
SNOHOMISH COUNTY PUBLIC FACILITIES DISTRICT
PUBLIC FACILITY DISTRICT MEETING MINUTES
SNOHOMISH COUNTY ADMINISTRATION EAST, ROOM 5F02
CONFERENCE ROOM

July 19, 2007

3:00 P.M.

Board:

Debbie Emge, District #5
Janice Greene, District #2
Boyd McPherson, District #1
Eric Nelson, District #3
Travis Snider, District #4

Interested Parties:

Kim Bedier, Everett Events Center
Dan Clements, Edmonds PFD
Stephen Clifton, Edmonds PFD
Grant Dull, Lynnwood PFD
Doug Ferguson, Anderson Hunter
Sharie Freemantle, Snohomish Cnty Council
Susan Kern, Paine Field
Joe McIalwain, Edmonds PFD
Barry Smith, Future of Flight
Dave Waggoner, Paine Field, Future of Flight
Gary Weikel, Everett PFD

Staff:

Roger Neumaier, Finance Department
Cristy Schelm, Finance Department
Irene Feddema, Finance Department (for Linda Rhoades, Solid Waste Division)

Call to Order: Travis Snider called the meeting to order at 3:10 p.m. Travis requested that in the interest of time the project comments be kept to a minimum of three minutes. He said that the Board needs to devote as much time as possible to the discussion with regard to process of allocating future surplus revenue and do some planning as it moves forward.

Approval of Minutes – Minutes from the April 19, 2007 meeting were approved.

Project Presentations:

Lynnwood Update – Grant Dull provided an update on the Lynnwood Convention Center. He was happy to report that the center had a profitable month in May. The center has had 62 events in the building so far this year. They are now engaged in serious negotiations with a developer to build a hotel next to the convention center that will result in a real transition in the day to day business and multi day events in the building. The negotiations involve the construction of parking garage to be shared by the hotel and the convention center.

Introduction of New PFD Board Member:

Introduction of Janice Greene – Roger officially introduced Janice Greene as the newest member of the PFD Board. She has been an employee with Boeing for a number of years working in the area of procurement. Janice is responsible for working with small businesses and bringing them into the fold.

Janice Greene indicated she has been with Boeing for 29 years and is very interested and excited to be here. She is looking forward to working with the PFD Board on all of the various projects.

Travis welcomed Janice and asked to go around the room so that all those in attendance could introduce themselves to her.

Project Presentations Continued:

Future of Flight Update – Dave Waggoner provided an update on the Future of Flight. He noted that they are doing well and referred to the produced picture of the event of the 787 Rollout. He reported that they have seen a 20% increase in traffic over the last two or three months and they will be above the projected admissions number by the end of July. They've had sold out days almost every day for the last two weeks. Dave indicated that the number of people is still constrained by the number of buses and tour balconies. He did note that Boeing is working on the tour balconies.

Dave noted it remains obvious that Future of Flight is under capitalized. The Airport supplemented \$450,000 last year and it will be a little bit better this year from operations but they have some consultant costs that can put it back in about the same neck of the woods. If improvements are not made in a number of different areas, the projection is about \$850,000. They are working on all this and have a very bright outlook about the facility but need to work hard on both the business phase and the capitalization.

Everett Events Center Update – Kim Bedier provided an update on the Everett Events Center. She noted that since the last meeting the Everett Silvertips and Everett Explosion have wrapped up their seasons. The Everett Hawks still have a few games left to play. Attendance is running well ahead of last year. At the end of May, 2007 attendance was over 233,000 and last year at the end of June attendance was around 221,000.

The Center has some interesting things on sale at the moment. They have a couple of concerts but in the Ballroom they are hosting "Tony and Tina's Wedding" which is interactive theater that is coming up in September. They are in a bit of a wait and see mode for their fall schedule. A lot of things will fall into place after the Everett Silvertips have set their schedule to be announced on July 25. After this date a lot of things will fall into place and the Center can make some announcements about its fall schedule. In relation to the Silvertips, Kim is happy to report that at this time last year, club seats ticket sales were at \$392,000 and this year it is already at \$405,000. Two years ago total

club seat ticket sales totaled \$275,000. The interest and enthusiasm for the Everett Silvertips continues to grow which is very exciting.

The nicest thing Kim can report on behalf of the Board is the fact that the State Audit is completed and, once again, with no reportable items.

Edmonds Center for the Arts – Joe McIalwain provided an update on the Edmonds Center for the Arts. Joe distributed the ECA 2007-2008 booklet and highlighted various items in the project update. He noted the attendance figures, the Development Director search to be concluded by the end of this month, Building for the Arts Grant, Federal Appropriations, Sponsorships indicating great community support, Arts Crush including silent and live auction, ECA Board support and the Shell Creek Grill & Wine Bar fundraiser. Joe noted that the community support is building, there is a lot of interest there and the events have been strong. They are very proud of the artistic quality and really look forward to the season. They now have a subscription series available and mailed out 34,000 of the 2007-2008 booklets just this week.

Public Comments and Correspondence:

There were no public comments or correspondence.

