

Minutes

Washington State Convention Center
Public Facilities District

Regular Meeting of the Board of Directors
July 19, 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 2:02 p.m., in Room 206, of the Convention Center.

MEETING ATTENDANCE

Board Directors in Attendance

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

Board Directors Absent

Nicole Grant
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

Brian McFadin, ARAMARK
Keith Hedrick, ARAMARK
Matthew Hendricks, Hendricks - Bennett, PLLC
Mark Reddington, LMN Architects
Matt Griffin, Pine Street Group
Brock Bradley, PSAV
Johnny B, PSAV
Tom Norwalk, Visit Seattle
Rob Hampton, Visit Seattle
Kris Cromwell, Visit Seattle
Kelly Saling, Visit Seattle
Patrick Smyton, Visit Seattle

Staff in Attendance

Krista Daniel	Josh Dennis
Daniel Johnson	Tamara Mc Donald
Michael McQuade	Michael Murphy
Kathleen Smith	Paul Smith
Lorrie Starkweather	Susnios Tesfaye

II. APPROVAL OF MINUTES

May 24, 2016 WSCC PFD Regular Board Meeting and June 3, 2016 WSCC PFD Special Board Meeting

Mr. Hillis made a motion to approve the minutes of the May 24, 2016 Regular Board meeting and the June 3, 2016 Special Board meeting as presented. Ms. Brown-Archie 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. WSSC Board of Directors Committee Assignments superseding Resolution 2016-1, Resolution # 2016-15

A RESOLUTION Ratifying recommendations related to the appointment of Washington State Convention Center Public Facilities District Committees for 2016, amending and superseding Resolution 2016-1.

Mr. Finneran stated that Mr. Flowers has been added to the Addition Committee, and Exhibit A to Resolution 2016-15 reflects the updated Committee members.

Ms. Brown-Archie made a motion to approve Resolution #2016-15, to add Mr. Flowers to the membership of the Addition Committee, ratifying the Chairman's recommendation. 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. WSSC Sales Productivity Report
2. WSSC Monthly Expenditures Auditing Officer Certification

Mr. Hillis made a motion to approve the Consent Agenda as presented. Mr. Schafer 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 he had an opportunity to sit with the team and review the project's progress over the last month and finds it to be a remarkably attractive building. 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, with the team closely monitoring the entitlements process. One of the key pieces that is currently being worked is the issuing of the environmental impact statement late 2016/early 2017. LMN Architects has made significant progress with design and a review is being presented at the Design Review Commission meeting this evening. Work with the General Contractor/Construction Manager contractor (Clark-Lewis) has begun and we're encouraged with their interest and expertise in apprenticeship and outreach. Mr. Finneran advised that the staff and consultants have drafted a plan for the art in the additional facility, and that decisions will be forthcoming regarding who gets involved in the discussions and planning for this important piece of the project.

2. Addition Project presentation by LMN Architects

Mr. Finneran introduced Mark Reddington, the lead designer on the project. Mr. Reddington advised that the team is currently in the Design Review Board (DRB) process. The second design recommendation submittal will be reviewed by the Design Review Board tonight. After the previous review on the exterior design by the DRB, they requested some specific additional information on some categories including building massing, Market Hall/9th Avenue, Pine Street walkup retail, 9th/Pine plaza, lighting and signage. Mr. Reddington provided a brief review of the interior design aspects of the primary public spaces inside the building, and additional briefings will be provided at subsequent Board meetings.

3. Fourth Amendment to the Facility Addition Architectural/Engineering Services Contract, Resolution # 2016-14

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

Mr. Finneran requested Mr. Griffin provide details regarding the fourth 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 \$1,329,517, for extension of Schematic Design Phase services through March 2016.

Mr. Flowers made a motion to approve the fourth amendment to the Facility Addition Architectural/Engineering Services Contract in substantially the form as attached as Exhibit A to Resolution # 2016-14. Mr. Hillis seconded and the motion was carried by the unanimous affirmative vote of all Directors present.

4. Selection of General Contractor/Construction Manager and Authorization to Enter Into Preconstruction Services Contracts, Resolution # 2016-11

A RESOLUTION of the Washington State Convention Center Public Facilities District relating to the selection of a General Contractor/Construction Manager and authorizing the entering into a contract for preconstruction service.

