Meeting of the Finance & Audit Committee
February 13, 2018 4:00-5:25 PM
1200 12th Ave South, Quarters 2
Seattle, WA 98144

<table>
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<tr>
<th>MEMBERS PRESENT</th>
<th>NOT PRESENT</th>
<th>ALSO PRESENT</th>
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<tbody>
<tr>
<td>Sue Taoka</td>
<td>Tony McLean</td>
<td>Jeff Natter</td>
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<td>Bob Cook</td>
<td>Paul Feldman</td>
<td>Christina Bernard</td>
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<td>Susan Crane</td>
<td>Doris Koo (phone)</td>
<td>Mallory Fitzgerald</td>
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<td>Gene Yoon</td>
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Tony McLean called the meeting to order at 4:04 p.m. A quorum was present. There was no public comment.

Minutes
The January 9, 2018 Finance & Audit Committee meeting minutes were approved (Moved/2nded by Sue Taoka/Doris Koo, 6 of 6 in favor).

Update on Program Committee
The Program Committee reviewed the 2018 Major Grant Letters of Intent. Thirteen organizations have been invited to submit full applications and seven of them directly responded to PHPDA priority disparities; three proposals had a focus in South King County, one proposal had a Rural focus, one proposal focused on African American populations, and two proposals had a focus on homeless populations. The application targeting the Rural population focused on East King County and had built off a previous Nimble Fund Grant with a program for mobile developmental health services. The Executive Director and PHPDA grants staff successfully conducted the New Major Grant Webinar on February 12th. The due date for the Major Grant applications is March 21st at 12:00 PM. Three of the Major Grant proposals were previously Nimble Fund Grants.

Financial Stewardship
Investment Update
There are no Financial Statements to review this month because final December entries have just been completed. The Associate Director finished reconciliation of 2017 Tower operating costs. Commerce overpaid and PacMed underpaid based on their budget. PacMed underpaid because of additional requests at the end of the year. The PHPDA income will go down roughly $40K because it was based on the original budget. The final report for December will be finished by the end of the week. The LGIP interest rate was 1.43% in one month and the rate is projected to continue rising. The Committee reviewed PHPDA investment activity through the end of January.

2017 Parking Lot Income Summary
The Associate Director discusses 2017 Parking Lot Income. The Parking Lot Income for the year was almost $72K. The PHPDA will notify Republic Parking in advanced by a couple months before the ground is broken for the North Lot project.

Property Management
Report on 2017 Tower Operating Expenses
The Finance and Audit Committee discusses variations in the 2017 Tower Operating Expenses. HVAC was higher than budgeted due to PacMed requiring more services. Additional budget lines, such as the Electrical and General Building lines, have been added to the report due to Commerce adding them for 2017 and not 2018. Commerce had to repairs to make by a certain date and will get a
reimbursement check and PacMed will pay for the repairs. The Electrical line is under-budget. Most of the budget lines are close to the budget use. Energy savings will be contributing to LEEDS Gold certification.

Real Estate
North Lot Project Update, including Appraisal
The Executive Director reviewed his meeting with Sue Taoka and SCIDpda’s Executive Director, regarding potentially leasing the entire North Lot property and not just Building A. SCIDpda is calculating the cost of taking on legal fees and design fees. The PHPDA will meet with SCIDpda and El Centro to continue discussing the lease.

The Executive Director discusses an email sent by Speaker Frank Chopp’s assistant, Orlando Cano, in regards to $3 million grant with a one-time admin fee of 1%. The Executive Director will follow up to confirm whether this is in fact a grant or loan. If it’s a grant, the PHPDA would not pay interest. The PHPDA would like to negotiate with HSDPDA’s $1.7 million as a grant but they do not have legal counsel at present and will need legal counsel before further discussion.

The Executive Director met with Erin Doherty at Landmarks to discuss the Weber Thompson cladding studies and looked at three options: 1) high-end hybrid materials 2) all brick 3) mixture of brick and high-end hybrid materials with the brick being on the north-facing front. The Finance Committee agrees that the mixture of brick and hybrid is the most appropriate option. The meeting with Landmarks concluded an all brick option can mirror some of the same design that is tower-facing and Erin is not opposed to all-brick cladding. Erin preferred the front-facing brick option with hybrid materials up to the second floor, and brick above that. This will bring up the design costs by $1-1.5 million. Ultimately, the decision will be made by the lessee and their recommendations will be discussed with Speaker Chopp for the additional costs. According to Sue Taoka, the Speaker would most likely prefer affordability over design and suggests a collaborate presentation with SCIDpda to meet with the Speaker. The workforce housing option will mean higher costs to the PHPDA so an appraiser looked at the leasing options and potential costs. The information has been forwarded to SCIDpda. Michael Finch will present the appraisal during the Governing Council meeting at 5:30 PM.

Risk Management
Discussion of mitigation activities
The PHPDA Executive Director and Associate Director reviewed the Risk Management scores submitted by the Governing Council. For Personnel, replacement of the Associate Director and Executive Director would likely be disruptive; the severity is scored high due to a small staff. The Committee desired continued discussion on board diversity and suggested the Governing Council to review possible interim candidates within the Council for PHPDA staffing. The PHPDA has not received Doris Koo’s replacement for the Governing Council. Bob Cook and Paul Feldman have been nominated by the PHPDA. For the score relating to Non-North Lot Property, there is much less risk with the current Commerce lease than when it was first signed. There will be further discussions with PacMed on the risks with quarters’ leases. The Associate Director will investigate Tower reinforcement and the effects on small quarter buildings in the event of an earthquake. The Executive Director had a meeting with PacMed a potential renewal lease in 2021. For the Public Entity portion, the Committee discussed PHPDA staff and board member renewal process for public meeting and
retention training every other year. The Office Coordinator has recently been trained. As for the Information Technology Risk updates, the PHPDA recently ordered new Firewall and has off-site, on-site, and cloud server back-up. Financial Advisor Paul Feldman suggests only needing one cloud to save on costs and the PHPDA Staff will evaluate with our IT Consultant the necessity of redundancy with our server-data next time we need hardware upgrade. For the North Lot Risks, scores are relatively high because the Committee commented that they are lacking in information. Some of the risks stated are not entirely for PHPDA but will be for the lessee. The PHPDA would will have the risk management grid prepared for the state auditors at the end of the year and have it finalized for approval for the next Governing Council meeting. The Associate Director suggested having footnotes to decrease the time of signing with statements of significant risks for PHPDA such as lessee defaulting or the inability to complete the North Lot project. The Real Estate Committee will stay up to date as these changes occur.

Adjournment
The meeting was adjourned at 5:15 p.m.

Minutes approved: [Signature]

(Date)