



**Meeting of the Finance & Audit Committee**  
**Tuesday April 14, 2015**  
**4:00-5:25p.m.**  
 Quarters 2 Building, Beacon Hill Campus  
 1200 12<sup>th</sup> Ave South Seattle, WA

MEMBERS PRESENT		ALSO PRESENT	
Rhonda Berry	Tony McLean (from 4:15)	Jeff Natter	Ellie Menzies
Bob Cook	Nate Dreon	Christina Bernard	Mike Heinisch (from 4:55)
Doris Koo (from 4:15)		Rikka Dayao	Member of the public – sign-in sheets on file at PHPDA office
		Denise Stiffarm (from 4:35)	

Nate Dreon called the meeting to order at 4:12 p.m. A quorum was present. There was no public comment.

**Minutes**

The March 10, 2015 Finance & Audit Committee meeting minutes were approved (Moved/2<sup>nded</sup> by Cook/Berry. 3 of 3 in favor).

**Financial Stewardship**

*Investment Update*

The Committee review the PHPDA’s current investments and year-to-date interest income.

*February 2015 Financials*

The Finance & Grants Manager presented February 2015 financial statements and noted that the final outstanding 2014 items had been incorporated.

The Committee reviewed and accepted the February 2015 financial statements (Moved/2<sup>nded</sup> by Berry/Cook. 5 of 5 in favor).

*June 2015 Insurance Renewals*

The Finance & Grants Manager discussed the upcoming renewal of the PHPDA’s insurance policies, including liability, Directors and officers, property, and earthquake policies. The Committee authorized the Executive Director, with the advice of the Treasurer, to renew the PHPDA’s insurance policies (Moved/2<sup>nded</sup> by Koo/Berry. 5 of 5 in favor). Staff will report on the policies and premiums once they are renewed. Staff will also follow up with the PHPDA insurance broker on one additional question from the Committee regarding whether the policies cover replacement that conforms with the historical nature of the buildings.

*PHPDA 2014 Audit*

The Finance & Grants Manager reported that fieldwork for the 2015 external audit would take place April 27-30 and that the final report would be presented by the PHPDA’s auditors from Clark Nuber at the June Finance Committee meeting.

**Personnel**

*Changes to PHPDA Employee Benefits*

The Committee discussed a proposed change to the Employee Handbook, which governs the PHPDA’s employee benefits. The current policy requires new employees to wait 90 days to be eligible for dental insurance. When combined with a change to the policies of the PHPDA’s dental coverage carrier regarding waiting times for major dental work, this could put a significant burden on the health



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or finances of a new staff person. The Committee forward to the Governing Council the proposed change to the PHPDA's Employee Handbook, making new employees eligible for dental coverage upon hire (Moved/2<sup>nd</sup>ed by Cook/Koo. 5 of 5 in favor).

**Grantmaking**

*Nimble Fund Quarter 3 Review Panel*

The Finance & Grants Manager discussed the next round of Nimble Fund application review. Applications are due to the PHPDA May 20 and the review process will take place in the following week to ten days. This will likely be the final round of Nimble Fund grants for 2015. The Planning Committee discussed the review panel membership at their meeting as well. Thus far, the Committee is: Judy Tobin, Doug Jackson, Christina Bernard, and Ellie Chopp. Bob Cook volunteered to serve with those individuals. The Governing Council will appoint the panel at the meeting immediately following the Finance Committee meeting.

**Committee Governance**

*Strategic Advisor to Finance Committee*

The Executive Director updated the Committee on the search for an additional Finance Committee strategic advisor. Former Governing Council member Marite Butners, who had expressed interest, does not believe she currently has the time to serve. The Executive Director asked Committee members to begin thinking of other potential candidates.

**Property Stewardship**

*Updates on NDA and other agreements*

The Executive Director informed the Committee that the NDA had been finalized. As there was only one minor change regarding notification of changes to the property that are subject to Landmark preservation review, the NDA was not substantially altered and the signature authorization from January would still be in effect and the agreement would likely be signed soon.

He also noted that there is a line in the proposed Washington Senate budget that would eliminate statefunding for Pacific Tower operating expenses. Staff and advisors will keep up-to-date with developments regarding the budget.

He then updated the Committee on the two lease amendments that were authorized for signature in December. In negotiating final language, the two amendments were combined into a single amendment addressing space in the basement, roof access for equipment, and definition of hazardous materials. This amendment will be presented to the Governing Council for authorization.

**PHPDA Funding Options and Restrictions**

PHPDA legal counsel Denise Stiffarm gave a presentation on PHPDA funding options and restrictions, particularly as they relate to the recent funding request from the Department of Commerce. The findings also have implications for the Finance Committee's recent discussions regarding mission-related and other investments.

The key points applying to PHPDA funding and investments were:

- The PHPDA is subject to the authority granted by the City of Seattle in the PHPDA's Charter.



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Additionally, the PHPDA has no powers or authorities greater than the City of Seattle, as the creating entity.

- The PHPDA must follow all laws for local governments and is prohibited from providing gifts of public funds or lending of credit to private entities.
- All PHPDA activity is subject to review by the Washington State Auditor. They review the PHPDA's activities and spending with regard to legal and contractual limitations.
- The PHPDA's Charter-defined purpose is to provide funding for healthcare for medically underserved populations in the Puget Sound region. All powers of the PHPDA are only granted as necessary to affect this purpose.
- In addition, the PHPDA's federal deed restricts the spending of lease revenue from the Tower solely to projects in support of this chartered purpose.
- Any giving of PHPDA's public funds requires consideration or independent value from the receiving party. This includes payment for services and goods provided to the PHPDA, but also, in the case of grants, the services grantees provide in pursuit of the PHPDA's mission.
- In transfers to other governments, the PHPDA must get full value for any financial transfers.

The primary implications of these guidelines with regard to the Commerce request are:

- The request to pay for portions of Commerce's tenant improvements is not allowable. Commerce's completion of the improvements and the transfer of them to the PHPDA at the end of the lease do not provide value for the financial transfer, as Commerce is already obligated to do both of these things, per the lease.
- A few of the subtenants in the Tower have missions and activities aligned with the PHPDA's chartered purpose. Funding provided to Commerce with a connection to services provided by these subtenants could be a potential option.
- A similar funding avenue to the Seattle College Foundation likely would not work, as the Foundation has no authority over the subtenants to ensure that the charter-related purposes are met. Additionally, the request to guarantee a loan for the College Foundation would not be allowable.

Ms. Stiffarm recommends that if the PHPDA wishes to consider funding for Commerce, significant work remains to determine how the PHPDA would get the programmatic and financial reports required. Additionally, there would need to be assurance that the services related to the PHPDA's chartered purpose would remain in place in the case of tenant turnover. She also recommends that the PHPDA complete an impact analysis to determine how such funding would affect PHPDA's grantmaking and operation budgets.

With regard to other investment options being discussed by the Finance Committee, Ms. Stiffarm recommends that PHPDA staff meet with the City of Seattle Finance Director to learn about the ways the City invests its assets, particularly as the PHPDA is not legally allowed to do anything beyond the authority of the City.

**Adjournment**

The meeting was adjourned at 5:31 p.m.



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Minutes approved: \_\_\_\_\_

\_\_\_\_\_  
(Date)