

SNOHOMISH COUNTY PFD MEETING MINUTES
JULY 18, 2019

Board Members Present:

Steve Shelton, President, District #3

Tim Menzies, District #1

Mark Beales, District #4

Interested Parties Present:

Grant Dull Lynnwood Convention Center/PFD

Corey Margolis via phone, Angel of the Winds Arena Spectra Venue Mgmt/Everett PFD

Nickolis Landgraff, Snohomish County Airport/Future of Flight

Staff Present:

Brad Cattle, Anderson Hunter Law Firm

Jan Hawley, Snohomish County Finance Department

Shannon Fleming, Snohomish County Public Works

Guests:

Call to Order

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

Introductions were made.

Approval Items

Approval of the January 24 & April 18, 2019 Minutes. After some discussion about a quorum, Mark moved to approve the minutes, Steve seconded, and the motion passed unanimously.

Steve went through the financials, pointing out the growth is again phenomenal. Quarter to date is 8.5% and year to date is around 8.3%, which is very good news. There were no questions on the financials; Steve called for a motion to approve the Q2 financials and vouchers, Mark moved, Steve seconded. The motion passed unanimously.

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Disbursements:

Fund X10

(April through June 2019)

Voucher/warrant numbers: 5014929, 2035538, 2035445, 2035486, 2035441, 2035524, 2035417 Total \$600,995.60

Voucher/warrant numbers: 5015134, 2038084, 2038115, 2038118, 2038152, 2038080, 2038149, 2068051 Total \$193,016.10

Voucher/warrant numbers: 2041614, 2041714, 2041598, 2041481 Total \$191,866.10

Old Business – Budget Status, Jan Hawley

Jan pointed out the preliminary budget for 2020 from the agenda packet for presentation in July, approval in October, and modification in January after the year is closed out. This is an idea of what the fund balance will look like as of 1/1/2020, with projections of what the rest of the year will look like based on this year's performance thus far. If there are questions, feel free to ask, but this is a preliminary budget only at this point. Mark commented that the numbers look very promising.

Steve stated that this will be approved at the October Board Meeting, which will again be on the third Thursday of the month instead of the fourth – the 17th. He also noted that when he started with the board, the annual payouts were around \$2M, and we are now up about another \$1.3M due in large part to the growth and the sales tax revenue rebates.

New Business – Interlocal Agreement Status, Brad Cattle

Brad went over the status of the Interlocal Agreements for the Continuation of the Tier 2 Allocation, using Edmonds PFD as the example. No action will be taken today. Brad's firm has worked with the local PFD's and eliminated any issues that arose, with a few small wording adjustments requested by the Everett PFD – if those adjustments appear beneficial to Everett, they will likely be added to the remaining ILA's. The agreements are basically almost identical. The Lynnwood PFD and their attorney questioned the time sequence of payouts after the Tier 1 payments have been completed, which will be addressed shortly.

Status report is the agreements are basically in sync and simplified from the version presented in the January meeting. These are now ready to be provided to the local PFD's for signatures. Then they will be returned to the Board for signatures at the October meeting. Brad handed out the Interlocal Agreement for the Edmonds Centre for the Arts as the example. He summarized the sections, pointing out that when the Tier 1 allocations are completed in 2027, the Tier 2 Allocations will take effect until 2041 with a different disbursement schedule in Exhibit A-1.

Exhibit A-1 is the issue that the Lynnwood PFD raised, as it changes disbursements from monthly to semi-annually. Brad asked the Board if they concur with the amendment, or if there is a reason why the Tier 2 allocations shouldn't be converted to monthly, as raised by the Lynnwood PFD. The Snohomish County PFD Attorneys have verified with Snohomish County Finance that monthly disbursements would be workable. So there is a draft version of this Exhibit which converts the Distribution Schedule from semi-annually to monthly. Mark concurred that it makes more sense, and Steve agreed. Brad will adjust the agreement and then route them to the local PFD's for signature in order to be signed by the Board next quarter.

Steve asked about signatures, as the mayor's and the local PFD's for each city will have to sign, then the Snohomish County Executive and Snohomish County Prosecutor along with the Snohomish County PFD Chair will all have to sign these agreements. He defers to the local PFD's if this is something that would be newsworthy. Grant did not think so. He suggested that each city PFD should sign, take them to the

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city leadership to sign, bring it back to the SCPFD at the October meeting for signatures, then onto the County leadership by the end of the year. Nickolis asked about how that would work for the Airport, as they are not part of a City PFD. Steve clarified that the Airport would have one less process, only needing the SCPFD and the County to sign.

