

# STATE AUDITOR'S OFFICE AUDIT SUMMARY



## Audit Summary for Public Development Authorities and Public Facilities Districts

**Issued November 21, 2012**

**Reissued January 3, 2013**



**Report No. 1008676**



WASHINGTON  
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STATE AUDITOR

# Table of Contents

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Audit Summary - Public Development Authorities  
and Public Facilities Districts ..... 3

Appendix A: Suggested Law Changes..... 9

Appendix B: Summary of findings issued by the  
State Auditor’s Office, 2009 to present ..... 10

Appendix C: State of Washington Public Development Authorities ..... 12

Appendix D: State of Washington Public Facilities Districts ..... 15

Appendix E: November 2011 Review of Public Facilities  
District Bonds..... 18

State Auditor’s Office Contacts.....23

# Audit Summary - Public Development Authorities and Public Facilities Districts

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## Why are we issuing this report?

As local governments receiving public dollars, public development authorities (PDAs) and public facilities districts (PFDs) are subject to audit. During the course of these audits, we have determined many PDAs and PFDs do an effective job of carrying out their roles and of serving the public.

Thirty-eight PDAs and 25 PFDs operate in the state. They provide facilities and services including convention centers, sports and event centers, museums, housing and economic development. The law allows both entity types to combine public money and private donations to complete projects and maintain operations.

Our audits of these entities also have found common themes among the audit issues we have noted. This report examines:

- Inadequate Monitoring. Our audits have found entities that create PDAs/ PFDs often do not monitor their operations.
- Inadequate Governance. PDA/PFD governing boards often are not effectively involved in monitoring activities of the Districts.
- Declining or distressed financial condition.
- Non-compliance with laws and regulations.

## What are PDAs and PFDs?

Public Development Authorities are created by cities, towns or counties to carry out a specific function. For example, PDAs may manage the development and operation of a single project, such as a convention center or a housing project. The charter establishing a PDA may include a sunset provision that dissolves it when the project is completed.

Public Facilities Districts are also created by cities, towns or counties in order to acquire, create or operate certain public facilities such as convention centers; museums; and sports, recreation and entertainment facilities.

The Washington state Legislature authorized the creation of PDAs in the 1970s and PFDs in the late 1980s. The laws regarding them are listed below:

- PDAs: RCW 35.21
- PFDs: (City- and town-created) RCW 35.57 (County-created) RCW 36.100

In response to a PFD bond default, the Legislature in 2012 revised the law regarding PFDs. It now requires the state Department of Commerce, through the Municipal Research and Services Center, to conduct an independent financial feasibility review prior to formation of a PFD, issuance of indebtedness by a PFD and/or the long-term lease, purchase or development of a facility.

It had previously revised the law in 2009 to require PFDs to identify, in their annual budgets, proposed expenditures for promotional activities and to adopt rules governing promotional hosting.

State laws say PDAs are subject to the general laws regulating local government, including bid laws; open public meetings and records; the municipal code of ethics; annual financial reporting requirements; and audits.

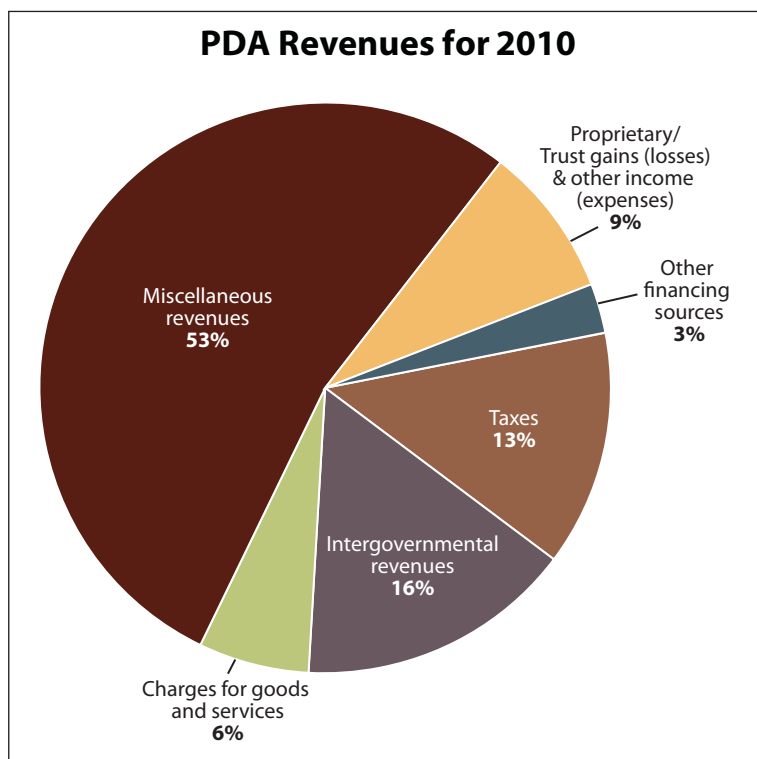
The map below shows the number of PDAs by county.



See **Appendix C** for details about PDAs in the state.

In 2010, the total combined revenues for all PDAs were \$108,282,248 and combined expenses were \$104,619,288. The chart at right shows the source of revenues by percentages. Note that *miscellaneous revenues* for PDAs can include interest and other earnings, rent, leases and concessions, contributions and donations from private sources.

Financial information on specific PDAs may be found in the State Auditor's Office Local Government Financial Reporting System database at <http://portal.sao.wa.gov/LGCS/Reports/Default.aspx>.

