Pike Place Market Preservation and Development Authority (PDA)

FINANCE & ASSET MANAGEMENT
Draft Meeting Minutes

Tuesday, February 15, 2011
4:30 p.m. to 6:00 p.m.
PDA Conference Room

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

Other Council Members Present:

Staff Present: Ben Franz-Knight, Ryan Yale, Steve Nelson, Sabina Proto, Jay

This meeting was called to order at 4:30 p.m. by Bruce Lorig, Vice Chair.

Others Present:

I. Administration

A. The agenda was approved by acclamation.

B. Approval of January , 2010 Minutes
The Minutes were approved by acclamation.

C. Announcements and Community Comments
None.

II Review of the Final Unaudited Financials for the year ended December 31, 2010

Sabina reported; Year 2010 has been a very busy year, but overall a good year.
The year end operating surplus in the Balance Sheet is $953K.
There is a small modification on the presentation of the Balance Sheet, the Restricted Cash and Designated Cash will be presented in separate categories instead of being included in the Current Assets.
Total Cash Increased by $183K during 2010
Unrestricted Cash increased by $325K
Designated Cash decreased by $182K (this is driven by how much we contribute during the year to the CRRF, and how much we transfer out of the CRRF for the completed capital projects).

Restricted cash increase by $40K. One of the accounts in this category is the Net Equity portion of the NMTC1. We have spent $1,022K for the non-levy projects for phase 1. The handout explains how much we have spent as of 12/31/2010 and the projects where this money was spent.

The biggest increase is in the fixed assets, around $25 million, which relates to the levy funds that we have received from City of Seattle, as well as the spending from our Capital Reserves (pda and garage)
We have capitalized the Phase I work. The total cost of phase 1 is around $28 million; 15 million is shown on the PDA books, and 13 million is on the QALICB Books. You can look at the Balance Sheet of the Primary Government with the discrete component units.

No change on the Long Term Receivable

Increase on the Other Assets due to the accrual of the Interest Receivable on the Financing Lease.

Decrease in the Current Liabilities. Most of it due to the reduction of the Accounts Payable (the unpaid Levy Invoice at the end of 2009 totaled a higher amount than the unpaid levy invoices for the end of 2010)

Long term debt reduced due to the payments made during 2010 on the Bonds, Mortgages and Loans.

<u>Net Asset Section:</u>
We closed the books for year 2010 with an operating surplus of $953K.

<u>Expenses:</u>
The main area under budget was the Payroll: staffing vacancies across the board; one month saving for the entire staff on the Medical Insurance.
However we had other areas over budget:
Utilities over budget due to the new equipments and new billing system; extra hours spent from our security officers due to the additional assignments on the Levy Projects;
Consulting due to the search of the new ED and New Markets Tax Credit 2

Capital Reserve contribution reserve:

Council approved to contribute $1,005K to the CRRF.
The $ amount of projects completed (combination of projects approved before 2010 and projects approved for 2010) was $1,241K. It was budgeted that we have to spent $93K additional funds from CRRF to pay for the Capital Projects; we ended up using $236K, which is $142K more.

LB project still is in progress.

Attached is the detail comparison of budget with actuals

The other report is a 5 year presentation of revenues and expenses.
Next are the Balance Sheet of Primary Government and Discrete Component units.
We just completed the LaSalle Senior Housing LLC, and for Las LLC these are the audited figures.

Next report is the 2010 Capital Projects Closeout report. The total amount of the capitalized projects is $1,241,411.
Total budgeted amount corresponding to these projects is $1,620,660, which means that the saving for the completed projects is $379,249.

Pension allocation reconciliation.
The contribution to Pension Plan in the Budget 2011 is related to the year end result for 2010. The 2011 budgeted amount of the contribution was $233,000

There are two parameters in calculation of the contribution to the Pension Plan:
Not to exceed the 25% of the Net Operating Surplus before capital and parking, and
It should fall between 3% to 6% of the eligible payroll.

When the Budget 2011 was approved, one item on the resolution was left open, Pension Plan contribution. Now that we have closed the year, we can confirm that the amount we planned initially to contribute to the Pension Plan. $233K falls well within those parameters.
Also, we are proposing to increase the contribution by $11K.

The proposal is stated on the Resolution about the Surplus Allocation.

