

Minutes

Washington State Convention Center
Public Facilities District

Regular Meeting of the Board of Directors
May 24, 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
J. Terry McLaughlin
Susana Gonzalez-Murillo
Craig Schafer
Karen Wong

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
Brian McFadin, ARAMARK
Keith Hedrick, ARAMARK
Kimberly Nichols, ARAMARK
Becky Bogard, Bogard & Johnson, LLC
Matthew Hendricks, Hendricks - Bennett, PLLC
Chris Eseman, LMN Architects
Mark Reddington, LMN Architects
Matt Griffin, Pine Street Group
Kyle Preston, PSAV
Tom Norwalk, Visit Seattle
Rob Hampton, Visit Seattle
Kris Cromwell, Visit Seattle
Patrick Smyton, Visit Seattle
Ali Daniels, Visit Seattle
Steffan Brown, Visit Seattle
Alisa Carroll, Visit Seattle

Visitors

Brett Earnest, Clark Construction
April Mackoff, McCullough Hill Leary, PS

Staff in Attendance

Krista Daniel	Daniel Johnson
Michael McQuade	Michael Murphy
Kathleen Smith	Paul Smith
Lorrie Starkweather	Susnios Tesfaye
Paul Wagner	Ron Yorita

II. APPROVAL OF MINUTES

March 22, 2016 WSCC PFD Regular Board Meeting and April 19, 2016 WSCC PFD Special Board Meeting

Mr. Hillis made a motion to approve the minutes of the March 22, 2016 Regular Board meeting and the April 19, 2016 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. Delegation of Authority, June 5 through July 9, 2016

Mr. Finneran, Board Chairman, will be travelling out of the country from June 5 through July 9, 2016. The WSCC By-laws state "in the absence of the Chair, the Vice-Chair shall perform the duties of the Chair. When so acting, the Vice-Chair shall have all of the powers of, and be subject to, all the restrictions upon the Chair." Ms. Brown-Archie, Vice-Chair, will be assigned signing authority during the Chairman's absence related to any necessary items needing the Chair's attention for this time frame. In the event Ms. Brown-Archie is unavailable, Mr. Flowers, Chair of the Board Finance Committee, will also be assigned signing authority during this time period.

Mr. McLaughlin made a motion to authorize the Board Vice-Chair to perform all of the duties of the Chair from June 5 through July 9, 2016, pursuant to District By-laws, Article III, Section 3:1; and to delegate signing authority for expenditures over \$100,000 to the Board Vice-Chair, and if the Vice-Chair is unavailable, to the Chair of the Finance Committee from June 5 through July 9, 2016, as outlined in the PFD Operating Policy Budget Resolution 2010-19, dated December 14, 2010. Ms. Gonzalez-Murillo seconded and the motion was carried by the unanimous affirmative vote of all Directors present.

B. 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. WSCC Outreach Report – 1st Quarter 2016

Mr. Hillis made a motion to approve the Consent Agenda as presented. Ms. Grant 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 reported that the Addition Committee met this morning and reviewed the normal course of items having to do with the many features 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, including a status update regarding the land and the entitlements. The start of construction is still targeted for the summer of 2017. At the last Addition Committee the budget was approved as revised and is now at a level of \$1.6 billion. LMN has moved from Schematic Design to Design Development, with a number of meetings held with the Design Commission and the Design Review Board. After the separation from Skanska-Hunt, the Board directed Pine Street Group and the Addition Committee to reevaluate the process to re-engage a general contractor whether by the traditional design-bid-build method, go back and negotiate with #2 and/or #3 proposers, or by beginning the procurement process over again. The Addition Committee anticipate bringing their recommendation to the Board soon.

Mr. McLaughlin asked Mr. Griffin to provide information on the EIS, in particular the possible delay resulting from issues surrounding a NEPA analysis. Mr. Griffin advised that it was always known that the vacations component on this project would be complicated and could cause a delay. A new issue has arisen regarding the requirements for environmental studies. We have been working on the state environmental studies and analysis (SEPA). There is now a possibility that a national environmental analysis may be necessary (NEPA) which may

cause a delay in the process. Mr. Finneran advised that this is not the only issue that could cause the Addition Project to be delayed, but it may be one requiring more focus at this time.

