



Pike Place Market Preservation and Development Authority (PDA)

**FINANCE COMMITTEE
Meeting Minutes**

**Tuesday October 16th, 2012
3:00 p.m. to 6:00 p.m.
Atrium Conference Room**

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

Other Council Members Present: Betty Halfon

Staff Present: Ben Franz-Knight, Sabina Proto, Jay Schalow, John Turnbull, Erica Bates, John Macklin, Steve Nelson, Kelly Lindsay, Jennifer Maietta, Brady Morrison, Jeff Jarvis, Lillian Hochstein, Teri Wheeler, Dianna Goodsell

Others Present: Howard Aller, Haley Land, Ralph Brems, Chris Scott, Tom Graham, Helen Dalassis

The meeting was called to order at 3:03p.m. by Matt Hanna, Chair.

I. Administrative

- A. Approval of the Agenda
The agenda was approved by acclamation.
- B. Approval of the September 18th, 2012 Minutes
The minutes were approved by acclamation.
- C. Announcements and Community Comments
Haley Land commented on a possible idea for discussion regarding the creation of mentoring relationships by the Market with the Seattle Public Schools and the SPS District. He gave a brief summary of the letter which he submitted with the minutes. He highlighted two elements of the letter which included the opportunity to teach and discuss about how a person can pursue an alternative occupation and the opportunity in building relationships with the family of the students.

II. Review of the Financial Statements for September 2012

- A. PDA Operating Statements
Sabina Proto discussed the Balance Sheet and PDA Operating Statement ending for the Month of September. Under Current Assets there was minimal change on the Unrestricted Cash Balance. She reported the following: The Designated Cash decreased due to the fund transfers out of the Capital Reserves for the expenditures related to capital projects. The Current Liabilities decreased mainly in the Accounts Payable category. The Long Term Debt decreased due to the monthly payments on loans, mortgage and bonds. The Net Operating Capital had increased overall. Current Operating Result increased from the prior month and the Levy Funds received in total as of today is \$ 64.67 million; amount received in 2012 YTD is \$6.12 million.

Sabina Proto reported under the Accounts Receivable Activity Report, the accounts receivable increased in September in all categories. The Total Revenue for the end of September 2012 was \$10,767,528 or over budget by \$166,086. The Total Operating Expense was \$ 7,656,355 or under budget by \$ 322,175. The Net Result for the end of September was \$ 3,111,173 which was \$ 488, 261 over budget. The Net Result after Debt Service & Reserves: Annual Budget was \$877,141 and the actual YTD amount exceeds the budget by \$488,326.

Sabina Proto presented the Revenue in the Operating Statement and stated that the Commercial Revenue was over budget by \$ 59,279. She added overall there was good performance of the Percent Rent. She had noted that however, the Office Rent is under budget because of the unanticipated construction impacts of the Levy Phase III. She also noted that one of the ATM's is not operational and that the rent has not been collected for the year for the machine. The Residential Revenue variance was on track due to the vacancies decreasing. The Daystall Revenue had better sales in the Crafts area resulting in less days needed; under Farmers, there were some predominant farmers who had left in combination of a late start to the season. Lastly, the Surface and Miscellaneous Revenue were on track and the Garage Revenue was over budget by \$ 89, 000. She noted that we have been in participation with the AWW Parking Mitigation Program since July 1st, and per agreement with the City of Seattle, we received a \$14,000 fee which has been collected up to date.

Sabina Proto lastly reported that the Operating Expenses were over budget in some departments and under budget in others. She reported that we have had additional needs for temporary work in the Residential and Daysall department. She also added that here have been some staffing vacancies in Management as well as differences in the timing of the invoices from the budget trending. She noted that the Percent Rent spreadsheet presents the performance of the percent rent, concluding that the Percent Rent is over budget by \$73,000. She lasted reported that the Capital Reserve Status Report represents the amount contributed to the reserve, and the amount spent year to date out of the capital reserve.

III. Checking Account Activity Report

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

IV. Other Reports and Action Items

A. Budget Presentation

Ben Franz-Knight gave an introduction for the 2013 Budget Presentation including an overview of the budget process. He noted that he and the PDA staff were very excited to present the draft budget for 2013. He briefly reviewed the 2013 Budget Overview narrative, highlighting a few priorities for 2013 which included: continued development of concepts for PCI-North, investment in the Farm & Food programs, restructuring of the Daystall, Farm and Busker management efforts, management resources to support quality analysis and research of strategic issues and marketing programs designed to support key goals and deepen the connections between the Market and Seattle residents. He commented on the economic landscape for the upcoming year, noting projections for Washington State and the Seattle keeping ahead, especially in the housing market. He stated that Pike Place Market continues to be incredibly resilient, underlining the rebound of mercantile sales. He noted that one important area to track this year would be the projected hiring in downtown Seattle; it is important this year to foster the growth of the PDA employees.

