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SNOHOMISH COUNTY PUBLIC FACILITIES DISTRICT  
PUBLIC FACILITY DISTRICT MEETING MINUTES  
FUTURE OF FLIGHT  
JANUARY 19, 2006  
3:00 P.M.

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**Board:**

Steve Juntwait, District #2  
Boyd McPherson, District #1  
Travis Snider, District #4  
Erik Nelson, District #3

**Staff:**

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

**Interested Parties:**

Dan Clements, City of Edmonds  
Stephen Clifton, City of Edmonds  
Grant Dull, Lynnwood PFD  
Doug Ferguson, Anderson Hunter  
Andrew Rardin, Paine Field Airport  
Fred Safstrom, Everett PFD  
Barry Smith, Future of Flight  
Dave Waggoner, Paine Field Airport

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

***Introductions*** - Roger Neumaier introduced Linda Rhoades, who will be providing support to the PFD, replacing Sheri Kelley. Linda is from the Solid Waste Division of Snohomish County Public Works. Roger introduced Cristy Schelm, an Accountant with the Finance Department, who was formerly with the State Auditor's Office. Roger also introduced Sharyl Raines, the Snohomish County Controller. Sharyl will be Roger's designate should he not be able to attend a meeting.

***Approval of Minutes*** – Minutes from the July 21 and October 20, 2005 meetings were approved as submitted.

**Project Presentations:**

***Edmonds Update*** – Stephen Clifton noted that the most significant highlight has been the hiring of Joe McIlwain, the Executive Director of the Edmonds Center for the Arts. He has a BA in drama from the University of Washington and a Master of Fine Arts degree in theatre management from the University of Alabama. He served as managing director of Cincinnati's Shakespeare Festival and as the Director of Development for the Kirkland Performance Center.

Stephen provided an update on the construction of the Edmonds Fine Arts Center. The project is within three days of being on schedule and they are pleased with the progress. Milestones have included the demolition of the 1909 building, grading north of the existing auditorium, erection of steel for the north addition, and seismic upgrades.

Stephen noted that tours are available and anyone interested should contact him. They are trying to get potential donors to tour the building and they have recently received several significant contributions as a result. Stephen added that he and Dan Clements are working on interlocal agreements with Edmonds Community College related to a \$1 million grant that they helped secure for the facility. Completion should occur around mid-September.

Eric asked for an update on fundraising and Stephen replied that fundraising is above the \$14.5 million mark, leaving approximately \$4 million to raise. They have assembled a schedule of the grants that they have applied for and he will be working on federal appropriations.

***Everett Update*** – Fred Safstrom distributed a budget that was adopted by their Board in December, 2005. The budget is more aggressive than those in the past and reflects growth of activity in the Everett Events Center. Both the arena and conference center continue to do very well. The ice rink reached a plateau in 2005 but was never viewed to be an extensive generator. It will continue to grow but move slowly than the arena and conference center. The significant change for 2006 will be with hiring constraints. They have budgeted an additional \$500,000 in interest expense for 2006. With the variable rate of debt it is still an interest cost of approximately 3.25%, which is much lower than what it would have been, at any time, with a fixed rate. They are very confident that this variable rate structure will be a benefit to the Everett PFD and City for the long term. The budget does not reflect any reduction to the principal amount of their debt in 2006.

Fred noted that budgeting in this business can be challenging. It is difficult to predict how many, or which events, may be booked in the coming year. For example, they budget for a certain number of Silvertips playoff games and the outcome may be under or over the estimate based on how well their season goes. It is also difficult to predict how many concerts may be booked because they don't know who will be on tour and in many cases they don't find out until three months before the concert. The 2006 budget was a little easier in that they had two years of history on which to base decisions.

Fred explained that they do not collect an admissions tax. They continued discussions with the City about their ability to collect the tax, which would amount to approximately \$500,000 per year. It is probable that they will impose the tax in 2006 and that is not reflected in the budget. He reviewed the pro forma and examined the sales tax revenues that were originally in their forecast and they have realized a significantly lower amount. They have, however, seen a strong rebound in sales tax activity since August and these revenues have grown dramatically. Another shortfall has been the annual County hotel/motel tax support which has been absent due to the low number of hotel/motel stays. The City of Everett has committed \$100,000 annually from their hotel/motel tax.

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Because of the shortfall they have made up the difference in operations; however this is not enough to stay on schedule.

Travis asked where the real growth has been since rental income has been down. Fred replied that the operating revenue, overall, is budgeted to increase approximately \$100,000 and a significant portion of that growth is in the conference center and in growth of commercial rights. The event operating income is up but the growth will be offset by the growth in indirect expenses. Ticket revenue is forecast to be flat, although they expect to regain some revenue in billing charges and rents.

Fred explained that their letter of credit with Bank of America expires in April, 2007. They will be looking at their financing and making a decision whether to continue with the program or convert to bonds.

