

Minutes

Washington State Convention Center
Public Facilities District

Regular Meeting of the Board of Directors
January 26, 2016

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 303, of the Convention Center.

MEETING ATTENDANCE

Board Directors in Attendance

Frank K. Finneran, Chair
Deryl Brown-Archie
Robert Flowers
Nicole Grant
Jerry Hillis (by teleconference)
J. Terry McLaughlin
Craig Schafer
Karen Wong (by teleconference)

Board Directors Absent

Susana Gonzalez-Murillo

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

Melinda Altamirano, ARAMARK
Becky Bogard, Bogard & Johnson, LLC (by teleconference)
Matthew Hendricks, Hendricks - Bennett, PLLC
Matt Griffin, Pine Street Group
Johnny Baca, PSAV
Fred Eoff, Public Financial Management
Rob Hampton, Visit Seattle
Kelly Saling, Visit Seattle
Kris Cromwell, Visit Seattle
Patrick Smyton, Visit Seattle

Visitors

Ed Hartwell, Skanska-Hunt
Kevin Volkmann, A.R.T.

Staff in Attendance

Brent Grant	Daniel Johnson
Michael McQuade	Michael Murphy
Kathleen Smith	Lorrie Starkweather
Susnios Tesfaye	Ron Yorita

II. APPROVAL OF MINUTES

December 15, 2015 WSCC PFD Regular Board Meeting

Mr. Hillis made a motion to approve the minutes of the December 15, 2015 Regular Board meeting as presented. Mr. McLaughlin seconded and the motion was carried by the unanimous affirmative vote of all Directors present, in person and by teleconference.

III. PUBLIC COMMENTS

There were no public comments.

IV. CHAIRMAN'S REPORT

A. Board of Directors Appointment – Ms. Nicole Grant

Ms. Nicole Grant was appointed to the WSCC PFD Board of Directors by the Mayor of Seattle to complete the four year term ending July 30, 2018 formerly held by Mr. David Freiboth. Ms. Grant's appointment was confirmed by the Seattle City Council on January 11, 2015. Ms. Grant currently serves as the Executive Secretary-Treasurer of the M.L. King County Labor Council. She currently serves on the Community Economic Revitalization Board, the Puget Sound Labor Agency Executive Board, the Harry Bridges Labor Center Visiting Committee, and the Seattle Labor Temple Association Board of Directors. The Board welcomed Ms. Grant and expressed appreciation for her willingness to serve as a member of the WSCC PFD Board of Directors.

B. WSCC PFD Board of Directors 2016 Committee Assignments (superseding Resolution 2015-13), Resolution #2016-1

A RESOLUTION ratifying recommendations related to the appointment of the Washington State Convention Center Public Facilities District Committees for 2016, amending and superseding Resolution 2015-13.

Mr. Finneran advised that the Board of Directors Committee Assignments for 2016 have been amended to reflect the appointment of Ms. Grant to the WSCC PFD Board.

Mr. Flowers made a motion to approve Resolution 2016-1 ratifying the membership on the Board Committees for 2016, amending and superseding Resolution 2015-13. Mr. Schafer seconded and the motion was carried by the unanimous affirmative vote of all the Directors present, both in person and via teleconference.

C. 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 Payment

Informational Items:

1. WSCC Sales Productivity Report
2. WSCC Monthly Expenditures Auditing Officer Certification
3. Outreach Report, 2015 Year End

Mr. McLaughlin made a motion to approve the Consent Agenda as presented. Ms. Brown-Archie seconded and the motion was carried by the unanimous affirmative vote of all Directors present, both in person and via teleconference.

V. PFD COMMITTEE REPORTS

A. Addition Committee

1. Update Report

Mr. Finneran reported that the Addition Committee met earlier today, as it does on a monthly basis, and discussed the overall conduct of the project. Mr. Finneran requested Mr. Griffin provide the board with an update on the Addition Project. Mr. Griffin spoke to the project schedule, provided an update on the status of land acquisition, budget, financing, design development, contracts, and project labor agreement. Mr. Griffin reported that the finalization of schematic design has been delayed and will be completed in February. The committee anticipates bringing a reconciliation of sources/uses to the WSCC Board at the March Board of Directors meeting.

