

PUBLIC HOSPITAL DISTRICT NO. 2 OF SNOHOMISH COUNTY, WASHINGTON  
**VERDANT HEALTH COMMISSION**

**BOARD OF COMMISSIONERS**

**Regular Meeting**

**Hybrid: In-Person at Verdant Community Wellness Center and via Zoom**  
**November 16, 2022**  
**8:00 a.m.-10:00 a.m.**

**Commissioners  
Present**

Jim Distelhorst, MD, President  
Deana Knutsen, Commissioner  
Carolyn Brennan, Commissioner  
Karianna Wilson, Commissioner

**Staff**

Dr. Lisa Edwards, Superintendent  
Riene Simpson, CPA, Director of Finance  
Erin Boehm, Interim Grants Manager  
Kaysi Kelly, Executive Assistant/Office Manager  
Nancy Budd, Community Social Worker  
Kirk Mathis, Digital Communications & Marketing Manager  
Monika Star, Wellness Center Assistant

**Guests**

Steve Taylor, Maul Foster Alongi  
Meaghan Pollock, Maul Foster Alongi  
Bob Eastman, South County Fire  
Thad Hovis, South County Fire  
Shaughn Maxwell, South County Fire  
Derek Daniels, South County Fire  
Pam Hurst  
Kit Massengale  
Keith  
Shaughn Maxwell  
Jenni McCloughan, Edmonds School District

**Call to Order**

The regular meeting of the Board of Commissioners of Public Hospital District No. 2, Snohomish County, was called to order at 8:00 a.m. by President Distelhorst.

**Consent Agenda:  
Approval of  
Minutes**

***Commissioner Knutsen made a motion to approve all items included on the consent agenda, Commissioner Brennan seconded. Motion passed.***

**Public Comment**

None.

**Presentation:  
South County Fire**

South County Fire has entered into a letter of intent for the acquisition of the Value Village property with the Verdant Health Commission. Deputy Fire Chief Bob Eastman, of South County Fire, provided a summary of the Environmental Impact Study (EIS) Phase I and II and what the consultants found at the Value Village property. Ms. Pollock, a geologist with Maul Foster

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Alongi, spoke about the findings and the concerns so far in their EIS (E:126:22). Phase II of the EIS study is underway right now. Three of the six borings have above-level concentration of diesel/oil. They do now know how far the contamination extends. The tank may need to be excavated and soil tested. The next steps include additional investigation to determine if these chlorinated solvents (used in dry cleaning, or as a grease remover, for example) in the groundwater contamination are indeed from a source on the Value Village property or if it is coming from somewhere nearby. A Vapor Intrusion assessment is needed. They are preparing their report and hope to have their draft report to Chief Eastman and the Department of Ecology in the next week.

Commissioner Brennan asked Ms. Pollock, how bad is it?

- Ms. Pollock answered that chlorinated solvents are trickier to get rid of and we still haven't determined the source of the solvents.
- She added that the underwater ground tank is an easier fix once you excavate and remove it. Groundwater tank cleanup can take several years to accomplish, however.

Commissioner Wilson asked what happens if the contaminated solvents are not coming from our property?

- Mr. Steve Taylor, of Maul Foster Alongi, answered that Verdant would want to contact the property owner of the source and encourage them to act. This could of course be difficult if they are not interested in working with the Department of Ecology.

Commissioner Knutsen asked what samples the consultants have taken from the property so far.

- The consultants answered they have sampled soil from 20-30 borings, above water level. The deepest sample that had a contaminant was ~6 feet so it is generally shallow.

Commissioner Knutsen asked what is the endpoint of this project?

- Mr. Taylor answered it would either be (a) if there is a transaction which required the property was cleaned up before selling, or (b) if Ecology *required* it was cleaned up. The contamination level is high enough that Department of Ecology would say there is a risk to indoor users. If you just add this site to Ecology's list, they have so many other sites, it could be years until they get to Value Village.

Dr. Edwards asked the consultants to speak about the cost of this project. Ms. Pollock answered that as South County Fire is a

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public entity, it is easier to get funding. The consultants could talk to Ecology to see if there is any additional funding available. This funding is only available to public agencies for cleanup projects.

Chief Eastman commented that the fire authorities are still looking to continue down the path to purchase. It is still a good location for their next fire station. When the EIS Phase II report is done, it will go to Chief Eastman then he will forward it to Dr. Edwards and the Commissioners at Verdant. He would like to then do one more phase of investigation to determine once and for all where the source of the contamination is coming from. Right now, if you asked how much it costs for the cleanup, it is seven figures. Part of this high cost is due to not knowing enough information currently.

Ms. Simpson asked if we still need the funding to begin Phase III of the investigation? Mr. Eastman answered that Phase II has to be completed first and will use that information to determine if the Department of Ecology will fund Phase III.

South County Fire Commissioner, Derek Daniels, reiterated that the fire department is still very interested in purchasing the property. Chief Thad Hovis appreciates the partnerships and looks forward to having a fire station at this location which is a convergence of multiple cities.

**Program  
Committee  
Report:**

**Conflicts of  
Interest**

None.

**Timeline of Spring  
2023 Funding  
Cycle**

Ms. Silverman walked Commissioners through the scoring timeline of our Spring 2023 funding cycle (E:127:22).