***Future of Flight Update*** – Barry Smith reported that they are very pleased with the Future of Flight, as are the airport tenants. There has been a high level of activity at the Future of Flight; they have had 27 special events there before the official opening and anticipate that the meeting rooms will be highly utilized. Key staff members have been added, including Mailene Olagalino-Cline who will manage the event spaces.

Andrew Rardin provided a construction update. The contract will be closing in the coming two weeks and construction was finished on schedule and under budget. Dave Waggoner noted that the Future of Flight and adjacent hotel have already generated over \$2.5 million from sales tax. They have also been informed by Senator Murray that they were successful in getting another \$3.5 million for the taxiway that will go from the north end of the runway over to the side of the Future of Flight. They are negotiating with Boeing to design the pad that will go between the taxiway and the Future of Flight. The pad will be approximately \$2 to \$3 million and will be large enough to accommodate up to two 747-8's for delivery ceremonies. Dave added that they will be able to do world class deliveries and be noted in the international press. The first 787 delivery could generate 400-500 room nights in hotels around the county. The taxiway construction should begin in the summer. The FAA has agreed to allow fireworks for delivery ceremonies, something that Boeing has wanted and never before been able to do.

Barry added that Pratt and Whitney has traditionally held their ceremonies for engine delivery in Seattle, and has decided to hold them at the Future of Flight. Eight deliveries are scheduled and this will generate hotel stays, as well.

***Lynnwood Update*** – Grant Dull explained that SMG came on board to manage the Lynnwood Convention Center. They had some pro forma expectations which were used for the first eight months of operation. The 2006 budget is based not only on the pro forma expectations but also on eight months of operating history. Grant will give the Board a 2005 wrap up report and outline of the 2006 budget. He noted that 2005 was a great year for them and their success speaks about the shortage of event facilities in the northwest. Events in 2005 were 34% more than projected and the 2006 budget projects another increase. The revenue picture indicates how important food and beverage are to the facility. The ancillary revenue that they derive from the events will become particularly important in the future and they will be putting a significant emphasis on their telephone and internet marketing effort. Marketing will also include “off the shelf”

packages for smaller groups (less than 50 people) and standardized contracts for larger clients such as Microsoft.

The Lynnwood PFD has long term fixed rate debt and they made their scheduled payments in 2005. Grant noted that the debt payments totaled \$1.3 million and will gradually increase over time for the next two years.

After a lot of work with the Department of Transportation and assistance from Senator Paul Shinn, an agreement for additional signage on northbound I-5 has been developed. DOT has not committed to signage on southbound I-5.

Some examples of upcoming events include a Martin Luther King, Jr. Memorial Event, and a number of auctions are scheduled in the month of March. Grant will begin a master planning process in 2006 that will include development of the 13 on which the Convention Center is located.

Grant noted that challenges include increasing competition but he sees it as mutually beneficial for Snohomish County. Another challenge has been the lack of a headquarters hotel near the facility.

Grant talked about PFD coordination and distributed information from a number of PFDs from around the state. Participants at the statewide PFD conference in October 2005 agreed that a coordinated presentation/update should be made to the state legislature. He will keep the Board informed as this develops.

Roger stated that it would be a good time to give a presentation to the County Council to update them on each of the projects. He will schedule this to happen in the next three months. Roger and Travis will develop an outline of the information that will be presented and asked that Board members submit ideas to them.

Travis asked about the impact of the Lynnwood Convention Center on the community. Grant replied that the Council and Mayor are fully supportive of the Center.

Travis commended and thanked the PFDs for their great sense of cooperation and the feeling of partnership that they have created. He had a concern in the beginning that the different districts might get drawn into some competitive battles and that has not been the case.

Travis asked the PFDs to consider the following questions:

- 1) What is in front of us that might impact PFD operations in the next 12 to 24 months?
  - a. How are the PFDs feeling about possible legislative changes?
  - b. What are the other issues that are going to impact PFD operations?
  - c. Are there issues that we need to be watching and/or advocating for?

Dave Waggoner replied that the PFDs have to take a conservative approach to financial management because of the dependency on the business of the economy such as sales, tax, tourism, conferences, etc. In the event of another disaster, the PFDs are vulnerable to damaging budget results. He encouraged the PFDs to pay off debt early.

Dan Clements reported on legislative issues, one of which is sales tax legislation that would infuse a considerable amount of funding into the county PFDs and also the Snohomish County budget. The Senate is supportive of it; however, there is some resistance from the House where it is viewed as a tax increase.

- 2) Is there a need to change the format of the meetings?
  - a. How well are the presentations working?
  - b. Should the presentations be made at each meeting?

