

## Minutes

Washington State Convention Center  
Public Facilities District

Regular Meeting of the Board of Directors  
January 23, 2018

### I. CALL TO ORDER

Frank K. Finneran, Board Chairman, convened a regular meeting of the Washington State Convention Center Public Facilities District (WSCC) at 2:00 p.m., in Room 210, of the Convention Center.

### MEETING ATTENDANCE

#### Board Directors in Attendance

Frank K. Finneran, Chair  
Deryl Brown-Archie, Vice Chair  
Robert Flowers  
Jerry Hillis  
J. Terry McLaughlin  
Susana Gonzalez-Murillo  
Craig Schafer

#### Board Directors Absent

Nicole Grant  
Denise Moriguchi

#### Officers in Attendance

Jeffrey A. Blosser, President / CEO  
Linda Willanger, Vice President of Administration / AGM  
Ed Barnes, Vice President of Operations  
Chip Firth, Director of Finance and Administration / CFO

#### Consultants / Vendors in Attendance

Keith Hedrick, ARAMARK  
Becky Bogard, Bogard & Johnson, LLC (by teleconference)  
Matthew Hendricks, Hendricks - Bennett, PLLC  
Colin Green, LMG  
Jill Hashimoto, LMG  
Matt Griffin, Pine Street Group  
Dennis Lussier, Pine Street Group  
Tom Norwalk, Visit Seattle  
Kelly Saling, Visit Seattle  
Kris Cromwell, Visit Seattle  
Susan Giambalvo, Visit Seattle  
Patrick Smyton, Visit Seattle

#### Guests in Attendance

Anna Boiko-Weyrauch, KUOW

#### Staff in Attendance

Brock Bradley	Rebecca Emmons
Daniel Johnson	Michael McQuade
Michael Murphy	Sovath Sim

Paul Smith  
Susnios Tesfaye

Lorrie Starkweather  
Ron Yorita

II. APPROVAL OF MINUTES

December 19, 2017 WSCC PFD Regular Board Meeting

Ms. Brown-Archie made a motion to approve the minutes of the December 19, 2017 Regular Board meeting as presented. Mr. Schafer seconded and the motion was carried by the unanimous affirmative vote of all Directors present.

III. PUBLIC COMMENTS

*Mr. Finneran advised that anyone wishing to speak before the Board, either as an individual or as a member of a group, may do so at this time. Individuals desiring to speak shall give their name, address, and the group they represent, if any. There were no public comments.*

IV. CHAIRMAN'S REPORT

A. Consent Agenda

Mr. Finneran presented the Consent Agenda to the Board. The following action items and informational reports had been sent to the Board for review prior to today's meeting:

Action Items:

1. Ratification of Additional Facility Project Contract List
2. Approval of Additional Facility Project Draw Schedule Payments, #38

Informational Items:

1. WSCC Sales Productivity Report
2. WSCC Monthly Expenditures Auditing Officer Certification
3. WSCC Outreach Report, 2017 Year-End

Mr. Hillis made a motion to approve the Consent Agenda as presented. Ms. Gonzalez-Murillo seconded and the motion was carried by the unanimous affirmative vote of all Directors present.

V. PFD COMMITTEE REPORTS

A. Addition Committee

1. Update Report

Mr. Finneran requested Mr. Griffin provide the Board with an overview of the Addition Project. Mr. Griffin spoke with regards to the schedule and advised that since the December 2017 Board meeting, the project has cleared Design Review Board and will now move to the City Council Transportation Committee, and then to the full City Council. The street and alley vacations remain a key piece on the critical path for the project schedule. On the land portion with King County, Mr. Griffin advised that agreements on two items have been completed: 1) An agreement on the temporary joint use of the site; and 2) A contract with King County to relocate their communications room, with King County responsible for 100% of the cost. Mr. Griffin provided an update on the entitlement process and stated that the National Environmental Policy Act (NEPA) component is almost complete, and it is anticipated that the NEPA report will be issued in February along with the NEPA Federal Environmental Impact Study (FEIS) being the record of decision. Mr. Griffin advised that the end of May 2018 is still the targeted date for start of construction. On the finance piece, Mr. Griffin spoke to the approved addition budget and construction budget and advised that approximately 20% of the construction funds have been allocated with the hiring of sub-contractors. Meetings continue with the contracted bond underwriter teams to set up the plan/process for the bond offerings for the project. Pine Street Group will be bringing a recommendation to both the Finance and the Addition Committees in the next 30 to 60 days on a proposed bond offering plan. A final decision by the Board will be required to be made at about the time that we do the bond offerings as some decisions will depend on the interest rates. On the quality pieces, we continue to move forward with the architects and are close to finalizing a 90%