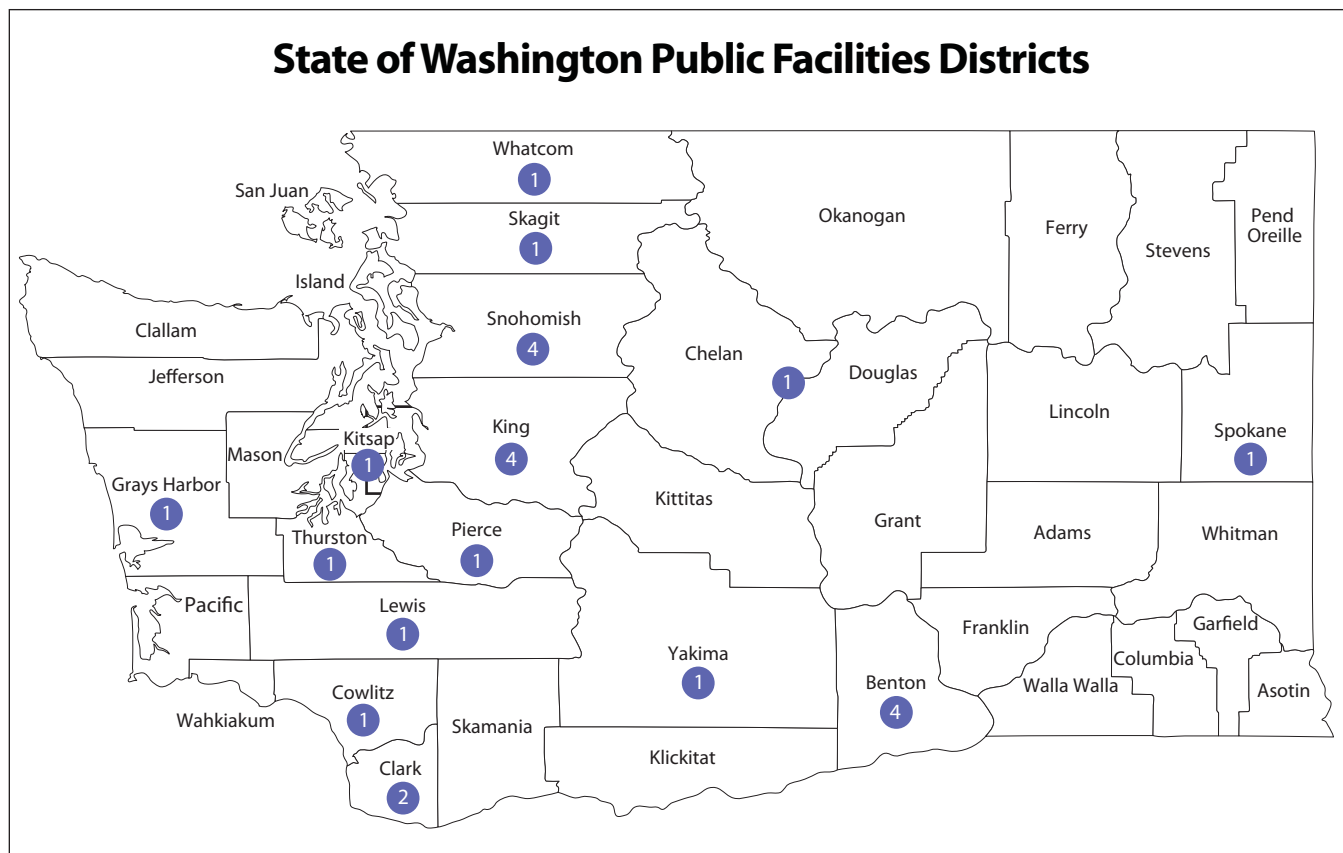


Public facilities districts may construct and operate only public facilities specifically authorized in state law.

- PFDs generally are allowed to collect non-voted sales tax to use for qualifying regional centers. These tax revenues are public funds and their use is restricted to the project.
- City and town - created PFDs may develop and operate convention, conference and special events centers, including related parking, which serve a regional population.
- County PFDs have slightly broader powers. They can develop and operate sports, entertainment and convention facilities in addition to regional centers as defined above, together with parking facilities.

In November 2011 we reviewed the ways PFDs are funded by bonds and who is ultimately responsible to pay these bonds. We found these bonds and the underlying obligation take many forms. See **Appendix E**.

The map below shows the number of PFDs by county.



See **Appendix D** for details about PFDs in the state.

In 2010, PFDs had total combined revenues of \$277,765,428 and combined expenses of \$96,798,391. The difference between the revenues and expenditures for these PFDs is held in cash and investments. The chart at right shows the categories of revenues. Note that *proprietary/trust gains (losses) and other income (expenses)* revenues could include income (losses) from joint ventures; capital contributions from private sources; and local, state and federal grant revenues.

Financial information on specific PFDs may be found through the State Auditor's Office Local Government Financial Reporting System at <http://portal.sao.wa.gov/LGCS/Reports/Default.aspx>

## What we have learned during our audits

Many PDAs and PFDs do an effective job of carrying out their roles and serving the public. When we have concerns about their operations, they fall into four general categories.

### 1. The entities that create them often do not monitor PDA/PFD operations.

Cities, towns and counties create these entities by a vote of their councils or commissions.

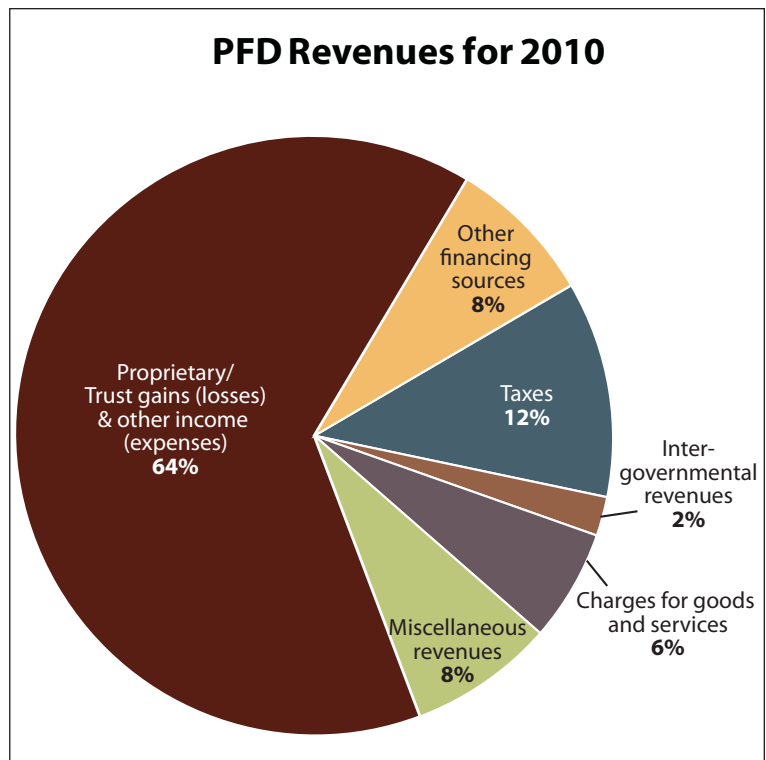
Our audits have noted that while some creating entities take an active role in monitoring the activities of the PDAs and PFDs, many do not, often placing public resources at risk.

Examples of effective monitoring are found at the Cities of Everett, Bellingham and Seattle. Their staff members are engaged in PDA/PFD operations and regularly attend meetings with auditors.

When a creating entity is closely monitoring a PDA or PFD, it can assist these entities in mitigating problems when they are small, instead of having to intervene when problems become more serious.

State law (RCW 35.21.745) is very clear that any city, town or county must control and oversee operations and funds, ensure any deficiencies are corrected, and ensure the PDA is accomplishing its stated purpose.

