



Meeting of the Finance Committee
 Wednesday, November 2, 2022, 9:00 – 10:30 AM

Physical Location: Quarters 2 Building, Pacific Tower, 1200 12th Ave S., Seattle, WA 98144

Virtual Location: <https://zoom.us> | Meeting ID: 839 1550 5199
<https://us02web.zoom.us/j/83915505199?pwd=K2dWSUdTRQVNYY1FvOFpvMGt6Snp6UT09>

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MEMBERS PRESENT		NOT PRESENT	ALSO PRESENT	
Doris Koo	Sue Taoka	Diane Pietrowski	John Kim	Christina Bernard
Bob Cook	Gloria Burton	Kara Zollner	Mallory Fitzgerald	Whitney Regan
AyeNay Abye			Denise Stiffarm	Michael Finch

Bob Cook called the meeting to order at 9:02 a.m. A quorum was present. There was no public comment.

Consent Calendar Minutes

The Finance Committee voted to approve the Finance minutes from October 5, 2022. (Moved/2nded Doris Koo/Gloria Burton, 5 of 5 in favor)

Update on Program Committee and Grantmaking

The Executive Director updated the Finance Committee on Program Committee and grant activities.

- Program Committee supports the program portion of the Draft 2023 PHPDA Budget.
 - They discussed ways programs can continue to get funding after PHPDA funding ends.
 - Program considered how to increase funding for second year and third year grantees.
- The Associate Director reported on the Theory of Change workshop that took place on October 26. Finance Committee would like to see the completed Jamboards attendees worked on.
 - Staff and the workshop facilitators will have a debrief meeting following the survey results.
- Program Committee continued fine-tuning the 2023 Major Grant guidance. They will vote to forward the Major and Renewal Grant guidance to the Governing Council in December.

Financial Stewardship

Investment Update

The Associate Director reviewed the LGIP investments. The interest rate has increased to about 3%. The reserve has increased due to the North Lot sale. She is continuing to talk to financial advisors and Verdant about possible investment options.

September/Q3 2022 Financial Statements

The Associate Director reviewed the September/Q3 2022 Financial Statements.

- Reserves and savings will increase in October due to the North Lot sale.
- We have received sponsorship funds for the 2022 All Grantees Meeting.

The Finance Committee voted to accept and forward the Q3 2022 Financial Statements to the Governing Council. (Moved/2nded Bob Cook/AyeNay Abye, 5 of 5 in favor)



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Lease Accounting

The Associate Director and Finance Committee Chair discussed new lease accounting framework.

- The Government Accounting Standards Board (GASB) adopted the new lease accounting standards a few years ago and they take effect in 2022. Lessors and lessees must adopt the new standards and apply them to all leases.
- The Associate Director provided a summary of PHPDA's lease accounting recommendations.
- The statements will be restated beginning with 2020 and applied to both 2020 and 2021. The requirement for prior year restatement goes back to the earliest year reported in the next independent audit.
- Under assets PHPDA will book a receivable for the entire lease that will be recognized over time. There will be an offsetting liability for deferred income.
- The income will come from recognized deferred lease income and implied interest recognizing the receivable. Income will not match the number of rental payments received. The new accounting only applies to lease payments, not operating expenses.
- PHPDA discussed whether to include lease extension periods. Under the new standards, we can include extensions if we are reasonably certain they will be exercised. We plan to only include the base terms of the lease without extensions due to the timeframe of the Commerce and PacMed leases.
- The interest rate and discount rate will look different for each lease. For the interest rate, we can use the lessees borrowing rate.
 - We can refer to the Washington State interest rate for the Department of Commerce lease and potentially look at Providence for the PacMed interest rate.
 - Most organizations are currently using the prime interest rate, which we will use if there is no information on individual tenants' rates.
- Commerce's Quarters Access Agreement does not meet the terms of a lease and is for less than a year so we are treating it as standard income.
- The lease accounting entries will be made at the end of each year rather than every month. Throughout the year the income statements will only reflect the payments received from/owed by tenants. In December, we will have two sets of statements, one without lease accounting entries and one with the entries. The latter will be the final statements for the year, to be sent to auditors for review.
- Our accountants have a new lease accounting software that will help configure the lease accounting numbers for us.
- The Committee suggested including a table on the 2024 budget that shows lease accounting details.

The Finance Committee voted to accept and forward the recommended lease accounting framework to the Governing Council for approval. (Moved/2nd Sue Taoka/Doris Koo, 5 of 5 in favor)

2023 Draft Budget and Reserve Plan

The Associate Director discussed the 2023 Draft Budget and Reserve Plan. She noted a few things changed since the Committee's last review.



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- PHPDA received the 2023 Tower budget which includes roughly \$5 million for an elevator project (expense, as well as reimbursed income).
- Program Committee endorsed the program portion of the 2023 budget. They would like to have a conversation in the future about increasing all grant funding if PHPDA receives more revenue from a possible long-term Quarters lease. They may begin this discussion before 2024 Nimble Grant guidance is approved.
- The Associate Director received dental and medical insurance costs for 2023. Dental will be about the same as 2022, but medical will increase.
- PHPDA received a fee proposal from our accountant. The amount may decrease following a conversation with our accountants next week.
- Proposing to pay for a Campus Expansion Planning Consultant. PHPDA has a limited number of development opportunities on campus once the Quarters are leased. The funds in the budget help cover the beginning stages of discussing other future developments, which will likely occur in Q3 or Q4 2023.
- The Committee discussed including two personnel wage lines on the budget in the future. One for cost-of-living increase and the other an increase for merit. Finance proposed adding \$10,000 for an HR Consultant in the 2023 budget to begin discussing possible changes next year.
 - Potentially conduct a review with an HR Consultant at the beginning of 2023 to get an idea of how much to adjust the salaries. The Governing Council could approve the adjustments as a separate item.
 - Possibly update the Executive Director and the Staff salary review policies in 2023.
- Proposing funds for an IT penetration test next year. The Associate Director included a quote from Clark Nuber and suggested getting a second quote in 2023.
- Reserve Plan and Savings:
 - Updated the Leasing and Brokerage costs after meeting with our Real Estate Consultant. Considered a future Quarters lessee with a broker and without broker.
 - Increased the Building Operating Expenses and Campus Capital Expenses.
- The Finance Committee will vote to recommend the 2023 budget and reserve plan to the Governing Council at the December meeting.