2. Approval of Owners Protective Professional & Builders Risk Insurance for WSCC Addition Project

A RESOLUTION to approve Owners Protective Professional and Builders Risk Insurance for the Washington State Convention Center Addition Project.

Mr. Finneran requested Mr. Griffin provide explanation to the Board regarding the Owners Protective Professional and Builders Risk Insurance. Mr. Griffin advised that this coverage is for the benefit of the District in the event there is a claim that exceeds the underlying policy limits carried by the professionals in the Addition Project. The additional insurance coverage provides up to \$15,000,000 of liability coverage on the design per claim, and in order to activate that \$15,000,000, the architects / soil engineers / general contractor are each required to have \$5,000,000 of coverage; and the other consultants are to have \$1,000,000 of coverage. The estimated total premium cost of \$765,239.50 is part of the current Addition Project budget, and the coverage remains in place through six years after the issuance of the Certificate of Occupancy. The Addition Committee approved the recommendation at the meeting May 24, 2016, and is seeking the approval of the full Board.

Mr. Hillis made a motion to approve Owners Protective Professional and Builders Risk Insurance for the District's Addition Project with the additional insurance coverage providing up to \$15,000,000 per claim as outlined in the proposal from Parker | Smith | Feek, the agent for the Addition Project; and with the estimated total premium cost of \$765,239.50 being part of the current Addition Project budget; and authorizing the President/CEO or his designee to purchase such insurance, as stated in Resolution # 2016-10. Mr. Flowers seconded and the motion was carried by the unanimous affirmative vote of all Directors present.

3. Addition Project presentation by LMN Architects

Mr. Finneran introduced Mark Reddington, the lead designer on the project. Mr. Reddington provided the Board a summary of the presentation given to the Design Review Board on the exterior design, a preliminary description for the approach to the interior design, and introduced the LMN team working on the Addition design.

4. Sources and Uses Document from May 3, 2016 Addition Committee Meeting

Mr. Finneran advised that the WSCC Addition Project Financial Plan dated April 26, 2016 that has been referenced by Mr. Griffin in the amount of \$1.6 billion, was revised and approved by the Addition Committee. It is the cumulative total of all the funds the Addition Committee expects will be needed to finish this project at this point in time.

Mr. Hillis moved approval of the WSCC Addition Project Financial Plan, dated April 26, 2016 in the amount of \$1.6 billion. Ms. Grant seconded and the motion was carried by the unanimous affirmative vote of all Directors present.

5. Third Amendment to Facility Addition Architectural/Engineering Services Contract, Resolution # 2016-8

A RESOLUTION of the Washington State Convention Center Public Facilities District ("District") approving the third amendment to the Facility Addition Architectural/Engineering Services Contract.

Mr. Finneran requested Mr. Griffin provide details regarding the third amendment to the contract with LMN Architects for Facility Addition Architectural/Engineering Services. It has been determined that an increase to the compensation is needed due to additional work as provided under the Agreement for a net effect of \$644,019, for extension of Schematic Design Phase services through February 2016.

Ms. Grant made a motion to approve the third amendment to the Facility Addition Architectural/Engineering Services Contract in substantially the form as attached as Exhibit A to Resolution # 2016-8. Mr. Hillis seconded and the motion was carried by the unanimous affirmative vote of all Directors present.

B. Government Affairs Committee

1. Update

Ms. Brown-Archie reported that in company with Ms. Willanger and Ms. Bogard, she attended the Association of Washington State Public Facilities Districts 11th Annual Conference, held May 16, 2016 in Spokane, WA. Guest speakers included Ms. Carol Ehlinger, the PFD State Auditor; Mr. Jim Hedrick, H2 Governmental Relations; Ms. Deanna Gregory, Pacifica Law Group; Ms. Lindsay Sovde, Piper Jaffray & Co. Presentations of various projects were provided, with Ms. Willanger reporting for WSCC on the Addition Project design.

2. Consultant Update Report

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

C. Finance Committee

1. Auditor Report

Mr. Flowers reported that the Finance Committee had met on May 19, 2016 to review a presentation of the Auditor's Report. In April 2016, Miller & Miller, P.S., completed an audit of WSCC financial statements through December 31 for 2015 and 2014. Miller & Miller reported no findings in the audit and did not recommend any significant changes be made to WSCC accounting procedures. By consensus, the WSCC Board of Directors approved the Financial Statements and Independent Auditor's Report for the years ended December 31, 2015 and 2014 as contained in their documentation.

