

SNOHOMISH COUNTY PFD MEETING MINUTES  
JULY 19, 2018

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**Board Members Present:**

Steve Shelton, President, District #3  
Tim Menzies, District #1  
Mark Beals, District #4  
Debbie Burton, District # 5  
On conference call - Bruce Gandal, District #2

**Interested Parties Present:**

Nickolis Landgraff, Jeff Van Dyck & Bruce Fisher, Snohomish County Airport/Paine Field/Future of Flight  
Grant Dull & George Sherwin, Lynnwood Convention Center/PFD  
Joe McIalwain & Matt Keller, Edmonds Center for the Arts/PFD  
Corey Margolis, Angel of the Winds Arena/Everett PFD  
Gary Weikel, Everett PFD  
Rich Stewart, Angel of the Winds Arena/Everett PFD

**Staff Present:**

Brad Cattle, Anderson Hunter Law Firm  
Jan Hawley, Snohomish County Finance Department  
Sharyl Raines, Snohomish County Finance Department  
Shannon Fleming, Snohomish County Public Works

**Guests:**

Alan Dashen, Northwest Municipal Advisors  
Ken Klein, Snohomish County Executive's Office  
Michelle Corsi, Snohomish County Prosecutor's Office  
David Williams, City of Lynnwood, City Council  
Roy Henslee, Boeing  
Jason Peoples  
Kathleen Oglebee, Boeing  
Beth Snow, Boeing  
Jessica Bieber, Boeing  
Sonja Springer, Art Cineza, & David Kleitsch, City of Lynnwood

**Call to Order**

Steve Shelton called the meeting to order at 3:01 p.m.  
Introductions were made.

**Approval Items**

Mark Beales moved to approve the April 26, 2018 minutes. Debbie Burton seconded the motion and it passed unanimously.

After review of the Q2 Financials, Q2 vouchers and the 2019 budget, Mark Beales moved to approve the Q2 Financials, Q2 vouchers for April through June 2018 in the amount of \$862,837.03, and the 2019 Budget. Debbie Burton seconded the motion and it passed unanimously.

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**Disbursements:**

Fund X10

(April through June 2018)

Voucher/warrant numbers: 1992107, 5012811, 1992113, 1992109, 1192112, 1992110, 1992108,  
1992111, 1992112 Total \$490,222.51

Voucher/warrant numbers: 5012953, 1995670, 1995714, 1995717, 1995658, 1995768, 1995760,  
1995664, 1995754, 1995626 Total \$186,764.76

Voucher/warrant numbers: 1998880, 1998881, 1998879, 1998882, 1998878 Total \$185,849.76

**Project Financial Updates**

Future of Flight – Jeff Van Dyke & Nickolis Landgraff

- Financial Summary Handout & PowerPoint Presentation
- Nickolis Landgraff announced that Future of Flight has entered into a Letter of Intent on the lease agreement with Boeing. Things should progress quickly for the lease on this facility going forward now.
  - Boeing statement: “It’s a tremendous opportunity to reimagine the possible, to attract an even broader audience and to provide to the most innovative aviation experience in the world for visitors, students and educators.”
  - Nickolis reinforced that Future of Flight and the Boeing Tour will remain a regional center public facility.
  - The anticipation is for an 18.5 year lease commitment, and they will also be making investments to the exhibits and the tour experience.
  - This facility will still remain a County asset, it will not become Boeing’s, it is still Snohomish County’s.
  - Impact presentations will be provided when negotiations are complete and more details are available.
  - Boeing and the County will meet with the PFD Board members to answer questions as details unfold.
  - Things will continue as is, paying down the debt, until 2036 depending on refinance.
  - Boeing is looking forward to this agreement, it’s a wonderful opportunity. They look forward to talking to the Board and County individually. They do feel like it is a public facility, and the intent is to continue that. More details and a vision of the next 3 years will be coming in the individual meetings.
- Tickets sales are higher than they’ve ever been.
  - Advertising campaigns seem to be working well.
  - Destiny Space Module is getting over 1000 people through it each day.
  - Many activities available for visitors.
  - 3 classes are being offered for free to the public
    - Drone Zone
    - 3D Printing
    - Robot Space
  - Earnings and Attendance are up
    - Increased ticket sales
    - Event rentals have increased also
  - Gallery will be closed after Labor Day to clear out some exhibits.
  - New floor and wall graphics will be installed next week.

