



Pike Place Market Preservation and Development Authority (PDA)

FINANCE COMMITTEE
Meeting Minutes

Tuesday, April 17th 2012
4:30 p.m. to 6:00 p.m.
Atrium Conference Room

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

Other Council Members Present:

Staff Present: Ben Franz-Knight, Jay Schalow, Dianna Goodsell

Others Present: Mike Temple, Michael Kelly, Joan Paulson

This meeting was called to order at 4:32 by Matt Hanna, Chair

Others Present:

I. Administration

- A. Approval of Agenda
The agenda was approved by acclamation.
- B. Approval of March 20th, 2012 Minutes
The minutes were approved by acclamation.
- C. Announcements and Community Comments
None

II. Presentation of the Property and Liability Insurance Renewal from the representatives of Arthur Gallagher

Ben gave a brief introduction to Mike Temple and Michael Kelly of Arthur J. Gallagher & Company. He commended them on their hard work and stated it has been a pleasure working with them. Mike Temple also announced his plans for retirement at the end of the year.

Michael Kelly handed out the 2012 Insurance Proposal Executive summary. He said the improvements made in the last 3 years from the Renovation have helped with reducing general liabilities. The Insurance Proposal concluded:

- The property premium increased while the general liability decreased.
- The net increases in overall premiums were slightly up compared to 2011 with an actual increase of \$9072.
- There will continue to be turmoil in next year's Earthquake rates.

- D&O, Fidelity, and Fiduciary renewals are not included in this specific proposal as they renew August 1, 2011. Expiring premiums are \$10,690, \$921 and \$1259 respectively. They do not expect to see a variance.
- Total premiums and fees for 2012 should not exceed \$525,000

There was a discussion regarding increasing Earthquake Insurance Coverage. Bruce suggested in increasing the earthquake insurance coverage to 30 million. Mike Temple had said 25 million in Earthquake insurance coverage would be practical. Ann had commented she was not comfortable in rushing in the decision of increasing earthquake coverage amounts. She would like to have this issue discussed at Full Council.

There was also a discussion regarding Industry pricing standards for Liability Insurance. Matt suggested it would be ideal to have Mike and Michael provide additional background regarding their fee structures for the future. Mike and Michael stated they would initially like to collect their thoughts and return to the committee with a formal response.

A brief question and answer period followed

III. Review of Financial Statements for March 2012

A. PDA Operating Statements

Jay reported on the Operating Statements in place of Sabina's absence. He discussed the Balance Sheet and PDA Operating Statement that were reported at the April 17th, 2012 PDA Finance Committee Meeting and stated that: The Current Assets decreased mainly in the Unrestricted Cash category, which was higher at the end of February. The Current Assets also decreased in the Miscellaneous Receivable category due to the amount reimbursable from the City of Seattle which was lower in March compared to February. The Designated Cash decreased because of the withdraw from the PDA Other Funds Reserve for the work done on the Stewart House Building. The Restricted Cash increased due to the contribution to Turner Construction Retainage and Debt Service accounts. The Current Liabilities decreased mainly in the Other Liabilities category due to the payment of the Pension Plan amount approved by the Council for the year end 2011. The Long Term debt decreased due to the monthly payments on loans, mortgage and bonds. He added that our Net Operating Capital increased overall while our Current Operating Result increased from the prior month. The Levy Funds currently received is \$ 62.9 million, and the amount received in 2012 YTD is \$4.4 million. The Accounts Receivable Activity Report saw a slight increase in account receivables in March, because of the higher attendance of farmers and Daystall vendors.

Jay reported that the Total Revenue for the end of March 2012 was \$3,115,527, or over budget by \$53,559, while the Total Operating Expense was \$ 2,304,114 or under budget by \$208,696. The Net Operating for the end of March is \$811,413, which means \$262,255 over budget. The Net Result after Debt Service & Reserves Annual Budget is \$725,335 and the actual YTD is -\$122,147.

Jay presented the Revenue in the Operating Statement and stated that the Commercial Revenue is over budget by \$22,793 as result from the unanticipated impact of Phase III of Renovation. He added overall there was good performance of the Percent Rent. He stated the Residential Revenue is under budget because of the vacancies in the Stewart House Building. He reported that The Daystall and Surface Revenue is on track overall and the Garage Revenue is over budget which is better than expected. He added that the revenue for the North Arcade Lights Event will be flowing in April, but in the budget trending was planned for March. Other Miscellaneous Revenue is over budget due to a one time contribution from Chase Bank in the amount of \$150k. The amount recognized for the year 2012 is \$30K. He explained the amount was not budgeted because it was not known at the time of Budgeting.

Jay stated that the Operating Expenses are under budget in the majority of all the departments. He reported there have been some staffing vacancies, as well as the timing of invoices was different from the budget trending. He added that the Percent Rent spreadsheet presents the performance of the percent rent, concluding the performance is good in this category over budgeted by \$31k YTD.

The Capital Reserve Status Report represents the amount contributed to the reserve, and the amount spent year to date out of the capital reserve. Status of the Capital Projects shows the update of the work performed and the funds spent for the Capital Projects approved in the budget.

A question and answer period followed.

Ben briefly discussed about the parking garage agreement with the City. He said he is approaching an agreement by the state, which will be discussed in Asset Management and Finance committees correspondingly. He discussed the potential benefits from the agreement and informed the committee that he will soon have a preliminary estimate of hard costs.

B. Checking Account Accountability

The Checking Account Activity Report was distributed to Dianna Goodsell, Administrative Services Coordinator.

IV. Other Reports and Action Items

Action Item: Proposed Resolution 12-28: Insurance Renewal and Premium Payments

Jay introduced the resolution which proposes the PDA Finance Committee has been presented the renewal package for the 2012-2013 property and liability insurance coverage for both the Pike Place Market PDA, and the property managed by the PDA in the Market Historic District. It was requested that the PDA Council hereby authorizes the PDA Executive Director, or his designee, to approve policy terms and conditions and to pay the premiums and brokerage fees not to exceed **\$525,000** for the coverage period May 1, 2012 through April 30, 2013 and that the PDA Council hereby authorizes the continuation of the brokerage representation and services provided by Arthur J. Gallagher Risk Management Services, Inc.

David moved, Bruce seconded

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

Against: 0

Abstain: 0

Resolution 12-28 passes unanimously

V. Staff Reports

A. Discussion about changes on the investment portfolio of the PDA Retirement Plan

Ben briefly discussed his meeting last month with our broker. They reviewed the performance of the Investment Portfolio from the last year in reference to the PDA Retirement Plan. Ben noted there were conversations about looking for ways to improve the overall performance of the investment portfolio. The brokers had identified we are holding around 5% in cash in the portfolio, which in theory would help accommodate employees for future loans. The brokers thought the 5% held in cash was more than adequate. Matt said he was in favor in Investment allocation; he wanted to have consensus with the committee for authorization to have Ben talk with the advisors about other options for the future.

A discussion then followed.

VI. Items for the Consent Agenda

None

VII. Public Comment

None

VIII. Concerns of Committee Members

None

IX. Adjournment

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

Meeting minutes submitted by:
Dianna Goodsell, Administrative Services Coordinator