Pike Place Market Preservation and Development Authority (PDA)

FINANCE COMMITTEE
Meeting Minutes

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

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

Other Council Members Present:

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

Others Present: Joan Paulson, Howard Aller, Dave Martin

The meeting was called to order at 4:30 p.m. by Matt Hanna, Chair.

I. Administrative

A. Approval of Agenda
The agenda was approved by acclamation.

B. Approval of June 19th, 2012 Minutes
The minutes were approved by acclamation.

II. Announcements and Community Comments

None

III. Review of the Financial Statements for June 2012

A. PDA Operating Statements
Sabina Proto discussed the Balance Sheet and PDA Operating Statement ending for the Month of June. She had stated that in reference to our Current Assets, the start of the busy season for the Market means more cash coming in. She reported the following: The Designated Cash increased because of the monthly contribution for $61,860/month to the CRRF. The Restricted Cash decreased due to the payment of the semiannual portion of the interest to the PC-1 Bondholders. Our Current Liabilities increased mainly in the Accounts Payable category; the payment of the PC-1 interest is reflected in this category. Our Long Term Debt decreased due to the monthly payments on loans, mortgage and bonds. Our Net Operating Capital had increased overall. To continue, our 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. Lastly, in the Accounts Receivable Activity Report reported accounts received increased during June due to higher attendance in Daystall.

Sabina Proto reported that the Total Revenue for the end of June 2012 was $ 6,704,287, or over budget by $ 143,586, while the Total Operating Expense was $ 5,515,234 or under budget by $136,046. The Net Result after Debt Service & Reserves Annual Budget is $725,335 and the actual YTD amount exceeds the budget by $279,640.

Sabina Proto presented the Revenue in the Operating Statement and stated that the Commercial Revenue is over budget by $ 67,385. 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 in not operational and that no rent has been collected for this year for the machine. She continued to report that Residential Revenue is under budget because of the vacancies in the Stewart House Building. She further explained it was taking longer to fill the vacant units; Stewart and Sanitary Buildings due to the construction during the first few months of the year and the difficulties in renting all the units. In continuation of the Revenue reports, The Daystall Revenue is on track overall while the Surface Revenue is under Budget; which is possibly due to trending. The Garage Revenue is over budget by $ 69,000 which is better than expected. 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. She explained the amount was not budgeted because it was not known at the time of Budgeting.

Sabina Proto stated that the Operating Expenses are on track in some departments and under budget in others. She reported there have been some staffing vacancies, as well as the timing of invoices was different from the budget trending. She added that Daystall Expenses are over budget due to the Arcade Lights Event and that the variance is covered by the overage in the revenue. She noted that the Percent Rent spreadsheet presents the performance of the percent rent, concluding that the Percent Rent is over budget by $70,000.
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.

B. Summary of Revisions to the Budget 2012
Ben Franz-Knight gave a quick overview of the revisions to the 2012 Budget. He noted that there are not material changes but important shifts we need to address in the budget and planning. He added that the advantages of doing reviewing and revising the budget now will give us an indicator for next year. He made a cautionary note stating that our arrival of summer has been a slower than usual, indicating that we need to be more conservative. Below are the comments from the 2012 Budget Revisions reported by their respective categories:

<u>Commercial Revenue increased by $37,200</u>:
Percent Rent increased by $125,000 based on the actual performance during the first half of the year and anticipation for the upcoming months.
Base Rent (retail and office) reduced by $74,000. We are experiencing delay in leasing up spaces from the renovation. Also, one of the ATMs is not operating, and there hasn't been any rent coming in from it for several months.
CAUT and COMA reduced by $13,800 to reflect the adjustments made on the base rent-retail.

<u>Residential Revenue decreased by $75,000:</u>
To adjust for the vacancies and credit rents in Stewart House during the first quarter of 2012. Also, the vacancy factor has been revised to reflect the actual renting status on the other buildings.

<u>Daystall Revenue increased by $40,000:</u>
To reflect the actual revenue from the Arcade Lights event in April, and the new projection for the October event.

<u>Garage Parking Revenue increased by $63,190 (net of taxes)</u>
This revision is based on the actual performance of the Garage during the first half of the year.

<u>Miscellaneous Revenue increased by $30,000:</u>
To reflect the additional revenue from Chase Bank which was not included when the Budget was approved in November of the last year.

<u>Commercial Expenses increased by $20,000:</u>
Bad Debt is considerably higher this year compared to the prior years' trends.

Daystall Expenses increased by $40,000:
To account additional spending for the Arcade Lights event.

Utilities decrease by $25,000:
Adjustment is based on the actual spending for the Pest Control.

Facilities increased by $20,000:
To account for additional spending in cleaning supplies and higher paper-consumption in the new restrooms.

Security increased by $23,700:
An extra security officer has been hired recently to handle additional needs.

Management increased by $24,934:
A portion of the renovation department payroll is being transferred to the Management budget.

Human resources increased by $10,000 due to the adjustment for the
To adjust for the additional Legal expenses during the Union Contract negotiation.

To summarize, Revenue increased by $ 95,390, Expenses increased by $113,634 and the Net Impact: Reduction of the operating surplus by ($ 18,244). Ben stated that this approach to the mid-section budget is very consistent to the budget approach for the year.

