- Exhibit E, though signed, was missing a Commencement Date for the bond. This date was intended to be added to the Exhibit once that date was determined by UW System upon calculating the schedule for bond payments.
- Exhibit F, the schedule for bond payments, was intended to be added once it was provided by UW System, replacing the initial Exhibit F.
- Exhibit H provided a sample distribution of residual ownership shares, which was intended to be updated “from time to time” as contributions specific to each partner were received during the development phase.

In 2018, after all development activities had ended and all pledges were received for the HSC, and after “backstop” payments had begun, these exhibits were updated.

- The Commencement Date for Exhibit E (October 15, 2000) was located on the final bond payment schedule (see next bullet) and written onto the original Use Agreement in the LMHSC files.
- Three versions of a final bond payment schedule were located in UWL’s records. UW System initially sent a memo and schedule in March 2000, then issued a replacement memo and schedule in September 2000. In March of 2001, a third memo and schedule were sent, stating that the September memo and schedule contained errors. The 2001 schedule was labeled “Exhibit F” and inserted into the original Use Agreement in the LMHSC files.
- To complete Exhibit H, the LMHSC board agreed in June 2018 that “contributions” making up the residual ownership shares of each LMHSC partner would consist of any donations, gifts received, or pledges made as of June 1, 2000—the date of HSC occupancy referenced in the original Exhibit H—that were attributable to a specific LMHSC partner. Contributions to the project as a whole were not included, as these

were evenly attributed to all partners. The bond amortization schedule, maintained by UWL, contained references to all partner-attributable pledges made as of June 2000 and final payments received. These were combined with initial partner contributions, Western's referendum funds and land donation, WISTAR funds, and other relevant contribution into a new Exhibit H, which was reviewed and approved by the LMHSC finance committee and board in June 2018 and added to the original Use Agreement in the LMHSC files.

### **Bond Completion in 2020**

On April 15, 2020, the bond on the HSC was paid in full. Upon payment, the 1997 Use Agreement expired, and the HSC ceased to be a State-owned building under the auspices of the WI Department of Administration or the UW System; ownership of the HSC transferred to LMHSC, Inc. The deed transfer was finalized in July 2021.

Despite the Use Agreement expiring, some elements of it remained relevant and needed to be maintained in another form. In 2017, the Consortium prepared a "master" Memorandum of Understanding (MOU) among the three HSC Partners, which outlined the structure, policies and procedures related to the operation and governance of the HSC. The Master MOU was adopted by the Board of Directors in 2018 and signed by all three HSC Partners. It is reviewed and updated annually.

One element of the Use Agreement—Exhibit H, Financial Contribution of Consortium Members—was converted to a standalone agreement called the Residual Ownership Schedule in 2018; it is a standalone agreement because it involves all five Founding Partners and not just those using the HSC. The Residual Ownership Schedule describes the distribution of ownership in the HSC in the event that the Consortium were to be dissolved by the Board of Directors. This new agreement was adopted by the Board in 2018 for execution upon completion of the bond in 2020.

One outcome of the HSC becoming privately held was that it was no longer eligible for property and liability coverage under the UW System's self-insurance. The Consortium obtained private insurance coverage for the HSC beginning April 1, 2020.

11/21/05

*Updated 7/27/18 to update partner names, clarify terms that have changed, and update recent history of preparing for 2020.*

## **Exhibit B**

### **5% Corporate Partner Financial Policy**

#### **Applicable to:**

Partners occupying 5% or more of the total square footage of used space in the Health Science Center (HSC).

#### **Not Applicable to:**

- (a) Partners occupying less than 5% of the total square footage of used space in the HSC,  
or
- (b) Non-partners.

#### **Policy:**

It is the policy of the La Crosse Medical Health Science Consortium (LMHSC) that partners utilizing 5% or more of the HSC will assume a percentage of the financial responsibility of the HSC operating budget **AND** the 5% Partner Occupancy Share (previously referred to as the “unfunded delta”). The “5% Corporate Partner Financial Policy” defines the methodology for determining the percentage of financial responsibility. The percentage is based upon the partners’ respective percentage of usage. This same percentage will be used to determine the partners’ financial responsibility of the 5% Partner Occupancy Share.

