

Washington State Department of Commerce

**Independent Financial Feasibility Review
Program Status**

RCAs 36.100.025 and 35.57.025

AWSPFD Conference
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Independent financial feasibility review

- What is it?
- Why is it?
- Who needs it?
- When is it needed?
 - Formation of a new PFD,
 - Issuance of new indebtedness by a PFD,
 - Long-term lease, purchase, or development of a facility by a PFD

2



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What? Two key words:

- Independent
- Review (not study)

Why?

In 2012, after Wenatchee default, Substitute Senate Bill 5984 passed WA Leg.

- To give local decision-makers access to objective and timely analysis of feasibility
- Reduce risks, assure community project on right track, ensure project success
- Most reviews done so far have suggested possible mitigation strategies for identified risks.
- COM – role not to approve/disapprove or substitute for PFD board

Who?

- PFDs

When? (see slide)

How long?

- 60-90 days after interlocal agreement signed between COM and PFD for small
- Up to 6 months for large project
- Varies based on – Size of project, extent of prior preparation by PFD, availability of sufficient and appropriate materials to review, negotiation of interlocal, procurement

Independent financial feasibility review

- How long does it take?
- Who does it?
- What does it cost, and who pays?
- What is the process like?
- How is it used?

3



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Who does it?

- Independent reviewer via contract with COM

Who pays and how much?

- Plan for about 0.1% of project cost (range of about \$7,500 to \$12,500 for \$10 million project)
- COM pays independent consultant
- PFD reimburses COM for consultant's costs

Process?

- PFD & COM estimate scope, cost, & timeline, execute interlocal agreement
- RFP for procurement
- Examines docs – reviews financial feasibility, avenues of risk, adequacy of revenues and expected revenues to meet costs
- Docs – feasibility studies, governing docs (bylaws, etc.), bond covenants and OS, construction plans, pro forma or other operating business plans, ETC.
- Draft report – Reviewed by COM and PFD – any needed changes made

How Used?

- Sent to PFD, state officials, local stakeholders, and the public (via COM website)

Reviews completed

➤ To date, the program has completed 5 reviews:

- Lewis County PFD— Event Center and Sports Complex, Sept 2012
- Richland PFD— Hanford Reach Interpretive Center, Jan 2013
- Asotin County— PFD Family Aquatic Center, June 2013
- Spokane PFD— Debt Issuance, Feb 2013
- Spokane PFD— Conference Center Expansion, May 2013

➤ Just starting our 6th review:

- Washington State Convention Center PFD— Expansion Project



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Lewis Co – (SDM Advisors – Susan Musselman) Partnership PFD, Centralia, School Dist. Schools primarily operate sports complex, PFD the event center through a private operator (operator not assessed as part of review). Risks identified: not all financing secured at time of review, could affect payment of construction contract; potential termination of operating lease if not finished in time. Sales and use tax primary revenue source, slightly exceeding projections in OS. Noted remote risk of decline in sales tax revenue, mitigated because bond backed by county.

Richland – (AECOM) Project under development for approximately 10 years. Phase 1 contract awarded, to begin March 2013; Phase 2 to be awarded in Jan 2013. Risks identified: increase in construction costs; Phase 1 site work and Phase 2 construction might be scheduled too close together in time; ticket price may be high and potential ticket revenue may be overestimated. Sales and lodging tax primary revenues, revenue strong and appeared to be adequate, availability of surplus funds from previous projects.

Asotin – (SDM Advisors) Review for PFD formation and transfer of existing Aquatic Center assets to the PFD. Center not yet self-supporting. PFD forming to access 2/10 % sales and use tax, subject to voter approval. If passed, revenue appears sufficient for admin and operational support. Risks identified: voter-approval of tax; completion of plans and policies governing operations.; currently staffed by county, not clear if will continue. Mitigation strategy to require reserves.

Spokane – (E.D. Hovee & Co.) Two phases – debt issuance and facility development. PFD has three facilities: convention center, performing arts center, and arena. Noted due diligence of two detailed cost estimates, adequacy of cash reserves, and creation of mechanism to address potential cost increases. Risks identified: capital cost increases, debt issues (including swap), short-term operating deficit, contingencies for sub-par revenue performance.. As planned, SPFD expansion not contingent on development of additional hotel beds to support plans and revenues noted in a previous proposal review. Mitigation and optional strategies covered in review.

| Questions?

THANK YOU!

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<http://www.commerce.wa.gov/PFDreviews>

5



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WSSC – Just signed interlocal to review \$1.4 billion expansion of the WSSC. RFP currently open, proposals due Tuesday, May 26. Will be phased, as the project involves purchase of several parcels of land, several debt issuances, and construction of the expansion.