

MINUTES

Edmonds Public Facilities District Board of Directors Special Meeting November 20, 2024

The Edmonds Public Facilities District Board special hybrid meeting convened at 9:02 a.m. in the Edmonds Center for the Arts Green Room, 410 4th Avenue North, Edmonds, and via Zoom.

EPFD Board Members Present

Ray Liaw, President
Wayne Grotheer, Vice President
David Brewster
Suzy Maloney (joined at 9:15 a.m.)

EPFD Board Members Absent

Bill Willcock

ECA Staff Present

Kathy Liu, Executive Director
Lori Meagher, Associate Executive Director
Amy Stagno, Director of Development

Admin & Finance Comm. Members Present

Lindsay Geyer, ECA Board President
David Schaefer, ECA Board Immed. Past President
Matt Cox, ECA Board Vice President
Rick Canning, ECA Board
Heidi Napolitano, ECA Board
Steve Sheldon, Emeritus Board

1. **Call to Order**

Board President Liaw called the special EPFD meeting to order.

- Attendance of those attending in-person for minutes.

2. **Land Acknowledgement & Equity Statement**

ECA Board VP Matt Cox read the Land Acknowledgement & Equity Statement. He acknowledged November is Native American Heritage Month and announced an event on Saturday at Mountlake Terrace High School.

3. **Admin & Finance Committee**

- **October 23 Meeting Notes**

The meeting date in the notes was corrected from October 24, 2024 to October 23, 2024.

- **Update on Finances**

ECA VP Cox provided an update on the creation of a statement of financial principles to guide the organization's success. A smaller group (ECA Board Members Cox and Loch, Ms. Meagher and Ms. Liu) will meet Monday to refine previously discussed concepts and report out to the A&F Committee.

- **October Disbursements**

Ms. Meagher responded to questions related to the disbursements.

COMMITTEE MEMBER GROTHEER MOVED TO RECOMMEND APPROVAL OF THE OCTOBER DISBURSEMENTS. COMMITTEE MEMBER CANNING SECONDED THE MOTION. MOTION CARRIED UNANIMOUSLY.

- **990 Audit**

Ms. Meagher advised the 990 Audit was filed with the IRS on November 15, 2024. The ECA Board was emailed a copy of the 990 along with an explanation.

- **Audit Update**

Ms. Meagher reported the final annual report has been provided to the auditor for review. She will advise ECA and EPFD board members when the exit interview is scheduled. The auditors will also be doing a A133 federal audit as a result of the SVOG funds the organization received in 2021. She responded to questions regarding the cost of the A133 audit, cost of this year's financial and accountability audits, and cost of next year's financial audit.

- **Review of the 2025 Proposed Budget**

Ms. Meagher advised the 2025 V2 draft budget was distributed last night along with a summary of opportunities, challenges and assumptions. Since V1 was shared, department heads were asked to make a 4% reduction in expenses and look for other opportunities for savings as well as ensure revenue goals were realistic. She highlighted assumptions, opportunities and challenges:

Operating Revenue

- Presented: 5 less shows than 2024; 72% tickets sold; average ticket price \$45
- Rentals: 39% increase in revenue in 2024 v 2023, projected 5% increase 2025 v 2024
- Rooftop lease revenue decreased; plan to work with Terrabone on other rooftop leases
- Develop strategy for classroom long-term lease
- 5% volume increase in concessions
- Total event corporate sponsorships projected at \$45,000

Operating Expenses

- FTEs for FY2025 are budgeted at 26.4, projected FY2024 was 24.2, 1.6 was replacement of current budgeted staffing and 0.6 is additional (box office manager, production intern)
- Salaries included average COLA increase of 3.9% effective 1/1/25
- Benefit and tax rates increased, 9.5% increase in health insurance
- Non-labor expenses increased 9.3%, includes \$50k for strategic planning; anticipated 10% increase in facility insurance (Enduris)
- Additional \$5k in bad debt reserve

