



Pike Place Market Preservation and Development Authority (PDA)

**FINANCE COMMITTEE
Meeting Minutes - DRAFT**

**Tuesday, February 21st 2012
4:00 p.m. to 5:30 p.m.
PDA Conference Room**

Committee Members Present: Matt Hanna, Bruce Lorig, Gloria Skouge, Ann Magnano, David Ghoddousi,

Other Council Members Present:

Staff Present: Ben Franz-Knight, Ryan Yale, Sabina Proto, Jay Schalow, Brad Reinke, Erica Bates, David Ott, Ryan Hostetler

Others Present: Rolf Trautmann, Steve Meyers

This meeting was called to order at 4:00pm by Matt Hanna, Chair

Others Present:

I. Administration

- A. Approval of Agenda
The agenda was approved by acclamation.
- B. Approval of December 13th, 2011 Minutes
Matt addressed the meeting minutes and noted that the resolution #11-100, which was discussed at the December 13th Minutes will now be handled through Asset Management committee
The minutes were approved by acclamation.
- C. Announcements and Community Comments
None

II. Discussion regarding different pension plan options for the PDA

RBC Wealth Management will present new options for the PDA pension plan. Rolf Trautman and Steve Meyers discussed options of the PDA Retirement Plan which included the current retirement plan, a profit sharing plan, and a deferred compensation plan.

A question and answer period followed.

Staff was directed to return to the committee with more analysis on their recommendations of the employee pension plan and budgetary impacts.

IV. Review of the Final Unaudited Statements for the year ending December 31, 2011

Sabina stated that Total Cash Increased by \$1.6 million during 2011 and Unrestricted Cash increased by \$501K. The Designated Cash increased by \$ 1.3 million, which was mainly driven by the amount the PDA contributed during the year to the CRRF and the amount we transferred out of the CRRF for the completed capital projects. She noted that during 2011, the PDA received funds from QB2 and placed them in the PDA Other Funds Reserve. In addition, the PDA was reimbursed by QB2 for costs incurred on behalf of QB2 before the closing date of the NMTC2 financing. Restricted cash decreased by \$166K. The decrease is caused by the payment of a portion of the Retainage to Turner Construction which corresponds to the Phase I of the Renovation. Sabina stated that the biggest increase is in the Fixed Assets, which relates to the levy projects as well as the budgeted Capital Projects. The Renovation Costs are distributed and are shown on the three entities, PDA, QALICB and QB2 books, which are detailed in the financial statements for Primary Government and Discrete Component Units. She noted that until now we have capitalized the Phase I and Phase II of the Renovation work and after capitalizing the improvements, we will start calculating the depreciation, and this is the reason that the Accumulated Depreciation increased by \$2.7 million during 2011. The Long Term Receivables increased by \$25 million which reflects the transactions for NMTC2 financing. Our Current Liabilities has a noticeable increase due to the adjustment of the Current Portion of the Long Term Debt. This increase reflects the US Bank Loan which is payable in 2012, and the higher principal payment on PC-1 Bond during 2012. PDA has made all the scheduled payments on loans, mortgage and bonds on the Long Term Debt. In addition, there is a new category in the Long Term Debt section, the Deferred Prepaid Master Lease which is related to the NMTC 2 Financing. She noted that the PDA closed the books for year 2011 with the increase of Net Assets by \$16,480,989, which is a combination of the Levy Funds received \$17.8 million, operating income of \$1.5 million and the impact of Depreciation of \$2.7 million.

PDA Operating Statement

2011 actual Revenues are under budget by \$35K

2011 actual Expenses under budget \$450K

Net Operating Result after debt service and designated reserve is over budget by \$416,552. This is the unallocated surplus, and its allocation will be decided and voted by this committee tonight.

Sabina reported that the Commercial Revenue is over budget by \$42K, which was a result of the renovation, vacancies because of construction, tenant relocation. However, the PDA managed to meet and exceed the budget, and had higher percent rent revenue than ever before. The Residential Rent is under budget by \$51K: we experienced difficulties in renting Sanitary Building; the scope of the Stewart House project was more extensive and longer then what we initially had anticipated.

Sabina discussed the QALICB and stated that based on the Operating Agreement between PDA and QALICB, the PDA will deposit the revenues collected from Fairley and Leland tenants. Also, the agreement states that PDA will be reimbursed from QALICB for a management fee, operating costs and the master lease. These payments are made based on the fixed schedules. She noted that the variance for 2011 is large, but the PDA is entitled to additional Management Fee.

She stated that Daystall ended the year with a good performance overall and was over budget by \$42K.

Sabina discussed parking and stated that both Surface Lots and the Garage had a great run during 2011. She noted that parking is over budget due to the stronger economy, automated equipment, stronger controls, and better management.

She noted that the Miscellaneous Revenue is over budget in categories of Management Fee, Filming and Trademarks.

Sabina addressed the PDA's expenses and stated that in most of the departments closed the year under budget. The Surface Lots were over budget due to the Management Fee paid to Republic Parking, which was higher than expected because of the increase of the Surface Lots Revenue. In addition, the total Payroll was under budget due to several staffing vacancies in multiple departments.

