

Minutes

Washington State Convention Center
Public Facilities District

Regular Meeting of the Board of Directors
May 20, 2014

I. CALL TO ORDER

Frank K. Finneran, Board Chairman, convened a regular meeting of the Washington State Convention Center Public Facilities District (WSSC PFD) at 2:05 p.m. in room 211, of the Convention Center.

MEETING ATTENDANCE

Board Directors in Attendance

Frank K. Finneran, Chairman
Deryl Brown-Archie, Vice Chair (via telephone conference)
Rick Bender
Robert J. Flowers
Susana Gonzalez-Murillo
Jerry Hillis
Craig Schafer
Karen Wong

Board Directors Absent

J. Terry McLaughlin

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

Matthew R. Hendricks, Hendricks - Bennett, PLLC
Stephen Kiely, ARAMARK
Dawn Wheeler, ARAMARK
Tom Norwalk, Visit Seattle
Kris Cromwell, Visit Seattle
Patrick Smyton, Visit Seattle
Fred Eoff, Public Financial Management, Inc.
Rebecca Bogard, Bogard & Johnson, LLC
Tim Boyd, The TSB Communications Group
Jim Snook, CCPI
Steve Fitzpatrick, GES Global Experience Specialists
Tim McCabe, PSAV

Visitors

Dale Clark, Hart Crowser, Inc.
Brett Earnest, Clark Construction
Stefan Moritz, UNITE HERE Local 8
Alana Schutt, Pine Street Group
Shawn Mahoney, OAC Services
Curt Burks, Skanska
Phillip Goodwin, Skanska

Staff in Attendance

Michael McQuade	Krista Daniel
Ron Yorita	Marsha Engelsberg
Daniel Johnson	Susnios Tesfaye
Don Lane	Kathleen Smith
Lorrie Starkweather	

II. APPROVAL OF MINUTES

March 25, 2014 Regular WSCC PFD Board and April 24, 2014 Special WSCC PFD Board Meetings

Mr. Bender made a motion to approve the minutes of the March 25, 2014 Regular Board meeting and the April 24, 2014 Special Board meeting as presented. Mr. Flowers seconded and the motion was carried by the unanimous affirmative vote of all Directors present.

III. PUBLIC COMMENTS

There were no public comments.

IV. CHAIRMAN'S REPORT

A. Consent Agenda

Mr. Finneran presented the Consent Agenda to the Board. No action items were included and the following informational reports had been sent to the Board for review prior to today's meeting:

1. WSCC Sales Productivity Report
2. WSCC Monthly Expenditures Auditing Officer Certification

Mr. Flowers 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. Expansion Committee

1. Project Management Process Update

Mr. Finneran advised that since the April 24 Special meeting of the Board, ongoing discussions have occurred with the two apparent successful proposers for Construction and Development Management Services: Pine Street Group, to provide Pre-Development and Development Management Services; and AECOM to perform Construction Management Services. Work is continuing on the drafting of contracts specific to the roles, responsibilities and the terms to be negotiated with these companies. The contracts will be brought to the Board for approval. Mr. Blosser reported that two meetings have occurred with the Project Management firms to set expectations about each of the teams' role in the project, and the responsibilities of each group and how the two teams would work together.

2. Discussions with King County

Mr. Finneran reported that discussions are ongoing with Mr. Sung Yang, Chief of Staff with King County Executive Dow Constantine's office, regarding our expansion and process for moving forward on serious discussions on the acquisition of the Convention Place Transit Center at Pine and 9th. Mr. Blosser advised that a number of meetings have taken place with architects, engineers, designers, contractors, etc. all of whom are interested in participating in the WSCC expansion project. We have been outlining some of the key issues and strategies of the project and the projected schedules to help them understand where we are in the process.