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- Happy Hours every Friday from 3-7 on the Stratodeck, catered by Red Cork with big screen TV's and music; the last few weeks have seen over 200 people coming through for this event.
- First Thursday Free every month with wine for the public available.
- The facility is seeing over 300k visitors annually now.

Questions:

- Mark Beales asked Nickolis about the timeline for the final lease and business plan for how the new relationship with Boeing will operate.
  - Nickolis responded that there are still many details to work out with the transition and right now it is premature to speculate about what all the details will be. The lease will be completed before the October PFD Board meeting, but no further definite information outside of that right now.
  - Ken Klein further explained that the offer with Boeing and the Airport is to have conversations with the Board to help develop a business plan which should answer all the questions.

Lynnwood Convention Center – Grant Dull

- Convention Center handout detailing dry cleaner contamination issue
  - Grant went through the hand out to explain each page.
- No financial report due to mid-year
  - The Center is having a good year, though business is a little slow.
  - That said, it will still be a profitable year.

Questions:

- Steve Shelton asked about the current demolition project happening at the Center.
  - Grant confirmed the demolition and explained – the restaurant building is staying and being leased out, set to open around October.
  - The building next to that was a vet building that is falling apart; an agreement has been signed with a company to have the structure demolished to convert that space into parking.
  - The highest expense in this project is dealing with stormwater runoff; total budget for this project is \$850k
  - Fencing is up, the wrecking ball is scheduled to arrive next week.
  - As the building is being demolished, the concrete will be tested for contamination as required by Ecology, however no soil will be tested at this point.
  - After the building is gone, more monitoring wells will be installed to learn more about the contamination levels – right now the building is in the way.

Edmonds Center for the Arts – Joe McIalwain

- Statement and report handouts
  - Roughly \$130k ahead of last year.
    - Private fund raising event in January generating around \$70k
    - Unexpected \$100k donation from a private estate
- June staff report included as well; July was emailed to Board members
- Refinancing 2008 debt issue
  - Callable after 10 years
  - Working very hard with private sector banks to get this resolved
  - Trying to get savings together for the next 7 years – interest rates are the large factor
- Strategic Plan is getting closer to being finished

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- The Edmonds PFD Board reviewed the “final” draft last week.
- Great feedback was received and will be incorporated before the plan is presented to the Boards for formal Approval at the end of the summer
- Joe is very proud of the work that has been accomplished with this process
- Summer camps are currently ongoing, as detailed in the Staff Report handout
- There are 4 Wednesday Evenings Summer Presentations
  - July 25 → Canalon de Timbiqui
  - August 8 → Royal Jelly Jive
  - August 22 → Damion Escobar
  - August 29 → All Our Ex’s Live in Texas
- New website is being launched July 24
  - Links forthcoming when it goes live
  - A new app is also being included in this for download to a mobile device
    - See what’s happening
    - Order tickets

Questions:

- Mark Beals asked about interest rate findings
  - Joe answered that a letter of interest has been received suggesting a 3.5% rate
  - Current loan is between 4% to 4.25%
  - The interest rate would need to be lower than the 3.5% suggestion in order to be a significant enough savings going forward on the refinance
  - ECA is working with other banks to get a lower rate, currently waiting for offers
  - The other option is extending the current loan terms
  - Joe requests that the Board make a decision if it is in the better interest short term to try reducing the payments while sales tax revenues continue climbing to be able to stop borrowing from the City of Edmonds and start paying back the loan owed to them
    - Could save interest paid to the City
    - Could extend from 7 years to 10 years, but is the short term gain worth the additional interest payment
- Steve Shelton concurs with Joe’s assessment that this a tough choice between cash flow and interest payments. He requests that Joe continue to keep the Boards informed of the decision.
- Alan Dashen mentioned that some debt will need to be maintained through 2041

