

Minutes

Washington State Convention Center
Public Facilities District

Regular Meeting of the Board of Directors
May 28, 2013

I. CALL TO ORDER

Frank K. Finneran, Board Chairman, convened a regular meeting of the Washington State Convention Center Public Facilities District (WSCC PFD) at 2:01 p.m. in Room 303 of the Convention Center.

MEETING ATTENDANCE

Board Directors in Attendance

Frank K. Finneran, Chairman
Deryl Brown-Archie, Vice Chair
Rick Bender
Robert J. Flowers
Susana Gonzalez-Murillo
Jerry Hillis (via conference call)
J. Terry McLaughlin
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

Matthew R. Hendricks, Hendricks - Bennett, PLLC
Rebecca Bogard, Bogard & Johnson LLC
Tom Norwalk, Marco Bloemendaal and Kris Cromwell, Visit Seattle
Steve Kiely and Dawn Wheeler, ARAMARK.
Fred Eoff, SDM Advisors, Inc.
Matt Griffin, Pine Street Group LLC
Steve Fitzpatrick, GES
Tim McCabe, PSAV

Visitors

Hal Griffith, Hal Griffith & Associates
Kyle Griffith, Hal Griffith & Associates
Stefan Moritz, UNITE HERE Local 8

Staff in Attendance

Michael McQuade	Ron Yorita
Krista Daniel	Marsha Rambert
Daniel Johnson	Susnios Tesfaye
Susan Newcomb	Dennis Galloway
Brian Baum	Brad Kolodzaike
Lorrie Starkweather	Kathleen Smith

II. APPROVAL OF MINUTES

A. March 26, 2013 Regular WSCC PFD Board Meeting

Mr. Flowers made a motion to approve the minutes of the March 26, 2013 Board meeting as presented.
Mr. McLaughlin 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. Retreat Dates and Format

Staff proposed several options for a Board of Directors retreat in 2013, with a recommendation that the retreat be held in early November to allow for completion of goals and budgets prior to the beginning of the next fiscal year January 1, 2014. The Board asked that feedback following the 2012 retreat be reviewed to determine if there is a consensus among Board members on preference for length of retreat and location. Staff will report back to the Board on their findings.

B. Friends of Union Street Gondola Project Presentation

Mr. Hal Griffith and Mr. Kyle Griffith presented a concept proposal for an overhead gondola that would connect the Convention Center with Seattle's central waterfront. Hal Griffith and Associates are the owners of businesses at Miners Landing on Pier 57 as well as owners of the Seattle Great Wheel.

The proposed gondola route would take passengers over Union Street from the Convention Center to Pike Place Market, continuing from Pike Market to the waterfront adjacent to the Great Wheel. The overall initial response to the gondola proposal has been positive. Particularly, as a potential way to help people reach the waterfront while several years of road and seawall construction creates obstacles during replacement of the Alaskan Way Viaduct.

Following discussion, the Chairman asked the Board for a motion to provide Hal Griffith and Associates with a letter of support for moving forward with the proposed gondola project. Mr. Hillis abstained from voting on the proposed gondola project.

Mrs. Brown-Archie made a motion to allow the WSCC President / CEO to present a letter to the Seattle City Council on behalf of WSCC in support of the Union Street Gondola Project as proposed. Ms. Gonzalez-Murillo seconded and the motion was carried by the unanimous affirmative vote of all non-abstaining Directors present.

C. 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. Visit Seattle Productivity Report
2. WSCC Sales Productivity Report
3. WSCC Monthly Expenditures Auditing Officer Certification
4. D.A. Davidson Quarterly Report

Mr. Bender made a motion to approve the Consent Agenda as presented. Mr. McLaughlin seconded and the motion was carried by the unanimous affirmative vote of all Directors present.