State law for PFDs does not contain similar wording.



## **2. PDA/PFD governing boards often are not effectively involved in monitoring.**

The creating entities appoint governing boards for PDAs and PFDs. Appointees may have business experience relevant to their role on the board, but may not always have adequate knowledge of state laws and regulations for the entity.

While many appointed board members are dedicated to these jobs, it is not clear what, if any, guidance they receive on PDA/PFD operations. If a board member does not understand the applicable laws and regulations, it is difficult to monitor compliance.

Active involvement is particularly important in entities for which the board has completely contracted out service delivery and does not have employees monitoring activities.

For example, the Edmonds Public Facilities District Board relied on a non-profit organization to handle fundraising and to develop arts programming, marketing and promotions for the PFD. The Board allowed all receipts from operations to be deposited in the non-profit's private bank account. The Board was unaware that the funds were co-mingled.

The Board could not be sure it received all the revenues from the use of the facility and had no way to ensure public funds were used appropriately since private and public funds were not held separately.

## **3. Declining or distressed financial condition.**

Cities, towns and counties need to consider in advance what steps they would take if a PDA or PFD they created falls into financial decline. Creating entities also need to ensure they have an effective way to monitor the financial stability of entities they create.

Recently, we completed a statewide analysis of local governments with declining financial conditions. Of those entities, seven out of the state's 64 PDAs and PFDs were on the list as having reportable financial condition concerns.

## **4. Non-compliance with laws and regulations**

Often PDAs and PFDs operate and compete as if they are a private business. They are not. Many of the same laws that apply to the entities that create them apply to the PDAs and PFDs. Understanding this, and guidance and monitoring by the entities that create them, would increase the likelihood that PDAs and PFDs follow laws and regulations and safeguard public funds.

Audit findings issued since 2009 for related PDAs and PFDs are summarized in **Appendix B**.



## Recommendations to entities that have created PDAs and PFDs

- Ensure PDA and PFD appointed officials receive training and guidance on what city, town or county laws are applicable. The Municipal Research and Services Center website has information specific to newly elected officials that may be useful. The links are:

*For City and town - created PDAs and PFDs*

<http://www.mrsc.org/subjects/governance/newcityo.aspx>

*For County-created PDAs and PFDs*

<http://www.mrsc.org/subjects/governance/newcounty.aspx>

- Ensure board members take an active role in monitoring PDA and PFD operations.
- Have elected officials and/or staff from the creating entity attend audit exit and entrance conferences. Our Office will be asking these individuals to attend these meetings so they will be aware of any audit issues we identify.
- Monitor the financial health of the PDAs and PFDs. Such monitoring should examine whether the creating entity has the debt capacity to handle any PDA or PFD financial difficulty and determine if/when financial support is needed.
- Inform the State Auditor's Office when a new entity is created.

## Recommendation to the Legislature

State law (RCW 35.21.745) requires any city, town or county which creates a PDA to control and oversee operations and funds, ensure any deficiencies are corrected, and ensure it is accomplishing its stated purpose. State law for PFDs does not contain similar wording. In addition, the law does not require PDAs or PFDs to periodically report to the creating entities.

### Consider changes to state law to require creating entities to:

- Monitor the PFDs they have created.
- Establish an annual reporting requirement for PDAs and PFDs to summarize operations for the creating entities.
- Notify the State Auditor's Office when PDAs and PFDs are created.

See **Appendix A** for suggested law changes.



# Appendix A: Suggested Law Changes

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## **Proposed Public Development Authority law changes:**

### **Amend RCW 35.21 to accomplish the following:**

- a. Notification of the State Auditor's Office by the lead city or town when it creates a PDA.
- b. Requiring an annual summary to the creating entity or entities of operations that discusses, at a minimum, the PDAs financial condition, accomplishments and challenges.

## **Proposed Public Facilities District law changes:**

### **Amend 35.57 to accomplish the following:**

- a. Notification of the State Auditor's Office by the lead city or town when it creates a PFD.
- b. Requiring an annual summary to the creating entity or entities of operations that discusses, at a minimum, the PFDs financial condition, accomplishments and challenges.
- c. Make clear general local government laws apply to PFDs.

### **Amend 36.100 to accomplish the following:**

- a. Notification of the State Auditor's Office by the lead city or town when it creates a PFD.
- b. Requiring an annual summary to the creating entity or entities of operations that discusses, at a minimum, the PFDs financial condition, accomplishments and challenges
- c. Make clear general local government laws apply to PFDs.

# Appendix B: Summary of findings issued by the State Auditor's Office, 2009 to present

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The following is a summary of PDA and PFD findings issued by the State Auditor's Office from 2009 to present.

## **Declining financial position**

- Greater Wenatchee Regional Events Center PFD (2010 and 2011). The District has insufficient revenues to pay for current operations and debt obligations.  
<http://www.sao.wa.gov/findings/1004560.pdf>, <http://www.sao.wa.gov/findings/1006263.pdf>
- Edmonds PFD (2010 and 2011). The District's financial position continues to place it at risk of not meeting its financial obligations and it has not identified new revenue streams, or reduced expenses enough to compensate for declining sales tax revenues dedicated to cover its annual debt obligations. The District continues to be dependent on financial assistance from the City of Edmonds to cover its financial obligations.  
<http://www.sao.wa.gov/findings/1004403.pdf>, <http://www.sao.wa.gov/findings/1008553.pdf>
- Grays Harbor Historical Seaport Authority (PDA) (2010). The Authority had insufficient funds to cover operating expenses.  
<http://www.sao.wa.gov/findings/1004995.pdf>
- The Capitol Hill Housing Improvement Program (PDA) (2009). The Program's financial condition continues to decline, which means the program could be at risk of not covering its operating expenses and not meeting its debt service obligations.  
<http://www.sao.wa.gov/findings/1002859.pdf>

## **Lack of effective oversight**

- Seattle Indian Services Commission (PDA) (2011). The Commission Board did not provide adequate oversight of Commission activities, resulting in questionable expenditures of \$73, 943. It did not monitor revenue and expenditures or receive financial statements from its staff. The Commission's financial health is getting better due to the decrease in staff and expenditures from the District.  
<http://www.sao.wa.gov/findings/1006665.pdf>
- Edmonds PFD (2011). The District Board was not aware that that District management and staff comingled District funds with private funds of a non-profit that was running the facility. The District was unable to determine the amount of public money involved. This could result in a lending or gifting of public funds.  
<http://www.sao.wa.gov/findings/1006956.pdf>
- Seattle Chinatown International District Preservation and Development Authority (PDA) (2009). The Board was not aware that Authority management paid two employees more in salary than was authorized. Staff accrued leave in excess of the maximum amount allowed by policy. The authority's award of additional leave was a gifting of public funds, as well as violation of its own policy.  
<http://www.sao.wa.gov/findings/1002720.pdf>