Angel of the Winds Arena – Corey Margolis

- No handouts
  - Corey has been in place for about 6 weeks now
  - Working on getting up to speed
- Rich Stewart will email the Financial Report for Angel of the Winds Arena
- Q2 was a good quarter, due largely to the Silver Tips going to the finals of the WHL
  - There 12 home games – most in history
  - June saw the Ladies Night Out concert, 18 graduations and many other conference events as well as Community Ice Rink events
    - Net Operating income YTD is \$25k which is \$150k better than last year at this time
      - Events come out to \$178k due to primarily to the Silvertips
      - Tax revenues are also up
    - Interest rates have increased

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- Net facility income after all these factors is \$300k through the end of the 2<sup>nd</sup> quarter, which is up \$180k over last year
- July
  - Arena is usually slower in the summer
  - Dash board system and main arena hockey glass is being replaced next week to keep up current standards – around \$350k capital cost
  - Wedding season and Community Ice Rink events will keep the conference areas busy
  - Everett Youth Hockey League and Figure Skating are scheduled
- August – DSP Live
- September
  - KR Raman
  - Alice Cooper
    - First AotW Casino co-presented show – hopes for growing this partnership
    - Great marketing reach and exposure
- Also coming are Shinedown and Godsmack, Skate America, Disney on Ice, and the Silvertips season
- Gary mentioned that the Everett PFD is in the early stages of looking to refinancing their debt

Steve Shelton thanked everyone for the presentations and commended how well these groups have done since the early 2000's.

**New Business– Alan Dashen Northwest Municipal Advisors Report**

Steve gave a brief history of PFD and the extension from the state which resulted in a decision needed to ensure the equitable distribution of funds to the 4 facilities for this extension. In the first meeting held June of 2017, Steve requested that each facility come up with a distribution number and submit it to the board. At the second meeting in October of 2017 Alan Dashen was brought in as a consultant, who specializes in bonding. An agreement was entered into for Alan to do an analysis.

The board members received a special handout and Alan had a PowerPoint presentation that Nickolis Landgraff controlled. The Allocation Analysis handout was included in the board packet.

Alan started by mentioning conversations have been had with 3 of the sitting PFD's several times, and the finding has been that all of them need significant funding. The goal is to figure out the best recommendation to determine distributions. An analytical approach was taken instead of a subjective approach. This approach allows for funds to be moved around more quickly with percentages and the effect that movement would have. The Future of Flight and the Everett Garage were set aside from this analysis. There is not enough money for the PFD's. What needs to be addressed is ways for additional funding to be garnered in the future. That could be revenues from Lodging Tax, Hotel/Motel tax – some of this is now going to the PFD's, but more in the future could be allocated. Also sales tax could help. Conversations need to start happening now to get these funds in place.

The things that need to be addressed today are how to allocate the additional monies. A portion of the funds coming in have been set aside to be used for paying the PFD Board, and then anything left over could be allocated in the future. The debate is that the PFD's would like to know how much of the allocations they will get so they can do their financing. Alan believes it would help to have additional monies held in reserve in the case that one of PFD's needs additional funding in the future.

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The first step was to take a look at the financial status of the PFD's by stepping back and taking a look. Starting with 2017 operating expenses using this as a typical year (Base Case), the analysis was run for 3 facilities – Edmonds, Everett and Lynnwood. The analysis for Edmonds does not include the debt to the City, so their analysis overstates PFD's ability to pay. The analysis for Everett includes some of the debt to the City. The Lynnwood analysis is in good shape, except it will not cover the expensive environmental cleanup needs.

The Snohomish County garage, which the Everett PFD receives a benefit from for 500 parking spaces, a portion of the County PFD is going to the garage. This has been set aside as changes will not occur to this space. It is up to the County PFD and the Everett PFD to determine what happens after 2027 how that money will be allocated. It could result in the County continuing debt service to pay the bonds or it could be that it goes to the PFD. From the perspective of the Board, the recommendation is to set that aside and take it off the table for the current discussion.

