
SNOHOMISH COUNTY PUBLIC FACILITIES DISTRICT
PUBLIC FACILITY DISTRICT MEETING MINUTES
LYNNWOOD PUBLIC FACILITY BOARDROOM
OCTOBER 21, 2004
3:00 P.M.

Board:

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

Interested Parties:

Bill Lewallen, Paine Field
Andrew Rardin, Paine Field
Fred Safstrom, Everett PFD
Barry Smith, Museum of Flight
Dave Waggoner, Paine Field
Grant Dull, Lynnwood
Kjris Lund, Edmonds PFD
Dan Rhakonen, Boeing
Richard Beckerman, Museum of Flight
Dan Verconin, Boeing
Millie Jordan Hecklund, NFIC
Dan Verconin, Boeing

Staff:

Doug Ferguson, Anderson Hunter
Sherri Kelley, Planning
Karen Murphy, Finance
Roger Neumaier, Finance

Call to Order: Travis Snider, President, called the meeting to order at 3:00 P.M.

Mike Echelbarger, the Lynnwood Board Chairman extended a warm welcome at the Lynnwood facility and thanked the Board for their support. Roger Neumaier introduced Sherri Kelley, from the Planning Department, who is the new support staff for the Board.

Edmonds Project Update

Kjris Lund reported the Edmonds Center for the Arts is already operating, presenting arts programming for the community with local and regional arts organizations. The gymnasium is generating revenue with use by sports leagues and schools. Construction permits are under consideration at this time with City of Edmonds. This time is being utilized to consider additions and to review plan changes for the facility: such as audio equipment for filming, improved stage lighting, and back of house improvements. A list of requests for facility changes from Edmonds Community College particularly audio equipment is under consideration. Kjris stated they are in negotiations with the College to take over as operators of the facility. These technical upgrades and review of ticket sales and box office operation have us seeking additional funding sources.

Negotiations continue with Sellon Construction, a year has passed since they bid the Edmonds Center. We are in the bid review process now due to the escalating cost increases with: steel, concrete and lumber. We are inflating our construction dollars anticipating some of these changes but also negotiating with Sellon. Work continues with the Edmonds City Finance office to obtain a financing guarantee so we can go to construction sooner.

Kjris distributed the Annual Report and stated Edmonds project is only partially funded with PFD funds, this project has multi-year pledges and will not have cash in hand. The Capital Campaign had been charged with raising 6.5 million dollars for this project. As of the end of September the Capital Campaign raised 3.4 million dollars in gifts and pledges. Kjris stated they are working with Edmonds Community College for a million dollars of state funds which requires local matching funds. The region-wide campaign also seeks funds from businesses, foundations, and government. Wells Fargo announced a gift of \$25,000 to honor a retiree. The kick-off for a public portion of campaign, plus more visibility in the community, and sale of naming rights to seats or box seats is expected to raise \$700,000.

An issue for the Edmonds Center facility and part of their public campaign is work on GPS mapping, to notify the public where the Edmonds Center for the Arts is located. Travis stated Grant Dull was contacting other Public Facility Districts to coordinate on the mapping issue. Kjris Lund said ads were placed in December in Seattle's Encore Magazine so that the audience can get familiar with who we are.

Kjris is putting together a business plan to brief the Edmonds City Council, which is critical. They are hoping for action by the Council in January and then go to the market to sell bonds. Hopefully start construction in March or May depending on bookings and projection. The Center for the Arts is looking at a potential opening date of January, 2006, and soft opening in December, 2005.

Everett Project Update

Fred Safstrom announced the Everett Events Center has been operating for just over a year, it has been very successful and people are discovering Everett. Rod Stewart Concert drew people from a wide area throughout the Puget Sound, and eastern Washington. The Circus was very successful with 40,000 attendees having a great time. Monsters Inc. /Disney on Ice are scheduled for November – ticket sales are tracking well above sales a year ago, which was a record for this area. These shows indicate we have an extremely strong family market here and will consistently be able to attract the best family entertainment in the world to Everett, such as Wiggles from Australia.

Concert booking is our biggest challenge, the Scorpions perform tonight—ticket sales are exceeding expectations. Bette Midler will be here December 7, that's obviously a top name act. What this shows is that Everett and Snohomish County is a separate market from Seattle.