V. PFD COMMITTEE REPORTS

A. Expansion Committee

1. WSCC / King County MOU First Amendment, Resolution 2013-12

A RESOLUTION approving the First Amendment to the Memorandum of Understanding between King County and the Washington State Convention Center Public Facilities District Regarding Convention Place Station Property

The Board had approved a Memorandum of Understanding (MOU) to set up the working relationship between King County and WSCC in order to move forward with feasibility studies related to expansion of the Convention Center on the King County Metro Transit Convention Place Station site at 9th Avenue. One area of immediate focus for feasibility would be to determine whether an expanded convention center can be integrated with transit center operations.

The proposed first amendment to the MOU between WSCC and King County identifies specific work to be performed by each entity while expansion feasibility at the transit site is explored, and establishes a process for reimbursement by WSCC to the County as agreed to in the scope of work. The amendment to the MOU is not intended to be an agreement for conveyance of the King County Metro property nor for specific development plans of the Convention Center Expansion Project.

Mr. Bender made a motion to approve the Resolution 2013-12, approving the First Amendment to the Memorandum of Understanding between King County and WSCC PFD, as presented. Ms. Brown-Archie seconded and the motion was carried by the unanimous affirmative vote of all Directors present.

2. Approval of Pine Street Group Contract for Consulting Services, Resolution 2013-13

A RESOLUTION approving the consultant contract with Pine Street Group L.L.C. and the Washington State Convention Center Public Facilities District for advising on development of property, land purchases and contract negotiations

Following the selection process, WSCC chose Pine Street Group L.L.C. to provide specialized property development advice and support to WSCC. As experts in the field of property development, land purchases/leases, and contract negotiations with public and private entities, Pine Street Group would provide real estate development expertise to WSCC during the Expansion Project feasibility process.

Ms. Brown-Archie made a motion to authorize the WSCC President / CEO to enter into a contract with Pine Street Group L.L.C. in substantially the form presented. Mr. Bender seconded and the motion was carried by the unanimous affirmative vote of all Directors present.

3. Executive Session

The Chairman announced that the Board of Directors would hold an Executive Session consistent with RCW 42.30.110(g) as permitted by the Open Public Meetings Act. The purpose of the Executive Session was to consider matters related to potential real estate acquisition and development. In addition to all Board members present, attendance at the Executive Session included Mr. Matt Hendricks and Mr. Matt Griffin.

The Executive Session commenced at 2:31 p.m. and lasted 18 minutes. The Board meeting reconvened at 2:50 p.m.

B. 25th Anniversary Task Force

Several events are planned in celebration of the Convention Center's 25th Anniversary. The kickoff event will be a staff picnic on May 29, 2013, sponsored by the WSCC Employee Relations Committee and held onsite at the Convention Center. The numerous staff members who have been with the Convention Center for 25 years will be recognized at the event. In addition to having games for the youngsters, picnickers of all ages will have the opportunity to participate in a team building project that when completed will provide decorative wall canvases to two local charitable non-profits.

A 25th Anniversary dinner will take place at WSCC on June 18, 2013. The dinner is intended as a promotional event to outline the many benefits the Center has provided the state, county and city, as well as a "thank you" to clients, stakeholders, and supporters of the hospitality industry who have helped the Center be successful the past 25 years.

The unique exhibition of a local collector's vintage cookie jar collection will go on display in mid-June. Planned in conjunction with the 25th Anniversary celebration, the cookie jar exhibit will be paired with the publication of a cookbook of favorite recipes contributed by friends and supporters of the Convention Center. In addition, 22 banners will decorate Pike Street in celebration of the Convention Center's anniversary.

A special insert will be included in the June 14, 2013 issue of the Puget Sound Business Journal, highlighting 25 years of Convention Center history. The supplement will emphasize the significance of the economic impact generated by Convention Center events and their attendees, benefitting the local business community, city, county and the State of Washington.

C Finance Committee

In April 2013, Miller & Miller, P.S., completed an audit of WSCC PFD financial statements through December 31 for years 2012 and 2011. Miller & Miller reported no findings in the audit, and did not recommend any significant changes be made to WSCC PFD accounting procedures.

