
SNOHOMISH COUNTY PUBLIC FACILITIES DISTRICT
PUBLIC FACILITY DISTRICT SPECIAL MEETING MINUTES
SNOHOMISH COUNTY ADMINISTRATION WEST, 6th Floor,
EXECUTIVE CONFERENCE ROOM

May 28, 2008

2:30 P.M.

Board:

Debbie Emge, District #5
Janice Greene, District #2
Erik Nelson, District #3
Travis Snider, District #4

Interested Parties:

Kim Bedier, Comcast Arena at Everett Events Ctr
Dan Clements, Edmonds
Stephen Clifton, Edmonds PFD
Alan Dashen, Dashen Musselman, Inc.
Grant Dull, Lynnwood PFD
Mike Echelbarger, Lynnwood PFD
Doug Ferguson, Anderson Hunter
Tom Gaffney, Everett PFD
David Kleitsch, City of Lynnwood
Joseph McIalwain, Edmonds PFD
Barry Smith, Future of Flight Foundation
Mark Smith, Lynnwood City Council
Rich Stewart, Everett PFD, Comcast Arena
Dave Waggoner, Paine Field, Future of Flight

Staff:

Roger Neumaier, Finance Department
Cristy Schelm, Finance Department
Sharyl Raines, Finance Department
Linda Rhoades, Solid Waste Division

Call to Order: Travis Snider called the meeting to order at 2:40 PM.

Travis explained that the purpose of the meeting was to hear the presentations by the project representatives. This is an important meeting because the Board will make their allocation decisions. The project representatives drew numbers to determine the order of presentations.

Annexation Policy

Roger Neumaier presented information about implications for revenue shifts, between County PFD and City PFDs, as areas around the county become annexed. It is likely that annexations will occur in 2009 and 2010. When the first contract was developed, for Everett, it was not anticipated that there would be multiple projects. As a result, the language was not included. It seems appropriate and fair that the same language be included in the addendum for Everett. If an entity is to annex property, their local PFD

sales tax dollars would increase. As a result, the overall County's would go down. If this didn't occur, there could conceivably be few dollars to distribute and one or another PFD would be at an advantage or a disadvantage as a result. This would not affect Edmonds or Lynnwood because of the way their contracts are written. However, Everett would not be able to have the benefit of the annexation revenue and the County PFD revenue without adding the language to their contract.

Process for Allocation of Additional Funds

Travis reviewed the process for the presentations and the ratings. Roger reviewed the allocation worksheets that each of the Board members will complete for the project presentations. After the Board members have completed their worksheets, Roger will input them and share the scores. Travis explained that the presentations would be limited to 20 minutes with a brief question and answer period after each one.

Future of Flight

Barry Smith and Dave Waggoner gave the presentation for the Future of Flight.

- Dave described the Future of Flight's business plan. He pointed out that there have been some changes and conservative factors, one of which was their plan for attendance to start high, then decrease in years two and three, and then increase again. The opposite has happened. Their attendance has started lower than anticipated and has increased each year. They are on track with attendance, revenues and expenses and attendance is up over 250%.
- The budget is aggressive but does not make up for the under capitalized business plan. The gift shop is not meeting their expectations but they do expect performance to improve once the duty free portion is implemented. The event rentals have tripled their expectations.
- Many more international tourists are visiting the Future of Flight and they are bringing tourism dollars to the county. They are doing approximately one delivery per month and each one can provide thousands of tourism dollars to hotels and restaurants in the county that would normally flow to hotels and restaurants near Boeing Field in Seattle.
- The Future of Flight is approximately 6% under on earned income. One of the shortfalls is in contributed income. There is not much of an appetite for the public to donate funds to the operation of a facility that is owned by the County and so much Boeing flavor.
- In order to make the budget work the Airport has contributed \$575,000 in addition to what they had expected to contribute.
- Dave noted that the business is very cyclical and the Future of Flight must receive the largest share of their revenue from may through September, during the height of the tourist season.
- Barry reviewed the data which shows that the mix of people has been more heavily flavored toward lucrative visitors from out of town. They have been collecting country code and zip code data from ticket sales. Approximately one-third of the

visitors are from the U.S., but not Washington state. Thirty-one percent of their visitor base is international visitors.

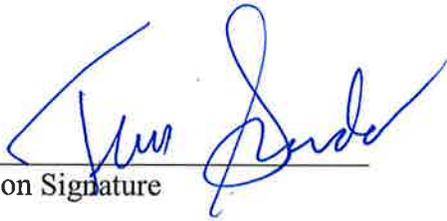
- Dave explained that this project is undercapitalized. Too much reliance is put on operations to pay the debt service. It is beginning to effect the Airport's ability to do the other things that it should be doing, such as the Korry project that will bring 600+ jobs and cost \$1 million in infrastructure, and the Flying Heritage Collection which is costing \$2.5 million in hangar upgrades. There are no reserves for capital improvements.
- Dave pointed out that the Future of Flight is meeting and exceeding expectations and the Future of Flight Foundation has done a tremendous job in bringing exhibits and generating cash donations. It has also provided facility improvements for international events such as the President of China's visit.
- Barry added that the Future of Flight is connecting the county to the world. One hundred thousand new visitors, that didn't exist before the Boeing Tour, are bringing in significant funds. They estimate that these visitors are bringing in approximately \$20 million to the county in retail spending.
- In terms of community impact, the Future of Flight is building a commercial aviation center for the world. They have improved the access for the public to the Boeing Tour through aircraft rollouts, first flights, deliveries, education programs and technology forums.

Travis asked Dave if they anticipate breaking even over the next few years. Dave does not think that they can earn their way out of the situation. The business case cannot be improved enough to fix the undercapitalization problem. The Future of Flight is the Airport's business and the Airport is the financial backer just like the city PFDs are the financial backers of their ventures. Barry added that the Future of Flight is reaching some capacity limitations. They could book more special events, harvest more revenue and improve the business case if they were able to overcome these limitations.

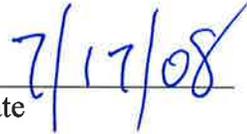
Dave noted that there is no reserve fund and Travis asked where that would leave them in the future. Dave replied that they are aware of the issues and dealing with them but they do not have a funding mechanism for them. They are seeing better results in unrestricted cash donations from major aerospace companies but they are not of the magnitude that would address the issues.

Travis asked Dave to talk about the impact of having the Future of Flight and the attraction of other things, such as the Flying Heritage Museum, and what that may be doing to Paine Field in the long run. Dave replied that those aviation attractions do not significantly impact the Airport's business case. The Airport is not making money on the Flying Heritage collection or the Future of Flight. This is something that they do as a part of their economic development efforts for the whole County.

The meeting was adjourned at 5:20.



Chairperson Signature



Date