#### **Definitions:**

##### **1. Partners**

The Partners are the five founding organizations that are named in the LMHSC Bylaws: Franciscan Skemp Healthcare, Gundersen Lutheran, Inc., University of Wisconsin-La Crosse, Western Technical College, and Viterbo University.

##### **2. HSC Operating Budget**

The HSC operating budget is the “Net Operating Expenses after Revenue Offset.”

Operating revenue includes all revenues billed by the HSC with the exception of revenues designated as contributions to reserves. Operating revenue includes, but is not limited to: copy machine income, vending machine income, other revenue and parking revenue.

Reserves are designated for equipment replacement, building remodeling, parking lot maintenance and the 5% Partner Occupancy Share. The allocation to reserves will be reviewed annually and adjusted, as deemed appropriate, to meet the needs of the HSC operations. Rental income from 3rd parties (non-partner tenants or partners not at 5% occupancy) is currently designated with 85% to the 5% Partner Occupancy Share reserve and 15% for equipment replacement reserve. Rental Income from LMHSC is currently designated 100% to the 5% Partner Occupancy Share.

HSC operating expenses includes, but is not limited to: supplies, electricity, heat, air, a portion of the Information Desk’s salary, operations & management contract, technology contracts, copy machine contracts, repairs and maintenance, internet expenses and contributions to reserves.

The HSC operating expenses exclude depreciation, interest expense and the LMHSC operating expenses of staff, office rent and other standard office expenses.

3. 5% Partner Occupancy Share

The LMHSC Board agreed that the annual building debt payment would be distributed evenly among Franciscan Skemp Healthcare, Gundersen Lutheran, Inc., University of Wisconsin-La Crosse, Western Technical College and the Partners occupying 5% or more of the total square footage or used space in the HSC (ie: 5% Partner Occupancy Share).

The partners occupying 5% or more of the total square footage of the HSC will be financially responsible for a portion of the current year's debt payment, based upon their respective percentage of used space. The financial obligation to the 5% Partner Occupancy Share will be reduced by the budgeted contributions to the 5% Partner Occupancy Reserve.

4. Total Square Footage of Used Space

The total amount of square footage actually used by the partners is identified and calculated to determine space usage.

5. Used Space

"Used Space" is space allocated to the Partner organizations occupying the HSC.

**Implementation:**

1. HSC Partner Space Utilization will be determined by January 15<sup>th</sup> each year. Room utilization is determined by using room reservation data from January through December of the previous year.

2. Any Partner that is renting HSC space on a square foot basis and increases their space utilization to 5% or more, would transfer from a rental lease financial arrangement to the 5% Partner Financial Policy, at the start of the next HSC fiscal year. Any dedicated teaching classrooms that were part of a rental lease financial arrangement, would become shared space. Any other space that is defined as 100% dedicated space, such as 5<sup>th</sup> floor research labs, would remain dedicated space of that Partner. If a 5% Partners total space usage decreases to 3% or less, the Partner would transfer back to a rental lease financial arrangement for dedicated space, at the start of the next HSC fiscal year. However, teaching classrooms would remain shared space for scheduling purposes, with the rental fees based upon a rental lease financial arrangement.

3. HSC Partner Space Utilization will be based upon the total dedicated space and the shared use space among organizations.

(a) Any partner with dedicated space will be assigned the full square footage of the room. No specific hours of usage will be calculated. For example:

(1) Space used solely by one program or organization (ie: UW-L Bio-mechanics Lab or UW-L Research Lab), or

(2) Space rented solely by one program or organization (ie: Gundersen Lutheran Research Lab).

(b) Any partner utilizing shared space with other organizations will be assigned a portion of the square footage. (ie: Classrooms, teaching labs such as OT/OTA Labs)

(1) The square footage for each room will be calculated.