The Future of Flight has also been set aside. The debt service for this will be paid on the bonds through 2038-2039 and the debt service is about what is currently being collected in sales tax right now. Further discussions between the PFD and the County will need to take place about further allocations. If monies are freed up at a future date, then more allocations could be done.

The next slide summarizes current status with the Base Case at the top. Allocations percentages from 2001 to 2041 show Everett at 22%, the recommendation is to go to 31%. Lynnwood received 35% is reduced to 22%. Edmonds stays the same at 15%. The Garage and the Future of Flight have no significant impact.

An estimation of Capital Balance at the end of 2041 for each PFD was completed assuming 3.6% growth rate. This illustrates that debt services will not be fulfilled, and the current facility receiving the most funding will continue to do so, but it is still not enough for the capital expenditures that will be incurred.

A series of allocation options were looked at. Option 1 is based on a 2008 allocation adjustment called Tier 2. Option 2 is Tier 2 adjusted, moving some of the funds around. Lynnwood is currently receiving a significant Hotel Motel tax from the PFD through 2026, so a portion of the Tier 2 allocation was adjusted out to the other PFD's. This was too extreme. Option 3 is the recommended adjustment. This results in Present Value Balance for Capital of \$10mil for Everett, \$31mil for Lynnwood and \$10mil for Edmonds.

Alan moved on to the set aside for the PFD Board. An assumption of 5% was made, which from 2026-2041 is approximately \$3.6mil. Current expenses are about 1% - 1.5%. An adjustment of 1% more (6% total) would result in an additional \$700k. Alan recommends not to adjust this amount too high, as the PFD's all need to know how much they will be receiving.

The reason for knowing now, even though the distribution will not happen until 2027 is so that they know how much they will need to borrow in the future.

All of this information is based on assumptions of continued growth rate and the financial status of each PFD stays the same.

**Discussion**

Steve opened the discussion, first to just the PFD Board members of Snohomish County. Steve started with Bruce Gandal on the phone.

- Bruce had no questions initially.
- Mark Beales thanked Alan for the presentation. He expressed his concern that Lynnwood is being reduced, Everett is being increased, and Edmonds is staying about the same. He doesn't understand why that is. He mentioned that Lynnwood and Everett both have revenues coming into their perspective cities that Edmonds doesn't receive, if he is reading the analysis correctly.

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Steve concurred that is accurate. Mark concluded that it appears that Edmonds is being set aside and more manipulation of the numbers is between Everett and Lynnwood.

- Alan explained that Everett and Lynnwood are top and a bottom. He further explained that Edmonds appears to be at about the right amount right now.
- Mark asked about the recommendation to set aside the Future of Flight, as there isn't a timeline in place. Without a business plan in place, which is still too early to determine, it is pretty tough to decide how to distribute funds. The allocation could be decided for the other 3 facilities, but holding back on the Future of Flight makes sense. Without a business plan, there isn't enough information to go on. He emphasized that a business plan is necessary to make any determinations.
- Tim Menzies then asked the question of how we could make a decision on allocations for 3 of the facilities without discussing the other 2.
  - Mark stated the important thing regarding the allocation is the ability to refinance debt. If allocations aren't made today, they could still be made in a year or two. Still allocating based on Alan's recommendations to the other facilities. Funding is still in place until 2026.
- Tim's concern is that in the future funds from one of the other facilities will be tapped into.
  - Alan clarified that money is being moved between the 3 sitting PFD's.
  - Tim requested further clarification that if a decision were made today on the 3 that those proportions would stay constant and more money would be added to those if any changes were made to the other two. Alan confirmed that would be one way to handle it.
  - Mark said hopefully the goal is to allocate 100%, and the numbers should add up to that. If a decision is made today on the first 3, without the Future of Flight in the decision, the total will not be 100%. So the remainder is held back until a decision can be made regarding Future of Flight. If the facility comes together with a plan they would receive the remaining allocation. If the facility fails then that allocation would be divided up amongst the other 3.
  - Tim then raised concerns that this would result in the Future of Flight only having the garage facility to pull from for any increase – this restricts any increase to this facility.
    - Alan stated that is the indeed that case, and it has always been said that the allocation to that facility would not be raised or lowered, as he understood it.
    - The Airport concurred that was also their request.
    - Mark stated the best thing to do with the Garage is to turn that over to the Everett PFD to let them decide on the allocation.
    - Alan clarified that the funds for the garage are being paid to the County to pay the debt service on the garage bond. In 2026 the County can decide they want that money to continue paying the cost of the garage, or they could say those funds could go to the Everett PFD. That's a discussion between the County and the Everett PFD.
  - Ken Klein requested permission to speak, which was granted. He asked if the reason for keeping the Future of Flight the same is because the sales tax revenue is very close to the debt service.
    - Alan concurred.
  - Ken explained that would be the reason for keeping everything with the Future of Flight facility the same is because those 2 factors cancel each other out.
- Debbie Burton stated that she thinks the Future of Flight facility does need to be brought into the conversation. She agrees that when this was started there wasn't enough information.