2. Amendment to WSCC Agreement for Facility Addition Architectural/Engineering Services, Resolution #2016-4

A RESOLUTION of the Washington State Convention Center Public Facility District approving the second amendment to the Facility Addition Architectural/Engineering Services Contract.

Mr. Finneran advised that this amendment to the agreement with LMN Architects is to add the scope of co-development to their work which will aid in keeping the project on track to meet the changes in the energy code in 2017 which may make restrictions and achievement more difficult and more expensive.

Ms. Brown-Archie made a motion to approve Resolution #2016-4, approving the second amendment to the Facility Addition Architectural/Engineering Services Contract with LMN Architects. Mr. Flowers seconded and the

motion was carried by the unanimous affirmative vote of all Directors present, both in person and via teleconference.

B. Finance Committee

1. Investment Funds, 2015 Year End Report

Mr. Flowers reported that the Finance Committee reviewed the WSCC portfolio of investments currently managed by Government Portfolio Advisors and Ms. Woodring provided an outlook on finances for 2016. The Finance Committee members discussed concerns regarding liquidation of funds if necessary. The Finance Committee will meet again with representatives from Government Portfolio Advisors in the next few months, and report back Investment Program developments at a future Board meeting.

C. Government Affairs Committee

1. Update

Ms. Brown-Archie reported that the Government Affairs Committee met earlier today to discuss any potential items, issues or actions necessary with respect to City, County, or State ordinances relating to the Convention Center.

2. Consultant Update 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 Operating Goals for 2015, Resolution #2016-2

A RESOLUTION Approving Recommendation of the Operating Goals Committee Regarding Completion of the 2015 Goals for the District.

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 2015 Operating Goals Year End Report, attached as Exhibit A to Resolution #2016-2, and has determined that all goals for fiscal year 2015 have been completed or are moving forward as anticipated. The Operating Goals Committee recommended approval by the full Board.

Mr. McLaughlin made a motion to approve Resolution #2016-2, approving the satisfactory completion of the 2015 Calendar Year Operating Goals. Mr. Schafer seconded and the motion was carried by the unanimous affirmative vote of all the Directors present, both in person and via teleconference.

E. Facility Committee

1. Update

Mr. McLaughlin reported that the Facility Committee has had two meetings with the facility naming consultant, Green Rubino. Three naming options have been presented and the Facility Committee has asked the consultant to provide further information on the delineation between the buildings. Consultants were asked to consider further nuances to finalize the potential building names and will combine this work with a goal to present to the Board in the next few months.

Mr. McLaughlin advised that discussion occurred regarding the Level One renovations project. The existing building retail and entrance redesign may influence the naming project. The Facility Committee has tasked staff with reviewing opportunities for enhancing Level One options along with looking at the entrances on 7th and 8th Avenues. Staff to report their recommendations to the Facility Committee in February for consideration.

F. Art Committee

1. Approval of Members of the WSCC Art Foundation Board of Directors, Resolution #2016-5

A RESOLUTION by the Board of Directors of the Washington State Convention Center Public Facilities District approving members to the Washington State Convention Center Art Foundation Board of Directors.

Ms. Wong advised that according to the Art Foundation Bylaws, members of the Board of Directors of the Art Foundation are appointed by the Chair of the District Board Art Committee, with the approval of the District Board. As Chair of the Art Committee, Ms. Wong seeks District Board approval to appoint Ms. Margery Aronson, Mr. Eric Breidenbach, Mr. Glenn Harrington, Ms. Cathi Hatch, Ms. Jane McConnell, and Ms. Donna Wolter to the Board of Directors for the Washington State Convention Center Art Foundation.

Ms. Wong made a motion to approve Resolution #2016-5, approving the appointments of the above-named individuals to the Washington State Convention Center Art Foundation Board of Directors. Mr. Flowers seconded and the motion was carried by the unanimous affirmative vote of all the Directors present, both in person and via teleconference.