Snohomish County Booklet:

Dave Waggoner distributed to the Board the brochure produced by Snohomish County that also includes the PFD projects.

Sales Tax Sourcing:

Travis indicated that, with more sales tax sourcing than originally forecasted as a direct result of the growth that has developed in Snohomish County, the Board needs to develop a process for allocating revenues in the future. Travis also suggested that some workshops be set up to gather more information that would help the Board in their decision making with regard to how the surplus of funds should be allocated to the various projects.

The projects held a series of meetings to come up with thoughts, ideas and recommendations for the Board. A report of the discussions was distributed and Grant Dull was asked to present a summary:

Item #1 - This is probably the most complex in a way. We have talked a lot about how we would use an allocation of additional money. Travis has expressed that he would prefer the money be used for debt or to pay bonds. There are some difficulties with the literal interpretation of that direction if we intent to do that. For example, in Lynnwood we can't repay bonds for another ten years. For all PFD projects if we literally eliminate our debt before the PFD of legislation are set, our sales tax revenue stops and no one would like that to happen. This caused me to look at Lynnwood's agreement called

“Four Party Local Agreement” or inter-local agreement between the PFD, City, the County and the County PFD and that spells out the allocation and how the money can be used essentially. The agreements basically indicate that money should be used for the retirement of bonds or costs related to the project and for no other purpose. So we would encourage any further distributions to be consistent with the current agreements that each PFD has with the County PFD and, as a consequence, with the County and with our host cities, if that’s appropriate. I suspect that a lot of the future discussion will revolve around that so I will go on to item number two.

Item #2 - We talked about the size of the reserve and, after quite a bit of discussion, agreed that \$250,000 is appropriate and no change is recommended.

Item #3 - We are recommending that the distribution of additional money be limited to the four projects. The County Garage, which is another recipient of the stream of sales tax money, is adequately financed so there is no reason to apply any of the “new” money to that project. At the same time, it is not expected that the overhead costs will increase. If we did take the current allocation and continued that, then the parking garage would be getting quite a bit of new revenue that is not needed.

Item #4 – We encourage an allocation decision as quickly as possible, and probably more importantly, we encourage that the allocation be permanent because we would like to limit future uncertainty. The fill of this additional money is certainly dependent upon the regional economy and that is a huge uncertainty but we’ll have that uncertainty in our own financial audits. We know, essentially, how to plan for that but if this Board decided to allocate money for say five years and then come back and look at it again, that doesn’t give us the ability to plan past five years. That introduces a huge uncertainty that’s quite different than the economic uncertainty that all of us, in one way or another, decided to plan for.

We were not able to reach a decision or recommendation on allocation methodology and finally came to the conclusion that it really was inappropriate for us to do that. This is a decision process and discussion that the Board needs to have and we look forward to being part of that.

Kim Bedier added that they also had a somewhat extended discussion about the sales tax sourcing changes and some of the impacts that they will have on the projects and this is mentioned in the last paragraph of Grant’s summary that was distributed.

Dave Waggoner noted that there is one thing about what Grant said in that we all want a permanent solution. Dave thinks that there is a feeling that the sourcing is somewhat of an unknown quantity at this point and there is an option to go to DUR and try to get the sourcing problem fixed for Lynnwood and Everett without using internal PFD funds. The sourcing does not become an issue for this year or next and one solution could be to distribute the reserves or the excess for this period of 2007 – 2008 and work on the sourcing issue in this 18 month time period and then at the end of 2008 look at it and decide what the longer term solution would be. This is a little inconsistent with this term

about being permanent. Dave would like to see a methodology that goes through the end of 2008 to use the funds in the near term and look at it again after the sourcing is done. One, this would give you a chance to try and fix it and, two, understand what the value of it is because even if you took a 25% split and each project getting the same amount, I think that solves the short fall for both Everett and Lynnwood.

Travis then asked Dan Clements, for the benefit of the new Board members, to summarize sourcing and what has happened since he has been part of it.

Dan noted that what has also happened is that Legislation was passed this last term that changed how sales tax is distributed by crediting the sales tax 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 and PFDs are impacted by this practice. When the final version of the bill came out, there was a threshold for PFDs and no one else. There is a group that has convened to look at this issue and there is a strong possibility is that the threshold will be removed from the legislation in this session.

Travis noted that major sourcing doesn't start until July 1, 2008 but there is some minor sourcing going on right now that will impact cities and counties and the first big payment would be in September of 2008. The estimate of increased revenue to County PFD under current assumptions is approximately 10% impact. The first year it is fully impacted and Snohomish County projected gains for that one year of \$236,600. Everett is projected to lose \$65,000 and Lynnwood is projected to lose \$88,000 with their total loss of \$153,000 and Snohomish County is ahead \$236,000. The County clearly has enough unanticipated windfall in this to make Everett and Lynnwood whole. He indicated that if we could make changes at the State level that would make the PFD cities whole without having to use part of the Snohomish County windfall. Travis did contact the person who is heading this task force indicating an interest in being involved. The State legislation does form this group and states which types of jurisdictions are to be represented in the group and currently PFDs are not included.