construction drawings document. The 90% construction drawings document will again be reviewed by WSCC staff and also by the contractor to ensure all questions are addressed before the start of construction in the latter part of May.

2. Discussion and Possible Action Regarding WSCC Addition Project Steel GC/CM Mini MACC Change Order Agreement

Mr. Finneran requested Mr. Griffin to provide explanation regarding the WSCC Addition Project Steel GC/CM Mini MACC Change Order Agreement. Mr. Griffin advised that contained in the Board packets is a Change Order to the General Contract to allow Clark-Lewis (GC/CM) to enter into a contract with American Bridge for the steel supply and erection for an amount not to exceed \$88 Million with cancellation rights in place until the City Council has given approval on the vacations. Mr. Finneran stated that the Addition Committee had reviewed this change order and is recommending the Board's approval.

Mr. Schafer made a motion to authorize the Board Chair to execute Change Order No. 5 to the GC/CM contract with Clark-Lewis for the structural steel work scope of work in an amount not to exceed \$88 Million dollars. Mr. Hillis seconded and the motion was carried by the unanimous affirmative vote of all Directors present.

B. Finance Committee

1. Approval of Investment Advisor Services Vendor, Resolution # 2018-1

A RESOLUTION designating Government Portfolio Advisors, LLC, as the vendor to provide the District with investment advisory services.

Mr. Flowers advised that an RFQ was issued in November 2017 for WSCC Investment Advisory Services to secure necessary consulting work to help manage the investment portfolio and provide advice to the Finance Committee, staff and the Board. Five proposals were received and short-listed to two companies to be interviewed: Chandler Asset Management and Government Portfolio Advisors. Interviews were conducted by a panel consisting of Finance Committee members (Mr. Flowers and Mr. McLaughlin), staff and Mr. Eoff. After review, the Finance Committee interview team made recommendation to the Finance Committee for the selection of Government Portfolio Advisors as the most qualified responder for these services. The Finance Committee reviewed the recommendation and is in agreement with the Committee's selection/recommendation to the Board for approval.

Mr. Flowers made a motion to approve Resolution # 2018-1, designating Government Portfolio Advisors, LLC, as the vendor to provide the District with investment advisory services, and that the President/CEO or his designee is authorized to enter into and execute an agreement with Government Portfolio Advisors, LLC, for investment advisory services for a term not to exceed five years. Mr. McLaughlin seconded and the motion was carried by the unanimous affirmative vote of all the Directors present.

3. State Audit Update

Mr. Flowers advised that the Finance Committee met with the State Auditors this morning to receive an Exit Interview. The State Auditor provided a clean report for the Washington State Convention Center. It should be noted that this is the thirty-first (31<sup>st</sup>) clean report for the Convention Center on its audits which began approximately two years prior to opening for business in 1988. Mr. Flowers wished to congratulate the management team for the good work that has been done on the audits. Mr. Blosser advised that a copy of the State Auditors Exit Report will be provided to the Board with the In-Between-Board-Meetings Report in February.

C. Government Affairs Committee

1. Update

Ms. Brown-Archie reported that the Government Affairs Committee met on January 16, 2018 by conference call. A subsequent meeting is scheduled for January 29, 2018. The Committee continues to work with staff to revise some of the materials and messaging for elected officials as the legislative

session and various meetings get underway. The focus to be on both the State and City Council levels to support the Addition Committee in getting the legislation required and the necessary decisions needed from the City.

2. Government Relations Consultant Report

Ms. Brown-Archie advised that the consultant update report from Ms. Bogard is contained within the Board packets.