Once a year the Board would like to see a pro forma actual budget compared to what was projected when the projects were approved. It will be a simple, two column spreadsheet to be reviewed at the April meeting each year and each of the PFDs will use the same format. Roger will develop a format, to include the major groupings of revenue, number of people visiting/using the facilities, major groupings of expenses including debt, and highlights. He asked that anyone interested in providing input e-mail him with format ideas and information. The form will be used for the April meeting.

#### **Old Business:**

**Financial Report** – Cristy Schelm provided an update of the financial information. She explained that for the full year 2005, the PFD received \$1,656,761 in sales tax revenue which was higher than the \$1,418,000 that was budgeted. Expenditures were in line with the projections for all of the PFDs.

Roger noted that in May there was a significant increase in revenue, reflecting the opening of the new section of the Alderwood Mall, as well as businesses across the county. In terms of estimating the increase that he would expect to see in 2006, Roger identified three factors: 1) underlying inflation (app. 2.5% – 3%); 2) increase of population (app. 2%); and 3) a positive change in attitude about shopping in Snohomish County. The change in attitude will stabilize at some point and inflation and population growth will continue to be factors. He estimates a 6.5% increase to the year end projection. Roger is not sure how the Seattle Premium Outlet stores will impact revenue but estimates that the PFD will see approximately 7% to 8% growth for 2006. It should stabilize after that and decrease to approximately 5% to 6% as long as the economy remains steady. Roger noted that the sales tax sourcing will create a 10% bump in PFD revenues and is scheduled for July 1, 2007. Roger applauded the PFD for being conservative with their original projections.

Dave Waggoner suggested that the PFD quantify the benefits of the projects. Roger added that an estimate of impact can be included in the consolidated report.

***Voucher Approvals*** – The payment of vouchers totaling \$506,500.67 for October through December, 2005 was unanimously approved by the PFD Board.

***Future of Flight Allocations*** - At the October, 2005 meeting the Board agreed to move dollars out to projects but they needed some level of targeted reserve. The targeted reserve was agreed upon by Board policy to be \$250,000. Roger proposed to catch up with the deferred payments for the Future of Flight over a several year period. The Board agreed that it was appropriate to catch up with the dollars that had previously been committed and in a more timely fashion. In 2006, assuming a 4% increase, the PFD is able to pay the full \$447,000 that was deferred to get the Future of Flight back on schedule so that at the end of 2026 they would receive the present value of \$3.6 million that had originally been allocated. Roger noted that this concept will be included in the 2006 budget. It does not quite reach the \$250,000 mark at the end of 2006 but gets quite close. He discussed an amortization schedule that embraces the Board's directive that deferred dollars be paid to the Future of Flight as they're available. The dollars will be available in 2006. He recommended that the Board embrace an amortization schedule so everyone knows what to expect in the future, assuming revenues continue at a level that is predictable. The advantage to doing this is that it allows the airport to begin planning in terms of what revenues it will receive and it also allows the PFD to discuss how to deal with other available dollars.

Roger noted that there are two issues that need to be addressed: 1) whether or not the Board wants to proceed with getting the deferred dollars; and 2) whether or not the Board wants to adopt the amortization schedule.

Travis noted that according to the amortization schedule and growth assumptions, the PFD is meeting all commitments, caught up with the first part of Future of Flight, starting to pay something on the second part, and building a reserve. Ultimately the Board will have to make a determination about whether the reserve accumulates or if there are some uses for the dollars.

A motion was made to allocate \$649,450 for the Future of Flight for 2006. Under this schedule it would leave the PFD with a targeted reserve of almost \$240,000. The motion was seconded. Board vote: 3 in favor, 1 abstention.

A motion was made for adoption of the amortization schedule. The motion was seconded. Board vote: 3 in favor, 1 abstention.

***2006 Proposed Budget*** – Cristy provided an explanation of the development of the 2006 proposed budget. The 4% projection module was used and sales tax revenue was estimated to be \$1.7 million. The expenditures for each of the projects are from the original projections, with the exception of the Future of Flight. An ending fund balance of \$239,000 is estimated by year end.

A motion was made to approve the 2006 proposed budget. The motion was seconded. Board vote: 4 in favor.

**Public Comment** – Dave Waggoner asked if there will be a significant impact with highway construction since sales tax is paid on public projects. Roger will research this issue and provide an answer at the next meeting.

Roger reported that he is working with the Executive Office on filling the Board vacancy. The reappointments for existing Board members have been completed.

Roger explained that Travel Reimbursement forms were not available at the meeting. He asked the Board to approve that he completes the forms for the Board Members. A motion was made to allow Roger to do so. The motion was seconded. Board vote: 4 in favor.

**Next Meeting:** The next meeting will be held on April 20<sup>th</sup> at 3:00 p.m. in the County's Administration East Building, 6<sup>th</sup> floor conference room number A04.

**Meeting Adjourned:** The meeting was adjourned at 5:07 p.m.