There was a brief discussion that followed.

Bruce Lorig commented on his expectations of increased involvement between the PDA Staff and Council members in the budget process; he noted that given the limiting length of the meeting, there would not be sufficient time to complete this task. He added that as a business unit we need to dive deeper into strategy than we already do. He also commented on challenging all PDA departments; everyone and every department can do better. He lastly noted that the Council should become more involved in some of the strategies and having a higher level view of some of the Market operations for the future.

Matt Hanna followed up regarding Bruce Lorig's comment noting that it would be useful to educate the committee members with operations of the Market; he was concerned though of the possibility of micro-managing of the various PDA departments. He commented on the possibility of having some type of structured dialogue for the future regarding the budget process.

Gerry Kumata commented that he has mixed feelings about not having enough information to make decisions; it can be more daunting to the committee to get more involved though.

Sabina Proto stated that the budget has not been finalized yet. She noted that we will still have time until November; at the end of November the 2013 budget document will become public. She reviewed several of the budget figures and noted specific changes for next year. She stated that we have been very careful in increasing expenses for next year. She also noted that the cost of the operation of staffing is lean; there has only been one FTE added to the budget for 2013 and a budgeted increase of up to 4% for staff pay. She lasted noted that there will be redistribution of salaries in various departments.

The Pike Place Market PDA Directors and Managers individually gave an overview of their specific department's proposed budget for 2013. A summary of each department's budget overview is as follows:

John Turnbull gave an overview on the 2013 Budget for Commercial and Residential.

He noted that decreased rent concessions in Residential and Commercial are to be expected for next year. He mentioned that under Commercial, percent rent has continued to be very strong. He discussed the plans for auditing several of the commercial tenants who fall within specific criteria; the auditing process would help verify sales data and reporting. He also noted that we are trying to define all the sub-metering systems and our ability to track conservation measures.

Jennifer Maietta discussed the details of the future commercial sales audits, noting that previously the procedure was routinely completed in the Market.

Ben Franz-Knight commented on the issue of auditing some of the commercial tenants. He noted that the Pike Place Market PDA is routinely audited; it is our responsibility to ensure the accuracy and diligence with our revenue sources and reporting.

There was a brief question and answer period that followed

Matt Hanna inquired about the audit of the percent rent for commercial tenants and the anticipated process and criteria with the audits.

Jennifer Maietta gave clarification regarding the audit history and process for Commercial tenants. She noted that to her understanding the last audit was assessed 6 years ago; there had been a delay in auditing due to the renovation. She added that we typically look at high sales and specific indications with commercial tenants to warrant an audit. She explained that the audit is performed by an outside agency; part of the reporting can be beneficial to the commercial tenants and could identify their budgeting and operational issues.

Ben Franz-Knight noted that we are audited 6 times a year and have an obligation to ensure best practices with our commercial tenants, especially since they are the largest source of revenue for the Pike Place Market PDA.

Matt Hanna inquired about the Atrium Kitchen and the estimated rental figures in the 2013 budget.

John Turnbull noted that the rent estimate figures are based on comparable rents, feasibility study.

Gerry Kumata noted that there must be other expenses regarding labor for the Atrium Kitchen.

Sabina noted that we are going to use our own internal resources including marketing resources for Atrium Kitchen operations. She mentioned that the costs and expenses are reimbursable and can be broken down.

Bruce Lorig and Gerry Kumata noted the importance of having a breakdown of numbers for the costs and expenses for the Atrium Kitchen.

Ann Magnano entered in at 4:09pm

Kelly Lindsay gave an overview on the 2013 Budget for Daystall, Farm, Marketing and Communications.

Kelly Lindsay stated that overall we are proposing a revenue increase in the 2013 budget due to the increase in daystall revenues and permitting. She added that we are looking to add 20 more craftspeople and several more farmers to the Market next year. She stated that under daystall expenses, the most significant change is due to departmental restructuring. She briefly discussed about filming and licensing in the Market, noting that we are basing revenue predictions based on where we are this year. She stated that we would like to maximize our potential of trademark revenues and trademark royalties.

