

**ARKANSAS DEPARTMENT OF HUMAN SERVICES**

**STATE INSTITUTIONAL SYSTEM BOARD**

Conference Call

Office of Chief Council  
Donaghey Plaza South  
700 Main Street  
Little Rock, AR 72201

Thursday, August 11, 2011

Members Attending Call: Carlton Jones, Chairman  
Clara Ferron, Vice Chairman  
Stephen Foti, Secretary  
Bonnie Coates  
Micheal Burden  
Doug Kidd

DHS Staff Attending Call: Steve Jones, Deputy Director of Department of Human Services  
Breck Hopkins, Office of Chief Counsel  
Doyle Young, Program Administrator, Division of Youth Services  
Jay Hill, Asst Nursing Home Admin, Arkansas Health Center  
Liz Ganahl, Division of Youth Services

Mr. Carlton Jones called the meeting to order at 9:00 a.m.

**Lease on the Little Rock Community Mental Health Center:**

Mr. Carlton Jones stated there is only one item on the agenda, the lease with the Little Rock Community Health Center (LRCMHC). Mr. Jones said Mr. Breck Hopkins had sent him some figures last week and he told Mr. Hopkins the approval of the Board will be needed before we can make a formal offer. Mr. Jones asked Mr. Hopkins to give the presentation.

Mr. Hopkins stated that at the July Board meeting, a motion passed stating that the SIS Board would inform the LRCMHC and its' Director, Mr. Tom Grunden, that the LRCMHC that it must find a way to have a more significant participation in the maintenance of the facility either by directly doing the maintenance, raising the rent or some increase participation that is acceptable to the Board.

Mr. Hopkins said he informed Mr. Grunden of the Board's action and that Mr. Grunden agreed in principle to increase rent or use some other mode of helping with the maintenance. Mr.

Hopkins reported he and Dr. John Althoff from the Division of Behavioral Health Services (DBHS), put some figures together that would include replacing the HVAC system and the roof on the LRCMHC building. Mr. Hopkins stated they arrived at a price using the following general principles; the LRCMHC is a huge asset for the state hospital because it enables the discharge of many state hospital patients to that center and to community settings that are supported by the center. The hospital itself has a substantial interest in seeing that center succeeds. DBHS' goal was to make DBHS whole on the rental, in other words DBHS wants to have its actual cost covered but doesn't want to charge LRCMHC a commercial rate that would be unsustainable for them, not does DBHS want to recover the opportunity cost of capital that the building represents. With that in mind, DBHS added up all of the utilities and the maintenance, amortized the cost of the HVAC over a 30 year period, and the roof replacement over 20 year period. That yielded a rate of \$6.41 per square foot, which DBHS rounded to \$7.00 per square foot, to cover unforeseen costs and items that were not on the list, for example, plumbing fixture replacements, redoing floors and ceilings, painting the walls, structural things that aren't in the general maintenance agreement in the lease. DBHS believes that a commercially reasonable rate for the LRCMHC building is in the range of \$11.00.

Mr. Jones agreed that the LRCMHC should stay. He said that based on his earlier conversation with Mr. Hopkins, LRCMHC presently pays rent of \$14, 580 per month. At the \$7.00 per square foot, the rent would be \$25, 200 per month, which is a substantial rent increase, but is fair..

Ms. Bonnie Coates asked if LRCMHC had reacted to it at all or have they heard the figures. Mr. Hopkins said they have not heard the figures. Mr. Jones stated he wanted to discuss this with the Board before a proposal was made to them. Mr. Jones said that any issues from Board members should be resolved before making a presentation to the tenant.

Mr. Stephen Foti stated that he thought the proposal was a better alternative than the Board's original plan of sending a letter requiring that the LRCMHC enter an agreement within 30 days or vacate the premises, and asked what time frames should apply to the negotiations. Mr. Hopkins urged the Board to consider amending the earlier resolution based on the fact that good-faith negotiations were underway and the letter was no longer needed. Mr. Hopkins asked for instructions from the Board regarding further negotiations in the event Mr. Grunden rejects the \$7.00 per foot offer. He also noted that if the current rent is inflated applying the Consumer Price Index from the date the lease was signed, the current rent would be \$5.00 per square foot, so the proposed increase is not as much as it might seem at first.

Mr. Jones asked if it was to be a one-year lease. Mr. Hopkins said the term can be whatever the Board decides and that the Board may set negotiation deadlines if it wishes. Ms. Clara Ferron felt the offer was very reasonable but there was not much room for negotiations. Ms. Ferron wondered if it was going to be open for discussion or to make a counter offer. Mr. Jones said he does not have a problem with negotiating. Mr. Jones said if Mr. Grunden says he cannot fiscally and financially do the terms then we have to look at what they can feasibly financially afford. Mr. Jones said we also have to take care of the fiduciary responsibility that we have for the department. Ms. Coates stated it was a huge jump from what they were used to paying. Mr. Foti said the Division has to be part of this negotiation. He stated there was a lot of financing of

LRCMHC that comes from the Department and all of that has to be on the table. Mr. Foti said he did not feel that the LRCMHC was isolated from DBHS, and that either Dr. Althoff or Ms. Janie Huddleston should be part of the process.

**Mr. Micheal Burden made a motion for Mr. Breck Hopkins to present the proposed terms to LRCMHC, and if further negotiation is needed, to include Mr. Carlton Jones, and then present the final results to the Board for vote via a conference call. Ms. Clara Ferron seconded the motion. Motion passed.**

Mr. Burden said that he would like to have the negotiations completed within 3 months. Mr. Burden asked to amend his motion to include a time frame. Ms. Ferron said she also wanted to amend her second to Mr. Burden's motion to include a time frame.

**Mr. Micheal Burden made a motion for Mr. Breck Hopkins to present the proposed terms including a 3 month completion timeframe to LRCMHC, and if further negotiations are needed to include Mr. Carlton Jones, and then present the final results to the Board for vote via a conference call. Ms. Clara Ferron seconded the motion. Motion passed.**

Ms. Coates suggested that in light of Mr. Foti's relevant experience, that he be included in the negotiations. Mr. Foti agreed, and added that he has known Mr. Grunden for 40 years and considers Mr. Grunden to be his friend. Mr. Foti said he does not want Mr. Grunden to think that the Board is trying to "break his back" on this deal. Mr. Jones said he doesn't ever want Mr. Grunden to get that thought. Mr. Jones said as soon as he has something to talk about, he will call Mr. Foti to discuss it.

**Mr. Micheal Burden made a motion for Mr. Carlton Jones to use Mr. Stephen Foti as a backup. Ms Bonnie Coates seconded the motion. Motion passed.**

### **Ray Winder Field**

Mr. Hopkins said that at the last meeting the Board authorized the sale of Ray Winder Field. In addition to the minutes reflecting the authorization, the title company wants explicit authority for whoever signs the deed. Mr. Hopkins said normally that would be the DBHS Director but it could be the SIS Board chairman; however, he did not assume that Mr. Jones wants to go to the closing. Mr. Hopkins said that he prepared a document specifically authorizing the DBHS Director to execute the deed. Mr. Foti asked if that would be Ms. Janie Huddleston. Mr. Hopkins said yes.

**Mr. Micheal Burden made a motion to give specific authorization to the DBHS Director to execute the deed to Ray Winder Field. Ms. Bonnie Coates seconded the motion. Motion passed.**

**Mr. Micheal Burden made a motion to adjourn the conference call. Ms. Bonnie Coates seconded the motion. Motion passed and the conference call adjourned at 9:20 am.**