B. Marketing Committee

1. Introduction of Mr. Patrick Smyton, Senior Director of Convention Strategy

Mr. Schafer introduced Mr. Patrick Smyton to the directors. Mr. Smyton was the successful candidate for the new position of Senior Director of Convention Strategy at Visit Seattle and will report to Mr. Blosser and Mr. Norwalk. Patrick will be working closely with Mr. McQuade and Mr. Bloemendaal as the teams go forward with this new revenue management process. Mr. Smyton brings a strong knowledge of revenue management within the hotel and hospitality industry, most recently as Director of Revenue Management at the MGM Resorts International Corporate Operations in Las Vegas. On behalf of the Marketing Committee and the Board, Mr. Finneran welcomed Mr. Smyton to Seattle and this new opportunity.

2. Update Report

Mr. Schafer advised that the Marketing Committee met on May 20, 2014, to review the implementation and approval process for the Seattle Convention Development Opportunity Fund ("Opportunity Fund. "). Mr. Blosser provided a review of the purpose for the Opportunity Fund that was presented to the Board at the Strategic Planning Retreat in October 2013. Monies are now set aside in the Visit Seattle budget for this purpose. The two entities involved in approving the request for funds to help secure convention business to Seattle and the Washington State Convention Center will be the WSCC Board and the Visit Seattle Board. Each entity will supply two members from their Board of Directors to be available on a quarterly basis to review submitted requests, engage the two teams in conversation about the importance of the need being requested, and then render their decision on each request. Visit

Seattle representatives will be the current Board Chair/or designated Board member and the current Finance Committee Chair/or designated Board member. WSCC representatives will be the current Board Chair/or designated Board member and the current Marketing Committee Chair/or designated Board member. The Committee will be staffed by the WSCC President/CEO and the Visit Seattle President/CEO. Meetings will be quarterly and all accounting of funds and awards to convention groups will be by Visit Seattle outlining accounts approved each year from the Opportunity Fund and the year in which funds will be appropriated. The Opportunity Fund Authority Committee will review available balances and funding that has been approved for each year to assure proper accounting of funds.

The Marketing Committee also reviewed the sales efforts with Mr. Tom Norwalk, Visit Seattle, and Mr. Michael McQuade, WSCC. The sales efforts and results are pacing at an acceptable rate, and from the Convention Center perspective are looking good.

C. Government Affairs Committee

1. Update

Ms. Brown-Archie reported that the Government Affairs Committee had recently met to review efforts over the 2013/2014 Legislative session. The Legislative session was quite challenging and the Committee and Board of Directors really appreciate the efforts of Ms. Becky Bogard and Mr. Tim Boyd to try to advance some of the legislation on WSCC's behalf. The Government Affairs Committee has determined that, in the best interest of the Board and WSCC, to go out for an RFQ for additional lobbying services. Ms. Brown-Archie advised that the plan is to add to the current lobbying team, in light of the fact that there is much riding on the ability to meet certain financing requirements and the importance of construction sales tax deferrals needed for the Expansion Project. The Committee is working with Mr. Blosser to formulate the details of the limited scope for the addition to the lobbying team going forward, and an increase in the expansion budget will reflect these additional services.

D. Finance Committee

1. Auditor Report

Mr. Flowers reported that the Finance Committee had met on April 29 to review the presentation of the Auditor's Report. In April 2014, Miller & Miller, P.S, completed an audit of WSCC PFD financial statements through December 31 for years 2013 and 2012. Miller & Miller reported no findings in the audit, and did not recommend any significant changes be made to WSCC PFD accounting procedures. By consensus, the WSCC Board of Directors approved the Financial Statements and Independent Auditor's Report for the years ended December 31, 2013 and 2012 as contained in their documentation.