Grant asked about the language in Section H, DURATION OF AGREEMENT, which states “until such time as all bonds, short-term notes and other obligations issued by the City PDS for the Construction of [facility] are fully paid and redeemed or until December 31, 2041, whichever comes first”, as both Everett PFD and Edmonds PFD have borrowed from their respective cities, but it is not likely that this borrowing will continue through 2041 – if they pay off their bonds, but they do not pay off the obligations to the cities, will they continue collecting their rebate portions? Steve said that the agreement does not mention bonds, it mentions debt. The language in the extension is that if the PFD has paid off all their debt, they would no longer be eligible for the rebates they are currently receiving, as this rebate is intended to make payments on debts. Brad also explained that this language is the same as the previous agreements, the Everett PFD’s Bond Council has reviewed this new agreement and did not raise that issue, and if there is some concern as long as it doesn’t affect a statutory issue the language can be adjusted to ensure that everyone benefits. The only concern is that changes do not stretch this beyond the limits of the statute. There were no further questions.

Open Board Positions, Steve Shelton

There are currently 2 open Board positions. Steve will remain on the Board for the foreseeable future, though he has not accepted an additional 4 year term at this point. Steve reiterated that in the past members have been residents from one of the 5 Districts, but that is not a requirement. So the Board is looking for anyone who is interested in the better welfare of the County in general, and would be interested in learning about the PFD. Anyone you can think of who may be interested is eligible. Nick asked if the PFD could advertise. Steve seems to think it’s probably okay; Brad suggested as a courtesy that the County Council be asked if they concur with advertising for board members.

Project Financial Updates

Angel of the Winds Arena – Corey Margolis

- Q1 & Q2 Income Statement financials handout & details
 - This are still very positive for the year, with operating income nearing \$240k
 - Up \$182k over budget for the year
 - Event income is also up almost \$100k, even with 7 less playoff games
 - Indirect expenses are almost \$120k lower than this period last year – due to some open positions and department restructuring
 - District revenues are also up over 2018, with an increase in revenues of over \$130k
 - District expenses are down year over year
 - Combined net profit is \$700k for the first half of the year, about \$400k over last year at the same period, also almost \$400k over budget
- Events since the last meeting were
 - The Circus, WWE Raw, Paw Patrol, and Seattle Storm games, as well as a record 20 graduations
 - The community ice rink has stayed busy, with 3 new hockey camps
 - The Everett Youth Hockey League is taking registration for the fall season, with a plan to offer 18 teams which is 5 more than last season
 - The ice rink hosted the Star Spangled Skate, which has been done annually over the last couple of years

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- Upcoming events for 2019
 - Backstreet Boys on July 29
 - Toby Keith on August 5
 - The first ever Everett Taco Fest August 10
 - This will be an indoor/outdoor event
 - 13 local taco vendors confirmed
 - Wrestling, live music, Mariachi bands, small dog decorating contest
 - 2 final regular season Storm games
 - Hockey season is also approaching, with 400 new season ticket holders – a total of 800 new season ticket holders over that last 2 years
 - Disney on Ice
 - CirqueMusica
 - Sesame Street Live
 - More events to be announced shortly
- A new website is about to be launched
 - Produced by CarbonHouse
 - User-friendly on the back end and for customers
- Partial retractable seating replacement is almost complete
 - The old system was removed and scrapped, saving some replacement parts for repairs to the remaining old seating
 - Any scraps that could be sold were
 - The new seats look great, making this a big improvement
- The State Financial and Liability audit is almost concluded – onsite work is done and the final report is being generated
 - The process has been smooth
 - Anticipating a clean audit

Questions:

- Steve asked about the Cirque event
 - Corey answered it's the CirqueMusica Spectacular on November 20, it's a holiday themed event.
- Steve congratulated the center on the dramatic financial turnaround over the last couple of years.

Lynnwood Convention Center – Grant Dull

- Lynnwood PFD State of Net Position, December 31, 2018 handout
 - The Lynnwood PFD Board has decided to switch to quarterly financial statements, so they have not yet been compiled
- It has been a good year, though it did start slow, the Center is ahead of budget
- The next annual Washington State Association of Public Facilities Districts will occur in Yakima from October 29-30
- The task force that was discussed in the last meeting has concluded their report
 - The recommendation was for a 60k square foot exhibition hall
 - The current building is 30k square feet of usable space on 2 floors, so the larger space is huge and out of the ball park as far as funding is concerned
 - Other recommendations were also offered, but more for the City than the PFD
 - It was a good exercise all in all
 - The PFD has taken the report and retained Hunden Strategic Partners to take these recommendations and present something that is viable