(2) The square footage will be multiplied by the percentage of time that each organization utilized the space. The percentage of time is calculated by determining the total number of hours that the room was used and divided by the total number of hours each organization used the room. For example: If a classroom is used for a total of 10 hours (7 UW-L and 3 Western) than UW-L would be charged for 70% and Western for 30% of the square footage).

(c) Office space usage will be calculated per square footage.

(1) If office space is part of a dedicated space (ie: Student Health Center or any other area where office space is part of an organizations dedicated space), then the office space would be calculated in the square footage of that dedicated space.

(2) An exception is the Dental Lab. The office space used by Western is part of their square footage calculation for their dedicated space. However, Three Rivers leases an office within this dedicated space, so that office space is not part of Western's usage. Three Rivers is charged for this office space through their lease.

4. Areas not included in the space utilization calculation are:

a) Hallways and corridors are considered "common space" and therefore not included in square footage. However, if a corridor is part of a dedicated space (ie: Dental Lab and Student Health Center), then the hallway and corridors are calculated as part of square footage for that partner.

b) Storage Space, Restrooms, Locker Rooms, Libraries, Conference Rooms, and Maintenance/Mechanical Rooms will be considered "common areas" and are not part of total usage calculation.

c) Any "Unused Space" that the HSC is not currently using will not be part of total usage calculation (ie: lower level "incubator" space).

5. Determination of Partner Space Utilization Percentage

To determine an individual Partners space percentage, the individual Partners' square footage usage is divided by the Total Square Footage of Used Space by the Partners. If any partner utilizes less than 5% of the total square footage, their respective square footage usage will not be used in the denominator when determining their percentage of financial responsibility for the HSC operating budget and the 5% Partner Occupancy Share.

6. HSC Management Group

The Partners occupying 5% or more of the space in the HSC are eligible to have three (3) individuals as voting members on the HSC Management Group Committee. An annual recommendation of the building, equipment and 5% Occupancy Share Reserves is made by the HSC Management Group. The recommendation will be reviewed by the LMHSC Finance Committee and approved by the LMHSC Board of Directors. See Attachment A (*being revised 11-06*)

## **Exhibit C**

### **LMHSC Operations Budget**

#### Consortium Operations Budget History

Initially, the LMHSC Operations budget, which covers staff, supplies, travel, financial, and office expenses, was divided among the partners at rates approved that year by each institution and negotiated at the Consortium level.

Prior to 2007, Franciscan Skemp's portion of the budget was directed specifically to pay 25% of the staff grantwriter's salary and benefits because FSH did not have a grantwriter in-house. UW-La Crosse's portion of the budget was directed specifically to cover 50% of the Executive Director's salary and benefits.

In August 2007, with the departure of the staff grantwriter, the board chose to keep a portion of the funds allocated for the grantwriter's position in the budget for use in supporting other, board-approved expenses.

Each year, the partners negotiate the percent distribution of their contributions, as follows:

Viterbo University contributed \$4000 annually to the Operations budget until the FY2009 budget, when President Rick Artman doubled Viterbo's contribution to \$8000 as a gesture of good faith and an increased confidence in the Consortium staff.

Franciscan Skemp Healthcare (FSH) negotiated a contribution determined appropriate by their board until FY2009, when they conducted a review of the Consortium's projects and determined that they would provide an annual contribution equal in proportion to Gundersen Lutheran, Western Technical College, and UW-La Crosse, less expenses related to the operation and management of the Health Science Center. This contribution was partially provided by the FSH board and partly in the form of a grant that the Consortium was asked to apply for through the Franciscan Skemp Foundation. In each year's LMHSC budget, the staff provide an estimate of how much of their time is allocated to building management and subtract this amount of their salary/fringe from the amount divided among the partners.

Although the decision to allocate funds in this manner was made in the fall of 2008, FSH's fiscal year follows the calendar year rather than a July-June fiscal year, and so their payments under the new arrangement began in January 2009 and to date follow a schedule that is six months later than the Consortium's fiscal year.

Once Viterbo's and FSH's contributions are calculated, all remaining budget costs are divided equally among Gundersen Lutheran, UW-La Crosse, and Western Technical College.

*Approved by LMHSC Board 12-7-10*