E. Facility Committee

1. Update on Capital Projects

Mr. Hillis reported that the Facility Committee met today on several issues, including the Pike Street and 8th Avenue improvements, and also the interior improvements.

a. Pike Street and 8th Avenue Improvements

Mr. Barnes advised that several months ago the Board reviewed a presentation from GGN & Associates, a local design firm that is working with the Downtown Seattle Association on the Pike/Pine Renaissance Corridor. The main crux of their program was to renovate east/west and north/south streets in this selected area. We at the same time were planning our own sidewalk improvements. In reviewing the two plans, there are major departures between the two. The Facility Committee and staff collectively worked to coordinate the design elements of the programs so that the Convention Center could be very supportive of this important initiative. As such we've had several meetings with the Pike/Pine architect group as well as the Facility Committee, and presented today some updated plans for the Pike Street Improvements that the Convention Center is undertaking. We have married the plans together, made some concessions on our side, and the next step is to submit some sample materials to the Facility Committee for review and approval on the look and feel. The final details of the sidewalk design will not have significant impact on our street permit process with the City.

b. WSCC Level 1 Retail Areas

The Facility Committee also reviewed some updated retail concept options for improvements to Level 1. Mr. Barnes advised that this project would occur over the next several years and the Facility Committee gave consensus on the need for these upgrades to current retail locations on Level 1 and potentially looking at other store front improvements. Staff will be working on how to phase in this program for the Facility Committee over the next couple months for decisions on potential long-term program funding options. Mr. Hillis reiterated that the goal is not only for an updated appearance for the retail areas but also to make it more of a finished product for people coming

to the Convention Center. Once a conceptual plan has been created, the Facility Committee will bring the plan to the Board for approval.

c. 8th Avenue Tunnel

Mr. Barnes provided an update on the 8th Avenue Tunnel project. This is the space between The Conference Center and the Grand Hyatt Hotel on 8th Avenue. The project is on track and is tied into the Pike Street Improvement process with the city of Seattle as far as permitting, lighting changes, etc. Since submitting plans for the ventilation system reroute from the Cheesecake Factory out into the vaulted space, there have been some code modifications that would require WSCC to increase the number of clean-outs in that vaulted space to every 25 feet along with changing materials to a very expensive stainless steel and installing cat-walks, adding approximately \$1 million to the project costs. The staff have undertaken further research into alternatives and enlisted an independent engineer to study the systems. We hope to present a maintenance plan to the Cheesecake Factory and the Grand Hyatt Hotel for review. There are some easy modifications that they can make to their maintenance schedules that we think will greatly reduce the impact of the grease that you see on that vault as you look into the space. As well, the WSCC will be responsible for a more thorough process of inspecting individual panels, degreasing those and repainting the panels in the ceiling structure itself, along with adding some color changing LED lighting. Potentially at the July Board meeting, the Facility Committee will present those for further review. Ultimately when you look at that vault, we have the ability to mirror lighting at The Conference Center at night time, the colored glass look, and brand the district that we hope to see with our campus setting. It is a fail-safe lighting plan with WSCC having control of the colors, which we feel will be well-received by the neighborhood.

d. Relocation of WSCC Administrative Offices

Mr. Barnes reported on the relocation of the Administrative Offices. We have passed all of our permits required to begin construction on this project. Bid packets will be out on the streets by end of May, and it is anticipated that construction will be completed by the end of 2014.

e. Vagrant activities and safety concerns

Ms. Gonzalez-Murillo spoke to a matter of concern, both for staff and visitors to the Center. With the increase in the number of transient people in the downtown core, and more specifically those persons who frequent areas of the facility like stairwells, alleyways, external planter boxes, etc., resulting in safety concerns with unsanitary conditions, what is being done about these conditions? Mr. Barnes advised that WSCC has begun to take more aggressive measures in dealing with these types of issues, and took the opportunity to introduce Mr. Donald Lane, Security Manager for WSCC. Mr. Lane joined the WSCC as Security Manager in May and has begun developing a relationship with the Seattle Police Department and our local precinct. Mr. Lane's prior police experience has already proven very beneficial to the WSCC as he has taken a hands-on approach to moving along the transient encampments on Hubbell. The stairwell adjacent to the glass elevators has become an area of concern as people can enter the stairwell, go down a flight and hide in the stairwell. WSCC Plant Services Manager, David Cononetz, is installing one-way exit gates in that particular stairwell. Mr. Barnes spoke to the transient encampment that has been using the vault space behind Union Street. WSCC went to great lengths to install fencing along the I-5 freeway including barbed wire in some of the spaces, and relocated doors to the exterior of the building where they can't be seen. This is a priority for WSCC and requests have been made to Seattle Police Department to dedicate more resources to our particular area with regards to repeat offenders that our Security Officers have to trespass from the facility. Mr. Barnes is working with Mr. Hendricks to research particular laws and regulations with respect to WSCC's public space areas as well.