The audit report states that the financial statements present fairly the financial position of WSCC PFD for the stated periods, and that the changes in financial position and the cash flows for the audit period ended in accordance with accounting principles generally accepted in the United States. Miller & Miller reported that no difficulties were encountered in dealing with management in performing and completing the audit.

Mr. Flowers made a motion to accept the Financial Statements and Independent Auditor's Report for the years ended December 31, 2012 and 2011, as presented. Ms. Gonzalez-Murillo seconded and the motion was carried by the unanimous affirmative vote of all Directors present.

D. Government Relations Committee

The special session of the Washington State Legislature is continuing, with little notable progress towards a budget agreement. It appears unlikely that the legislature will take up any additional issues before the scheduled end of the special session on July 11, 2013.

Affordable workforce housing advocates are still interested in proposing a legislative bill that would address the redistribution of the King County 2% hotel tax credit in 2021, allowing the revenue stream to be bonded at this current time. It appears doubtful that this legislation would be taken up during the special session presently underway.

2. Association of Washington State PFD's Conference

The Association of Washington State Public Facilities Districts held their 8th Annual PFD Conference "Strategy for the Future" on May 13, 2013, at the Kitsap Conference Center in Bremerton, Washington. Strategy sessions focused on issues such as potential state legislation that could impact those public facilities districts in Washington State that receive a portion of their funding through local sales and use taxes.

The current legislation allows certain Washington State public facilities districts to impose a local sales and use tax up to 0.2 percent to finance, design, construct, remodel, maintain, or operate public facilities. WSCC does not receive funding from this tax source and would not be impacted by changes to current legislation.

VI. VISIT SEATTLE & WSCC Sales Reports

Visit Seattle Destination Overview

Mr. Norwalk reported Smith Travel Research comparisons for revenue per available room (RevPAR), average daily room rate (ADR) and occupancy variance for April 2013 for hotels in Seattle and six major west coast cities with convention centers. Falling mid-range within the group for April 2013, year-over-year variance for Seattle occupancy was up 1.8%, RevPAR up 3.0% and ADR up 1.1%, as compared to the same period in 2012. San Francisco hotels continue to lead the market in all categories within the Convention Center's competitive set.

Mr. Norwalk provided an update on the growing economic impact of international travel on the United States economy. International air travel in and out of the U. S. more than doubled between 1990 and 2011. Travel exports – goods and services that international travelers buy while visiting the United States – reached \$14.3 billion in April 2013, while travel employment growth outpaced the overall economy by 10 percent. Though global travel is booming, there is concern that inadequate aviation infrastructure within the United States limits the system's capacity and undermines the U.S. ability to win a greater global travel market share.

WSCC and Visit Seattle Sales Reports

Mr. McQuade and Mr. Bloemendaal reported on Convention Center sales. Visit Seattle sales production for the Seattle office for April 2013 reached 123.04% of room night monthly booking goal for WSCC events. The overall booking goal includes hotel rooms booked for events held at area hotels and other local venues as well as those booked in association with events held at WSCC. Overall, hotel room nights booked during April for all Seattle-area venues reached 97.60% of goal for the month, and 132.60% of goal year-to-date.

In April, the Washington, DC, Visit Seattle satellite office reached 147.81% of year-to-date booking goal for WSCC events. The Midwest office reached 133.52% of year-to-date booking goal for WSCC. During April, Visit Seattle staff added five major events to the books for years 2014 through 2022, with combined attendance forecast at 9,600. These five events are anticipated to generate an estimated \$25.7 million in economic impact for Washington State.

WSCC sales staff infill around and between larger events. In April, WSCC staff booked thirty six new events into the Center for dates through May 2014, with a cumulative total of over 10,000 in estimated attendance. The combined topline rent and food & beverage revenue for these thirty six smaller events has been forecast at nearly \$500,000.