D. Operating Goals Committee

1. Completion of 2017 Operating Goals, Resolution # 2018-2

A RESOLUTION Approving Recommendation of the Operating Goals Committee Regarding Completion of the 2017 Goals for the District.

Mr. McLaughlin reminded the Board of the operating goals discussion held during the 2017 Strategic Retreat meetings in October. As a result, going forward the individual goals will remain the responsibility of the specific Committees, along with the mid-year and end-year reporting. As such, the Operating Goals Committee will cease to exist effective today.

The Board feels that it is in the best interest of WSCC to adopt annual operating goals and to review end of the calendar year performance for those goals. Mr. McLaughlin advised that the WSCC Board Operating Goals Committee reviewed the FY 2017 Operating Goals Year End Report, attached as Exhibit A to Resolution #2017-2, and has determined that all goals for fiscal year 2017 have been completed or are moving forward as anticipated, except for the branding/naming goal that was moved to the Marketing Committee from the Facility Committee, and Level 1 capital projects. It is anticipated that these items will be completed in 2018. The Operating Goals Committee recommended approval by the full Board.

Mr. McLaughlin made a motion to approve Resolution #2017-2, approving the satisfactory completion of the 2017 Calendar Year Operating Goals. Mr. Flowers seconded and the motion was carried by the unanimous affirmative vote of all the Directors present.

E. Art Committee

1. Update

Ms. Gonzalez-Murillo advised that the Committee met with WSCC staff and Pine Street Group on January 5, 2018, regarding the involvement & roles of the WSCC Board Art Committee, the Art Advisors, and 4Culture in the Addition Project Art. As well, Mr. Blosser and staff provided the Committee and Pine Street Group with a tour of the WSCC facility and The Conference Center (TCC) to discuss the type of art, facility operational features, and relationship between art and building operations. The Committee's next meeting will be held when Ms. Gonzalez-Murillo's returns, after February 16, 2018, at LMN Architects to provide a visual presentation of the Addition model and possible art locations within the new facility and outside of the building.

F. Marketing Committee

1. Update on Branding / Naming Work Progress

Mr. Schafer advised that the Marketing Committee meeting with the consultants was postponed at the request of staff as they were not ready to engage the Committee at this point. The Marketing Committee hopes to meet with the consultant, Hornall Anderson, within the next 30 days. Mr. Schafer has spoken with Mr. Blosser and Mr. Norwalk to gain a better understanding for the delay and requested Mr. Blosser provide an update. Mr. Blosser advised that the team of WSCC staff and Hornall Anderson were tasked with putting the WSCC work into three buckets in terms of the new name: Personality of the City – as it makes sense for WSCC to be a part of the Seattle personality; Characteristics of the Buildings – which could lend itself to names for wayfinding; and Features of Geography – as we know this is part of what people think of when they come to Seattle. At this time, there are over 20 items under each of these lists and we have requested the number of names be

narrowed down to between 5 and 7 different options versus 20. The executive management team has put in a significant amount of time to date to ensure that the naming makes sense and the project is on the right track. A meeting of the Marketing Committee will be convened in late February to discuss, review, and potentially make a recommendation to the full Board.

G. Long-Range Planning Committee

1. Planning Committee Report

Mr. McLaughlin advised that the Long-Range Planning Committee met on December 14, 2017 to begin to define long-range planning goals/ objectives for the Board and WSCC, and a subsequent meeting was held on January 14, 2018. The long-range planning outlook is being considered in the Committee as 4 to 6 years. The required deliberations and planning needs of the Committee to meet these goals will realistically will be of a shorter term, 1 to 3 years. The Committee has agreed upon four preliminary goals which are being presented to the Board for review/questions:

- i) Board and Senior Management Strategic Development Planning;
- ii) Strengthen Neighborhood Connections and Activation to positively effect operations of WSCC;
- iii) Establish a Plan that includes and defines the mix of public relations, public affairs, and corporate communications with the Board to define and outline the public positioning of WSCC messaging.
- iv) Current Building Renovations are necessary with the Addition Project moving forward to create an atmosphere that both facilities are state of the art and can accommodate all client needs no matter which facility their event is located.