F. Art Committee

1. Update

Ms. Wong reported that the Downtown Historic Theatre District (Rotating Art Show) held an opening reception on Level 2 of WSCC on May 7, 2014. As Chair of the Art Committee, Ms. Wong was invited to represent WSCC and provide opening welcome remarks to the reception attendees. WSCC helped sponsor and host the reception. The Downtown Historic Theatre District was created to support the preservation, promotion, and maintenance of Seattle's downtown historic theatres. Five venues are included in the district: Town Hall Seattle, the 5th Avenue Theatre, A Contemporary Theatre ACT/Eagles Auditorium, the Paramount Theatre, and the Moore Theatre. The reception was to help celebrate this wonderful collection of images and artifacts from the life of these great cultural treasures, Seattle's historic theatres. The Downtown Historic Theatre District exhibition is part of the WSCC Rotating Art Program, where we work with artists and volunteers in the local and regional arts communities to bring in a whole variety of artworks for temporary display. Convention attendees and the general public greatly appreciate the opportunity to view these regularly changing exhibits.

VI. VISIT SEATTLE & WSCC Sales Reports

A. Visit Seattle Destination Overview

Smith Travel Research report for April 2014 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 the month with an occupancy rate of 78.9%, an increase of 7.7% over April 2013; RevPAR increased 15.9% and ADR had an increase of 8.3% as compared to the same period last year. San Francisco continued to lead the market in all three categories within the west coast competitive set. Seattle numbers continued to track strongly with the five other cities in the group.

B. WSCC and Visit Seattle Sales Reports

Mr. Norwalk and Mr. McQuade reported on Convention Center sales. Visit Seattle Convention Center sales production for April 2014 was at 48.72% of the room night annual booking goal for WSCC events. Top-line revenues for April 2014 saw an increase of 28% over the same period last year however, room night productivity dropped 53% from April 2013. Visit Seattle top-line revenue for Convention Center bookings totaled \$1,343,979 for the month ending April 2014. Overall, hotel room nights booked during April 2014 for all future business reached 51.23% of goal for the year.

For the month of April YTD, the Visit Seattle satellite office for Washington, DC, was down 32,086 from their January to April YTD goal of 160,000 (79.95% of their YTD goal). The Midwest office was down 46,519 from their January to April YTD goal of 132,000 (64.76% of their YTD goal).

Mr. Norwalk 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 April YTD for lost WSCC business has been estimated at nearly \$14,980,000 due to lack of Convention Center space already booked and no dates available for additional business that could meet in Seattle.

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 April YTD, 19 groups fall in the waived business category, with an associated loss of 80,965 in hotel room bookings, a loss of 60,947 event attendees, and an estimated loss of \$133,055,503 in overall economic impact for the region.

During April, WSCC Sales staff booked 22 new events into the Center to infill around convention business booked by Visit Seattle. Cumulatively, these 22 WSCC booked events represent over 6,566 in estimated attendance, 1,250 associated room nights, and combined topline revenues of over \$529,465 for rent, food & beverage, parking and subcontractor services.