Dan noted there really needs to be a voice of the PFDs in the Legislature especially now that they are discussing Legislative changes that will directly affect them.

The Board was reminded that the PFDs throughout the State have met twice annually, the first meeting was in Lynnwood, last year in Tri Cities and this coming September Spokane is hosting the meeting. This is a two day opportunity for PFDs from all over the state to exchange ideas as the PFDs with the exception of Snohomish operate largely in isolation. If there were to be a formal lobbying effort by PFDs in the State, it would be discussed there although it really should happen as soon as possible.

The comment was made that there are local city PFDs and the tax they get credits against the counties so when they change the source of that tax it shifts that money. That is why this sourcing is having this impact.

There are two sources of additional funds, sourcing and the performance of the economy above the 3 or 4 percent that was in the original, so the Board needs to put some analysis into both of those to understand how each project has been affected by each of the impacts.

Travis said that he had the opportunity to look at some of the original forecasts and indicated that when they were looking at all of the projects in 2002, they came up with estimates of about 2% which was historically below 5% but felt, at the time, that being conservative would be the most appropriate. Subsequently, going back a couple of years the Board started into those discussions regarding what to do about increased growth that would ultimately change the projections dramatically. This has now happened putting us in an interesting situation. The forecasts for the future on the green handout, after taking into account the existing allocation, leaves us with an incredible number and the present value is about \$9 million.

In addition, we must take into account that the reason we're doing sourcing is, in large part, to make our state consistent with other states around the country that are looking at taxing internet sales. Part of this was to have an overall agreement where everybody was doing the same thing so that there could be certainty for the companies that are collecting the sales tax and submitting it.

It was noted that if a company has a physical presence in the state, all internet sales are taxable. The bulk of internet sales, theoretically, are taxed right now but where a company is located determines where the taxes are going.

Roger indicated that there is a voluntary agreement that a variety of companies have made which means that they are going to tax all purchases at place of delivery. Another thing that has not been acted on is where all sales on the internet will be subject to and that is not on a voluntary basis but by law. The Department of Revenue does not have estimates in terms of the magnitude of this but feels that it will have a rather significant impact.

Travis noted that the potential is there that we could see substantial increases in the revenues we collect when all of this is implemented.

There is shifting of dollars going on between entities and the state and new money coming in from companies filing. Taxing all sales regardless is really pushed by the retailer because they want to have this consistency.

Another point that was made is that internet sales are about 30 - 35% a year.

Travis noted that the workshops that were to be held after the April meeting did not take place because of the willingness of the four projects to come together and try to do something. We are now anticipating having one or two workshops between now and October. Travis would like to have a decision as quickly as possible but if more time is needed then the Board should have an understanding in the early part of 2008.

Some of the questions to be answered are what is in the agreements and what money can be allocated. Challenge to the Board is to get reacquainted with the particular projects, their business plans and viability as well as revisit the guidelines adopted in October 2005 as noted on the pink handout. Travis stressed that we don't want to send money back to Olympia and we are concerned about future viability.

Boyd echoed Travis' thoughts by stating that each project needs to be handled fairly and equitably and this is accomplished by looking at each project individually. He encouraged backing off the equal percentage concept and stated that the Board needs to do a careful review of the current business plans and Pro Forma of each project, noting this is not a quick process and could possibly take 6 months and suggested brainstorming sessions.

Eric agreed with Boyd by stating that the process be applicable and fair. He noted that sales tax sourcing should make the projects whole and there should be a mechanism in place for disbursement.

Travis suggested that, in order to develop an appropriate process, the Board have two or three open workshops or working sessions, each lasting about two hours. The first workshop is scheduled for Thursday, September 13 at 2:30 and Roger is asked to secure a location for this first workshop.

Joe McIalwain suggested that these be "Board only" workshops and that the projects have their presentation (Business Plan, Pro Forma) ready ahead of time.

Boyd suggested that the Project Information be available two weeks ahead of time and that all come prepared with questions at the workshops.

Doug Ferguson suggested conferring with lead counsel of city PFDs regarding the interpretation of the use of funds and the limitation of 33% of the funds.

Roger suggested that he develop a template to track all of the financial information including comparisons and allocations.

Travis then discussed what kind of information is needed:

- Project Size, make up of changes and funding
- Original Business Plan and Current Business Plan
- Debt Structure including original and current debt structure
- Mandatory Redemption (Principal & Interest)
- Bond/Payment Schedules
- Balance Sheet
- Economic drivers (benefits) in community and how they are measured by return of investment

Old Business:

Financial Update – Roger Neumaier reviewed the quarterly financials (blue handout) and noted that we have met all commitments and the total fund balance is \$673,194 as of June 30, 2007. Roger also noted the year to year comparison and percentage growth as shown on the green handout.

Voucher Approvals – It was moved that the vouchers totaling \$394,000.02 be paid as presented. The motion was seconded and passed unanimously.

Miscellaneous

Rotation of Meetings: Kim Bedier suggested that the Board rotate its meetings at the various facilities. Roger was asked to coordinate this.

Meeting Adjourned: The meeting was adjourned at 5:05 p.m.

Byrok M. Peterson 10/10/07