Mr. Finneran advised that the Long-Range Planning Committee will identify the priorities for the most important items and use our resources to complete those items as best as possible. These long-range planning items do not diminish the yearly individual Board, Committee and staff goals that are set each year which going forward are to be reviewed and reported out by Committees as opposed to being reviewed by the individual Committees and then reviewed again by the previous Operating Goals Committee for recommendation to the Board.

VI. VISIT SEATTLE & WSCC Sales Reports

A. Visit Seattle Destination Overview

Mr. Norwalk reported that Smith Travel Research report for December 2017 YTD provides comparisons for revenue per available room (RevPAR), average daily room rate (ADR) and occupancy variances for hotels in Seattle Downtown, San Francisco Market Street, Denver Downtown, Portland Central City, Austin CBD, San Diego CBD, Boston CBD/Airport, Nashville CBD and Los Angeles CBD. Downtown Seattle finished December with an occupancy rate of 84.2%, up 1.9% from the same period in 2016; RevPAR saw an increase of 7.3% and ADR had an increase of 5.4% as compared to the same period last year. In December 2017, Boston CBD/Airport topped the competitive set for the month with an ADR of \$255. Seattle Downtowns ADR (\$223) finished the month in the third spot. Year to-date, Boston CBD/Airport is in the lead in the category of Average Room Rate, San Francisco in the lead with RevPar, and Seattle Downtown leading in the Occupancy category. Seattle numbers continued to track strongly with the eight other cities in the group.

B. Visit Seattle Sales Report

Ms. Saling reported that Visit Seattle WSCC annual blended goal for the year ending December 2017 was 105% and the breakdown for the WSCC sales production was 94% of goal, and Hotel Production was 120% of goal. WSCC actualized consumption goals for the year ending December 2017 realized total room night production for WSCC at 102% of goal; with the total delegates at 109% of the 2017 goal; and economic impact falling slightly below goal at 91%.

Ms. Saling reviewed WSCC lost and waived room nights for the year ending December 31, 2017:

- 728,470 room nights were lost (business bid on, but was not awarded) primarily because of WSCC size, hotel rates, and date availability.
- 635,839 room nights were waived (business that wanted Seattle to bid, but we were unable to bid for various reasons) primarily because of date availability and WSCC size.

C. WSCC Sales Report

Mr. McQuade reported that for December 2017, WSCC & Visit Seattle Sales staff combined top-line rent totaled \$239,828 for Convention Center contracted bookings. Year-to-date, combined top-line rent was 99.19% of goal, totaling \$5,877,875. Groups hosted December YTD realized 13,904 in hotel room night bookings, with 170,597 delegates, and an estimated \$6,961.125 in top-line revenues.

During December, WSCC Sales staff booked 15 new events into the Center to infill around convention business booked by Visit Seattle. Cumulatively, these 15 WSCC booked events represent over 21,468 in estimated attendance, 120 associated room nights, and combined topline revenues of over \$390,485 for rent, food & beverage, parking and subcontractor services.

VII. PRESIDENT'S REPORT

A. Comment from Chairman Finneran

Mr. Finneran wished to acknowledge, on behalf of the Board of Directors, the extraordinary performance of Mr. Blosser and his team over the last year. They have done a wonderful job and they deserve our appreciation. 2017 has been a record setting year for WSCC and the WSCC team has done a yeoman's job in a necessarily tight timeframe. These efforts will bode well for our future as we go down the line for the Addition. Thank you, Mr. Blosser and the WSCC team.

B. Wild Rye: Year-End Report

Mr. Blosser provided a review of Wild Rye business in 2017. Wild Rye total revenues for 2017 were \$150,428, and total expenses for 2017 were \$149,544; realizing a net profit of \$884. We continue looking for ways to increase the Wild Rye revenues going forward. During 2017, Aramark hired a new manager for Wild Rye; has done a menu overhaul which included new signature items and a simplified menu of offerings; and updated menu boards to modernize the look and feel, and calorie counts were added to all menu items. Aramark extended the Wild Rye brand throughout WSCC by using the brand in all our grab-and-go sandwiches, salads, wraps, and snack boxes at other retail locations within the facility during public events, for example the "Wild Rye Express" pop-up concept in the former Goldberg's deli space on Level 1 as well as other temporary locations throughout the building. Aramark continues to work with WSCC to develop and execute a series of physical improvements to the Wild Rye Café Bakery space.