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. Regionally, the loss of economic impact for lost WSCC business year-to-date through April 2013 has been estimated at \$296,269,980. 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. The overall economic impact for waived WSCC business YTD through April has been estimated at \$222,004,950.

VII. PRESIDENT'S REPORT

- A. Introduction of Ms. Marsha Rambert, Director of Marketing & Communications
- B. Introduction of Mr. Brad Kolodzaike, Project Manager
- C. Introduction of Ms. Tamara McDonald, Intern (South Seattle Community College)

Mr. Blosser introduced Ms. Rambert and Mr. Kolodzaike, who have recently joined the staff of the Convention Center. Ms. McDonald has spent several months providing WSCC with expert help on the 25th Anniversary project. The Board welcomed everyone and wished them success in their positions.

D. WSCC Lease I-5 Re-evaluation Process Briefing

Currently under review is the airspace lease between WSCC and the Washington State Department of Transportation (WSDOT) for the space beneath the Convention Center where the facility bridges Interstate-5. The lease is reviewed every ten years to re-evaluate the rental amounts. Historically, rent credits and other offsets have been sufficient to cover the base rental value of the lease. Efforts are underway to update those amounts for the next ten-year period.

VIII. STAFF REPORTS

A. WSCC Parking Report

Mr. Tesfaye reported that parking rates were down in April 2013 as compared to April 2012, primarily due to the difference in event mix for the month. In an effort to strengthen revenues, an increase in monthly and daily parking rates for the Convention Center Garage and Freeway Park Garage went into effect April 1, 2013. For the past year, both the Freeway Park and Convention Center Garage have generally been at capacity for monthly parkers. Though the main Convention Center Garage continues to have a waiting list for monthly parking, beginning June 1, 2013, WSCC will again offer monthly parking to new customers in Freeway Park Garage.

B. ARAMARK Food Service Report

Mr. Kiely reported top-line food service revenues of \$835,869 for April 2013, up \$191,818 over top-line revenues for the same period last year. Net revenue to the WSCC in April 2013 totaled \$247,890, up \$116,647 over net revenues for the same period last year.

Aramark is looking toward a busy event schedule at the Convention Center this summer. In preparation, inventory of china and silverware, which was down through normal attrition, has been brought back to optimum onsite levels. Aramark will install a new "point-of-sale" (POS) software system in June. The advanced integrated POS functions will allow for more accurate tracking of product inventories and costs.

IX. FINANCIAL REPORT

Mr. Firth reported that operating revenues for April 2013 were down 4.4% as compared to the same period last year and down 28.5% from budget forecasts for the month. Though food service revenues for April 2013 were up over April 2012, they were down significantly from forecasts. Year-to-date through April 2013, operating revenues overall were down 4.5% as compared to January through April 2012.

Staff made a strong effort to keep expenses down in April. Operating expenses for April 2013 were down 1.6% as compared to the same period last year and down 16.4% from budget forecasts for the month. Operating expenses year-to-date through April 2013 were roughly equal to January through April 2012.

In 2012, the Board authorized a funding mechanism to support capital improvement projects necessary to keep the Convention Center in quality condition. In April 2013, Capital Improvement Project Fund expenditures for radios and furniture totaled \$479,148.

Operating loss for April 2013 was \$(223,297). Year-to-date the operating loss through April totaled \$(60,426). With a full event schedule for the summer, revenues for the next few months are anticipated to be stronger. Non-Operating Revenues for April 2013, for regular and additional lodging taxes, totaled \$3,569,826. Non-Operating Expenses during the month, for transfer of additional lodging tax and debt service, totaled \$2,857,179.

X. ADJOURNMENT

Ms. Brown-Archie moved to adjourn the May 28, 2013 Board meeting at 4:00 p.m. Mr. Flowers seconded and the motion was carried by the unanimous affirmative vote of all Directors present.