



Pike Place Market Preservation and Development Authority (PDA)

**FINANCE COMMITTEE
Meeting Minutes**

**Tuesday October 15th, 2013
3:00 p.m. to 6:00 p.m.
Goodwin Library**

Committee Members Present: Jim Savitt, Gloria Skouge

Other Council Members Present: Betty Halfon

Staff Present: Ben Franz-Knight, Sabina Proto, Jay Schalow, Teri Wheeler, Lillian Hochstein, Elsie Jansen, Randy Stegmeier, Erica Bates, Steve Nelson, Jeff Jarvis, Brad Reinke, John Turnbull, Kelly Lindsay, David Dickinson, Brady Morrison, Jennifer Maietta, Jay Schalow, Zack Cook, Dianna Goodsell

Others Present: Joan Paulson

The meeting was called to order at 3:06p.m. by Jim Savitt, Vice- Chair

I. Administrative

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

- B. Approval of the September 17th, 2013 Minutes
The minutes were approved by acclamation.

II. Announcements and Community Comments

None

III. Presentations and Discussion

- A. Presentation of the 2014 Budget

Ben Franz-Knight gave an overview on the accomplishments and projects with the PDA and Market in 2013. A copy of the presentation was included with the meeting minute's record.

Sabina Proto gave a brief overview on the Budget Process for 2014. She reviewed the 2014 Budget Schedule in which a copy of the 2014 Budget Schedule was included with the meeting minute's record. She reported that the November 21st PDA Council meeting will include recommendation to adopt the revised 2014 PDA Final Operating and Capital Projects Budget.

There was the Presentation of the 2014 Budget. The Pike Place Market PDA Directors and Managers gave an overview on the changes to the 2014 proposed budget in their respective departments. A summary of each of the Departments proposed budget changes were as follows:

Commercial Revenue:

John Turnbull walked through the Commercial Revenue for the 2014 Operating Revenue. He noted that there was a change with the percentage rent projections within the 2014 budget. He noted that there was a proposed increase in the CAUT/COMA charges which was a 2% net impact increase. He added that a portion of the net increase was due to the electricity rate increases from Seattle City Light. He lastly added that we are still in process of negotiating the rate charges with the Seattle City Light.

There was a brief discussion that followed.

Jim Savitt inquired about thinking of seasonality when computing the budget. He also inquired about the CAUT/COMA and utility charges passed to the tenants. He noted that he is very focused on the percent rent projections and how that number affects the full budget.

Residential Revenue:

John Turnbull walked through the Residential Revenue for the 2014 Operating Budget. He noted that there is a proposal in the budget to raise the Market Rents from 3-5% to keep with the downtown area trends.

QALICB and QB2:

Sabina Proto reported on the QALICB and QB2 for Market Tax Credit Financing.

Daystall and Farm Revenue:

Kelly Lindsay reported on the Daystall and Farm Revenue for the 2014 Operating Budget. She reported that we are anticipating increases over the actuals; we started tracking revenue from our Express Markets separate from rents here at the Market. She noted that there is a proposed rate increase of \$.20 per day for the daily rents for Daystalls.

Surface Parking and Garage Revenue:

Steve Nelson reported on the Surface Parking and Garage Revenue. He reported that there would be a decrease in revenue at the Desimone lot due to Construction.

Miscellaneous Revenue:

Sabina Proto reported on the Misc. Revenue. She reported that Misc. Revenue includes investment income, filming and trademark revenue.

Jim Savitt inquired regarding the Trademark Revenue and if the PDA solicits for trademark revenue.

Ben Franz-Knight noted we are purely reactive in regards to the trademark revenue which the income is from enforcing the trademark guidelines.

There was an overview on the Expenses for the 2014 Operating Budget from the PDA Directors and Managers.

Commercial and Residential Expenses:

John Turnbull gave a brief overview of the Commercial and Residential Expenses for the 2014 Operating Budget. He noted there was a standard increase in salaries for the Commercial and Residential staff.

Daystall Expenses:

Kelly Lindsay gave a brief overview on the Daystall Expenses. She noted that there would be a reduction in daystall events expenses and an increase in the craft recruitment budget.

There was a brief discussion regarding potential changes in the budget.

Surface Parking, Garage, Facilities, Security, Maintenance Expenses:

Steve Nelson gave a report on the Surface Parking, Garage, Facilities, Security and Maintenance Expenses. He reported that Garage expenses will go up due to increases from maintenance, security, insurance costs. He noted that Maintenance, Facilities and Security will go up in expenses mainly due to salary increases. He lastly reported that there is a decrease in Capital Development due to a decrease in the payroll expenses, less Joe Paar's salary.

Utility Expenses:

John Turnbull gave a report on the Utility Expenses. He reported that there was a large increase in expenses due to Electricity rates increases charged by Seattle City Light. He noted that Ben, Sabina and himself are keeping active discussions to resolve the rate increase situation.

Insurance Expenses:

Sabina Proto reported on the Insurance Expenses. She noted that there was an conservative 10% increase in the budget from the original presented 7.5% increase.