The Silver Tip's season is off and running and will soon have company. We expect to have a License Agreement with the Everett Hawks and are in final stages of negotiations. Arena football has been around for a long time and NIFL is well established and is a great fit. The season begins in March or April with no hockey conflict. They have seven home games in 17 - 18 weeks. We have targeted

football as the second team sport because it complements the Hockey schedule, whereas a basketball would conflict with the Silvertips season.

The Conference Center is attracting more corporate users: Boeing, Microsoft, Apple, and we almost landed the 2005 Watchtower Convention. We worked very hard with the City of Everett; however, the decision not to utilize our facility was based on our inability to provide free parking.

The Ice rink is getting high use from skaters seven days a week. The facility has awarded a bid to upgrade heating and air condition units. It is unique upgrading a year-old facility but grant money not available for new construction but we can do a retrofit. We applied for a Puget Sound Energy 50% Grant which will result in a significant savings. Perhaps, you saw The Everett Herald article regarding a \$100,000 "duct dilemma", a construction engineer found a \$10,000 solution.

We still have a Capital Reserve Fund and are also upgrading our building security. We have a healthy contingency construction fund and are comfortable with operational costs. We are going to spend some of the contingency fund to upgrade for card key access.

Fred stated they have not sold the naming rights to the facility. The Everett Events Center has a national reputation and has been rated as one of the top five venues for its size by Pulsar Magazine. Sponsorship and premium seating for limited seating was slow at the beginning and we have taken marketing control in-house.

Finances: for the first 11 months, before depreciation we have realized a total surplus of \$570,769.00. With the activity we have booked to until year end, we anticipate our initial fiscal period (15 months) will end with more than a million dollars in surplus. Our budgeted expectation was \$1.8 million but a million bucks is very good. We projected to prepay our debt of \$1.8 million will probably pay less than one million and are budgeting for it now. Interest cost is 1% compared to 3.8 % in the model, so there are positives and negatives.

We have negotiated, complex contracts for hockey and construction. Revenues for events were on target with the exception of concerts, the most significant revenue source. We feel good about year coming up!

Paine Field/Museum of Flight Project Update

Bill Lewallen shared the model of the National Flight Interpretive Center site layout that incorporates the Aviation Museum, Conference Center, the Boeing Tour Center, and the Hilton Garden Hotel.

Andrew Rardin reported the permit process with Snohomish County went smoothly and they also secured a Mukilteo right-of-way permit. Howard S. Wright was selected from seven bidders by the County Council last month. The bids were lower than expected and a portion is being held for contingency. The Hilton Garden Inn signed a 40 year land lease with the Airport with multiple options, and they have secured an early grading permit. There are four substantial completion dates, with penalties for missed deadlines: the Gallery for Exhibits, the Lobby and Boeing Facilities, and meeting rooms.

Dan Verconin of Boeing stated they are really excited about the NFIC project and thanked the Board for its support. They are redesigning the tour center and upgrading the appearance and tying their content into some aspect of the Gallery and NFIC. Boeing is developing a "Factory of the Future in Everett" theme in conjunction with the opening of the NFIC. The paint will be refreshed on the buildings to match the 7E7. Mythology, a company Boeing has used before will establish a formal name, branding scheme/identity that is consistent with their objective and reaches the educational community. They are anxious to move into the launch phase.

Boeing plans to extend tour hours of operation to seven days a week and be open on traditional Boeing holidays. They will begin marketing the interpretation package, and partnering with the Museum of Flight, a great team should hit projected visitor targets in 2006! They will aggressively seek tours, develop a pricing strategy, add an observation deck, and launch a ceremonial delivery of first 7E7.

We have an Operator Agreement with the Museum of Flight and are thrilled with the quality of our partners. Richard Beckerman is here from the Museum of Flight. Designing exhibits showing representation visitor flow and classrooms, special events and tour groups. Aviation history pulls it all together threads through aviation innovation and technology.

Museum of Flight has an incredible collection of aircraft and tips their hat to history; their attendance in Seattle is up 40%. Their goal is to design interactive exhibits, a life size replica of a cockpit inside, and a computer design station.

Barry Smith, Executive Director of the project thanked the PFD Board for its consistent interest in this unique project and concepts of ideas. A \$250,000 challenge grant has been received from Oshkosh and the donor also committed to three hangers & six planes and endowment train young pilots, give vision to young people and inspire.

Melanie Jordan Heckland is providing the opportunity for naming rights. They will be available for the Gallery, café, observation deck and mini convention center in the form of a 747. This facility has global creating impact alliances with Boeing, tapping into the Asian market, hoping to share their name.