VI. VISIT SEATTLE & WSCC Sales Reports

A. Visit Seattle Destination Overview

Smith Travel Research report for December 2015 YTD provides comparisons for revenue per available room (RevPAR), average daily room rate (ADR) and occupancy variances for hotels in Seattle and six major west coast cities with convention centers. Downtown Seattle finished December with an occupancy rate of 67.1%, down 0.3% from the same period in 2014; RevPAR dropped 1.1% and ADR had an decrease of 0.8% as compared to the same period last year. In December 2015, San Francisco topped the competitive set with an ADR of \$196.45. Downtown Seattle and Seattle TIA ADR's (\$157.60 and \$151.75) ranked either side of San Diego downtown, to finish the month in the second and fourth spots. Year to-date, San Francisco remains in the lead in the categories of Occupancy, Average Room Rate, and RevPar. Seattle numbers continued to track strongly with the five other cities in the group.

Mr. Hampton advised that a delegation of 50 people representing Visit Seattle, WSCC, hotels and partners attended the 2016 Annual PCMA Meeting in Vancouver, BC. The delegation included 3 Chefs & a Winemaker to showcase Washington food and wines, with over 65 clients attending the hosted dinner.

The Visit Seattle Holiday Breakfast was held on December 8, 2015, and saw a record number of 710 attendees enjoying the networking and holiday festivities.

B. Visit Seattle Sales Report

Visit Seattle WSCC sales production for the month of December 2015 was 47.76% of goal and for Hotel was 62.47% of goal. 2015 year-to-date room night production through December is at 118.70% of goal and for Hotel is at 108.84% of goal. Visit Seattle top-line revenue for WSCC bookings for December totaled \$900,840, and total for the year of \$28,261,192.

Mr. Hampton explained that business can be lost because groups do not select Seattle for reasons that include lack of suitable dates, not enough convention space, hotel rates, or because they made a different city choice. The loss of economic impact for December 2015 for lost WSCC business has been estimated at nearly \$16,919,000 due to lack of Convention Center space already booked and no dates available for additional business that could meet in Seattle, with an associated 20,855 lost room nights.

Waived business is event business that staff did not pursue primarily because there were no viable date options available to offer the group or because the Convention Center is not large enough to accommodate the group. For December 2015, two groups fell into the waived business category, with an associated loss of 36,120 in hotel room bookings, a loss of 8,500 event attendees, and an estimated loss of \$20,964,600 in overall economic impact for the region.

C. WSCC Sales Report

Mr. McQuade reported that for December YTD, WSCC & Visit Seattle Sales staff combined top-line rent totaled \$5,307,522 for Convention Center contracted bookings. Groups hosted in December 2015 realized 227 in hotel room bookings, with 8,647 event attendees, and an estimated \$736,405 in top-line revenues.

During December, WSCC Sales staff booked 23 new events into the Center to infill around convention business booked by Visit Seattle. Cumulatively, these 23 WSCC booked events represent over 4,900 in estimated attendance, 1,109 associated room nights, and combined topline revenues of over \$483,743 for rent, food & beverage, parking and subcontractor services.

VIII. PRESIDENT'S REPORT

A. Wild Rye: Year-End Report

Mr. Blosser reported that 2015 was a challenging year given a couple factors; no consistent retail foods manager, turn over with the managers and staff, as well as the leadership of ARAMARK. This operation will be an emphasis for the new retail manager and the new ARAMARK leadership, with WSCC oversight to get the operation back on track.

B. Retail Report: Year-End 2015

Mr. Blosser reported on the Retail Summary for the year ending December 2015. WSCC has 17 retail spaces, totaling 23,215 square feet. There are 13 retail spaces currently leased, totaling 16,854 square feet. Rental revenues for 2015 were less than 2014 due to vacancies. During 2015, we continued to utilize the Moby's restaurant space as a dedicated meal preparation/service area for the Microsoft TechReady crew, and other events. Being able to utilize the Moby's kitchen and serving areas for event food & beverage functions continues to be highly popular with the involved meeting planners. Work continues on the evaluation and review of Level 1, both with regard to the retail offerings and opportunities, and about how the space might be reconfigured and upgraded to improve the entrance and experience of convention and meeting attendees. Once the direction for Level 1 improvements has been determined with a timeline for such improvements, the efforts to fill the empty retail spaces will go forward.

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C. Approval of WSCC Employee Recognition Policy, Resolution #2016-3

A RESOLUTION of the Board of Directors of the Washington State Convention Center Public Facilities District establishing an employee recognition program to recognize and reward employees for exemplary performance.