**Spring 2023  
Funding Cycle  
Scoring Rubric**

Ms. Silverman presented the draft Spring 2023 Funding Cycle Scoring Rubric for Commissioners to review (E:128:22). She explained the weighted percentages of each application question are the same as we have used in the past. On the left-side of the rubric, we show what we would consider a strong proposal and the left side is how the scorer would rate their application based on that criterion.

***Commissioner Knutsen made a motion to approve the scoring rubric and Spring 2023 scoring timeline as presented, Commissioner Brennan seconded. Motion passed.***

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**Presentation:  
Moss Adams,  
Mathew Stopa**

Ms. Simpson introduced Matt Stopa from Moss Adams to speak about the GASB 87 lease accounting standards (E:129:22). The District is at a point where they need to transition to this new accounting standard to manage their rental income.

Mr. Stopa explained that the 2021 financials will need to be restated to retroactively implement these new lease standards which went into effect June 2021. He showed a graph of how this lease accounting change will affect total assets for 2021. For example, as previously stated, total assets were \$100.5 Million and this income would go up to \$347.4 Million under the new lease accounting standard. With the adoption of the new lease standard, the District will lose roughly \$14 Million in equity on their financial statement.

President Distelhorst asked for clarity on the ~\$250 Million change in the financial statement. Mr. Stopa answered that the goal of GASB is to make it so all leases are a part of the balance sheet. The District has a lease with Swedish going through 2060 and a ground lease for another property going through 2101 which were not previously shown on the financial statement.

Commissioner Wilson pointed out that, in actuality, Verdant does not have \$15 Million in cash as this new financial statement would show, we have \$11 Million.

- Commissioner Knutsen agreed that we want this to be clear to the public that our cash is not increasing by \$4 Million, it is just being restated on the balance sheet.

Ms. Simpson added that there is always the option to transition to cash accounting which would get rid of all these entries related to depreciation and deferred revenue. At the end of the day though, any consumer of our financial statement would ultimately require we adhere to GASB 87 requirements.

**Executive  
Committee Report**

President Distelhorst reported the Executive Committee met on November 9, 2022 date to finalize the agenda for today's meeting. No action was taken at this time.

**Superintendent  
Report**

Dr. Edwards reported in the last month, Verdant hosted two community forums, a grant Q&A session, our quarterly Verdant Partner Roundtable meeting, and our first-ever Community Health Networking Event. At this luncheon, we hosted 42 non-profits and 6 funders at the lunch in hopes of connecting these organizations with each other and to other funding sources.

She thanked Erin Boehm and Leslie Silverman for joining the team to assist with the transition of staff and the new grant cycle implementation.

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She continued, during the month of November, we have been continuing to work with our various properties and expect these large projects to continue into the first part of 2024.

She is bringing COLA increases and salary range adjustments through committees and to the full Board for consideration at the December meeting. Verdant Commissioners and some staff are attending a Public Hospital District in-person retreat in Lynnwood this Saturday to meet with other PHDs and find ways we can work together in the future.

**Finance Report**

Ms. Simpson thanked the team for their work with all the additional Board meetings over the past several months. She presented a report showing which line items of our financial statement would change from how we previously reported 2021 figures and how they would be restated under GASB 87 (E:130:22). These restatements are not uncommon.

Ms. Simpson continued in her report, guiding Commissioners through the statement of income report, noting explanations for gains and losses (E:131:22). There were four entities which returned funding from a grant they were unable to spend. She created a new pie chart showing program expenses including programmatic staff salaries within those program expenses.

**Property Updates**

Kruger Clinic HVAC Project: Ms. Simpson reported that we did not receive any bids for our HVAC replacement project for Kruger Clinic. She requested feedback from some of the vendors who were anticipating bidding, and we learned we do not have adequate and current mechanical drawings.

Kruger Clinic Refresh: Architects have been working on getting started with their refresh project but have recently found issues such as siding and windows that were not included in the original NBBJ proposal. She would like to have another special meeting to approve the recommendations with current costs and timelines.

- Commissioner Knutsen commented on the gap in income from the sale of Value Village to use that money for the Kruger refresh project. Today we learned it could be years before the ESI study is complete and we finalize the sale of Value Village. If we are hoping to start the Kruger Clinic refresh in the next year, we will not be able to use the funds from the sale of Value Village. She wants to make sure Commissioners are talking about where this money comes from for property needs when we are also trying to save money in the Reserve.
- Dr. Edwards assured Commissioners we are still in the information gathering phase of this Kruger Clinic refresh project and we will bring forward the final

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recommendation of what property decision is urgent and what else is included in the timeline later down the road.

**Authorization of Payments of Vouchers and Payroll**

Authorization for payment of vouchers and payroll: Warrant numbers 15788 through 15843 and references B-C for October 2022 for payment in the amount of \$128,263.47 were presented for approval (E:132:22). ***Motion was made by Commissioner Wilson, seconded by Commissioner Brennan and passed unanimously to approve the warrants.***

**Public Comments**

None.

**Commissioner Comments**

Commissioner Wilson thanked Riene Simpson and Lisa Edwards for managing the ever-changing facility needs and property management for the District.

Commissioner Knutsen thanked the Verdant staff for their work in managing all these projects and the changing needs of the District. She also thanked the Commissioners for their hard work over the past couple of months with all the additional meetings and decision-making for the strategic plan.

**Adjournment**

The meeting was adjourned at 9:45 a.m. by President Distelhorst.

**ATTEST BY:**

DocuSigned by:  
*JS Distelhorst*  
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President

DocuSigned by:  
*Karianna Wilson*  
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Secretary