## **Non- compliance with state laws and regulations**

- Greater Wenatchee Regional Events Center PFD (2009). The District did not have sufficient internal controls over payments to ensure they were allowable and supported, resulting in questionable expenditures of \$135,848.  
<http://www.sao.wa.gov/findings/1002329.pdf>

• Appendix B • Summary of Findings •

- Edmonds Public Facility District (2009). The District had inadequate controls over cash-receipting and an accounting software system that could not handle the complexity of the District's transactions.  
<http://www.sao.wa.gov/findings/1002416.pdf>
- Seattle Chinatown International District Preservation and Development Authority (PDA) (2012). The Authority exceeded its statutory authority by entering into an unallowable interest rate swap.  
<http://www.sao.wa.gov/findings/1007270.pdf>
- Everett Public Facility District (2009). The District placed public funds at risk by putting its money in a depository not approved by the Public Deposit Protection Commission as required by state law.  
<http://www.sao.wa.gov/findings/1004158.pdf>
- Kennewick Public Development District (PDA) (2009). The District is placing public funds at risk by putting its money in a depository not approved by the Public Deposit Protection Commission as required by state law.  
<http://www.sao.wa.gov/findings/1004921.pdf>
- Seattle Indian Services Commission (PDA) (2009). The Commission did not comply with prevailing wage laws for paying maintenance workers.  
<http://www.sao.wa.gov/findings/1001649.pdf>
- Historic Seattle Preservation and Development Authority (PDA) (2011). The Authority waived the competitive bid process when it declared an emergency on a public works project to get a project done faster. The declaration did not comply with state bid law.  
<http://www.sao.wa.gov/findings/1005260.pdf>
- Republic Public Development Authority (2010). The Authority did not consistently document compliance with laws relating to the Board's open public meetings.  
<http://www.sao.wa.gov/findings/1004411.pdf>

## Appendix C: State of Washington Public Development Authorities

PDA name	Purpose	Creating entity
<b>Bellevue Convention Center Authority</b>	This PDA operates Maydenbauer Center in Bellevue, Washington. The 54,000 square foot Meydenbauer Center opened in 1993 to help grow and sustain Bellevue's economic vitality.	City of Bellevue
<b>Bellingham Public Development Authority</b>	The PDA's mission is to develop and promote the use of City owned property for the financial, social and environmental well being of the community; cleaning up vacant sites; and developing underused city lots.	City of Bellingham
<b>Burke-Gilman Place Public Development Authority</b>	The Burke Gilman Place PDA manages the former Coast Guard property in northeast Seattle, near Children's Hospital. At present, facilities include Ronald McDonald House (two facilities), Provail (formerly United Cerebral Palsy) housing, Burke-Gilman apartments (subsidized and market-rate housing), The Children's Center (a child care center), and housing under the auspices of the Capitol Hill Housing Improvement Program. The PDA has also taken an active role in monitoring developments in Burke Gilman Park.	City of Seattle
<b>Capitol Hill Housing Improvement Program</b>	Capitol Hill Housing provides affordable housing and leads community development efforts- helping families, immigrants and the recently homeless. Based in Capitol Hill, this PDA has properties in nine Seattle neighborhoods.	City of Seattle
<b>Cultural Development Authority of King County</b>	This PDA was organized as a quasi-autonomous public development authority governed by a 15-member citizen board for making grants and operating programs related to arts funding, public art, and heritage programs.	King County
<b>Downtown Redevelopment Authority</b>	This PDA advises the City of Vancouver on the implementation of the Esther Short Sub area and Redevelopment Plan using policies developed by City Council, Planning Commission, Project Review committee and citizen advisory groups.	City of Vancouver
<b>East Lewis County Public Development Authority</b>	This PDA promotes small business and light industrial development in the eastern part of Lewis county.	Lewis County
<b>Ellensburg Business Development Authority</b>	This PDA provides economic development services for the City of Ellensburg and manages the Incubator and Airport Buildings.	City of Ellensburg
<b>Foss Waterway Development Authority</b>	The Tacoma City Council formed the seven-member Foss Waterway Development Authority Board in 1996 to oversee property development and marketing of the publicly-owned Foss Waterway property. They are creating a mixed-use waterfront community adjacent to downtown Tacoma.	City of Tacoma
<b>Garfield Public Development Authority</b>	This PDA promotes residential and commercial development in the Town of Garfield.	Town of Garfield and Whitman County
<b>Grays Harbor Historical Seaport Authority</b>	This PDA's mission is to provide educational, vocational, recreational and ambassadorial activities and experiences that promote and preserve the maritime history of Grays Harbor, the Pacific Northwest, and our nation while serving the needs of the community.	City of Aberdeen
<b>Grays Harbor Public Development Authority</b>	This Authority was organized to facilitate the redevelopment of the Satsop site.	Grays Harbor County, Grays Harbor PUD and Port of Grays Harbor
<b>Hamilton Public Development Authority</b>	This Authority assists in moving Town facilities and infrastructure and residences out of the floodway both from within Town limits and in unincorporated Skagit County.	Skagit County