C. WSCC Retail Report, 2017 Year-End

Mr. Blosser reported on the Retail Summary for the year ending December 2017. WSCC has 17 retail spaces, totaling 21,962 square feet. There are 14 retail spaces currently leased, totaling 18,131 square feet. Fiscal 2017 total rental revenue was \$510,801, up from 2016 by \$13,395. Summary of activities during 2017:

- After a tenant buildout of the 9<sup>th</sup> avenue retail space, Noodle Library opened for business offering prepared and packaged food & beverage with an Asian theme.
- Lease was executed in December with GoNetYourself, Inc., for operation of a quick-turn video production studio on Level 1. Tenant buildout of the former T-Shirt Shop space is currently underway, with opening expected during 1<sup>st</sup> quarter of 2018.
- Negotiations concluded with Citrus Thai to occupy the former retail deli space on Level 1. Citrus Thai currently occupies retail space in the Koliass building on the WSCC Addition construction site.

- Negotiations underway to place an Addition project subcontractor in the vacant space next to the alley on Pike Street between 8<sup>th</sup> and 9<sup>th</sup> Avenues.
- Negotiations underway on a potential short-term food/beverage tenancy in the former retail location at Pike and Convention Place. The tenant would then move to one of the new street-front retail spaces (adjacent to the WSCC administrative offices on Pike Street between 8<sup>th</sup> and 9<sup>th</sup> Avenues) following preparatory construction of that retail space.
- WSCC extended the lease term(s) of Clay’s Marketplace.

Over the coming 6 months, staff will be seeking tenants for currently vacant retail spaces and will ensure all tenancies are compatible with the potential redevelopment of Level 1 and with the likely retail mix for the Addition facility. Staff will plan and prepare at least one of the new street-front retail spaces adjacent to the WSCC administrative offices for leasing during 2018. These are currently undeveloped spaces. As well, lease renewal process, including modifications to the leases to incorporate the now-standard WSCC relocation provision will be undertaken with four (4) current tenants: La Creperie Voila, FastSigns, FedEx Office, and Tougo Coffee.

#### VIII. STAFF REPORTS

##### A. Parking Report

Mr. Tesfaye reported that parking revenues for December 2017 were up 1.37% from the revenues reported December 2016; and December YTD revenues were up 3.76% from the same period in 2016, mainly due to the event mix in the building. WSCC’s monthly parking for the main garage is currently at full capacity. There is a small wait-list for both garages.

Mr. Tesfaye provided a “Year in Review” glance at the results from both the WSCC Garage and the Freeway Park Garage. Of the \$3,723,747 total parking revenues collected in 2017, 60% was from the WSCC Garage, while 40% was from Freeway Park Garage; 56% of revenues was derived from daily parking, while 44% was from monthly parking; approximately 63% of the transactions are being conducted at the machines as opposed to 37% at the cashiers; 184,180 transactions occurred during 2017 with 68% using a debit/credit card, 11% paying with cash, 21% utilizing the event-related validations, and less than 1% paying by check. Mr. Tesfaye reported on the usage of the EV Charging Stations for the date range of January 1, 2017 to December 31, 2017. During 2017, the stations have seen 425 transactions; averaging 2.26 transactions per day; revenue from the charging stations for these 425 transactions totaled \$1,840 plus the parking fees.

As per the Chairman’s request, Mr. Tesfaye provided a report showing the average income per stall / per category / per month – public versus monthly parking per building and employee parking. Mr. Tesfaye reported that for the month of December 2017, average rate per day per stall was:

- Freeway Park garage has 660 stalls available. There are 3 categories: Monthly Parking (408 parkers) at an average rate per stall of \$238.49 per month; Employee Debit Card (550 card holders) at an average daily rate per stall of \$74.19; and Daily Parkers with an average daily rate per stall of \$25.00. Monthly Parking usage averaged 357 per day (54%); Employee Debit Card usage averaged 36 per day (5%); and Daily Parking usage averaged 72 per day (11%). Total stalls occupied on average were 466 per day, or 71%.

