

## **EDMONDS PUBLIC FACILITIES DISTRICT / EDMONDS CENTER FOR THE ARTS**

### **Annual Report to the Snohomish County Council Finance & Economic Development Committee**

Tuesday, July 12, 2022

#### **Operating Performance**

As of January 1, 2021, the State of Emergency declared by Washington State Governor Jay Inslee in March 2020 in response to the COVID-19 pandemic remained in effect. Precautionary measures to slow the spread of the virus continued well into the summer months. These measures included limiting or canceling public events and requiring citizens to remain at home except to meet basic needs and serve essential functions. During this time, the district's part-time production, box office, and front-of-house staff remained furloughed and all regular administrative team members continued to work half-time, and half-compensation, through September 2021.

The district presented a limited number of outdoor events June-August 2021. As a result, full- and part-time district staff began to gradually return to standard work hours in preparation for the opening of the 2021-2022 Season in September. On September 16<sup>th</sup>, Edmonds Center for the Arts held its first presentation in the auditorium since March 2020 – *Marty Stuart & His Fabulous Superlatives* – to a sold-out audience. As of April 2022, the district has experienced steadily increasing attendance for its season of presentations despite two resurgent waves of the virus in the fall and winter months.

Despite the negative impact of the pandemic on its operation between March 2020 and September 2021, the district's overall financial position improved in 2021. In addition to relief funds received through the SVOG program, and other forms of government relief, the district was also able to refinance a portion of its long-term debt in November 2021 with assistance from the City of Edmonds. These were the two most significant factors in the positive shift in the district's overall financial condition.

Management continues to assess the implications and the long-term financial impact of the pandemic on the organization and cash projections for the future. As it evaluates the future, the district remains focused on the recovery of its business activities – ticket sales for its series of presentations, rental activities, concessions sales, and the development of contributed revenue to support its education and community engagement programs. Welcoming patrons and families safely back to the theatre and rebuilding a robust audience is critical to the long-term growth and success of the district.

#### **Strategic Planning**

In June 2017, the District Board, the Not-For-Profit Board, and staff embarked on a planning process to update the organization's Strategic Business Plan for the five-year period between 2019 – 2023. The District and Non-Profit Boards officially approved the 5-year Strategic Business Plan at a joint Board meeting in December 2018. In 2019 and 2020, District department heads and board committees began implementing work plans based on the Strategic Business Plan objectives. These plan objectives focused primarily the further development of new revenue by developing new rental business, expanding the non-profit donor base, analyzing the net profit of presented events before sponsorship, stewardship of District assets and the development of external partnerships.

The district's ability to meet its Strategic Business Plan objectives in the latter half of the 2019-2023 implementation timeframe was impeded by the effects of the pandemic. It has also become clear that strategic priorities and goals set forth in 2019 have changed significantly, also because of the pandemic. Surveys have revealed that patterns of audience engagement may be forever changed, and the performing arts industry nationwide is in the process of recognizing and reacting to these changing patterns. The district, therefore, will begin a new strategic planning process in December 2022. Audience and community surveys and focus groups, along with careful research and identification of emerging

trends will be critical to the process. District leadership expects to complete its next strategic plan by July 2023 for budgeting and implementation in FY 2024.

### **Non-Operating Performance**

Between 2011 and 2017, the district's annual bond debt services was met, in part, with assistance from the City of Edmonds in the form of loans as prescribed in a Contingent Loan Agreement (CLA) between the two entities signed in 2008 (see Note 3 in the accompanying Notes to the Financial Statements). Under the terms of the CLA, the City of Edmonds is contractually obligated to advance to the district, as a loan, the amount of any shortfall in the District's Debt Service Fund each year. The City of Edmonds pledges its full faith and credit thereto. The City must provide the same contingent financial support to the district for the life of the bonds, or until such assistance is no longer required.

As of 2018, the district no longer required assistance from the City of Edmonds to meet its annual debt service obligations, and has made incremental payments on this series of loans. In 2021, the district met its long-term bond debt obligations and made a loan payment to the City in the amount of \$50,000. It is anticipated that the district will make another payment on this loan in the amount of \$100,000 in December 2022.

### **Extension of Public Facilities District Legislation**

In 2017 the Washington State Legislature passed House Bill 1201, and the Bill was subsequently signed into law by Governor Jay Inslee in April 2017 extending the sales tax rebate for Public Facilities Districts by a period of 15 years from 2027 to the year 2041. The extension of this funding source provided the district with the opportunity to refinance a portion of its long-term debt. In November 2021, the district collaborated with the City of Edmonds to refinance bonds originally issued in 2002. This refinancing extended the repayment terms for this portion of the district's long-term debt to 2041. This extended loan period combined with a low interest rate (2.41%) will help free a significant portion of the district's annual non-operating revenue for capital maintenance, replacement, and improvements, or for operations as required.

### **Key Statistics**

Of the estimated 85,000 people who attend events at ECA each year, approximately 55% come from outside Snohomish County. Below is a geographic analysis of ECA's audiences between January 1, 2019, and December 31, 2019, our most recent full year of normal operation:

- Edmonds – 26%
- Seattle – 16%
- Lynnwood – 8%
- Bothell (including King Co. residents) – 7%
- Everett – 4%
- Kirkland – 2%
- Other Snohomish County Cities Combined – 9%
- All other locations outside of Snohomish County, including national and international visitors – 28%