



THE REACH

GATEWAY TO THE HANFORD REACH NATIONAL MONUMENT

January 29, 2013

P.O. Box 1160
Richland, WA 99352

WWW.VISITHEREACH.ORG

Jaime Kaszynski, Research Project Manager
Research Services/Local Government Fiscal Note Program
Innovation & Policy Priorities Division
Washington State Department of Commerce
P.O. Box 42525
Olympia, WA 98504-2525

RE: Hanford Reach Interpretive Center Formal Response to DOC Commissioned Report by AECOM

Jaime:

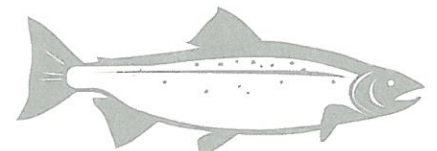
After reviewing the Final Report issued by AECOM on the Richland Public Facilities District's Hanford Reach Interpretive Center, we are providing formal comments related to the accuracy of the report following three concerns raised by AECOM: construction costs, debt service and operations. We believe that if the DOC and AECOM had started the process by meeting with us in person, many of the errors we have identified would not have arisen.

However, DOC drove the process and we have proactively supported it. As requested, we have participated in conference calls, communicated via email and forwarded dozens of documents, many more than once to assist AECOM in their review. We made ourselves available as well as board members, and provided additional email contacts for key leaders, donors and supporters to answer questions or provide information in a timely manner.

Before addressing the areas AECOM raised in their report, we wanted first, to discuss our concerns about the review process:

Overall Review Process

- AECOM submitted a "draft" report; the CEO did not accept the report and did not forward it to the Board for review; rather she and her staff provided extensive changes to the draft (21 of the 25 pages), demographic data on the Tri-Cities and BF Counties, contact information for over 62 key leaders/partners in the project, comments regarding the accountability of AECOM for the content of their report, the tone, data presented as factual, and inaccurate conclusions drawn from that data
- DOC reviewed the comments; sent comments back to the HRIC; the HRIC responded with additional comments as well as documentation; additionally a letter from our office accompanied the comments formally stating the erroneous conclusions in each of the three sections identified and requested they be deleted; DOC sent some or all of the comments from both their office and the HRIC to AECOM; the final report continued to include inaccurate information



Regarding AECOM concerns related to construction, debt service and operations, they are addressed individually in the following sections:

AECOM Review: Construction Costs

- Pressure to build the HRIC: We agree, there is tremendous pressure to build
- Under development for over 10 years: Yes, with multiple challenges, course changes and high costs for each change
- Cost for constructing Phase II (the building) may be undervalued: No
 - According to the “Considerations & Design Comments” Report provided by MSA/Lockheed in June 2012 as part of the review of the construction estimate provided by the original architect, there are three industry models:
 - Smithsonian Class: \$500-\$1,000 per square foot
 - Regional Attraction: \$325-\$500 per square foot
 - Local/Public Agency Museum or Visitor Center: \$150-\$300 per square foot
 - The decision by the board to abandon the original 61,000 square foot “Smithsonian” design, also included downsizing to a model the community not only could afford but would support, a “Visitor Center”
 - Ten proposals were received from the design-build teams indicating that they could build the first building at the \$3.35M cost and three were down-selected
 - Winning team DGR Grant/Thornhill Architect of Pasco with over 35 years of construction experience came in with “hard bid with a bond” on budget and with facility completion ahead of schedule
 - Timing-concern over Phase I going on during Phase II: City is experienced with working multiple projects simultaneously; MSA/Lockheed donated Construction Manager to HRIC with over 35 years of management experience on multi-million dollar projects across the Hanford Site and in the private sector