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However with today's revelations and new information, she would like to see more scenarios, sooner rather than later. She also wonders why continuing funding to the garage is necessary, is that an obligation after 2026. Should those funds be redistributed out to the other 4 facilities at the end of this term.

- Tim Menzies asked Ken Klein to clarify if he is stating that status quo is just fine.
  - Ken Klein confirmed this to be accurate.
- Tim went on to raise concerns that it is hard to make a decision about how to allocate funds when the facilities have not come forward with requests on how to distribute funds.
- Debbie concurred that she needs that information as well.
- Steve stated that he did request that information in June of 2017. The reality is that Everett requested a fixed amount originally for the entire duration of the legislation at that point, which was out to 2026. Lynnwood's Board decided to allow inflation and growth to benefit them on their allocation, which means that now Lynnwood gets significantly more each year than Everett. It is an issue that needs to be reviewed, though without "punishing" Lynnwood. The current task is to hit the "reset" button to come up with an allocation that is in proportion to the size, scope and reach of the four facilities. That is the judgment part that needs to be dealt with. Steve reinforced Debbie's request that we need to hear from the facilities. He also agrees with Debbie that, since there is a Letter of Intent on the table, the Future of Flight facility does need to be brought back into the discussion. He believes that it would be foolish to set this facility aside and not address their debt needs. He also commented on the garage. The original and extended legislation that was passed is to fund regional centers and related parking – that is the language that allowed for the construction of the garage through the PFD. In reality, there is a 7000+ seat arena that gets to use on a sparing bases around 500 parking spaces. The garage is really a County facility. That is the reasoning for letting Everett negotiate directly with the garage after 2026. Hence the need for giving consideration of allocating more funding to Everett to work out a financial agreement directly. Steve asked Gary Weikel if he thought the Everett PFD Board would be amenable to that concept.
  - Gary stated that though he hasn't discussed it with them, he believes they would be. As stated before, the benefit derived from the garage isn't worth the cost to their facility. It's grown, and there are days when the garage can't be used due to jury selection. A request has been made to Everett and the Arena not to hold events during business hours because the garage is full. It's nice to have on the weekends, but during the week use of this facility is difficult.
  - Gary went on that it is really the decision of the board, but the Everett PFD really needs consideration. They feel that the allocations of Tier 2 are more equitable than the other options, for them. They are willing to accept that allocation for Everett. Everett has the largest building, and some significant capital expenses coming, and no money to fund it. Furthermore, they are going out for a bond sale at the end of August. It would help to know the future allocations, at least an idea, to be used when going out for those bonds.
  - Alan added that he has been working with Everett, and conversations have stalled with rating agencies. He believes this may be attributed to the fact that those entities are waiting to see what the allocations will look like. Alan then suggested perhaps a special meeting was needed to make a decision before the end of August, which would be helpful to Everett. Debbie agreed, stating she thought that would be a good decision. Joe MacLalwain from Edmonds was agreeable to this as well.
- Debbie Burton further emphasized that the Board wants this money locked in so the facilities can make their future decisions.