• Appendix C • State of Washington Public Development Authorities •

<b>PDA name</b>	<b>Purpose</b>	<b>Creating entity</b>
<b>Harrington Public Development Authority</b>	This PDA promotes economic development and creates infrastructure and opportunities for economic diversification. It is renovating the Harrington Opera House and working on downtown revitalization.	City of Harrington
<b>Historic Seattle Preservation and Development Authority</b>	Historic Seattle believes that buildings provide an essential link to the past. Founded in 1974, Historic Seattle is the only nonprofit membership organization dedicated to preserving Seattle and King County's architectural legacy. Its mission is to educate, advocate and preserve.	City of Seattle
<b>Museum Development Authority of Seattle</b>	The Seattle Art Museum (SAM) provides a welcoming place for people to connect with art and to consider its relationship to their lives. SAM is one museum in three locations: SAM Downtown, Seattle Asian Art Museum at Volunteer Park, and the Olympic Sculpture Park on the downtown waterfront. SAM collects, preserves and exhibits objects from across time and across cultures, exploring the dynamic connections between past and present.	City of Seattle
<b>North Beach Public Development Authority</b>	The purpose of this PDA was to acquire two private water companies in the north beach area. The PDA acquired the companies and began water operations during 2006. The authority transferred the ownership to the North Beach Water District as of January 1, 2009.	Pacific County
<b>Northwest Lincoln County Regional Public Development Authority</b>	This PDA was formed in a cooperative effort by the communities of Almira, Wilbur and Creston. This is the first regional PDA. They worked to create a 5,000 sf facility that they leased to Columbia Bioenergy - a biodiesel refinery west of Creston.	Towns of Almira, Wilbur and Creston
<b>Odessa Public Development Authority</b>	This PDA created the Odessa Industrial Park. They have partnered with Inland Empire Oilseed and turned an empty flat house into a biodiesel facility.	Town of Odessa
<b>Pacific Hospital Preservation and Development Authority</b>	The mission of the Pacific Hospital Preservation & Development Authority is to champion effective health care for the vulnerable and disadvantaged in their community.	City of Seattle
<b>Pierce County Community Development Corporation</b>	The Pierce County Community Development Corporation was established to manage housing repairs and business loan programs that assist low-income residents of Pierce County.	Pierce County
<b>Pike Place Market Preservation and Development Authority</b>	This PDA is a not-for-profit, public corporation which manages the properties in the nine-acre Market Historic District. The PDA rehabilitates and protects the Market's buildings; increases opportunities for farm and food retailing in the Market; incubates and supports small and marginal businesses; and provides services for low-income people.	City of Seattle
<b>Port Angeles Harborworks Development Authority</b>	This PDA was established to clean up and redevelop the Rayonier Mill property, and to participate in assessment of hazardous waste and potential remediation measures in Port Angeles Harbor.	Port Angeles, Port of Port Angeles
<b>Reardan Area Public Development Authority</b>	This PDA incubates small businesses and manages the Audubon Lakes Wildlife Viewing Area and the Railroad Museum.	Lincoln County
<b>Redmond Public Corporation</b>	The PDA operates as an industrial development corporation. It was formed to facilitate the issuance of non-recourse tax exempt revenue bonds, the proceeds of which are used by private parties to create industrial facilities.	City of Redmond
<b>Republic Public Development Authority</b>	This PDA leases space in the Torboy Industrial Park to assist in economic development in the area around the City of Republic.	City of Republic

<b>PDA name</b>	<b>Purpose</b>	<b>Creating entity</b>
<b>Ritzville Public Development Authority</b>	The Ritzville Public Development Authority has been established to actively pursue all opportunities that have the potential to further economic prosperity and community well-being for the citizens of the City of Ritzville.	City of Ritzville
<b>Seattle Chinatown International District Preservation and Development Authority</b>	This PDA has been established to promote and develop the Seattle Chinatown International District.	City of Seattle
<b>Seattle Indian Services Commission</b>	The commission was formed in 1972 to obtain a Seattle Model City Program grant of \$600,000 to purchase a building for use as a center for Indian service organizations.	City of Seattle
<b>Skagit County Emergency Medical Services Commission</b>	This PDA provides county-wide emergency medical services to Skagit County.	Skagit County
<b>South Correctional Entity Facility Public Development Authority</b>	This PDA was formed by the city of Renton to finance a portion of the costs of acquiring, constructing, improving and equipping the South Correctional Entity, a multi-jurisdictional misdemeanor jail located in Des Moines, WA.	City of Renton
<b>Spokane Parking Public Development Authority</b>	This PDA manages and regulates public parking facilities in the City of Spokane.	City of Spokane and Spokane County
<b>Sprague Public Development Authority</b>	This PDA plans to develop donated acreage at the I-90 interchange.	City of Sprague
<b>Tacoma Community Redevelopment Authority</b>	This PDA administers loans to a variety of clients: low-income families who need help in buying or repairing their homes; owners who provide multi-family housing to low-income families; businesses which create jobs or rehabilitate older, blighted buildings; and non-profit organizations that provide services to the community.	City of Tacoma
<b>Twisp Public Development Authority</b>	This PDA develops Town Center Properties in Twisp. The goal is to promote economic vitality in the Methow Valley, by transforming the former U.S. Forest Service complex in Twisp into a vibrant center for art, agriculture, innovative technology and education.	Okanogan County
<b>Uniontown Community Development Association</b>	The purpose of this PDA is to promote the economic improvement of Uniontown. The Association has two development projects: the restoration of the Jacobs Building for reuse as a craftsman bakery and cafe and the renovation and redevelopment of the Dahmen Dairy Barn for use as an artisan center, event facility and an area to display the agricultural history of the area.	Uniontown
<b>Vancouver City Center Redevelopment Authority</b>	This PDA has been established to facilitate the redevelopment of property within the Vancouver City Center Vision plan.	City of Vancouver
<b>Washtucna Public Development Authority</b>	This PDA has been established to promote economic prosperity in the Town of Washtucna in Adams County.	Town of Washtucna and Adams County



## Appendix D: State of Washington

### Public Facilities Districts

PFD name	Purpose	Creating entity
<b>Bellingham-Whatcom Public Facilities District</b>	The District was created to increase economic growth in Bellingham and to lay the foundation for a public private investment in the Community. The PFD owns the Mt. Baker Theatre and the Whatcom Museum's Light Catcher Building.	City of Bellingham and Whatcom County
<b>Benton County Public Facilities District</b>	Benton County Public Facilities District was formed to support the projects of other public facility districts (PFDs) in Benton County. The District has inter-local agreements with the Kennewick and Richland PFDs. It collects the state sales tax for the unincorporated areas of the county.	Benton County
<b>Capital Area Regional Public Facilities District</b>	The Capital Area Regional Public Facilities District is a special taxing district created by an inter-local agreement between Thurston County and the cities of Olympia, Lacey and Tumwater for the purpose of financing two regional event centers, the Lacey Regional Athletic Complex and the Olympia Hands On Children's Museum.	Thurston County and Cities of Olympia, Lacey and Tumwater
<b>City of Kent Special Events Center Public Facilities District</b>	The District is established for the sole purpose of pursuing the design, construction, and/or financing of a regional center comprised of a Special Events Center, known as the Showare Center, home of a public purpose arena and the Thunderbirds.	City of Kent
<b>Clark County Public Facilities District</b>	The District was formed for the purpose of developing two regional centers in Clark County. These two centers are the Vancouver Convention Center and the Exhibition Hall at the Clark County Fairgrounds. These projects are expected to boost tourism and economic development within the county. The District has no employees but uses Clark County employees and the county's systems for centralized processing of receipts and disbursements.	Clark County
<b>Cowlitz County Public Facilities District</b>	The District was formed to create a convention and community center.	Cowlitz County
<b>Edmonds Public Facilities District</b>	The District was created to finance, design, construct, operate and maintain a public facility. A 501(c)3 nonprofit corporation was created called Edmonds Center for the Arts to help raise funds from private sources to support the construction and operation of the new center. The Edmonds Center for the Arts Board also assists with the development of arts programming, marketing and promotion of the center and its presentations and fundraising to support annual operations.	City of Edmonds and Snohomish County
<b>Everett Public Facilities District</b>	The District oversees operations at the Everett Events Center. A third-party management company, responsible to the Board of Directors through a contract, manages District operations. The District has no employees.	City of Everett and Snohomish County
<b>Grays Harbor Public Facilities District</b>	The District was formed to acquire, construct and maintain the Ocean Shores Convention Center.	Grays Harbor and the City of Ocean Shores
<b>Greater Tacoma Regional Public Facilities District</b>	The District's main purpose is to levy and collect sales and use tax and transfer the money to the city of Tacoma Convention Center capital improvement fund.	Cities of Tacoma, Fife, Lakewood and University Place