Ben Franz-Knight noted that we did have a lot of filming in the Market due to renovation. He noted that in the next few years we can expect increases in the amount of filming and increased revenues; he thinks that the Market and its tenants can benefit from appropriate filming in the Market.

Kelly Lindsay briefly discussed the Marketing and Communications Budget. She stated that we have taken a net decrease; this was done to ensure we were able to fund other Market events.

Bruce Lorig inquired about parking garage campaign efforts.

Kelly Lindsay noted that she is making a component in all of our marketing campaigns to have some integrated messaging on the parking garage.

Kelly Lindsay noted that under the Farm and Farmer's Market Budget, we've gone from 3 FTE'S allocated to 2 FTE's; one of new FTE's is for the Farm retention efforts. She also noted that we have one new line item in our seed program to help promote the diversification of the farmer's crops.

Steve Nelson, along with some of the department managers, presented an overview on the 2013 Budget for Parking, Facilities, Security, Maintenance, Capital Projects and Utilities.

Steve Nelson briefly discussed about the Parking Garage Budget. He noted that Republic Parking has done a good job in managing the parking lots and maximizing revenue. He noted that with the participation in the City's parking program this summer, we saw a spike in volumes due to the high season and reduced parking rates.

Steve Nelson discussed Facilities expenses noting that we anticipate less than a 3% increase in expenses. He added the most significant changes in the budget were due to the cost and use of paper supplies and uniform costs.

Steve Nelson reported that Security expenses should remain static. He briefly discussed about the departments performance and improvements.

Bruce Lorig inquired about the use of Seattle Police Department (SPD) for the Security department.

There was a brief discussion on the Market Foundation Budget. There were two significant changes in the budget which would first help bolster the resident advocate program and secondly add a volunteer program

Lillian Hochstein noted that we were allocated three volunteer positions through AmeriCorps Vista program. She added that the program has a potential for a three year budget cycle. The staffing positions are stipend through AmeriCorps; we would only spend \$10,000 to fund all the three positions.

Matt Hanna inquired to know some other areas where we can do more for the foundation. He noted that we have some limitations in helping the foundation directly, but we could provide indirect help. He would like Lillian to continue dialogue with Ben.

Sabina Proto presented an overview on the 2013 Budget for Insurance, Finance and Miscellaneous revenue and expenses.

Erica Bates gave a brief update on the Office Administration and Human Resources budget. She noted that there have not been many changes in the Office Administration and Human Resources budget. She did note that there has been a slight increase in cell phone expenses as well as postage, due to the increased phone usage and increased federal postage rates. She added that there has been an increase to the HR training budget as well; this will help improve employee retention and training.

Ann Magnano left at 5:59 pm

Bruce Lorig inquired about PCI-North figures for 2013 in the budget. It was noted that the PCI-North figures have not been included in the 2013 budget; incidentally there is a large amount carried in the reserves.

Matt Hanna gave thanks to Sabina Proto, Ben Franz-Knight, Staff and Directors for the 2013 Budget review.

Sabina Proto briefly reviewed the 2013 PDA Operating Budget by Revenue Source as an alternate version of the budget. She noted that the alternate version of the budget essentially includes the same figures from the original version of the budget but trended differently. She concluded that the Commercial department is the most profitable sector while Residential is also becoming more profitable. Sabina discussed the next steps for the 2013 Budget process. She noted that the next budget meeting will be a public community meeting on November 7th followed by the regular Finance Committee meeting on November 20th. She added that the meetings will be an opportunity for public, staff and Council discussion and feedback. She lastly noted that at the Full Council meeting on November 29th, the PDA Council will review the Finance & Asset Management Committee recommendations and adopt the 2013 Final Budget

V. Items for Consent Agenda

None

VI. Public Comment

Haley Land inquired about the status on the improvement of safety outside the Market slabs. Ben Franz-Knight noted options are being looked at to address the issue of safety outside the slabs.

Joan Paulson from the Constituency commented on the status of the mold issue with the Constituency office and windows, and whether it will be addressed in the budget for 2013. She had also commented on increased marketing efforts in the Market for merchants who operate at night. She noted roughly 15-20 percent of the Market business community is not getting the benefits for PR; she stated she has brought up this comment for the last three years to the PDA Council.

VII. Concerns of Committee Members

None

VIII. Adjournment

The meeting was adjourned at 6:14 p.m. by Matt Hanna

Meeting minutes submitted by:

Dianna Goodsell, Administrative Services Coordinator