- WSCC garage has 815 stalls available. There are 5 categories: Monthly Parking (131 parkers) at an average rate per stall of \$272.48 per month; Daily Parkers (313 parkers) at an average monthly rate per stall of \$131.72; Validations (7 average per day) with an average rate per stall of \$3.10; HCF, Admin & Validation (5 average per day) at an average rate per stall of \$2.12; Employee & Retail Monthly Parking (28 average per day) at an average monthly rate per stall of \$11.60; and Carpool and Unassigned Monthly Parking (4 average per day). Daily Parkers average usage was 313 per day (38%); Validations average usage was 7 per day (1%); HCF, Admin & Validation average usage was 5 per day (1%); Monthly Parking (Employee & Retail) average usage was 28 per day (3%); and Monthly Parking (Carpool & Unassigned) average usage was 4 per day (1%). Total stalls occupied on average were 358 per day, or 44%.

## B. Food Service Report

Mr. Hedrick reported total sales for December 2017 were up \$199,300 from forecast, however down \$236,580 from prior year. Total costs for December 2017 were less than forecast by \$121,503 primarily due to the event mix in-house. December 2017 total WSCC PFD profit was down \$216,942 from prior year, however \$320,803 better than forecast. Year-to-date sales are \$1,493,997 above forecast and \$1,055,781 below prior year. Food service return to WSCC PFD year-to-date is up \$239,331 from forecast and down \$1,127,593 from prior year. ARAMARK continues to focus on the Food Management and Labor Management programs and reports are showing positive results.

## IX. FINANCIAL REPORT

Mr. Firth reported December 2017 total operating revenues were down 7.4% compared to the same period in 2016, however above budget by 24.4%. For the month of December 2017, Food Service revenues were up by 39.9%. Retail revenue was down 19.6%, Building Rent revenue was down 27%, Parking revenue was down 15.2%, and Facility Services revenue was above budget by 27.7%. Year-to-date Operating Revenues were 5.9% ahead of budget at \$35,409,275, and below prior year by 0.9%.

Operating expenses for December 2017 were below budget for the month by 11%; and the corresponding sales were up 24.4%. Staff continued to conservatively manage expenses in FY2017. Operating loss for December 2017 was \$581,524. Year-to-date the operating surplus through December totaled \$1,082,350, ahead of budget by 156%.

For the month of December 2017, marketing revenues were below budget by 1.1%; and the monthly marketing expenses totaled \$1,113,764, below budget by 3.1%. Year-to-date December 2017 total Marketing revenues were up 8.8% compared to the same period in 2016, and ahead of budget by 2.4%. Marketing expenses for year-to-date 2017 totaled \$13,128,484, below budget by 2%. Marketing surplus for December was \$69,490, a decrease of 14.5% over the same period in 2016. Year-to-date the marketing surplus through December totaled \$755,926, up from budget by 384.5%.

Addition Project Fund expenditures for December 2017 were \$2,596,279.

Non-Operating Revenues for the month of December were \$7,681,774, below budget by 0.4%. Non-Operating Revenues year-to-date through December 2017, for regular and additional lodging taxes, totaled \$90,267,911. Non-Operating Expenses during the month for transfer of additional lodging tax, debt service, capital improvement projects, and addition budget totaled \$6,824,566, below budget by 16.3%. Non-Operating Expenses year-to-date through December 2017, which includes transfer of additional lodging tax, debt service, capital improvement projects and the addition budget, totaled \$91,076,031, below budget by 23.9%.

Mr. Firth advised that the forecast for the 2018 fiscal year is tracking positively for WSCC.

## X. ADJOURNMENT

Mr. Hillis made a motion to adjourn the January 23, 2018 Board meeting at 3:48 p.m. Mr. Flowers seconded and the motion was carried by the unanimous affirmative vote of all Directors present.