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SNOHOMISH COUNTY PUBLIC FACILITIES DISTRICT  
PUBLIC FACILITY DISTRICT MEETING MINUTES  
SNOHOMISH COUNTY ADMINISTRATION WEST, ROOM 6A04  
WILLIS TUCKER CONFERENCE ROOM

April 19, 2007  
3:00 P.M.

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**Board:**

Debbie Emge, District #5  
Boyd McPherson, District #1  
Eric Nelson, District #3  
Travis Snider, District #4

**Interested Parties:**

Kim Bedier, Everett Events Center  
Trey Bell, Everett Events Center  
Stephen Clifton, Edmonds PFD  
Cindi Cruz, Edmonds PFD  
Grant Dull, Lynnwood PFD  
Doug Ferguson, Anderson Hunter  
Sharie Freemantle, Snohomish Co. Council  
Diane Gordon, Edmonds PFD  
Susan Kern, Paine Field  
Steve Pottle, Snohomish Co. Economic Dev.  
Joe McIalwain, Edmonds PFD  
Dave Waggoner, Paine Field, Future of Flight

**Staff:**

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

**Call to Order:** Travis Snider called the meeting to order at 3:00 p.m.

**Approval of Minutes** – Minutes from the January 18, 2007 meeting were approved.

**Project Presentations:**

**Edmonds Update** – Joe McIalwain distributed a schedule of performances at the Edmonds Center for Performing Arts and noted that total attendance in the theater has been nearly 25,000 for the short time that they have been operating. He estimated that an additional 6,000 people have used the gymnasium. They have put almost 200 heads in beds and that includes just the artists. Additional hotel stays can be attributed to people attending the events and area restaurants have indicated that their customer counts have risen in relationship to shows at the Center.

Joe explained that the original concept for the Center was to be a rental facility. Two years ago the Board decided that the Center needed to build a name for itself and changed the focus to presenting. The long term advantages of that decision include building a

name, serving the community in a much different way and having the ability to fundraise. Joe noted that the challenge will be to bring the budget into balance. They have a lot of opportunity to earn revenue with performances, and rental spaces, and will capitalize on them.

The Edmonds Center for the Performing Arts Board had set aside a \$500,000 cash reserve to offset losses and a good portion of that was utilized in 2006 for expenses related to the opening. They are experiencing some continued losses and have plans to mitigate this issue. The Board will meet executives from other performing arts centers around the region to gain a better understanding of how to cut expenses and how to continue to build the contributed revenue. A special event is planned for September with projected net revenue of \$80,000 to \$90,000. They are also promoting a program that allows patrons and/or businesses to sponsor an artist. This will give them the opportunity to offer tickets to clients, meet the artist and even introduce the artist onstage.

Joe explained that the Board will be finishing the 2007 budget at their upcoming work session and will immediately turn their attention to the 2008 budget. They will submit their 2007 budget to the PFD upon completion and the 2008 budget will be finalized by October.

Travis Snider noted that he would be interested in seeing a business plan that outlines how the Board will ramp up their annual campaign and what they will do with their deficits until they get there. Joe agreed to provide these plans.

***Everett Update*** – Kim Bedier provided an update about the Everett Events Center. She distributed copies of the 2006 Annual Report, which will be posted on the Center's website. Kim noted that 2006 was a very busy year for the Events Center and she reviewed the upcoming events for 2007.

Kim summarized the bond process that the Center recently went through. It was a successful project and payments are being made. They have two types of bonds. The limited sales tax obligation bonds for \$28 million are scheduled to be paid off in 2026. The other bonds are variable rate revenue bonds and are backed by the Events Center's own revenues. They are projecting 4% annual growth in revenues to meet the requirements of the refinancing. They worked closely with the City of Everett and established a yearly funding amount for the project to ensure that they meet all of their obligations going forward.

Travis Snider asked what assurances the Events Center has given to the Everett PFD that the variable rate is not going to get out of control. The bond council assembled a package for this process which Kim will send to Roger Neumaier for distribution. Roger asked that Kim arrange for someone to review the package with the PFD Board at the next meeting. Kim reviewed the Events Center's 2006 financials. She will submit the 2007 budget to the PFD Board.

Kim explained that a number of their event attendees are coming from as far away as the Canadian border and Tacoma. Roger noted that it would be valuable for all of the projects to look at this demographic.

***Future of Flight*** – Dave Waggoner provided an update on the Future of Flight, and noted that they have celebrated many successes in the past year. They are evaluating statistical data regarding attendance and feedback from patrons. They are also developing the educational component of the gallery and relating it to the WASL in order to help educators determine how they can connect visits to their curriculum. The Foundation is increasing their fundraising efforts.

The summer months will bring a lot of activity with the roll out of the Boeing 787 Dreamliner. Boeing is expecting 15,000 people for the roll out on July 8<sup>th</sup>. Upcoming activities at the Future of Flight will include Mike Melvill's appearance at the Washington Pilot's Association State Conference. He was one of the pilots of Spaceship One and he will talk about his trip into space. Paine Field and the Future of Flight are preparing for Paul Allen's Flying Heritage Collection which is doing a \$5+ million renovation of Hangar 207 on the south end of the Airport.