AECOM Review: Debt Service

- Concern about consistency of sales tax revenue
 - Table 2 is inaccurate (for example, AECOM reports \$202,000 for 2004, when the correct amount is \$228, 928 based on information provided by the City of Richland from 2004-2012)
 - Regarding sales being off for 6 out of 8 years-the RPFd received \$268,746 more on sales tax than is reported in the AECOM analysis
 - Table 2 does not include the \$125,000 committed in the Bond Document for hotel/motel tax
 - In original Bond Document through 2012, the excess should have been \$497,540 (including the \$250,000 required reserve)
 - The “real” excess amount is \$915,798 (assuming \$60,000 for the two months not reported yet for 2012 but as an average of past months) adding back \$235,000 transferred to operations
 - This account at current levels can not only cover debt service for 2013 of \$440,733, it also includes \$240,000 for 2014 (without factoring in any sales taxes or hotel/motel taxes that will be collected in 2013 and 2014)
- Concern about Benton County PFD not continuing to fund the HRIC in the event another facility in Benton County is developed (get December 2012 meeting minutes);

- If Regional PFD does approve the Aquatics Center, that will be an additional sales tax of .001% and does not replace, but is added to and so does not affect this project
- The RPFDD received \$108,827 from Benton County PFD in 2012/Original Bond Document estimated \$36,000
- The RPFDD has an interlocal agreement with the Benton County PFD where the RPFDD is guaranteed a 50/50 split of 80% of income and the remaining 20% is discretionary; funds have averaged \$82,000 per year for four years (2008-2011)
- Fragile balance for covering debt service/if RPFDD can't cover debt, City of Richland would have to loan the RPFDD money
 - RPFDD has reduced debt already by \$1,085,000-current debt balance is \$5,915,000
 - RPFDD has never refinanced or increased debt from 2004-2013
 - The City of Richland has guaranteed the bonds

AECOM Review: Operations/Income

- All facilities at some point operate at a deficit
 - The new pro forma developed by the RPFDD following the plan to build a 24,000 square foot building (rather than the originally designed 61,000 square foot building) includes two "safety nets":
 - With the "no support" revenue scenario, the facility would incur a \$58,000 deficit/year over four years (assuming we meet our earned-income targets)
 - With BCPFD support the RPFDD can cover a \$100,000 loss per year
 - AECOM is questioning RPFDD Earned Income projections in the pro forma/admission high and concern about underestimating free admissions
 - RPFDD does not know how the 990's were prepared for the other facilities used for comparison
 - RPFDD assumes 20,000 "paying" customers and 5,000 free (this includes students and members)
 - Translates to 6 days/week @ 20,000 people = 64 people per day/or at 360 days =56 paid visits per day
 - RPFDD calculations based on: \$135,400 revenue (paid visits), 2nd year down by 20%, 3rd year and beyond up by 3% per year
 - RPFDD stands by the estimates:
 - Population comparison: High Desert Museum/Bend: 76,639, Columbia Gorge Discovery Center/The Dalles: 16,160, Columbia Gorge Interpretive Center/Stevenson: 1,473, Hanford Reach Interpretive Center/Tri-Cities: 253,000
 - The RPFDD requires financial reporting monthly, the City of Richland quarterly; the RPRD does not plan on letting half or more of visitors be admitted free
 - Students will be "free" but their costs will be underwritten by donors (if the donors don't give to student admissions, then the admissions won't be free)
 - In terms of store sales, estimates are firm (based on income data particularly in Benton County which has one of the highest per capita populations of MA's and PhD's in the country; additionally, the RPFDD

began selling products at the Richland Farmer's Market beginning in 2012 to identify merchandise that is popular and merchandise that isn't; the first year all costs were covered (including all initial overhead i.e., display materials)

- The comparison to a facility that has operated at \$207,000-\$267,000 loss for 2007-2010 is of concern because of the lack of oversight to identify the problem and rectify it as the RPFDD has been demonstrating for the last 13 months