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- Steve said he was fine with calling a special meeting to resolve this sooner, and this issue is the most important right now. Dragging it out further would be a mistake.
- Tim Menzies suggested that having as much information as possible from the facilities prior to that special meeting would help him make the most educated decision he can.
  - Joe says information has been submitted, so what else is needed?
  - Tim asked directly to know what each facility wants.
  - Gary wants to see fair distribution. He appreciates that Future of Flight is okay with their current distribution level. However, Everett is not.
  - Joe further went on to explain that what is being requested is what was given when the Tier 2 process was originally done. Each PFD had presentations detailing current operations vs. the business plan, current function, and future needs and wants. It was challenging.
  - Tim stated that for those Board members not on the Board at that time, it would be great to revisit that process. If everyone is comfortable with that process, perhaps it should be done again. Tim is concerned that there will be further delays if it isn't done. However, if the information from that previous Tier 2 process is the same, there might not be a need for a special meeting.
- Grant Dull requested permission to speak, which was granted. He believes that a business plan from the Future of Flight is a very good suggestion. The PFD Board has not really seen a business plan from any of the other facilities either since the previous allocation. He believes that the most helpful information would be a business plan from each group through 2041. He fears the PFD will go \$20mil into the hole. It would be reasonable for the Board to request a business plan that highlights needs vs. wants – and impacts.
- Bruce also requested a clear definition of deficits of operating costs for each facility regularly and what is needed for maintenance/renovation costs. How much to keep going and how much to improve. A business plan from each facility is a great plan.
- George Sherwin requested permission to speak, which was granted. The Lynnwood PFD has spent the days since receiving NWMA's report reviewing it, and recognize the complexity of it. That examination revealed that more time is needed to properly look at complexity of the issues, the assumptions, and to have further conversations to discuss the conclusions. He concurs that a business plan is fine, but they need time to talk to their respective cities and discuss with their sponsors the implications of what is being recommended and the needs, as well as gather their input. There are 3 senior City of Lynnwood officials in attendance as there is concern that a quick decision will be made before there is true understanding of all potential impacts. There isn't enough money to do everything on the wish lists, but the lists of what are critical, what are mandatory, versus what is wanted needs to have proper consideration. He is requesting time to be able to do that.
- Mark mentioned that Alan has received information about the PFD's and their facilities that he has not seen. Steve conceded that he also has not seen all the data that was used to make this recommendation. Mark would like to see all that information that Alan has received to complete his analysis, as well as a business plan that incorporates needs vs wants, which would help with the decision.
- Steve stated it would be helpful if each PFD modeled the Snohomish County Finance Committee's standardized financial format. Parameters for the business plans must also be instituted, perhaps a 3 Point Plan: Projected Operations, Bare Bones Survival, and Needs vs. Wants. There simply are not enough funds available. The PFD Board needs to help these facilities survive, and what is the best way to do that – proportionately to size and community

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impact, i.e. attendance and quality of life. Each facility has a unique impact on the County, and that must be taken into consideration.