Sabina stated that the Capital Reserve contribution reserve will be submitted to Council and, if approved, the PDA will contribute \$1,179,679 to the CRRF. She added that the amount of projects completed (combination of projects approved before 2011 and projects approved for 2011) was \$1,010,628.

Sabina gave an overview of what was submitted in the packet, which included:

- Itemized Comparison of the Budget with the Actuals
- 5 year presentation of revenues and expenses
- 10 year presentation of the net operating results, debt payments, pension plan contributions and contributions to other reserves
- Balance Sheet of Primary Government and Discrete Component units
- 2011 Capital Projects Closeout report. The total amount of the capitalized projects is \$1,010,628, with a saving of \$151,972.

Sabina discussed the PDA's pension plan and stated that the contribution to in the Budget 2012 is related to the year end result for 2011. The 2012 budgeted amount of the contribution was \$263,000. She added that there are two parameters in calculation of the contribution to the Pension Plan, which cannot exceed the 25% of the Net Operating Surplus before capital and parking and it should be between 3% to 6% of the eligible payroll. She noted that the amount of \$263,000 meets both criteria.

III. Review of Financial Statements for January 2012

Sabina stated that it has been a busy year, but a positive year even with the heavy snowfall in mid-January that affected revenue. She gave an overview of the Financial Statements and discussed the packet distributed to the committee, which included;

Balance Sheet:

Page 1:

No major changes to be reported on the Balance Sheet.

Levy funds collected for January 2012 was \$1.7million, and the total Levy Funds collected so far is \$60.27 million.

Page 2:

Accounts Receivable Activity Report – account receivable decreased in December, and the delinquency rate is very low.

Page 3:

PDA Operating Statement:

Total Revenue for January is \$ 1,056,951 and \$9,000 over budget.

Total Operating Expense is \$ 791,509 or under budget by \$139,420.

Net Operating Result for January is \$265,442, which means \$148,420 over budget.

Net Result after Debt Service & Reserves: Annual Budget is \$742,335, and for January the actual amount is \$48,654.

Page 4:

Commercial Revenue is under budget. The impact of the Phase III Renovation is higher than expected, specifically for the Delaurenti's and other Soames-Dunn and Economy Market tenants. Percent Rent Revenue is higher than budgeted, which is a good start.

Residential Revenue is under budget because of the rent credits to tenants displaced in Stewart House. Also, we continue to have revenue loss due to the vacancy caused by the offline units.

Page 5:

Daystall Revenue: Due to the weather, daily craft was lower than expected; also the collection of permits is postponed to February and March.

Surface Revenue is under budget due to the snowy weather during January.

Garage Revenue is under budget due to the snowy weather during January.

Miscellaneous Revenue is over budget due to the collection of the payment from Chase Bank in "additional rent".

Page 6:

Operating Expenses are under budget almost in all departments. It's only the first month of the year; the reason for the variances is the trending and the timing of the invoices.

Page 7:

Percent Rent spreadsheet is over budget. However we'll be able to assess the impact of the snow in February, because the Percent Rent for January is collected in February

Page 8:

Capital Reserve Status Report represents the amount contributed to the reserve, and the amount spent year to date out of the capital reserve.

Page 9:

Status of the Capital Projects shows the status of the work performed and funds spent for the Capital Projects approved in the budget.

Staff was directed to break down cost allocations in order to be reviewed at next month's committee meeting.

III. Checking Account Activity Report

The Checking Account Activity Report was distributed to Ryan Yale, Executive Assistant

Other Reports and Action Items

- A. Action Item: **Proposed Resolution 12-12: Allocation of 2011 Year End Balance Pension Plan Contribution Calculation**
Matt presented the resolution, which stated that the PDA staff has carefully reviewed the 2011 year-end PDA un-audited operating statements and finds that there is a year-end net-result operating balance after debt service and reserves of \$ 1,596,231. In addition, the full PDA Council in their annual budget process had budgeted a surplus of \$1,179,679 to be contributed to PDA capital repair and replacement fund (CRRF), leaving an unallocated balance from 2011 operations of \$416,552. The PDA Finance Committee has considered PDA Council priorities and alternatives for use of additional year end monies available, and annually recommends to the full Council use of any such un-programmed operating balance.

David moved, Bruce seconded

An amendment to the resolution was made to show the following the following allocation;

\$ 399,552 to the Capital Repair and Replacement Fund (CRRF)

\$ 17,000 additional contribution to the Pension Plan

Approve: Matt Hanna, Bruce Lorig, Gloria Skouge, Ann Magnano, David Ghoddousi,
Against: 0
Abstain: 0

Resolution 12-12 passed unanimously

VII. Staff Reports

A. Metrics for Finance

Ben gave an overview of the Finance Committee's Metrics for Success, which will be submitted to Council on February 28th, 2012. He noted that the financial figures have already been reported on a monthly basis, but the new metrics will include an in depth analysis and reporting on revenue and expenses.

VI. Items for the Consent Agenda

Resolution 12-12 was moved to the Consent Agenda

VII. Public Comment

VIII. Concerns of Committee Members

Ann thanked Sabina and staff for their hard work during the past year and on the reporting of the financials.

Matt suggested that the pension plan discussion and review move forward over the next couple months in order to have the best possible plan available to the PDA staff.

IX. Adjournment

Meeting was adjourned at 5:30 p.m. by Matt Hanna, Chair.