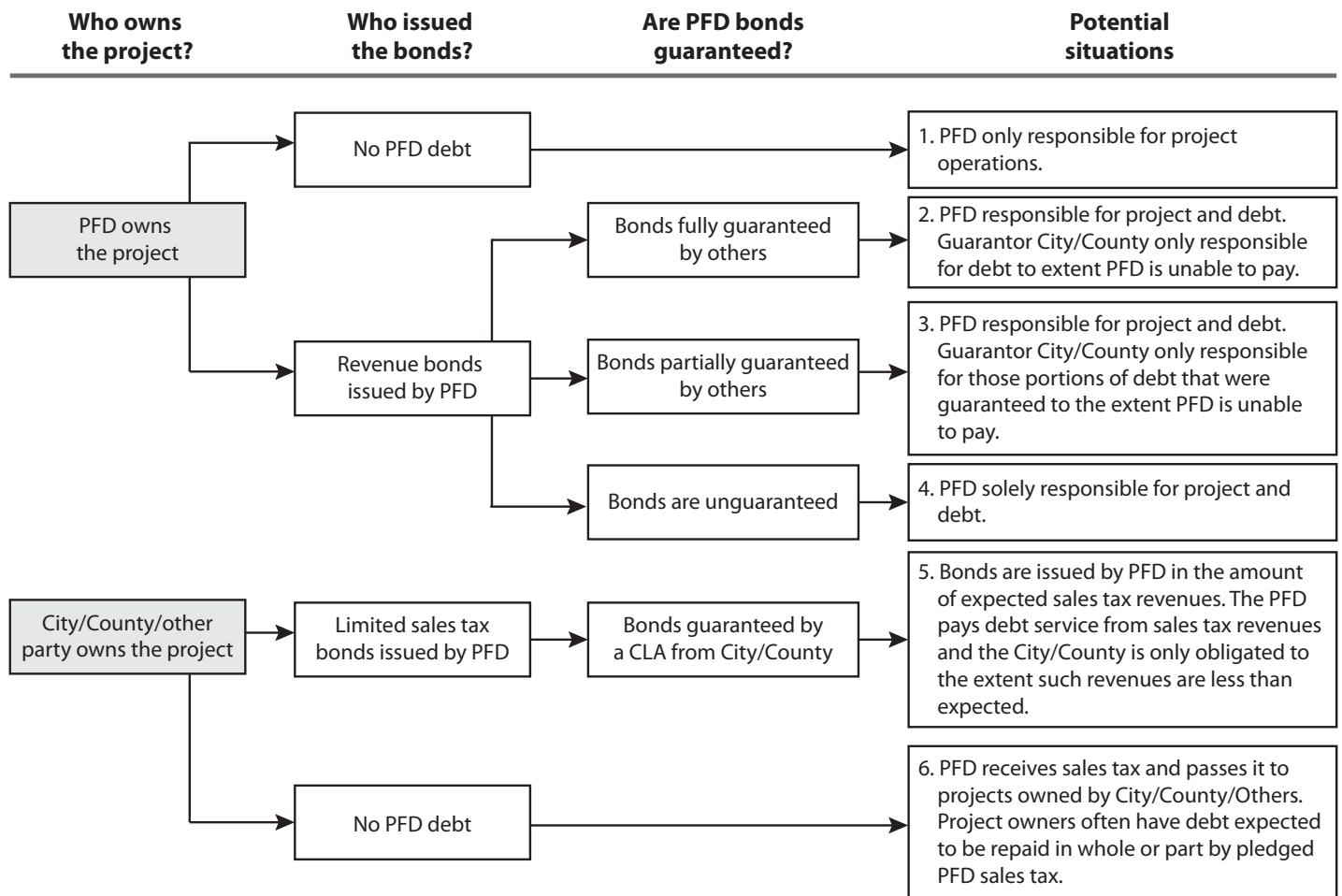
<b>PFD name</b>	<b>Purpose</b>	<b>Creating entity</b>
<b>Greater Wenatchee Regional Events Center Public Facilities District</b>	The District was formed for the purpose of building, developing and operating a regional center in the city of Wenatchee called the Town Toyota Center.	Chelan and Douglas Counties, the Cities of Wenatchee, East Wenatchee, Chelan, Cashmere, Entitat, Rock Island and the Town of Waterville.
<b>Kennewick Public Facilities District</b>	The District was created in December 2000 to acquire, build, own and operate a regional convention center. The center has been built and now operates under the name of Three Rivers Convention Center. This convention center also includes the Toyota Center and Toyota Arena.	City of Kennewick
<b>Kitsap Public Facilities District</b>	The Kitsap County Public Facilities District was created in June 2000 to build, improve and operate sports, recreation, entertainment and conference facilities.	Kitsap County
<b>Lewis County Public Facilities District</b>	The District was formed to acquire, construct and maintain a public facility to hold community events. This PFD created the Lewis County Event Center and Sports Complex in partnership with the City of Centralia and Centralia School District.	Lewis County
<b>Lynnwood Public Facilities District</b>	The Lynnwood Public Facilities District was created to establish, finance, design, construct, operate and maintain the Lynnwood Convention Center. The Convention Center opened in the spring of 2005 and is used for local, regional and state meetings and events.	City of Lynnwood and Snohomish County
<b>Pasco Public Facilities District</b>	The District was created to participate in acquisition, construction, operation and/or financing of a regional center in the Tri-Cities area.	City of Pasco
<b>Richland Public Facilities District</b>	The District operates the Hanford Reach National Interpretative Monument Heritage and Visitor Center (the Reach) built on a 50-acre site at Columbia Point, the confluence of the Yakima and Columbia Rivers in Richland.	City of Richland
<b>Skagit Regional Public Facilities District</b>	The District's purpose is to acquire, construct, maintain and finance the McIntyre Hall Performing Arts and Conference Center located on the campus of the Skagit Valley College in Mount Vernon.	Skagit County
<b>Snohomish County Public Facilities District</b>	This PFD was created to finance one or more regional centers for the purpose of increasing economic prosperity and promoting private investment in Snohomish County. The District has allocated funding to four projects: the Everett Events Center (Comcast Arena and Edward D Hansen Conference Center) owned by the Everett Public Facilities District, the Lynnwood Convention Center owned by the Lynnwood Public Facilities District, the Edmonds Center for the Arts operated by the Edmonds Public Facilities District, and the Future of Flight museum operated by Snohomish County.	Snohomish County
<b>Spokane Public Facilities District</b>	The Spokane Public Facilities District was created by the Washington State Legislature in 1989 to acquire, construct, own and operate Spokane Veterans Memorial Arena, a sports and entertainment facility. In 2003, the District acquired ownership of the Spokane Convention Center and the INB Performing Arts Center (formerly Spokane Opera House).	City of Spokane and Spokane County