C. Capital Projects Closeout
1. Discussion: Estimating and Bidding Procedure
Steve reported on the current bidding procedure and the PDA's policy of obtaining bids. Steve added that this process can change based on the economical health of Seattle and gave an example that the bids obtained over the last couple years came in very low due to the contractors need for work. He also gave a brief description of how the PDA bids on the capital assessments and that these are planned for beginning in January.

III. Review of Financial Statements for January 31, 2011

Sabina continued her report and overview of the Financial Statements.
Revenues over budget $515K
Expenses under budget $126K

Net Operating Result after debt service and designated reserve is over budget by 643,448. This is the unallocated surplus, which we are proposing to allocate: 11K to Pension Plan, $252,979 to MOR, and $379,469 to CRRF.

Commercial Revenue over budget by 731K; $559 is due to Percent Rent, and the other portion is in Base Rent (vacancy lower from budget), and CAUT and COMA are reflection of Base Rent.

Residential Rent under budget by $229K: early vacating the Sanitary Bldg, Livingston Baker –high vacancy during the first half of the year, reduce some of the rents in order to occupy the vacant units), Pine Residential bed bug infestation, evictions and 6 deaths.

QALICB- Based on the Operating Agreement between PDA and QALICB, PDA must deposit to QALICB all the revenues collected from Fairley and Leland tenants. Also, the agreement states that PDA will be reimbursed from QALICB for Mng Fee, Operating Costs and Master Lease. These payments are made based on the fixed schedules. The variance for 2010 is large, but PDA is entitled for additional Management Fee. The QALICB board should approve the additional allocation for Management Fee. We will propose a resolution to the QALICB Board in their earlier meeting.

Daystall- good performance overall

Parking:
Surface Lots were outsourced to Republic Parking management. The year started shaky, but we noticed improvement during the second part of the year.

Garage under went the full automation in the second quarter. During the second half of the year we noticed constant increase in the garage's revenues.

Miscellaneous Revenue - over budget in categories of Management Fee, Investment Income, Credit on the Liability portion of the Insurance, Filming and Trademarks.

IV. Checking Account Activity Report

V. Other Reports and Action Items

A. **Action Item**: Proposed Resolution 11-10: Allocation of 2010 Year End Balance.

Sabina presented the resolution and stated that the PDA staff has carefully reviewed the 2010 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 $1,648,466. In addition, the full PDA Council in their annual budget process had budgeted a surplus of $1,005,017 to be contributed to PDA capital repair and replacement fund (CRRF), leaving unallocated balance from 2010 operations of $643, 448. Furthermore, the PDA Finance & Asset management 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. The resolution is that the PPMPDA Council allocates the remaining year-end operating balance as follows:

$ 252,979 to the PDA Minimum Operating Reserve (MOR)
$ 379,469 to the Capital Repair and Replacement Fund (CRRF)
$ 11,000 additional contribution to the Pension Plan

Matt felt it was justified to maximize the contribution to the Pension Plan.

Ann stated she thought we should contribute as much as possible to the Capital Repair fund in order to not run into the same problems of repair and replacement that the PDA is addressing now. She added that because the PDA's pension plan is currently within the acceptable range of 3-6% (5.1%) that we should allocate as much funds to the CRRF and focus on correcting the lack of repair and replacement the PDA has faced in the past

Ben added that the Minimum Operating Reserve and explained the rationale of allocating funds. Ben raised the question on balancing the surplus and explained that the current resolution is based on what has occurred in the past and how we should proceed.

David stated he had no reservations about increasing the contribution to the Pension Plan to $30,000.

Matt motioned to amend the resolution to increase the contribution to the pension plan to $30,000 and to decrease the contribution to the Minimum Operating Reserve.

Matt Hanna moved and David Ghoddousi seconded.
For: Matt Hanna, Bruce Lorig, David Ghoddousi, Gloria Skouge
Against: Ann, Gerry
Abstain:

Resolution **11-10** was passed 5-2.

VII. Items for the Consent Agenda

Matt moved that Proposed Resolution 11-10 be added to the Consent Agenda.

It was passed by acclamation.

VIII. Public Comment
Recommended

IX. Concerns of Committee Members
None.

X. Adjournment
Meeting was adjourned at 5:57 p.m. by Matt Hanna, Chair.

Meeting minutes submitted by:
Ryan Yale, Executive Assistant