



Pike Place Market Preservation and Development Authority (PDA)

**FINANCE COMMITTEE
Meeting Minutes**

**Tuesday, June 19th 2012
4:30 p.m. to 6:00 p.m.
Atrium Conference Room**

Committee Members Present: Bruce Lorig, Gerry Kumata, David Ghoddousi, Gloria Skouge

Other Council Members Present:

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

Others Present:

This meeting was called to order at 4:31 by Matt Hanna, Chair

Others Present:

I. Administration

A. Approval of Agenda

The review of the PDA Financial Statements for May 2012, under Section III was stricken from the agenda.

The agenda, as amended, was approved by acclamation.

B. Approval of May 15th, 2012 Minutes

The minutes were approved by acclamation.

C. Announcements and Community Comments

None

II. Presentation of the 2011 Audited Financial Statements for the year ended 12/31/2011

There was a presentation of the 2011 Audited Financial Statements given by Ray Holmdahl from Peter Sullivan LLP. Ray had reviewed five areas of emphasis in the Audit Approach which included Revenue Recognition, Capitalization of Assets Purchased with Levy Funds, Related Parties, Presentation of New Market Tax Credit Payments and Compliance with Debt Covenants. He noted that they did not find any audit adjustments, which was a positive aspect of the audit. He added that if he had to point out one thing he would change, it would be about the depreciation policy for the organization. He thought the depreciation policy was a little arbitrary and recommending having something more precise/prorated for depreciation methods.

Matt commented on the trending under the operating revenue; he thought last year there was positive result from last year. Ben noted that the discrete component units, which was the revenue going to the QB2 was not included in that report. Sabina had explained the complexities.

Ray stated his appreciation for the PDA staff and their collaborative efforts in reference to the Audit process.

III. Review of Financial Statements for May 2012

A. PDA Operating Statements

Matt Hanna proposed moving this item to next month's Agenda due to limited amount of time; this item was stricken from the agenda.

IV. Checking Account Activity Report

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

V. Other Reports and Action Items

- A. Action Item:** Proposed Resolution **12-47:** Approval of the 2011 Audited Financial Statements
Sabina introduced the resolution which states that be it resolved that the PDA Council hereby approves the 2011 PDA financial statements, audited by Peterson Sullivan LLP, Certified Public Accountants, covering the period beginning January 1, 2011 through December 31, 2011.

Bruce Lorig motioned, Ann Magnano seconded
For: Ann Magnano, Bruce Lorig, Gloria Skouge, Gerry Kumata
Against: 0
Abstain: 0

Proposed Resolution 12-45 passed unanimously

- B. Action Item:** Proposed Resolution **12-48:** Management Fee Payable to Market Foundation for the Arcade Lights event

Ben introduced the resolution which proposed that it be requested that the PDA Council hereby approves to pay Market Foundation a Management Fee in the amount of \$12,733 for their services provided during the 2012 Arcade Lights event on April 20th, 2012. The calculation of the Management Fee is done based on the Management Agreement between PDA and Market Foundation for this event which states: For the services provided PDA will pay Market Foundation a Management Fee which will be calculated \$1 for each token collected by the vendors plus 20% of the total sales at the Exit Store, less applicable taxes.

Tokens from vendors 12,975	\$12,975
20% of Exit Store sales	\$ 298
Less taxes	<u>\$ (540)</u>
Total Due to Market Foundation	\$12,733

Gloria Skouge motioned, Bruce Lorig seconded
For: Ann Magnano, Bruce Lorig, Gloria Skouge, Gerry Kumata
Against: 0
Abstain: 0

Proposed Resolution 12-48 passed unanimously

VI. Staff Reports

- A. Budgetary Review of Proposed Spending Resolutions:**

Matt gave a brief introduction to the budgetary review and consideration from the Committee for Proposed Resolutions **12-44** and **12-45**.

- I. Budgetary Review of Proposed Resolution 12-44: Authorization for Contract Authority Soames Dunn Tenant Improvements**

Ann inquired about the Chocolate Factory and noted her concerns of their ability to thrive in the new reduced retail space.

John Turnbull noted that the Chocolate Factory space would be more efficient, including added air conditioning to allow the tenant to sell her products. He also noted that the tenant will be paying for her equipment upgrades.

Matt noted that the resolution states that the tenant would be reimbursed. He was concerned about the extent of the oversight by the tenant's contactor. He had asked about the timing regarding the rest of these pieces for the Soames Dunn reconfiguration.