<b>PFD name</b>	<b>Purpose</b>	<b>Creating entity</b>
<b>Tri-Cities Regional Public Facilities District</b>	This Board is made up of three representatives from each city. The public projects use for this tax funding are voted on by Tri-Cities residents. The four current projects are: The Performing Arts Center, a Regional Aquatics Center, the Hanford Reach Interpretive Center and an expansion of the Three Rivers Convention Center.	Cities of Pasco, Kennewick and Richland
<b>Vancouver Public Facility District</b>	This District was established to create a Convention Center and hotel in Vancouver, Washington.	City of Vancouver
<b>Washington State Major League Baseball Stadium Public Facilities District</b>	The District operates as a municipal corporation of the state of Washington and was formed to research a site and design, build and operate a major league baseball park known as Safeco Field in Seattle.	State of Washington and King County
<b>Washington State Convention Center Public Facilities District</b>	This PFD was created to own and operate the Washington State Convention Center.	King County
<b>Yakima Regional Public Facilities District</b>	The District was created to create the Yakima Convention Center.	Cities of Yakima, Selah and Union Gap

# Appendix E: November 2011 Review of Public Facilities District Bonds

## Bond Funding Scenarios

Below is a diagram of the various bond fund scenarios we found in PFDs in November 2011.



If operating expenses exceed revenues, City/County owners must subsidize the project with general revenues. PFD owners do not have other revenues and must either obtain support from other sources or else cease operations.

The debt issuer is responsible to pay debt service.  
  
NOTE: City/County/Other project owners may have issued additional debt for the project - only debt issued by PFDs is addressed in this chart.

Guarantees are in the form of Contingent Loan Agreements (CLA) which obligate the City or County only if the PFD fails to make debt service or maintain adequate reserves.

Every PFD and project is unique and may contain complex legal structures, so the above categories represent only the general "in substance" types of situations.

**List of Public Facilities Districts bond funding scenarios and those PFDs using each scenario as of November 2011.**

**NOTE:** This Appendix does not reflect funding activity since November 2011. For example, of special note, the Greater Wenatchee Regional Events Center Public Facilities District (Wenatchee PFD) defaulted on its bond anticipation notes in December 2011; subsequently entered into additional inter-local agreements; issued new bonds; and paid off its 2008 bond anticipation notes. In addition on October 25, 2012 the Washington Supreme Court issued a ruling that if the City of Wenatchee guarantees the PFDs debt that guarantee is subject to the City's debt limit.

These notes apply to all the following tables.

1. Some projects are listed more than once because they are funded by multiple PFDs who are in different situations with respect to the project
2. Some PFDs are listed more than once because they are in different situations with respect to different projects.
3. Project ownership was considered in substance as the party with responsibility for revenues and expenditures of project operations; in these cases, there are also leasehold interests that do not appear to be affected by project performance.

Potential situations	Project(s) <sup>1</sup>	Public Facility District <sup>2</sup>	City / County responsibility <sup>3</sup>
1 PFD only responsible for project operations.	Safeco Field	Washington State Major League Baseball Stadium Public Facilities District	Bonds issued by Mariners and King County to be paid from sources other than PFD revenues.
2 PFD responsible for project and debt. Guarantor City or County only responsible for debt to extent PFD is unable to pay.	Edmonds Center for the Arts	Edmonds Public Facility District	City of Edmonds issued 2002 GO bonds (\$5.5M outstanding) secured by a pledge of Sales Tax revenue from the PFD. City is also responsible under a CLA for debt service on the PFD's 2008 Sales Tax and Refunding Bonds (\$3.9M outstanding) to extent PFD is unable to pay.
	Art & Children's Museum and Mount Baker Theatre	Bellingham-Whatcom Public Facilities District	City of Bellingham issued 2004 GO bonds secured by a pledge of Sales Tax revenue from the PFD (\$7M outstanding). City is also responsible under CLA for 2007 Limited Sales Tax Obligation Bonds to extent PFD is unable to pay (\$9.9M outstanding). Finally, City issued a loan to the PFD in 2008 (\$1.8M outstanding).
	Lewis County Event Center and Sports Complex	Lewis County Public Facilities District	Lewis County is responsible under a CLA for debt service to extent PFD is unable to pay (\$5.7M outstanding). County and Centralia School District to operate portions of project.
	Lynnwood Convention Center	Lynnwood Public Facilities District	City of Lynnwood responsible under CLA for debt service to extent PFD is unable to pay (\$28.3M outstanding). In addition, City and Snohomish County both pledge set annual payments of Lodging Tax Revenues.
	Three Rivers Convention Center and Coliseum	Kennewick Public Facilities District 3	City of Kennewick responsible under CLA for debt service to extent PFD is unable to pay (\$12.8M outstanding). In addition, City pledged set annual payments of up to \$725K per year to support PFD.
	McIntyre Hall Performing Arts and Conference Center	Skagit Regional Public Facilities District	Skagit County responsible under CLA for debt service to extent PFD is unable to pay (\$8.5M outstanding).