There was a brief question and answer period

David Ghoddousi had inquired about Security staffing and noted a specific occurrence from several Sunday's ago. He stated that in the specific occurrence, there were only three security guards on shift. Ben Franz-Knight noted he would look into the incident further, providing David could narrow the timeframe of the incident.

Ann Magnano questioned about the Marketing budget from last year with comparison to this year; the budget last year was around $500,000, and this year it is near$ 600,000. It was reported that the $50,000 for the farm season marketing transferred from the Daystall budget to the Marketing budget, thus the fluctuation.

Matt Hanna commented on the elaboration of specific content from the budget revisions discussion. He inquired about the increase of the Facilities budget, Bad Debt and Residential Revenue. He noted that we have assigned ourselves to a higher vacancy rate in which he does not think it is appropriate; we should be doing everything we can to have minimal vacancies.

Ben Franz-Knight commented on the Facilities and Security budget. He had stated that this spring we saw an increase in drug related activity in the restrooms. He added that we had brought in two female staffs to monitor the new restrooms; since then we have been able to decrease the drug activity occurrences in those restrooms. In reference to the increase in the facilities budget, with the added restrooms there are increased costs for supplies and cleaning.

Matt Hanna requested to have Bad Debt be a budgeted item. He lastly noted that we have to be careful in resetting the budgets. He would like to keep a close eye on the Residential Revenue and Bad Debt.

Sabina Proto reported that we hadn't budgeted for this high amount of Bad Debt.

Gerry Kumata inquired to know how changes in the Budget reflect from the Market. He had noted that we have never had to write-off bad debt; maybe this is a trend we can anticipate for the future.

Ann Magnano commented that Sabina did a good job showing the variances each month with the Budget. She added that she does not see a purpose in having a resolution for this issue. She lastly noted that it is good to be aware of the budget and having this discussion; overall it was a good exercise.

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 **12-59:** Amendment to the Adoption of the 2012 Operating Budget

Ben introduced the resolution which states that the Pike Place Market Preservation and Development Authority (PPMPDA) Council, on November 17th, 2011, adopted the 2012 PDA Operating and Capital Projects Budgets via Resolution 11-93. The PPMPDA Council has been monitoring the PDA Operating and Capital Projects Budgets through 2012, has noted certain economic and transactional impacts to the original budget. The PPMPDA Council has reviewed and discussed those impacts and wishes to make revisions to the 2012 PDA budgets as proposed by the PDA staff. Let it be resolved that the PPMPDA Council does hereby adopt the amended 2012 PDA Operating Budget as attached here to.

Bruce Lorig moved, Gloria Skouge Seconded
For: Bruce Lorig, Gerry Kumata, Gloria Skouge, David Ghoddousi,
Against Ann Magnano
Abstain: 0

Resolution 12-59 passes with a vote of 4-1-0

B. **Action Item:** Proposed Resolution **12-58:** Upgrade to MS Office 2012

Sabina Proto introduced the resolution which states that the PDA Council hereby approves the payment of $28,944.24 for the upgrade of all PDA systems to MS Office 2010. Total Cost of the upgrade including tax is $28,944.24

Bruce Lorig moved, Gerry Kumata Seconded

For: Ann Magnano, Bruce Lorig, Gerry Kumata, Gloria Skouge, David Ghoddousi,
Against 0
Abstain: 0

Matt Hanna was curious to know if the specific resolution had impacted the budget this year.

Sabina Proto informed the Committee that the resolution item was budgeted. Sabina added that there will be 45 licenses in which 10 of them would be professional versions.

Resolution 12-58 passes unanimously

VI. Staff Reports

A. Budgetary Review of Proposed Spending Resolutions
None

B. Continue Discussion about approaches to the Budget
Ben Franz-Knight and Sabina Proto continued the discussion about the approaches to the budget. Sabina stated that the way the PDA functions is not easy to allocate individual expenses. She has noted that the most profitable sector in the Market is Commercial, Residential and Parking. She lastly noted that the Farm Program and Social Services has expenses, which has been subsidized.

There was a brief discussion that followed

VII. Items for the Consent Agenda

Proposed Resolutions 12-58 and 12-59 were moved to the Consent Agenda.

VIII. Public Comment

Joan Paulson had commented that the Constituency meeting room office has been subjected to water damage. She was inquiring about the status of the work completed to repair the damages, including the roof work.

IX. Concerns of Committee Members

Bruce Lorig commented on the Security budget and expenses. He stated that we spend over a million dollars in that department, which is a lot of money. He was curious to know if we can we reduce the current budget with newer technology. He added that it may be a useful exercise to hire a security consultant. David Ghoddousi agreed with Bruce's comment.

Ben Franz-Knight noted that we have done some security program comparisons that we could share next month with the committee.

Matt Hanna added if it is possible to expand the security programs comparisons with including local college campuses. He also had noted that it may be a good idea to look at financing options for PC1N.

X. Adjournment

The meeting was adjourned at 6:07 p.m. by Matt Hanna, Chair

Meeting minutes submitted by:
Dianna Goodsell, Administrative Services Coordinator