John stated he is trying to have most of the projects completed by July. He also noted that the PDA will have full oversight of the contracting work for the Chocolate Factory since we have the permits.

Matt had also inquired about in what order and what extent do we go about addressing projects on the Pike Place Market- Other PDA Funds & Capital Projects Priority List.

II. Budgetary Review of Proposed Resolution **12-45**: Authorization for Contract Authority Designer for Atrium Kitchen

Bruce L stated that we needed to have a business plan developed before proceeding with the Demonstration Kitchen.

David stated that he was not in favor for the Demonstration Kitchen and questioned if it was the PDA's Mandate to run and operate the kitchen. He noted that there was a display kitchen that had failed in the past and that the startup costs were expensive for something risky.

Ann noted she was in favor for the Demonstration Kitchen and thinks the idea is a great opportunity for the Market and its community.

Gloria stated that she totally supports the idea of a Demonstration Kitchen. She noted that the kitchen would be a great tool for the Market.

Bruce B noted that he would like a Business plan for the Kitchen before proceeding with the idea.

B. Atrium Kitchen Discussion- Budget Review

John Turnbull briefly noted that we will not know how much the kitchen will actually cost until we know how much we can fit in it. He stated that there have been numerous requests to book the kitchen but there is no structure now, which makes it difficult to plan. He added that having a specific business model and plan is a priority which will be presented at the Full Council Meeting.

Ann Magnano wanted to reiterate her support for the Atrium Demonstration Kitchen.

Ben stated that there will be a thorough presentation of the Atrium Demonstration Kitchen at the Full Council that would include a business plan.

C. Discussion about approaches to the Budget

There was a preliminary discussion of the approaches to the Budget.

Sabina gave an overview of the current budget process of the PDA and stated that the budgeting process currently encompasses nine major steps which include:

1. Planning the Process - Executive Director talks to the Leadership and Finance Committee to plan the budgeting process and set timelines. All the budget schedule, worksheets and template get updated.
2. Communicating about the Process - The PDA will communicate with the managers, staff, community about the process, responsibilities and deadlines and invite everyone for their input.

3. Identify the objectives that align with the mission and strategic plan - Each committee will review strategic goals and identify priorities; staff will meet within departments to brainstorm for the goals and plan for the programs during the next year.
4. Information Gathering - Managers will draft programs and department budgets based on plans and assumptions. The Director of the department will review and approve the draft budgets.
5. Compilation and Revision - Finance staff compiles information to prepare and initial the organizational budget draft. Managers and Directors will review and revise the initial draft.
6. Review by Finance Committee and final recommendations - Finance committee meets to review the budget draft and assumptions and makes the final recommendations.
7. Council Final Approval - Budget proposal is presented for approval.
8. Implementation and Management - Each department will discuss the budget, program goals and timelines for the next year. Directors and Managers will review actual income and expense compared to the budget on a monthly basis.
9. Update and revise the budget - As there are changes during the year- depending on the significance of changes, the board may need to approve revisions

Sabina stated that we try to educate the public and staff about the budget. She noted that Payroll is the biggest expense; she does not expect staff FTE to go up. She also added when it comes to salary increases, the PDA participates in other networks and entities to help determine an appropriate base amount.

There was a discussion that followed.

Matt commented about spending a little more time on the methodology and inquired if there were any improvements we could make regarding the Budget process.

Bruce L noted that the process that Sabina described works fine, but is limited. He stated that the issue in his mind is that we need to go a level above and have cost center accounting. He added, for example, half of the revenue from the garage goes to the bonds, which will expire in 5 years; we should take our budgeting and strategy level higher. He concluded with the conversation of separation of responsibilities in departments and allocating time and costs.

Matt Hanna stated that he is looking for more detail of what is behind the line items and numbers and what informs the bidet process. He noted that we will come back to this issue at the next Finance Committee meeting in July.

VII. Items for the Consent Agenda

Resolutions 12-47 and 12-48 were moved to the Consent Agenda.

VIII. Concerns of Committee Members

Ann gave appreciation to Sabina and the Staff for the Audit results. She stated that it was a huge accomplishment.

IX. Public Comment

None

X. Adjournment

Meeting was adjourned at 6:03 p.m. by Matt Hanna, Chair.

Meeting minutes submitted by:
Dianna Goodsell, Administrative Services Coordinator