Property Management

Q3 2022 Tower Operating Expenses

The Associate Director reviewed the Q3 2022 Tower Operating Expenses. The Tower is running underbudget in some areas.

Professional Services

Professional Services Relationship with Tan Mats (Res. 14-2022)

The Associate Director discussed the professional services relationship with Tan Mats (Res. 14-2022).



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- The budget for PHPDA's IT Consultant will go over \$10,000 for the first-time next year. As a reminder, any consultant budgets over \$10,000 annually must get Governing Council approval every three years.
- Our current IT Consultant has worked with PHPDA for several years and started their own consulting firm, Tan Mats, in 2019.

The Finance Committee voted to accept and forward Resolution 14-2022 Professional Services Relationship with Tan Mats to the Governing Council for approval. (Moved/2nd Bob Cook/Doris Koo, 5 of 5 in favor)

Personnel

Executive Director Salary Review

The Associate Director and Finance Committee Chair discussed the Executive Director Salary Review.

- This review is to set the Executive Director salary range, not the specific salary amount.
- The Governing Council Chair reached out to PHPDA's City of Seattle PDA Liaison to ask for other PDA Executive Director salaries. One PDA is missing, but the Council Chair will reach out to them directly. PHPDA will make updates to the proposed range if needed.
- An HR Consultant could possibly help PHPDA look at market benchmarking as a back-up option in addition to looking at our peers.
- The Finance Chair and Governing Council Chair supported the proposed salary range.

The Finance Committee voted to accept and forward the proposed Executive Director salary range to the Governing Council for approval. (Moved/2nd Doris Koo/AyeNay Abye, 5 of 5 in favor)

Employment Screening Operating Policy

The Associate Director led a discussion on the Employment Screening operating policy.

- Finance Committee considered whether PHPDA should conduct criminal background checks. Criminal background checks are not required, but the policy may be a carry-over from the PacMed partnership.
- Criminal background checks are done after PHPDA offers someone a job, not during the application process. PHPDA will not do criminal backgrounds for short-term employees, such as Health Equity Scholars.
- PHPDA has the option to only do criminal background checks on new full-time employees that work in certain parts of the organization, such as finance.
- The Executive Director informed the Committee that PHPDA already has a robust screening process for potential new employees and from an equity perspective a criminal background check can be skewed. Committee members agreed that focusing on other screening and removing criminal background checks would be the best option for future hiring.
- A Committee member shared that federally incarcerated people cannot receive some benefits which can affect employment.
- If PHPDA conducts criminal background checks, that could affect the new hires' trust in PHPDA.



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- The Associate Director asked Committee members to send any other thoughts or comments to her.

Real Estate

North Lot Update

The Executive Director provided an update on the North Lot.

- The North Lot sale closed on October 21 and PHPDA received the funds from SCIDpda. They will begin construction soon; weather will affect construction
- PHPDA Communications Manager plans to meet with SCIDpda’s communication team on a regular basis. They plan to keep the Pacific Tower Campus stakeholders and surrounding neighborhoods up to date on the construction.

Update on Quarters Buildings

The Real Estate Consultant Michael Finch updated the Committee on the Quarters Buildings.

- Commerce will complete the Quarters feasibility study soon and they have a rough number for programming costs. The study is due before the end of the year so Washington State representatives can review it prior to next year’s legislative session.
- Commerce, SHKS Architects, and sub-contractors plan to conduct community outreach soon, including reaching out to surrounding neighbors.
- The user groups involved in the Quarters programming discussions have been thoughtful about possible options and included people with lived experience. They are still discussing how to use the buildings effectively.
- The Quarters are an ideal set up for the type of programming being discussed. Quarters 10 would be an ideal site for support services and community services.
- PHPDA plans to create a narrative to share with legislators that explains the proposed programming.

Adjournment

The meeting adjourned at 10:31 a.m.

Minutes approved: _____

12/7/2022
(Date)

From: [Bob Cook](#)
To: [Whitney Regan](#)
Subject: Re: PHPDA FC Chair Signature Requested
Date: Wednesday, December 7, 2022 3:07:17 PM
Attachments: [image001.png](#)
[image002.png](#)
[image003.png](#)

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Please do so, thanks!

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From: Whitney Regan <w.regan@phpda.org>
Sent: Wednesday, December 7, 2022 12:59:41 PM
To: Bob Cook <Bob.cook@outlook.com>
Subject: PHPDA FC Chair Signature Requested

Good Afternoon Bob,

Please see attached for the Finance Committee's 11/2 minutes which were approved at the meeting today 12/7.

With your permission, I can add your digital signature to the meeting minutes.

Thank you!



[NEW phpda.org](#)

Whitney Regan (she/her) | **Office Coordinator**
206.432.3027 | w.regan@phpda.org | [2021 Annual Report](#)

Pacific Hospital Preservation & Development Authority
[1200 12th Ave S](#) Quarters 2 Seattle, WA 98144



For grant related matters, please email grants@phpda.org.
[Join our email list](#) for newsletters, grant announcements, and reports.