Mr. Blosser advised that the District initiated the Quality Service Program (QSP) to acknowledge, recognize, reinforce and reward exceptional or outstanding employee performance in their daily work. The QSP helps staff understand the level of service we strive to create through daily work and service to our guests. In order to recognize and distinguish exemplary performance of employees, the District desires to establish an employee recognition program to reward employees who exhibit these desired behaviors in a meaningful way to be budgeted by the District Board and managed by the President/CEO. Mr. Blosser stated that the program would be created in 2016 and that minimum dollars have been budgeted in Human Resources as in years past for current elements. Upon approval by the Board, the President/CEO shall develop program parameters and guidelines, and will request funding to support this program during the annual budget process, subject to approval by the District Board.

Mr. Hillis made a motion to approve Resolution #2016-3, approving the establishment of an employee recognition program. Ms. Brown-Archie seconded, and the motion was carried by the unanimous affirmative vote of all the Directors present, both in person and via teleconference.

Mr. McLaughlin advised that as this type of program can be very complex and must comply with Audit standards, that the President/CEO be encouraged to seek outside assistance in creating the program and the procedure. Chairman Finneran agreed and the procedure to be reviewed by the Board prior to the May Board meeting.

VIII. STAFF REPORTS

A. WSCC Parking Report

Mr. Tesfaye reported that parking revenues for December 2015 were down 8% from the revenues reported in December 2014; however only slightly down by 2% in December 2015 as compared to December 2014, and slightly under the target budget due to the event mix for the month. WSCC's monthly parking is currently at full capacity, with 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 \$3,618,471 total parking revenues collected in 2015, 64% was from the WSCC Garage, while 36% was from Freeway Park Garage; 58% of revenues was derived from daily parking, while 42% was from monthly parking; approximately 65% of the transactions are being conducted at the machines as opposed to 35% at the cashiers; 199,566 transactions occurred during 2015 with 63% using a debit/credit card, 15% paying with cash, 22% utilizing the event-related validations, and less than 1% paying by check.

B. Food Service Report

Ms. Altamirano reported total sales for December 2015 were up \$20,000 from forecast and up \$386,709 over prior year. Total costs for December 2015 were 2 percentage points lower than forecast. December total WSCC PFD profit was above prior year by \$198,062, and \$37,258 better than forecast. Year-to-date sales are \$673,484 over forecast and \$1,415,758 below prior year. Food service return to WSCC PFD for January through December is up \$711,871 from forecast and below prior year by \$1,036,945. Ms. Altamirano advised that the difference from the numbers produced in December 2015 versus December 2014 resulted from the event mix. ARAMARK continues to focus on the Food Management and Labor Management programs and reports are showing positive results.

X. FINANCIAL REPORT

Mr. Firth reported that year-to-date December 2015 total operating revenues were down 1.4% compared to the same period in 2014, however ahead of budget by 4.4%. For the month of December 2015, Food Service revenues were ahead of budget by 60%. Retail revenue was down 7%, and the Marketing Tax came in 12.5% over budget. Building Rent revenue was ahead of budget by 61% for the month of December 2015.

Operating expenses for December 2015 were over budget for the month by 12%; and the corresponding sales were up 32%. Staff continued to conservatively manage expenses in FY2015. Year-to-date the operating surplus through December totaled \$1,397,830. Operating loss for December 2015 was \$642,324.

In 2013, the Board authorized a funding mechanism to support efforts necessary to explore expansion feasibility, now called Addition Budget. Addition Project Fund expenditures for December 2015 were \$2,296,318.

Non-Operating Revenues year-to-date through December 2015, for regular and additional lodging taxes, totaled \$77,434,095. Non-Operating Revenues for the month of December were \$6,741,197, up 14.6% from budget. Non-Operating Expenses year-to-date through December 2015, which includes transfer of additional lodging tax, debt service, capital improvement projects and the addition budget, totaled \$59,790,922, under budget

by 36%. Non-Operating Expenses during the month for transfer of additional lodging tax, debt service, capital improvement projects, and addition budget totaled \$5,696,042, under budget by 57.5%.

Mr. Firth advised that the forecast for the 2016 fiscal year is tracking positively for WSCC.

ADJOURNMENT

Mr. Flowers moved to adjourn the January 26, 2016 Board meeting at 3:34 p.m. Mr. Schafer seconded and the motion was carried by the unanimous affirmative vote of all Directors present, both in person and via teleconference.