Mr. Hillis made a motion to approve Resolution #2016-11, approving the selection of Clark-Lewis JV for General Contractor/Construction Manager for the WSCC Addition Project and authorizing the negotiation and execution of preconstruction services contracts between the Washington Convention Center Public Facilities District and the joint venture of Clark-Lewis JV in amounts not to exceed Five Million Dollars (\$5,000,000) without further approval by the District Board, and with the Chair of the District Board being authorized and directed to execute these contracts. Ms. Brown-Archie 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 the Government Affairs Committee met earlier today to discuss correspondence the Chairman had received from Seattle City Council. WSCC President is drafting response for the Chairman's review/signature. Ms. Brown-Archie advised that as briefings on the Addition Project are being scheduled with councilmembers from the City of Seattle and King County, the Government Affairs Committee will assist the Addition Committee to ensure they are effectively briefed/updated on the WSCC and the Addition Project.

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. Investment Report

Mr. Flowers advised that the Finance Committee reviewed the 2016 second quarter investment update on the WSCC PFD portfolio of investments currently managed by Government Portfolio Advisors. There were no surprises or concerns.

2. Revising the Operating Reserve Policy, Resolution # 2016-12

A RESOLUTION revising the Operating Reserve Policy for the Washington State Convention Center Public Facilities District, superseding Resolution 2010-16.

On November 12, 2010, the WSCC Board had adopted Resolution 2010-16 establishing Board policy mandating an operating reserve in the amount of 100 days of budgeted operating expenses while retaining discretion to modify the reserve balance requirement as the Board deemed necessary. With the future funding of the Addition Project King County property purchase, the WSCC Board recognizes that changes to the Operating Reserve Policy are necessary. A new definition of operating expenses exempting the Marketing & Sales contract amount with Visit Seattle and the costs of WSCC Marketing & Sales expenses was created to establish the new baseline for the 100 days budgeted operating expense formula. It is recognized that providing any funds to replenish the Operating Reserve fund from lodging taxes as a priority "seventh" in the flow of funds as set forth in the Bond Resolution. The Finance Committee has reviewed the proposed amendment and is recommending approval of Resolution # 2016-12.

Mr. Flowers made a motion to approve Resolution # 2016-12, revising the Operating Reserve Policy, superseding Resolution # 2010-16. Mr. Hillis seconded and the motion was carried by the unanimous affirmative vote of all the Directors present.

D. Outreach Committee

1. Update

Ms. Gonzalez-Murillo reported that the Outreach Committee had met on July 18, 2016. The Outreach Committee last met in November 2015 and they are very appreciative of Ms. Lewis's support towards the Committee's goals. The Clark-Lewis team was introduced at the July 18 meeting and provided a review of its approach to outreach. This includes matchmaking sessions held between smaller subs and primes and a Strategic Partnership Program, which is a national program that will be tailored locally to the WSCC project to build capacity in the local marketplace.

2. Outreach Mid-Year Report

Ms. Gonzalez-Murillo advised that the 2016 Mid-Year Report was prepared by staff and reviewed by the Outreach Committee. The report provides an important look at the WSCC's outreach to the community, marketplace outreach, staff outreach, and program updates.

E. Marketing Committee

1. Marketing & Sales Mid-Year Report

Mr. Schafer reported that the Marketing Committee met on July 19, 2016 to review the first six months of both the WSCC Sales Program and the Visit Seattle Sales Program. At the mid-year mark, Visit Seattle is 140.83% over their projected goal for WSCC room nights booked for all future events at 151,327 vs. a goal of 107,450. Projected room night consumption for 2016 is also ahead of pace at mid-year with 102% of goal at 288,000 vs. a goal of 282,000 room nights. At the mid-year mark, WSCC topline rent and catering revenues from all events (national conventions, regional conferences and local events) are ahead of forecast, with top line rent at 56% of year end goal and catering revenues at 51% of year end goal. The WSCC and Visit Seattle teams have been working together on an "Addition Marketing & Sales Blueprint" to outline the process starting from the project ground breaking date to the targeted opening date.

2. Exemption to Booking Policy Request, Resolution # 2016-13

A RESOLUTION designating an exemption to the Booking Policy stated in Resolution 2013-23, for Emerald City Comicon.

The WSCC Booking Policy was designed to maximize the benefits outlined in the Board of Directors Mission Statement through prioritization of events and booking approach and the Board of Directors may find that it is in the best interest of the Center to review and evaluate booking conditions that might increase benefits for the Center and the community. Staff of WSCC and Visit Seattle brought a recommendation to the Marketing Committee requesting an exception for Emerald City Comicon to be classified as a "Convention" instead of a "Consumer Show" for the sole purpose of booking or scheduling the business farther out, based upon the solid business case that increases occupancy in local hotel rooms and unique value to the Center and the stakeholders of the Center.