Dave explained that the long term cash flow from the PFD is \$5.5 million. \$2.8 million in sales tax was generated by the Future of Flight and the hotel during the first 12 months of the project. There has already been more than 50% payback of the future earnings stream of tax revenue. There has also been a \$2.5 million increase in tourism over the first year of operation. They have had very good results from their international marketing. Sandy Ward, Marketing Director for the Future of Flight, is on Governor Gregoire's Tourism Board. They are seeing 50% or greater foreign tourists visiting the Future of Flight from out of the country.

Dave noted that the gift store has had a slower start up. They are hoping this will become a significant source of revenue and expect sales to improve in the coming months.

The Airport contributed \$450,000 to support the Future of Flight in 2006. The museum saw 148,000 visitors but had budgeted for 180,000, which is a break even point for the first two years of operation. Next year they will move from interest only payment of the debt to principal and interest.

Travis Snider asked Dave how they will handle the deficit if it continues at this magnitude. Dave projects 2007 to be better than 2006 in two areas. They are in partnership with Boeing and improving their understanding of the tour demand, providing the bus and tour guide capacity to meet that demand. Travis asked Dave when they expect to break even. Dave anticipates 2008 to be similar to 2006 and 2007. There is a \$600,000 increase in debt service when they start paying the principal. He doesn't see a positive cash flow for the next two to three years. Dave added that the cash flow for the Future of Flight revolves around its expenses and revenues, but the benefit of sales tax and tourism are county wide. These are significant and they're not included in these numbers.

***Lynnwood Update*** – Grant Dull provided an update on the Lynnwood Convention Center. He reported that the Lynnwood PFD met last fall and discussed the future of the Convention Center’s site. They own thirteen acres and the Convention Center occupies a corner of the property. The rest of the property is occupied by a shopping center and parking lot. The Board is exploring potential hotel development on the site and looking at a number of different financial models that will evaluate whether or not they can change or give up the revenue from the shopping center.

Grant distributed financial information and noted that marketing the building has been successful and bookings include regional groups and multi day events that put heads in beds.

### **Public Comments and Correspondence**

There were no public comments or correspondence.

### **Old Business**

***Financial Update*** – Roger Neumaier reviewed the quarterly financials and noted that things were better than they had budgeted for the first quarter.

***Voucher Approvals*** – Debbie Emge moved that the vouchers be paid as presented. The motion was seconded and passed unanimously.

Roger had asked that any Board members interested in chairing the PFD contact him directly. A motion was made for Travis Snider to continue as Board Chair. The motion was seconded and passed unanimously.

### **New Business**

***Sales Tax Sourcing*** – Roger Neumaier explained that the sales tax sourcing passed the legislature. This causes sales tax to be credited to the point of delivery. The net impact is an influx of more dollars to the State overall and an influx to areas that do not have as many commercial enterprises. In many instances, areas have significant sales and are shipping things out or delivering them to other areas. The PFDs are impacted by this practice.

The sales tax sourcing begins in July of 2008. For the first year OFM has reported 11 months of their fiscal year. Roger addressed fiscal year 2010 as the first 12 month figures from OFM. It is projected that, as a result of the implementation of sales tax sourcing, the Everett PFD will receive \$65,000 less than they would have if sales tax sourcing had not passed. It is predicted that the Lynnwood PFD will receive \$88,000 less than they would have if sales tax sourcing had not passed. The Edmonds PFD will get \$19,000 more than they would have and the Snohomish County PFD will get \$236,000 more than they would have otherwise. The net impact is approximately \$90,000 for the

four programs. There will be another bump in two to four years when internet sales, as a whole, move to this factor.

***Discussion About Surplus*** – Travis Snider explained that the Board had suspected, because they had been conservative in their original forecasting, that sometime in the future the PFD would have a surplus. The Board has a \$250,000 targeted reserve and is starting to build up cash in excess of that. The Board must address how they will determine where the money will go and the process to allocate the money. Travis would like the projects to work together to figure this out and come to the Board with some recommendations.

Travis asked the project representatives how they would like to proceed. Grant Dull noted if the projects agree that they don't want to compete for these dollars then there needs to be an allocation methodology that they all agree is fair. One option is to allocate revenue at the end of each year in proportion to the total amount that the projects get over the lifetime of the project. Grant added that the methodology should be a formulaic approach. If an allocation methodology is put in place the County and local PFDs don't have to revisit the allocation strategy every year. The projects would like to discuss these options with their local PFDs.

Travis would like the Board to identify a strategy that will set the projects up so they will have less of an obstacle for whatever comes. Funding their long term debt, helping them pay their bonds, etc., is a way to lower that break even point. It doesn't require a lot of excess planning. Erik Nelson added that he would like the cash outlays to go to long term assistance and not the current year operating costs. Boyd McPherson agreed that the surplus should be used for servicing long term debt and be equitable for all four projects. The Board agreed to continue this discussion at the July meeting and asked that project representatives be prepared to share their thoughts, as well as feedback from their local PFDs.

***Planning for Workshop/Forum*** – Planning will happen at the July meeting.

### **Miscellaneous**

Roger Neumaier announced that the Executive has nominated Janice Greene to the PFD Board. She is a candidate for the District 2 position and is a manager at Boeing. She has an MBA and significant business experience. The Finance Committee of the County Council will be discussing her nomination on April 24<sup>th</sup>.

***Meeting Adjourned:*** The meeting was adjourned at 5:10 p.m.