2. Investment Report

Mr. Flowers advised that the Finance Committee reviewed the 2016 first quarter investment update on the WSCC PFD portfolio of investments currently managed by Government Portfolio Advisors. There were no surprises or concerns. The Finance Committee discussed at length the impact of using funds for the development of the Addition Project. Mr. Flowers advised that Mr. Blosser, Mr. Eoff, and Mr. Firth are reviewing strategies to address those requirements as they come forward, and Ms. Woodring will make short-term investments accordingly.

3. Financial Report

Mr. Flowers reported that Mr. Firth provided the Finance Committee with an update on the April Financials along with a new report format which is a comparison of financials from previous periods. The Committee will continue to monitor this new report format and fine-tune it, and present it to the Board at a later date.

D. Art Committee

1. Update on WSCC Art Foundation

Ms. Wong provided an update on the WSCC Art Foundation and the GiveBIG 2016 fundraising event. After processing fees plus matching fees, the estimated total donation to the Art Foundation is \$1,096.04. Ms. Wong advised there is still time to donate to the WSCC Art Foundation.

A reappraisal of most of the Foundation artworks has been completed. A review of the current Art Foundation bylaws is underway and if changes are requested, a recommendation will be brought to the WSCC Board for approval.

The Art Committee and Art Advisors met on April 22, 2016 to jury the Rotating Art shows for the Level 2 Galleries for 2017 through mid-2019. A selection of some wonderful new shows to fill the WSCC Galleries was completed.

E. Facility Committee

1. Update

Mr. Hillis advised that the Facility Committee continue to review the concepts and ideas for the Level 1 entrance areas. Staff anticipates the 8th Avenue project to be completed by the end of the summer. WSCC is in the process of hiring a consultant for visual identity work (branding). The list of proposers has been short-listed and interviews will be conducted with four candidates. There is a lot of activity underway with the Pike Street improvements and this project is almost complete. The completion date for the sidewalk on Pike is expected by the end of the summer. Mr. Barnes provided an update on the installation of the color-changing LED fixtures of the 8th Avenue Tunnel, the Skybridge, and the remaining portion of the canopy. Real time photos of lighting tests recently conducted on the Skybridge will be forwarded to the Directors to demonstrate the visual impact of the lighting. Mr. Barnes has received a lot of positive comments on this spectacular lighting.

F. Benefits Committee

1. Approval of Vendors to Provide Retirement Plan Administration Services, Resolution # 2016-9

A RESOLUTION designating the team of Milliman, RBC Wealth Management and TB Ameritrade as vendors to provide the District with retirement plan administration services.

Mr. McLaughlin advised that Milliman, RBC Wealth Management and TD Ameritrade have been providing coordinated retirement plan services since July 2011. The current contracts will expire on June 30, 2016. A Request for Proposals was issued for retirement plan administration services which include recordkeeping, investment advice and trustee custodial services. There were five (5) proposals received. Four (4) proposals were deemed responsive to the material requirements of the solicitation. After review of the responsive proposals, the Benefits Committee is recommending selection of the team of Milliman, RBC Wealth Management and TD Ameritrade to provide unbundled record keeping, investment advisory, custodial and consulting services.

Mr. McLaughlin made a motion to approve the designation of the team of Milliman, RBC Wealth Management and TD Ameritrade to provide the District with retirement plan administration services. Ms. Gonzalez-Murillo seconded and the motion was carried by the unanimous affirmative vote of all Directors present.

VI. VISIT SEATTLE & WSCC Sales Reports

A. Visit Seattle Destination Overview

Mr. Norwalk reported that Seattle/King County experienced record-setting numbers during 2015: 19.7 million overnight visitors; visitor expenditures of \$6.8 Billion; visitor-generated tax revenue of \$692 Million; 73,018 jobs supported by tourism. Approximately 7% of the region's visitors are international, with those same visitors comprising 17% of total visitor spending.

Smith Travel Research report for April 2016 YTD provides comparisons for revenue per available room (RevPAR), average daily room rate (ADR) and occupancy variances for hotels in Seattle, San Francisco Market Street, Los Angeles CBD, Portland Central City, Austin CBD, San Diego CBD, Boston CBD/Airport, Denver Downtown and Houston CBD. Downtown Seattle finished April with an occupancy rate of 77.8%, down 1.1% from the same period in 2015; RevPAR dropped 0.5% and ADR had an increase of 0.5% as compared to the same period last year. In April 2016, Boston CBD/Airport topped the competitive set for the month with an ADR of \$269.52. Downtown Seattle ADR's (\$180.) finished the month in the sixth spot. 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 nine other cities in the group.