AECOM Review: Operations/Fundraising

- Fundraising efforts highly variable-HRIC may be understaffed:
 - Administration costs for current staffing are a "hard" & consistent cost that can be applied to future budget projections; that is where we start as the most prudent and conservative path forward
 - However, the Board authorized four part-time positions (at 1,040 hrs each @ \$10/hr) for a total of \$41,600
 - HRIC can utilize hourly, "on-call" staff similar to operations at other event facilities
 - OR
 - This will convert to eight part-time staff utilizing work-study students (because ½ of their costs are covered by the state) and supports our ongoing commitment to education to utilize the HRIC itself as a "learning lab" for students on every aspect of the project
 - This is in addition to current or future interns, BRMA or CREHST docents, and community volunteers
- Potential support of B Reactor tours (that includes charging a fee) could see significant drop in attendees
- RPFDD is implementing and beta-testing new revenue streams in 2013 to accurately estimate income before the building opens: tour/adult education program, membership program, themed events
- Assuming no tours, no adult education and cutting admission in half and leaving all other income sources as projected (membership/store sales/rental/endowment/contributions/corporate sponsors/fundraising/grants/benefit events in-kind), the HRIC would break even
- Assuming store sales cut by ½, admission cut by ½, tours cut by ½, and adult education cut by ½ leaving all other revenue sources intact, there would be a positive balance of \$53,057
- In 2013, the RPFDD will continue to evaluate all costs in the same way they did in 2012; if concerns arise regarding potential shortfalls, they will be immediately rectified as they were throughout 2012 and costs will continue to be reported to the City, donors, Reach board, key leaders and the community

AECOM Review: Operations/Staffing

- AECOM concern about lack of a "dedicated" paid staff for development-if there are shortfalls, HRIC will operate at a loss and projections appear optimistic
 - The most dramatic change in the project is that it has transitioned in the last year to a "community-based" project; the HRIC is not working in a vacuum; the dramatic changes that the project has experienced are due to the partnerships and guidance of a broad cross-section of experts throughout the community

- As has been stated in documents forwarded to the reviewer, the CEO is responsible for fundraising and is supported by the:
- RPF Board, representing the following business leaders: Dr. Fred Raab, LIGO Observatory Director; Rick Jansons, Health Physics consultant/President of the Richland School Board; Dan Boyd, Partner, Baker & Giles; Steve Simmons, Owner, Country Gentleman Restaurant/Catering; Stan Jones, Managing Partner & COO, ARCULUS Design & Technical Services
- Richland City Council and City of Richland
- Capital Campaign Steering Committee of key leaders such as: Mike Kluse, PNNL; Bill Lampson, Lampson, Inc; Allen Brecke, Brecke Law; Frank Armijo, MSA/Lockheed; George Garlick, Garlick Enterprises; Mike Rader, Merrill Lynch
- Reach Board: Jim Watts, Ron Lerch, Brad Toner, Jack Baker, all key leaders in the Tri-Cities community
- President/CEO's of TRIDEC and the TCVCB: Carl Adrian and Kris Watkins respectively
- Manager of DOE RL and the Government Affairs Manager: Matt McCormick and Colleen French, respectively
- Confederated Tribes of the Umatilla Reservation
- BCPFD
- Federal partners: US Corps of Engineers, US Fish and Wildlife, US Forestry Service/Umatilla National Forest, National Park Service
- Board of the CREHST Museum; BRMA; North Cascades Institute; our Education Advisory Committee of key leaders in K-12 and higher education; our local conservation groups like Audubon, Friends of the McNary Refuge, Friends of Badger Mountain; youth development organizations like Boy Scouts, Girls Scouts and Boys and Girls Club of Benton and Franklin Counties; our partners in Agriculture
- Congressional Delegation: US Senator Patty Murray, US Senator Maria Cantwell and US Congressman Doc Hastings
- Local mayors, state legislators and county commissioners
- Staff who have made the commitment for the long haul to deliver on a promise made ten years ago who have expertise in administration, finance, research, writing, communications, etc., so that the CEO can do the job of development

Hanford Reach Interpretive Center Today

- Infrastructure funded by \$3.6 million in DOT obligated funds
- Facility funded by \$3.7 million in cash held by RPF (including contingency)
- Exhibits funded by \$2.4 million in USFWS obligated funds
- Infrastructure start date: 3/15/13
- Building start date: 6/1/13
- Building opening date 6/1/14

HRIC Milestones 2012-2013

- A project that has undergone comprehensive realignment throughout 2012 as the result of the appointment by City Council of new Board members, the hiring of a new CEO and project construction estimates being evaluated by third party. This is a part of a multi-pronged process of 1) assessing the situation which included broad community input , 2) making the necessary modifications to bring the project in line, 3) developing new

systems to assure long-term sustainability, 4) beta-testing those systems, 5) making required changes, 6) continually adjusting as new information becomes available and 7) formally implementing those systems and “best practices” when the building opens.