VII. PRESIDENT'S REPORT

A. Board 2014 Strategic Planning Retreat Update

Mr. Blosser reminded the Directors that the WSCC PFD Board Strategic Planning Retreat has been confirmed for Monday, November 24 and Tuesday, November 25, 2014, at the Fairmont Olympic Hotel. The meeting agenda and program details are still in the early planning phase, however day 1 (Monday) will consist of a half day retreat meeting and day 2 (Tuesday) will be a full day retreat meeting with the regular November Board meeting taking place from 4:00 pm to 5:00 pm. The Board meeting agenda will be sent out with the Retreat agenda.

B. Marketing Department Productivity Report, Quarter 1

Mr. Blosser advised that the Washington State Convention Center is regularly represented in local and national business and trade periodicals. Our key marketing strategy is to maintain a presence across several key audiences including clients, emerging markets, government bodies and the general public. WSCC's integrated marketing campaign allows us to measure the impact of our marketing and helps connect clients with our sales strategy. WSCC Marketing and Communications have developed an archive of messages, pictures and imagery that features the WSCC and creates visual associations with Seattle and the hospitality community. Our messaging leverages WSCC's location in the heart of the city, unique facility and capital budget that keeps us at the cutting edge within competition, showcases our 15,000 sq. ft. kitchen and in-house culinary program and lets our stakeholders know about the Center's impact to the financial and social wellbeing of the community. WSCC launched our email marketing program and are using it as a client-relationship management tool focusing on client retention and reactivation. We are branding all of our materials to reinforce the messaging and logos, and are working on new creative materials in lots of areas to enhance our efforts as well.

Mr. Blosser introduced Ms. Marsha Engelsberg, Director of Marketing and Communications, to provide an update on the WSCC website. Ms. Engelsberg advised that a target date for launching the new WSCC website has been set for later this summer.

VIII. STAFF REPORTS

A. WSCC Parking Report

Mr. Tesfaye reported that parking revenues were up 38% in April 2014 as compared to April 2013, and slightly over the target budget due in part to the event mix for the month. WSCC continues to offer monthly parking to new customers in Freeway Park Garage.

B. ARAMARK Food Service Report

Mr. Kiely reported top-line food service revenues of \$940,074 for April 2014, up \$104,215 from top-line revenues for the same period last year. Total costs (product, labor and direct costs) were higher than forecast, and up \$102,059 as compared to April 2013. Total costs for April were 15% over budget due in part to an increase in labor costs and an increase in the cost of products.

Mr. Kiely advised that a list of purveyors of local/regional Washington State food and beverage products used here at the WSCC has been compiled and provided to WSCC executive staff. Mr. Hillis requested that the list be provided to the Government Affairs Committee for outreach purposes.

IX. FINANCIAL REPORT

Mr. Firth reported that year-to-date April 2014, total operating revenues were up 7.3%. For the month of April 2014, Food Service revenues were up 25.3%, Retail revenues were up 12%, and the Marketing Tax saw an increase of 4.5%. Building Rent revenue was down 14.8% for the month of April 2014.

Operating expenses for April 2014 were slightly over budget for the month by 6.5%; however the corresponding sales were up 7.3%. Staff continues to conservatively manage expenses throughout the month.

In 2013, the Board authorized a funding mechanism to support efforts necessary to explore expansion feasibility. Expansion Project Fund expenditures for April 2014 were \$12,591.

Year-to-date the operating surplus through April totaled \$937,153. Operating surplus for April 2014 was \$21,483. Non-Operating Revenues year-to-date through April 2014, for regular and additional lodging taxes, totaled \$15,511,785. Non-Operating Revenues for the month of April were \$4,036,318, slightly under budget by 2.8%. Non-Operating Expenses year-to-date through April 2014, for transfer of additional lodging tax and debt service, totaled \$10,338,415, under budget by 5.2%. Non-Operating Expenses during the month, for transfer of additional lodging tax and debt service, totaled \$2,577,782.

ADJOURNMENT

Mr. Hillis moved to adjourn the May 20, 2014 Board meeting at 3:13 p.m. Mr. Bender seconded and the motion was carried by the unanimous affirmative vote of all Directors present.