- Mark is wondering if the refinancing measures being taken by some are mandatory or optional. Needs versus wants.
  - Alan elaborated that each PFD is going to have to extend out to 2041.
- Steve asked the facilities if they could live with the Tier 2 Distribution, and if not why. He also requested that each facility put together a short business plan quickly.
  - Joe is concerned that putting together a business plan will be time consuming, and will also cause delays in Everett's needed refinancing. It will be done, but it will not be easy. He is simply requesting this be taken into consideration when deciding the parameters for the business plan request.
  - Bruce asked Alan if, since he has much of the information, this business plan is something he could summarize for each of the facilities instead of each of the facilities starting from the beginning.
    - Alan responded that what he has is a snapshot in time. He took it a step further to review what would happen if each facility broke even. It did not substantially affect the allocation percentages. What was looked at was who was in the worst financial situation. It did not address specific needs, he did not receive large capital expense projects from each facility. He suggests that each facility complete a 10 year business plan of what they want to do, as well as detailing capital improvement costs and how much is needed to just keep running.
  - Debbie agrees with tying operational expenses and capital improvement plan costs together.
  - Mark seconded that it may be in everyone's best interest if Alan took the information he has received from the PFD's regarding their capital expenditures.
    - Alan would like to talk to each PFD individually about those things. He thinks it would be good for each facility to make a presentation to the Board to get a full detail picture of the financials.
  - Mark emphasized that there was a quick turnaround need for this, as Everett is up against a deadline.
  - Tim observed that there isn't a timeline consensus from the PFD's. 2 facilities are requesting fast, 2 are requesting a slowdown.
    - Joe clarified he wants this done.
    - Grant wants more time to have conversations with the City of Lynnwood, the Lynnwood PFD Board, and other PFD's. He is concerned that it's being rushed into.
    - Joe, with all due respect, reminded everyone that this conversation has been happening for a year, they've known about it for a year and a half. All information that has been requested has been provided. Alan has completed the analysis, and conversation has returned to Tier 2. He wants to know what more information is needed by the Board from each PFD. The facilities need to know what is being allocated in order to make decisions regarding needs and wants. A business plan would only be conjecture – they need to know what they have to work with so they can turn around and leverage those dollars to get new dollars in order to get something special done at the facilities. He is happy with the Tier 2 allocations and feels they are equitable.
    - Tim asked if the Tier 2 allocation would be satisfactory. Joe concurred that Tier 2 seemed fair.

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- Gary also concurred that Tier 2 is the most equitable.
- Steve asked remaining PFD, Future of Flight/Snohomish County, if they were agreeable to the Tier 2 allocation. Ken Klein confirmed that they are agreeable to the Tier 2 allocation. That makes 3 out of 4.
- Mark expanded that if Tier 2 is acceptable to all parties, then the Board should move forward with that decision.
- Steve pointed out that the Garage is not part of the Tier 2 Allocation.
  - Alan explained that Tier 2 adjustment moves money from some of the Lynnwood Hotel/Motel tax being distributed out.
- Grant has discussed previously with PFD peers about allocating out part of the Hotel/Motel tax. He also stated that it should mentioned that Everett does receive lodging tax that goes to the AquaSox stadium, not the arena.
- Gary confirmed that was done prior to the PFD, and was done by the County not the City.
- Grant said that he has talked to the other PFD's about future allocations of lodging tax, but it has not been discussed with Lynnwood PFD or City of Lynnwood parties. He cannot make that decision without those discussions.
- Steve said that this is a PFD Board, not the lodging tax commission, so those conversations are not in the PFD purview.
- Steve restated that 3 out of 4 facilities are agreeable to the Tier 2 allocation being extended to 2041. The other conversations were the potential future agreement with the Everett PFD and the parking garage beyond 2026, and the possibility of a set aside for the PFD board to have a granting capability.
  - Steve believes that right now is not the time to have granting capabilities. He further feels that every dollar available is wanted/needed by the four facilities.
  - Mark pointed out that if the set aside is not done now, then it is effectively eliminated from happening with future allocations. Steve concurred with that conclusion. Mark then posed the question of if the funds are all allocated out, and there isn't a set aside for granting, there is no further PFD Board need.
    - Joe answered there is much need for the Board, including being an advocate for the PFD's at the state level, as there is potential for another extension, helping the PFD's function and use best practices, as well as conferences and meetings to make sure everyone is healthy. Future decisions and discussions with other entities also drive potential for further advocating on the Board's part to help these projects succeed in the future. He then raised caution that if there is to be a set aside, there will again be discussions regarding competition about those allocations.
  - Steve confirmed with Alan that the hold back was around 5% which is not large, but there is a potential for large build-up from 2027-2041.
- Debbie stated that she is content with the original and current \$250k set aside that is currently in place, she does not view the PFD Board as a granting agency.
- Gary pointed out that there is a requirement of Snohomish County to have a PFD in order to continue receiving funds.
- Steve reiterated that the Letter of Intent from Boeing regarding the Future of Flight settles that matter that has been unsettled for some time. Alan's analysis concurs with the Tier 2 distribution as well. Steve called for a motion to extend out the 2027-2041 funds at the Tier 2 rates.
  - Debbie made the motion. Mark seconded the motion.