Management Expenses:

Ben Franz-Knight gave a report on the Management Expenses for the 2014 Operating Budget. He reported that there were increases in Salaries which includes the fully budgeted Senior Project Manager salary. He noted that there was also is a reduction in consulting expenses.

Finance Expenses: Sabina reported that there was an increase in the Payroll expenses. She added that we anticipate the same costs for the Audit and a reduction in consulting expenses.

Office Administration Expenses and Human Resources:

No significant changes were reported from Erica Bates besides reduction in Payroll for combining a position and a reduction in cell phone expenses.

Marketing and Communications Expenses:

Kelly Lindsay reported on the Marketing and Communications expenses for the 2014 Operating Budget.

Joan Paulson inquired how we are going to measure the changes in the Marketing efforts. She mentioned about Market Research and tracking the results from the Marketing Efforts.

Betty Halfon noted that she would like to come and revisit the budget under marketing expenses.

Jim Savitt noted that we need to think about the efficiency of what we are doing and how we are measuring the marketing efforts and marketing expenses Are we going to see a revenue increase by these Marketing Efforts and how will we measure it?

Farm/Farmer's Market Expenses, Events & Programs Expenses:

Kelly Lindsay provided an overview on the Farm/Farmer's Market Expenses and Events & Programs Expenses for the 2014 Operating Budget. Under Events & Program, Revenue and Expenses were lumped together. She noted that there was in increase in staffing, where one position moved back into the budget.

Market Foundation Expenses:

Lillian Hochstein reported on the Market Foundation Expenses. She noted that there is a change in staffing stemmed from the food access project; the Market Foundation would be adding a new position for the PDA in 2014, partially funded by a private grant. She reported that there was a change in splitting the costs for adding a position for the PPM-WE campaign and an increase for the Resident Advocate; adding Clinic Outreach project to existing RA in 2014.

Sabina Proto reported on the total 2014 Budgeted Operating Expenses.

Capital Projects Budget:

Steve Nelson gave a brief report on the Capital Projects Budget including additional work for the Western Avenue Windows, Fairley Wall and Painting.

Jim Savitt inquired about Capital Needs and our Assessment and how will we budget for these expenses.

The committee took questions from the public.

Jim Savitt thanked Sabina and the PDA team and the Management and Staff.

B. Review of the Financial Statements for September 2013

Sabina Proto gave a brief overview of the Financial Statements for September 2013. The following content was included with the Financial Statements for September 2013. Under Current Assets there was an increase in due to the busy season and great overall performance of the Market up to date in 2013. Designated Cash increased because of the monthly budgeted contribution to the CRRF. Restricted Cash increased because of the contribution to the Debt Service Account. Fixed Assets increased because of the work performed in different capital projects. Current Liabilities increased mainly in the Accounts Payable category. Long Term Debt decreased due to the monthly payments on our long term obligations. Under the Accounts Receivable Activity Report, the accounts receivable increased in September compared to August in the commercial category due to recording a large amount of the percent rent amount for one of our tenants at the end of the month.

Under the PDA Operating Statement, the Total Revenue for the end of September 2013 was \$11,926,432 or over budget by \$444,947. The Total Operating Expense was \$8,227,143 or under budget by \$91,481. The Net Operating Result for September was \$3,699,289 or \$536,788 over budget. Under the Net Result after Debt Service & Reserves, the Annual Budget was \$1,884,836 and for the end of September the actual amount was \$2,053,942.

Footnotes on the Operating Expenses noted the following: Commercial Revenue was over budget; Base Rent was on track and the Percent Rent was \$283,596 over budget. Residential Revenue was over budget overall. Surface Revenue was on track for the end of September, Garage Revenue was also over budget by \$53,092 and Miscellaneous Revenue was over budget in September in Trademark. Under Operating Expenses, Residential expenses were over budget mostly in payroll and in Bad Debt, Daystall expenses were over budget due to the spending of the Arcade Lights Event, Surface Lots expenses were over budget because of the larger amount of the Management fee due to the increase in Revenue and the Utilities were over budget mainly due to the higher electricity consumption and the price rate increases. Percent Rent was over Budget by \$283,596 compared to the same period of the last year.

IV. Checking Account Activity Report

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

V. Reports and Action Items

A. Discussion on PC-1 2002 Bond

Sabina Proto discussed the option of paying off the PC-1 2002 Bond early. She distributed a memo regarding the PC-1 2002 Bond, which was also included with the meeting minute's record. As noted in the memo, based on the PC-12002 Bond documents, the PDA is allowed to redeem early the outstanding bond balance with the proper notification to the bondholders. If the council is interested to pay off the bond earlier, the preferred time to act is on the bond transaction dates, November 1st 2013 or May 1st 2014.

There was a brief discussion that followed.

B. Budgetary Review of Proposed Spending Resolutions

There were no Proposed Spending Resolutions for the month of October.

VII. Items for the Consent Agenda

None

VIII. Public Comment

None

IX. Concerns of Committee Members

None

X. Adjournment

The meeting was adjourned at 5:46 p.m. by Jim Savitt, Vice-Chair

Meeting minutes submitted by:
Dianna Goodsell, Administrative Services Coordinator