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- A stakeholder meeting will be held on July 30, primarily business people in the Lynnwood area and current users of the facility, as well as the hotel community
- Hunden's work will likely be done in early October
- 2 of Lynnwood's PFD Board members will be leaving, so the Board will wait until after their October meeting when those members are replaced to have a Board Retreat – likely in November – to study the Hunden Report.
- The hoped for result is an ambitious goal that is feasible
 - Potential expansion
 - Hotel Quality
 - Future hope for an Exhibition Hall, parking garage and a headquarters hotel
- The state audit is concluded, and for the first time in 15 years there has been a finding
 - This is related to the environmental review
 - The costs associated with this cleanup effort have been expensed, which is allowed if the property is going to be sold, as was intended
 - The consequences of this is that the bottom line was around \$8M, the number that Alan Dashen used when he was looking at the health of all the PFD's
 - There is now a lease to a restaurant space for 5 years, for a 5 year option – the Lynnwood PFD has the ability to buy them out of the 5 year option – which means the property is clearly not going to be sold within the next 5 years
 - This fell into GASB Rule 49, which requires you to estimate, and annually update the estimate, what the cost of the environmental cleanup will be and carry that as a liability on financial statements
 - Instead of expensing what has been spent to date, the full cleanup cost is being capitalized, \$5.5M
 - The finding is that the funds were taken as a liability against net investment and capital assets, but it should be a liability against the unrestricted cash position
 - This finding did not change the bottom line
 - It became a finding due to the amount of dollars being looked at
 - This became a finding for the City of Lynnwood as well, unfortunately
 - Brad asked if the lessee has an option to buy, Grant said they do not
 - Brad asked if the PFD would be willing to give them an option to buy, Grant said no
 - Brad asked if they would be interested in buying, Grant they have not asked because the PFD doesn't want to sell. They want the site clean and No Further Action letter from Ecology, which will then make the site developable. At that point, it may be put on the market depending on the studies being conducted (i.e. Hunden)
 - Brad pointed out that there wouldn't be a finding if it was on the market
 - Grant clarified that costs associated with the cleanup cannot be expensed if they are greater than the value of the property
 - This does not affect the bottom line

Future of Flight –Nickolis Landgraff

- The Boeing folks are deep into the \$800k improvement to their offices
- The Airport is also going through the Accountability Audit, it just started
- Ticket sales for the Future of Flight are a bit down, about a 9.5% reduction over historical sales
- Education tours are up
- Profitability has been good since costs have been adjusted

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- Many new events coming up
- A new marketing manager has been hired

Questions:

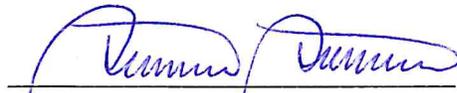
- Mark asked how the United/Alaska flights are going out of the Airport – he says everyone he’s talked to about it says they’re great
 - Nickolis said he has taken a flight out of there and it was wonderful, a good experience, except that delayed flights makes the influx of people a little difficult
 - The numbers of people taking flights are climbing, with about 80% occupancy previously and now up to about 90-100% occupancy on the planes
 - The aircraft may eventually be upgraded to 737’s, but the airlines will decide that
- Mark mentioned that he heard the smaller planes were being used due to space
 - Nickolis confirmed that there is room, until a flight is delayed - the terminal is small.
- Mark asked if the construction was completed on Paul Allen’s extension
 - Nickolis says it has been completed. Right now they are doing construction on the parking lot, repaving it
 - San Juan Airlines is now operating out of there, and 2 new hotels have opened nearby

Grant had a suggestion prior to closing the meeting. He suggested that after the ILA’s are taken care of, likely in October, would the Board consider meeting less often. Steve said he would look into this, and take it under advisement, it’s a reasonable request. Mark also mentioned that if a meeting was needed more often, it could be called – if something that needed attention came up. Grant cautioned that special meetings will only allow for action to be taken on items that are on the agenda for that meeting, as opposed to a regular meeting. Brad asked if Grant really felt that quarterly meetings were an imposition, as a potential problem could be that if the number of meetings were diminished – right now there is a difficulty being experienced with people committing to be Board Members – if the meetings are less than quarterly, the message could be perceived as “what’s the purpose of becoming a board member if there are never meetings”. The priority should be letting people know that this is an important organization that supervises the distribution of money to important local public facility districts. There is a risk of diminishing the importance of the Board.

Steve thanked everyone for their presentations.

Steve Shelton adjourned the meeting at 4:02 p.m.

Next meeting: Thursday October 17, 2019 at 3:00pm, Snohomish County Campus 6th Floor Room 6A02



Chairperson Signature

10/31/19

Date