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- Steve opened for discussion.
  - Bruce had nothing to add, and also seconded the motion.
  - Gary requested clarification that all recipients of Tier 2 funding would continue to receive funding available on the extended term. Debbie confirmed this would be the case, and the garage would no longer receive funds after 2026.
    - Alan mentioned that the garage remains constant up to that point, but a discussion with the County and the City of Everett needs to happen for funding beyond that.
  - Debbie mentioned that it is a bit of a challenge, as the garage is not included in the Tier 2 allocation and needs to be. Steve conceded and reminded everyone that was also the case in 2008 with the original distribution. It wasn't an issue then and shouldn't be an issue now.
    - Alan clarified that the garage allocation will stay flat.
  - Debbie amended the motion to be the recommended Tier 2 Allocations.
    - Joe requested that the Board state the percentages for each facility.
  - Debbie provided them: 28.08% to Everett, 4.84% to the Garage, 22.62% to Lynnwood 20.21% to Edmonds 24.25% to the Future of Flight. It was mentioned that these numbers don't match the Tier 2 Allocation tables.
  - Steve stated that the 2008 allocations were 30.4% to Everett, which included the Garage. 24.4% to Lynnwood, 21.9% to Edmonds, 23.2% to Future of Flight.
- A request was made to clear the record on the percentages, to get the exact percentages.
  - There was some discussion as to whether the Garage was indeed included with the Everett percentage or not.
  - Alan had some suggestions regarding debt services being placed back into the PFD fund. It was concluded that there isn't money left over.
  - Joe then clarified that the 2008 allocations do not include the garage, which should not be included as it stops at the end of 2026. The 2008 Tier 2 allocations are 30.4% to Everett, 24.4% to Lynnwood, 21.9% to Edmonds and 23.2% to Future of Flight, with the remainder being the operating costs of the SCPFD. Steve concurred. The garage will be a separate discussion.
  - Ken Klein received clarification that the debt service on the garage was extended to 2035 and there is a separate Inter Local Agreement with that facility. The termination triggers for the PFD Board on the garage are the 2026 expiration or the payment in full of that debt. A separate agreement will need to be made to fund that facility after 2026 as the PFD will no longer fund it after that.
- Debbie removed the original motion to start over. Steve agreed, and the seconds agreed.
- Debbie then moved that the allocation for 2027 through 2041 be 30.4% to Everett, 24.4% to Lynnwood, 21.9% to Edmonds and 23.2% to Future of Flight. Mark seconded.
  - Bruce asked if we should wait for more information from Boeing since Future of Flight has come out higher than Lynnwood, with concerns that perhaps with the new arrangement the Future of Flight facility will not need as much funding.
  - Debbie says that is an operations decisions with Boeing and the Future of Flight, and not the Boards decision. She is still comfortable with the allocations.
    - Bruce then clarified that if this was the beginning, and knowing what is known now with the Boeing agreement, would there still be more allocated to Future of Flight than to Edmonds and Lynnwood.
    - Nick answered that it is still a County PFD facility.

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- Bruce further clarified that Everett is in the 30's while the other 3 facilities are in the low to mid 20's, which is not equitable across the board. He just wants to make sure that all things are considered.
- Alan answered that the PFD funds received are required to pay down the bond debt. Everyone is in agreement with that.
- It was then asked if the motion was to limit the amount of funds distributed to just pay for debt service, since the legislation allows for these funds to be used for operations. The concern is that the PFD Board is the only source of government funding for the Future of Flight. Steve corrected that the facility also receives funds from the County as well.
- The clarification was that there has to be debt to be eligible.
- Steve called for a vote. Motion passed unanimously. All voting in favor of the motion. There will likely be an Executive Session to meet with the attorney and the Snohomish County Finance Committee to determine the details to execute this decision.

Steve Shelton adjourned the meeting at 5:21 p.m.

**Next meeting: Thursday October 25, 2018 at 3:00pm, Edmonds Center for the Arts**

  
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Chairperson Signature

  
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Date