Mr. Norwalk introduced Ms. Alisa Carroll. Ms. Carroll recently joined Visit Seattle as the Director of Public Relations.

B. Visit Seattle Sales Report

Mr. Hampton introduced Mr. Steffan Brown. Mr. Brown has joined Visit Seattle as a National Account Director for Convention Sales, and will be primarily working with the northeast, southeast, and international markets.

Visit Seattle WSCC sales production combined for the months of March and April 2016 was 119.93% of goal and Hotel Production was 88.00% of goal. 2016 year-to-date room night production through April for WSCC is at 129.52% of goal and Hotel Production is at 73.40% of goal.

Mr. Hampton reviewed year-to-date WSCC lost and waived room nights. Year-to-date; 185,887 room nights were lost (business bid on, but was not awarded) and 142,773 room nights were waived (business that wanted Seattle to bid, but we were unable to bid for various reasons)

Lost opportunities:

- Workday, Inc. – July 2018:
2,800 delegates, 9,650 room nights, \$5.3 million economic impact
- Diversified Business Communications – September 2019:
1,400 delegates, 5,892 room nights, \$4.1 million economic impact

Waived opportunities:

- Docker, Inc. – April 2017:
4,000 delegates, 4,450 room nights, \$10.9 million economic impact
- Palo Alto Networks – August 2018:
5,500 delegates, 12,965 room nights, \$10.4 million economic impact

C. WSCC Sales Report

Mr. McQuade reported that for April YTD, WSCC & Visit Seattle Sales staff combined top-line rent totaled \$574,516 for Convention Center contracted bookings. Groups hosted in April 2016 realized 2,081 in hotel room night bookings, with 7,525 event attendees, and an estimated \$445,016 in top-line revenues.

During April, 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 4,376 in estimated attendance, 789 associated room nights, and combined topline revenues of over \$264,306 for rent, food & beverage, parking and subcontractor services.

Mr. Finneran asked if the Palo Alto Networks waived opportunity resulted from a booking conflict. Mr. McQuade advised that the Gift Show was grandfathered in by the approval of the WSCC Board to be permitted to book 3 years out. Mr. Finneran requested a review of how we manage the process of any event that fits into the Booking Policy parameters that are considered on a regular basis. Mr. Blosser stated that the Gift Show holds 2 events per year at WSCC. Mr. Finneran requested staff to review the logistics collectively and bring back their recommendation.

VIII. PRESIDENT'S REPORT

A. Report on Draft Employee Recognition Program

Mr. Blosser provided an update on the Recognition Project outlining the process utilized to ensure the recognition component ties in with the core Mission, Vision, Promise and Standards, and the Quality Service Plan (QSP) that have been part of the WSCC's success for over two decades and continues to be strong pinnacles of our performance; the background for performance management; and the groundwork for moving the program forward in 2017. Once the draft plan has been finalized, Mr. Blosser will bring back to the Board at the Retreat in November to review and provide comments. Staff will consult with general counsel to ensure that the Recognition Program is compliant, and a budget will then be created for the Recognition Plan for 2017 to ensure that it fits within the overall budget. This program is to be implemented for both non-represented and represented employees. Mr. Finneran suggested that staff also look at other models for recognition programs similar to the Disney or Nordstrom methodologies, or others.

B. WSCC 2015 Annual Report

Mr. Blosser advised that the Annual Report is nearing completion. The State audit and the financials have been transmitted to the State. A final draft document will be emailed to Mr. Finneran and the Directors for review, and anticipate the electronic launch of the Annual Report, by email, in June.

