

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

**BOARD OF COMMISSIONERS**

**Special Budget Meeting**

**Hybrid: In-Person at Verdant Community Wellness Center and via Zoom**

**October 20, 2022**

**6:00 p.m.- 8:00 p.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  
Kaysi Kelly, Executive Assistant/Office Manager  
Nancy Budd, Community Social Worker  
Kirk Mathis, Digital Communications & Marketing Manager  
Leslie Silverman, Interim Director of Community Impact & Grantmaking

**Guests**

Filo Fajardo, Accountant

**Call to Order**

The special meeting of the Board of Commissioners of Public Hospital District No. 2, Snohomish County, was called to order at 6:01 p.m. by President Distelhorst.

**Land and  
Enslaved People's  
Acknowledgement**

President Jim Distelhorst read the land acknowledgement.

**Budget Process  
Timeline and  
Strategic  
Framework**

Verdant Health Commission's Director of Finance, Ms. Simpson, began her presentation with a summary of budget requirements for Public Hospital Districts (E:104:22). She walked attendees through the timeline of this annual budget review process.

- President Distelhorst would like to include the "Organizational Framework" slide in our upcoming Community Forum presentation for November 15<sup>th</sup> and December 6<sup>th</sup>.
- Commissioner Wilson asked what the percentage of Verdant's revenue was from the hospital lease in 2021 or 2022?
  - Ms. Simpson will provide these figures to Commissioner as a follow up item.

Ms. Simpson walked Commissioners through the trends in Revenue over time. There was a peak in program expenses in 2015 due to a large Building Healthy Communities fund.

- Commissioner Wilson would like to include a bullet in our Community Forum slides showing that our hospital

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revenue will be flat starting in year 2025-no 3% annual increase.

- President Distelhorst would also like to show Community Forum attendees what the levy rate is.
  - Commissioner Knutsen added that in the hierarchy of who gets money from a public tax levy, Public Hospitals are at the bottom. The levy is not the biggest funding that we get. Verdant has historically returned the revenue from its tax levy four-fold in its programmatic funding.

Ms. Simpson, presented a pie chart showing the revenue breakdown for 2023 from sources such as the hospital lease, tax levy, and interest income.

- Commissioner Knutsen wants the community to know that these COVID and Building Healthy Communities (BHC) funds are not going away forever, they are just not budgeted in 2023. Ms. Simpson agreed that these funds can be reinstated, or new emergency funding can be designated if the Commissioners determine there is need.

Ms. Simpson, CPA, will clarify in her presentation at the regular Board meeting on 10/26 that budget for grant funding was reviewed during August and September board study sessions and is a result analyzing 2023 revenues, estimated operating expenses, internal program costs and the Commissioners vote to fund the reserve at 20% of the 2023 hospital revenue. The reserve calculated to \$2,073,000 From this calculation it was estimated that approximately \$8.2M would be available for community grant making.

Ms. Simpson, CPA, pointed out that we have 4.75 full-time employees who focus exclusively on program work.

Commissioner Brennan asked how we will work with a consultant to support BIPOC organizations.

- Dr. Edwards answered that previously we had contracted with the Community Foundation of Snohomish County (CFSC) for this service but due to the change in Verdant priorities, we were notified by CFSC that they would not be providing these services. Hiring our own consultant in 2023 will be a cost-savings for Verdant and allow Verdant to work more directly to accomplish the objectives of this work.
- Commissioner Brennan wants to make sure Verdant is communicating clearly in its equity statement what we are trying to achieve by utilizing a consultant for BIPOC organizations. Commissioners discussed the need for this BIPOC consultant to work with BIPOC organizations who specifically fit within our new priorities. The equity

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statement will be revisited in November committee meetings.

Ms. Simpson explained why the 2023 budget has an increase in operating expense from the 2022 Forecast (13%) and the 2022 Budget (32%). There were significant unplanned property expenses such as repairs & maintenance and very high onsite security costs added for Kruger Clinic in 2022 that were not budgeted. This understated 2022 budget, when comparing to a 2023 budget reflecting these increased costs the percentage increase is much higher. The comparison to actual costs for 2022 is much more reflective of our increased costs 2022 v 2023.

Commissioners discussed the history behind why Verdant decided to take the 1% levy increase or not.

- Dr. Edwards noted that we did not take the 1% increase in 2020 and 2021. Commissioner Knutsen thinks we should take the 1% increase since we put a lot of extra money out in the pandemic and with the 1% increase this allows us to have a buffer of funds if we do need to pay out for another emergency that may arise.

Commissioner Wilson asked what the tax cost of this levy for community households is, such as levy \$ for every \$100,000 household income, for example.

- President Distelhorst pulled up the tax rate for households for 2019 was 0.069, 2020 was 0.064, 2021 was 0.061.

**Reserve Budget Calculation**

Ms. Simpson walked Commissioners through the estimates involved in the Reserve calculation (E:105:22). Commissioner Wilson commented that her understanding of placing 20% of the hospital revenue into the Reserve is this figure would come from operations, and not from any other cash impacting transactions as noted in the reserve calculation. Budgeted 2023 GAAP Net Income is \$2,036,930. 20% of 2023 Hospital Revenue is \$2,073,627. Commissioner Wilson noted a \$40,000 differential. Discussion ensued regarding sources of increases and decreases to cash that impacts a change in the reserve and if budget cuts should be made such that the net income for 2023 was equal to the reserve requirement of \$2,073,627. Commissioner Knutsen asked that given the reserve calculation estimates Verdant will increase the reserve by \$2.2M allowing for an additional buffer, can it move forward as is?

Dr. Edwards asked Commissioners if there is consensus on how to present the budget at the 10/26 meeting.

- Ms. Simpson added that we can trim the additional \$40k from other operating expenses in the budget if requested

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but we do need clarity at this meeting. Resolutions must be prepared for the 10/26 meeting.

- President Distelhorst commented that there are two hard numbers in the budget, the \$8.2MM for grantmaking and the 20% of hospital lease revenue going to the Reserve. Commissioners agreed keeping this money in the Reserve will be more and more difficult each year, especially when hospital revenue goes flat in 2025.
- Commissioner Knutsen wants to make sure we are communicating to the public the rationale for increasing the Reserve.
- Dr. Edwards reminded Commissioners about the figure Howard Thomas provided us to replace the hospital as it is today, which is \$1.5MM per bed x 200 beds = \$300 million for a new hospital to be built or 100 days of operating cash plus other costs if Verdant were to have to resume operations. These risks and costs are not widely understood by the public.
- Commissioners agreed to move the operating and capital budgets forward as presented with no changes from the presented figures.
- Commissioners agreed to the allowable annual increase in the levy. Calculated at 2022 levy amount of \$2,507,292.38 x 1% or \$25,072.92.

**Public Comments** None.

**Commissioner Comments** Commissioners thanked Ms. Simpson for her work in preparing the 2023 budget.

**Adjournment** President Distelhorst adjourned the meeting at 7:50 p.m.

**ATTEST BY:**

DocuSigned by:  
*JSDistelhorst*  
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President

DocuSigned by:  
*Karianna Wilson*  
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Secretary