Non-Operating Revenue

- Slight increase in sales tax revenue due to continued slow growth, SnoCo PFD Tier II allocation is budgeted to be \$42k less than FY2024

Non-Operating Expenses

- Includes Q4 investment of \$8k to transition to integrated ticketing system
- Includes Momentous Venue operating system payment of \$31k

Capital Expenditures

- Includes only Priority 1 level expenditures of \$102k, universal access initiatives of \$15k and \$30k contingency

Operating Margin

- Projects operating deficit of \$688k compared to \$634k in FY2024. Without strategic planning expense in FY2025, projected deficit would be \$638k which would have resulted in only a 0.63% increase operating deficit over the previous year

Cash Balances

- Total projected cash is \$1.3M for YE2024 and \$1.1M for YE2025

Ms. Meagher reviewed Income Statement Summary: Operations, highlighting operating revenue including presented events, rentals, facilities and space leases, concessions, advertising, historic facility preservation fees, education and outreach, contributions and operating grants, special project revenue and total operating revenue.

Questions and discussion followed regarding staff's plans to analyze net revenue for presented events versus rentals to determine the optimum number of presented events versus open inventory for rentals, follow-up on bad debts, outstanding pledges, cost per dollar raised, restructuring the development department, how payments for the integrated ticketing system and Momentous Venue operating system are reflected in the budget, competition from other venues, business development, drawing younger audiences, ticketing pricing, projected number of rental events, increasing classroom rentals, marketing expenses related to rentals, comparison of seats filled, Gala format, whether accessibility is an issue for rentals, and conservative projections for 2025.

Ms. Meagher reviewed operating expenses including presented events; rentals; patron experience; advertising and marketing; education and outreach; development; payroll & benefits; facilities maintenance and utilities; insurance, audit and legal; general & administrative; and total operating expenses. Questions and discussion followed regarding cost of the A133 audit, whether projected YE2024 payroll and benefits is too high, investigating insurance options such as WCIA, and presented events revenue and expenses in V1 versus V2.

Ms. Meagher reviewed Income Statement Summary: Non-Operations, highlighting non-operating revenue and expenses including sales tax revenue, grant revenue capital related, Snohomish County LTAC grant support debt service, SVOG & Snohomish County grant-ARF, interest expense, depreciation expense, interest earned, interest earned from lessor leases under GASB 87, amortization expense under GASB 87 and GASB 96, interest expense under GASB 87 & GASB 96, other miscellaneous revenues and expenses net, total non-operating surplus, and total net surplus.

Ms. Meagher reviewed key metrics related to presented events, labor/FTEs, and non-operating and financial margins. Questions and discussion followed regarding providing a summary of changes in FTE by department, anticipated revenue growth as a result of adding a box office manager and new ticketing system, percentage the ECA receives of artist's merchandise sales, Snohomish County LTAC grant that ends in 2025, pursuing an extension of the Snohomish County LTAC funds, and seeking grants for capital improvements.

Ms. Meagher reviewed the Cash Flow Report, 2024P and 2025B Capital Expenditures (CAPEX), EPFD ECA Consolidated FY2025 Budget Cycle, advising the final 2025 budget presentation to the Admin & Finance Committee will be December 11 and to the EPFD Board on December 12.

Questions and discussion followed regarding inclusion of operating expenses related to accessibility in the budget; addressing capital facility needs with contingency funds; appreciation for the careful, deliberate and conservative budgeting and assumptions; expenses staff views as particularly challenging; concern with the potential for economic surprises; considering sustainability of staffing; and tracking ROIs. Committee members requested the following for the final 2025 budget presentation:

- Historic data on board contributions
- Historic sources of contributed revenue (2018 to present)
- Who contributed in 2020 and 2021

- Detailed ROI analysis of presented versus rental events (theater)

Ms. Meagher invited committee members to advise her and/or Ms. Liu of any other metrics they were interested in for the final 2025 budget presentation.

4. Adjourn

The EPFD Board meeting was adjourned at 10:45 a.m.