**List of Public Facilities Districts facing potential situations, continued**

Potential situations	Project(s) <sup>1</sup>	Public Facility District <sup>2</sup>	City / County responsibility <sup>3</sup>
2 PFD responsible for project and debt. Guarantor City or County only responsible for debt to extent PFD is unable to pay.	Hanford Reach Interpretative Center (The Reach)	Richland Public Facilities District	City of Richland responsible under CLA for debt service to extent PFD is unable to pay (\$6.2M outstanding). In addition, City pledged set annual payments of Lodging tax to support PFD.
	McIntyre Hall Performing Arts and Conference Center	Skagit Regional Public Facilities District	Skagit County responsible under CLA for debt service to extent PFD is unable to pay (\$8.5M outstanding).
	Hanford Reach Interpretative Center (The Reach)	Richland Public Facilities District	City of Richland responsible under CLA for debt service to extent PFD is unable to pay (\$6.2M outstanding). In addition, City pledged set annual payments of Lodging tax to support PFD.
3 PFD responsible for project and debt. Guarantor City or County only responsible for those portions of debt that were guaranteed to the extent PFD is unable to pay.	Everett Events Center (Comcast Arena and Edward D Hansen Conference Center)	Everett Public Facilities District	City of Everett responsible under a CLA on the PFD's 2007 Project Revenue bonds (\$27.4M outstanding) for debt service to extent PFD is unable to pay. No CLA on the PFD's 2007 Limited Sales Tax and Interlocal Agreement Revenue Bonds (\$25.4M outstanding). In addition, the City pledged annual payments of \$500K per year to support PFD.
	Town Toyota Center	Greater Wenatchee Regional Events Center Public Facilities District	City of Wenatchee responsible under a CLA for interest on 2008 Special Tax & Revenue Bond Anticipation Notes (BANS) (\$36.6M outstanding) to extent PFD is unable to pay. No CLA is in place for PFD's 2008 Limited Sales tax BANS (5.1M outstanding) or capital lease (\$431K minimum lease payments). <i>See note on top of page 19.</i>
4 PFD solely responsible for project and debt.	Washington State Convention Center	Washington State Convention Center Public Facilities District	None (\$313.5M outstanding secured solely by PFD revenues)
	Spokane Veterans Memorial Arena, Spokane Convention Center and INB Performing Arts Center	Spokane Public Facilities District	None (\$95M outstanding secured solely by PFD revenues)
5 Bonds are issued by PFD in the amount of expected sales tax revenues. The PFD pays debt service from sales tax revenues and the City / County is only obligated to the extent such revenues are less than expected.	Ocean Shores Convention Center	Grays Harbor Public Facilities District	Sales Tax Debt (\$9.7M outstanding) was issued by PFD with proceeds passed to City of Ocean Shores for project construction. Bonds were structured to equal expected sales tax receipts of the District. PFD has a CLA with the City to make up any difference.
	Kent Events Center	Kent Public Facilities District	Sales Tax and Revenue Debt (\$61M outstanding) issued by PFD with proceeds passed to City of Kent for project construction. City responsible under the bond agreement for paying debt service with project revenue and under a CLA as a general obligation to extent PFD sales tax and the City's project revenue are insufficient.

**List of Public Facilities Districts facing potential situations, continued**

Potential situations	Project(s) <sup>1</sup>	Public Facility District <sup>2</sup>	City / County responsibility <sup>3</sup>
6 "PFD receives sales tax and passes it to projects owned by City / County / Others. Project owner often has debt expected to be repaid in whole or part by pledged PFD sales tax.	Kitsap Fairgrounds Events Center	Kitsap Public Facilities District	Kitsap County owns the project and has issued general obligation debt expected to be repaid by the PFD's pledged sales tax revenues (\$10.2M outstanding).
	North Kitsap Regional Events Center	Kitsap Public Facilities District	North Kitsap School District owns the project. No debt outstanding on the project.
	Kitsap Conference Center at Bremerton Harborside	Kitsap Public Facilities District	City of Bremerton owns the project and has issued debt on it that is being repaid from sources other than the PFD (\$10.8M outstanding).
	Longview Columbia Theatre 3	Cowlitz Public Facilities District	City of Longview owns the project and has issued general obligation debt expected to be repaid by the PFD's pledged sales tax revenues (\$6M outstanding).
	Cowlitz County Expo Center 3	Cowlitz Public Facilities District	Cowlitz County owns the project and has issued general obligation debt expected to be repaid by the PFD's pledged sales tax revenues (\$5.6M outstanding).
	Three Rivers Convention Center and Coliseum	Benton County Public Facilities District	Kennewick PFD owns the project (see notes above)
	Three Rivers Convention Center and Coliseum	Pasco Public Facilities District	Kennewick PFD owns the project (see notes above)
	Greater Tacoma Convention & Trade Center	Greater Tacoma Regional Public Facilities District	City of Tacoma owns the project and has issued debt on it (\$5M outstanding).
	Regional Athletic Complex	Capital Area Regional Public Facilities District	City of Lacey owns the project and has issued general obligation debt expected to be repaid by the PFD's pledged sales tax revenues (\$7.2M outstanding)
	Hands on Children's Museum	Capital Area Regional Public Facilities District	City of Olympia owns the project and has issued general obligation debt expected to be repaid in part by the PFD's pledged sales tax revenues (\$5.6M outstanding)
	Vancouver Convention Center and Hotel	Clark County Public Facility District	The Downtown Redevelopment Authority (DRA) owns the project and has issued debt on it (\$72.3M outstanding). City of Vancouver is responsible under a CLA for debt service to extent DRA is unable to pay.
	Vancouver Convention Center and Hotel	Vancouver Public Facility District	The Downtown Redevelopment Authority (DRA) owns the project and has issued debt on it (\$72.3M outstanding). City of Vancouver is responsible under a CLA for debt service to extent DRA is unable to pay.

**List of Public Facilities Districts facing potential situations, continued**

Potential situations	Project(s) <sup>1</sup>	Public Facility District <sup>2</sup>	City / County responsibility <sup>3</sup>
<p>Situation 6, continued:</p> <p>6 PFD receives sales tax and passes it to projects owned by City / County / Others. Project owner often has debt expected to be repaid in whole or part by pledged PFD sales tax."</p>	Spokane Fair & Expo Center	Spokane Public Facilities District	Spokane County owns the project and has issued general obligation debt on it (\$15.2M outstanding). Sales tax revenue pledged by PFD is used along with several other financing sources to pay debt service.
	CenterPlace at Mirabeau Point Park	Spokane Public Facilities District	City of Spokane Valley owns the project and has issued debt on it (\$8.1M outstanding, of which \$6M is expected to be repaid from pledged PFD sales taxes).
	Everett Events Center, Lynnwood Convention Center, Edmonds Center for the Arts and the Future of Flight museum	Snohomish County Public Facility District	Everett PFD owns the project (see notes above)
	Yakima Convention Center and Capitol Theater	Yakima Regional Public Facilities District	City of Yakima owns the project and has issued general obligation debt on it (\$15.1M total outstanding, \$12M of which is expected to be repaid from pledged PFD sale taxes).

Notes:

1. Some projects are listed more than once because they are funded by multiple PFDs who are in different situations with respect to the project
2. Some PFDs are listed more than once because they are in different situations with respect to different projects.
3. Project ownership was considered in substance as the party with responsibility for revenues and expenditures of project operations; in these cases, there are also leasehold interests that do not appear to be affected by project performance.



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