Lynnwood Project Update

The Executive Board Room is already being used. Computer hookups and drop hookups out of the ceiling run from a separate breakout room. The site is fifteen acres; the facility is capitalizing on the need for parking as it plays a critical role in the projects profitability.

The marketing challenge, where is Lynnwood? They are 60% complete – just about fully enclosed weather tight, the progress is dynamic. The project is currently on schedule and under budget, actually has 25% of our contingency which was 10%. The Board has hired SMG to manage the Convention Center; they manage multiple convention centers around the county. They hired Eddie Tadlock, as the General Manager of the building and Sharon Grosse for Sales & Marketing. Next month, they plan to hire a Director of Operations and an Executive Chef. Although they are not open for business until April; all staff, even the Chef will participate in marketing and event planning.

We are in the final stages of wrapping up our financing again with Allen Dachiens help determined that we needed to add some extra security and extra financing to their regional package. Mike Bailey sized the project based on anticipated borrowing ability at 30 million dollars. Since then, earned interest rate on PFD financing requiring high coverage ratio on bonds due to limited revenue streams, duration and type revenue.

Marketing has been encouraged by a multi-event problem in Seattle with parking and location. They are booking conventions into 2007; McGraw Hill, which works on scholastic publications, will have an event here in 2005, which will fill approximately 900 hotel rooms.

Public Comments: None.

New Business:

Minutes

The motion was made, seconded and unanimously passed to approve the minutes for the June 24, 2005 meeting.

Audit Update

Travis Snider reported that he, Karen and Roger had met with the Auditors to review the audit from July 1, 2001 through the end of December 2003. We have a clean bill of health and there are no issues with the PFD, only discussion items. Roger commented that the credit is due to people who preceded him, staff and that the Board is serious and covered a lot of opportunities for errors and should be proud of the report. The final documents will be sent out when they are available and discussed an upcoming meeting.

Voucher Approval. The payment of vouchers totaling \$296,114.98 for July through September, 2004 was unanimously approved by the PFD Board.

Financial Report. Karen Murphy reported on the Third Quarter Financial Report ending September 30th. We have collected 77% of our tax rebate dollars so far this year. Schedule II is the schedule of payments that we have made to the NFIC Project. It shows that we still owe \$359,706. It was discussed and agreed the amount due NFIC is a deferral of scheduled payment rather than the amount in arrears. Roger will come to next meeting with an explanation on the NFIC deferred payments and schedule that clarify this issues and a simplified presentation at the next meeting.

We want to propose introducing a minimum reserve amendment in the bylaws. Our suggested proposal to the Board is one year operating expenses. This amount would be the minimum dollars to keep the entity in operation. The Board will have to vote on the proposal. Roger stated it was an excellent idea, the bottom line on that is if we are short we have a protocol to approach and assures that we remain in a liquid position. On the other hand, it was suggested we do not have to lock in our reserve formula forever. We can change the reserve formula. The reason being if the cash is needed by a project now then what is the advantage of having it in our bank account. If all payments were on schedule we may choose we want to build up a larger reserve amount.

In the proposed budget for 2005, Roger clarified that the intent was to pay the scheduled dollars to all the projects and NFIC dollars as they are available. What ever is left over after the minimum reserve is paid to the NFIC up to the schedule. The minimum that we would have at any time would be next year's administration figure.

The budget approval was delayed until January 20, 2005. Discussion followed on voting on Schedule IV the proposed budget. It was moved and seconded to vote on the proposed budget. Decision of the Board resulted in two yes and two no votes. The issue was tabled until our next meeting.

Roger agreed to send the schedules and budget out in advance of the next meeting and discuss reserves and the needed level. Roger said he would update this exhibit and format with clearer document and information for review and tie down a new format.

Correspondence: None

Old Business: None.

Meeting Adjourned: Meeting adjourned at 6:09.

Next Meeting: January 20, 2004 will be our next quarterly meeting.

Follow-Up Items:

1. Doug Ferguson suggested a future discussion on distribution of excess revenue and establishing guidelines. The legislation may act on changes tax and re-allocation of funds. There may be additional ideas from stakeholders and from our four regional projects on distributing funds to be discussed at a future meeting.

A handwritten signature in blue ink, appearing to read "Tom Sander". The signature is written in a cursive style with a large, sweeping initial "T".