VIII. STAFF REPORTS

A. WSCC Parking Report

1. Parking Supply & Demand Survey

At the March 22, 2016 Board meeting, Mr. Tesfaye was asked to review the current trends with the other parking facilities in the area, in particular the transient vs monthly parking numbers, to see where WSCC compares with their peers. Mr. Tesfaye found that Heffron Transportation performed a parking utilization study for the Seattle Department of Transportation (SDOT) in June 2014. The study was conducted between June 2 and June 14, 2014, divided into two groups: Core Commercial Areas and Areas Outside the Core. For the purpose of comparing the Convention Center parking utilization against the survey, Mr. Tesfaye used the data collected from the Financial and Retail sub-areas within the Core Commercial Areas. The results of the comparison shows that the WSCC garage utilization rate was higher in the mornings and afternoons while the Freeway Park garage was lower during the same time. The weekend evening rate also shows a higher utilization whereas the afternoon utilization was lower.

2. Parking Report

Mr. Tesfaye reported that parking revenues for April 2016 were up 5% from the revenues reported in April 2015; and April YTD revenues were up 4% from the same period in 2015, 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.

B. Food Service Report

Ms. Altamirano introduced Mr. Brian McFadin, Executive General Manager, and Ms. Kimberly Nichols, Senior Human Resource Manager, to the Board. Mr. McFadin and Ms. Nichols joined the ARAMARK team in April.

Ms. Altamirano reported total sales for April 2016 were up \$87,969 from forecast and up \$554,374 over prior year. Total costs for April 2016 were higher than re-forecast by \$43,741, primarily due to the event mix inhouse. April 2016 total WSCC PFD profit was up \$224,657 over prior year and \$44,382 better than re-forecast. Year-to-date sales are \$84,138 above forecast and \$3,380,293 above prior year or an increase of 73%. Food service return to WSCC PFD year-to-date is down \$27,749 from forecast and up \$1,625,106 from prior year. ARAMARK continues to focus on the Food Management and Labor Management programs during Fiscal Year 2016 with the goal of continued positive results. Fiscal Year 2016 is tracking to see good results as well.

X. FINANCIAL REPORT

Mr. Blosser reported that the format for the financial report was revised in March to isolate the Marketing Revenues and Expenses from the Operating and Non-Operating categories. The In-House Marketing Expenses are now also included under the Marketing Expenses category.

Year-to-date April 2016 total operating revenues were up 14.5% compared to the same period in 2015, and ahead of budget by 0.6%. For the month of April 2016, Food Service revenues were ahead of budget by 5.9%. Retail revenue was down 26.7%, Building Rent revenue was above budget by 11.9%, Parking revenue was ahead of budget by 1.1%, and Facility Services were under budget by 5.6% for the month of April 2016.

Operating expenses for April 2016 were over budget for the month by 3.3%; and the corresponding sales were up 4.9%. Staff continues to conservatively manage expenses in FY2016. Year-to-date the operating surplus through April totaled \$1,099,970. Operating surplus for April 2016 was \$80,784, a decrease of 145% over the same period in 2015.

Year-to-date April 2016 total Marketing revenues were up 3.4% compared to the same period in 2015, however under budget by 9.1%. For the month of April 2016, marketing revenues were below budget by 7.0%. Marketing expenses for year-to-date 2016 totaled \$2,841,248, below budget by 10.4%. For the month of April 2016, marketing expenses totaled \$724,501, below budget by 9.5%, however 22.6% over April 2015. Year-to-date the marketing surplus through April totaled \$1,115,190, below budget by 1.2%. Marketing surplus for April was \$102,492, an increase of 173.4% over the same period in 2015.

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 April 2016 were \$2,152,843.

Non-Operating Revenues year-to-date through April 2016, for regular and additional lodging taxes, totaled \$18,692,277. Non-Operating Revenues for the month of April was \$4,870,319, down 3.2% from budget. Non-Operating Expenses year-to-date through April 2016, which includes transfer of additional lodging tax, debt service, capital improvement projects and the addition budget, totaled \$26,233,127, under budget by 17.0%. Non-Operating Expenses during the month for transfer of additional lodging tax, debt service, capital improvement projects, and addition budget totaled \$5,900,139, over budget by 0.3%.

Mr. Blosser advised that the forecast for the 2016 fiscal year is tracking positively for WSCC. Mr. Schafer asked if a mid-year reforecast could be provided. Mr. Blosser will look into this. Mr. Finneran requested a report be created summarizing all Addition expenses from 2012 forward.

ADJOURNMENT

Ms. Brown-Archie moved to adjourn the May 24, 2016 Board meeting at 4:12 p.m. Ms. Gonzalez-Murillo seconded and the motion was carried by the unanimous affirmative vote of all Directors present.