- Q1 2012: \$990,000 2012 operating budget cut in 2012 by almost 40%, three staff laid off, office moved to donated space
- Q2 2012: Project construction estimates evaluated by MSA/Lockheed as part of \$1 million donation in April
- Q2 2012: Launched an Education Initiative supporting grades K-12 which served over 4,000 students
- Q1-Q4 2012: Over 300 meetings conducted and presentations given to key leaders, donors, Confederated Tribes of the Umatilla Indian Reservation, constituents and federal partners, to rebuild relationships and establish new relationships as well as to seek ideas and recommendation on path forward
- Q3 2012: Board worked with key leaders to develop a “campus” model with a focus on building multiple smaller buildings with the first being built with funds in hand
- Q3 2012: Board terminated original design team; went out for bid for design/build team
- Q3 2012: Board rewrote Pro Forma to reflect five-year plan to building and operate a 24,000 square foot facility, utilizing data from the original pro forma studies, and recommendations by Hovee for the Regional PFD assessment; however new information continues to become available and will require continual revision of the plan through opening and through the first five years
- Q3 2012: Richland City Council approved new Pro Forma, Sub-lease extension, reduction in required reserves (to reflect downsized facility); additional \$700,000 in DOT funds for Phase I
- Q4 2012: \$1.5 million was raised in cash and in-kind donations, Board approved a 2013 budget of \$397,000 to align with construction schedule of building
- Q4 2012: Received 10 “hard” proposals; down-selected to 3 with final proposals submitted 12/24/12
- Q4 2012: RPFDF began providing project data to Department of Commerce for required independent feasibility review, and was required to pay \$12,000 for that review
- Q4 2012: DOC hired Chicago consulting firm AECOM to conduct the review; the PFD participated in several conference calls with DOC and AECOM, as well as providing over 50 documents via email to AECOM; the entire review was conducted out of Chicago
- Q1 2013: Board selected Pasco-based DGR Grant/Thornhill Architect as new design-build team

We believe that the process could be improved for future PFD’s:

- Select consultants that are in-state and experienced in the economics of the state
- Cap the cost at \$10,000; this review isn’t in our budgets and it was our understanding it would be \$5,000-\$10,000 and it is now at \$12,000; we’re concerned about the cost of the review to the amount of time spent by the non-local reviewer questioning data for local market conditions
- There should be consistency in the analysis and reporting process; our report is very different from the Lewis County PFD
- There should be consideration related to the accountability of the consultant; in our case the consultant was from Chicago, IL and consistently did not believe in the data we provided because it varied from other norms; however in this community it was “hard

numbers" Public projects that involve millions of dollars are not developed in a vacuum, at least not in this community. They are carefully considered, planned and executed by people of the highest integrity and character. When going into each community to be reviewed, we would appreciate you starting from the point of respecting our leaders and decision makers who have worked so diligently to do the right thing. They do have a "vested interest" in the outcomes and are willing to dedicate their time, talent, and resources to enhance the quality of life of all residents.

- Additionally, the consultant presents the "General and Limiting Conditions" in the report, which states they are not responsible for the analysis itself or the data used to develop the analysis. We welcomed the review, my staff went above and beyond in providing a "mountain" of documents to the reviewer and we believe in being accountable to our cities, community, region and state. However, the reports can have longer-term implications that will not benefit anyone and could hurt the very organizations you are seeking to support when the analysis contains faulty data

We are very proud of this project and the community-based focus it embraces. The individuals and groups that embody the Hanford Reach Interpretive Center Project reflect openness, honesty, integrity and character. The RPFD welcomes the opportunity for outside review. The RPFD is committed to transparency and accountability and will continue to monitor project progress monthly as well as report to the Richland City Council quarterly. We will move forward together; we will succeed together; and we will serve our children and future generations together...That is our promise and our obligation.

Sincerely,



Lisa Toomey
CEO

Hanford Reach Interpretive Center
A Project of the Richland Public Facilities District

Cc: Fred Raab, President RPFD
Rick Jansons, VP RPFD
Dan Boyd, Treasurer RPFD
Steve Simmons, Board RPF
Stan Jones, Board RPFD