Mr. Schafer made a motion to approve Resolution # 2016-13, approving an exemption to the Booking Policy and the exception for Emerald City Comicon to be classified as a "Convention" instead of a "Consumer Show". Mr. Hillis seconded and the motion was carried by the unanimous affirmative vote of all the Directors present.

F. Operating Goals Committee

1. Operating Goals Mid-Year Report

Mr. McLaughlin advised that the Operating Goals Committee was provided a mid-year assessment report on progress for the twelve goals approved for 2016. The Board approved the WSCC PFD 2016 Operating Goals at the November 24, 2015 Board meeting. Mr. Blosser updated the Board on key components of goal progress to date. Overall staff is on target to meet or exceed this year's operating goals by end of fiscal year 2016. Discussion occurred regarding the current format of the Operating Goals Report, with Mr. Finneran providing historical background. The Operating Goals Committee are appreciative of the staff's due diligence and efforts to provide such a comprehensive report, however would like to revise the format to provide a more streamlined document. The Committee to revisit the reporting format in six months.

The Operating Goals Committee will meet prior to the November 2016 Board retreat to identify operating goals for fiscal year 2017. The operating goals identified and recommended by the Operating Goals Committee will be brought before the full Board during the retreat, for review and discussion. Approval of the WSCC PFD 2017 Operating Goals may take place at the November 22, 2016 Board meeting.

G. Art Committee

1. Amendment to WSCC Art Foundation Bylaws, Resolution # 2016-16

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

In Ms. Wong's absence, Mr. Blosser advised that the Art Foundation Board of Directors is seeking WSCC Board approval of amendments to the Art Foundation bylaws. The amendments recognize the importance of maintaining an appropriate level of separation between the two organizations. The Art Foundation Board of Directors, acting on the advice of its counsel, approved an amendment to its bylaws authorizing the addition of up to two Art Foundation directors whose appointment is not subject to approval by the WSCC Board of Directors. The amended bylaws also sets term limits on the appointments.

Mr. Hillis made a motion to approve Resolution # 2016-16, approving the amended bylaws of the Washington State Convention Center Art Foundation. Mr. Flowers seconded, and the motion was carried by the unanimous affirmative vote of all the Directors present.

VI. VISIT SEATTLE & WSCC Sales Reports

A. Visit Seattle Destination Overview

Mr. Norwalk reported that Smith Travel Research report for June 2016 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 Phoenix Central. Downtown Seattle finished June with an occupancy rate of 90.2%, down 0.3% from the same period in 2015; RevPAR saw an increase of 1.4% and ADR had an increase of 1.1% as compared to the same period last year. In June 2016, Boston CBD/Airport topped the competitive set for the month with an ADR of \$283.92. Downtown Seattle ADR's (\$253.21.) finished the month in the third 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 eight other cities in the group.

B. Visit Seattle Sales Report

Mr. Hampton reported that Visit Seattle WSCC sales production combined for the months of May and June 2016 was 147.46% of goal and Hotel Production was 87.49% of goal. 2016 year-to-date room night production through June for WSCC is at 140.83% of goal and Hotel Production is at 78.69% of goal.

Mr. Hampton reviewed year-to-date WSCC lost and waived room nights. Year-to-date; 313,476 room nights were lost (business bid on, but was not awarded) and 144,041 room nights were waived (business that wanted Seattle to bid, but we were unable to bid for various reasons.

Lost opportunities:

- Service Employees International Union – May 26 - June 2, 2020
2,750 delegates, 15,835 room nights, \$8.2 million economic impact
- American Academy of Religion – November 19-21, 2011; November 21-23, 2026:
11,000 delegates, 18,830 room nights, \$34.9 million economic impact

Waived opportunities:

- SAP America, Inc. – March 18 – 21, 2018:
2,800 delegates, 6,938 room nights, \$7.9 million economic impact
- American College of Surgeons – July 11 – 18, 2018:
2,000 delegates, 6,236 room nights, \$5.6 million economic impact

C. WSCC Sales Report

Mr. McQuade reported that for June YTD, WSCC & Visit Seattle Sales staff combined top-line rent totaled \$3,241,201 for Convention Center contracted bookings. Groups hosted in June 2016 realized 1,390 in hotel room night bookings, with 19,000 event attendees, and an estimated \$1,020,928 in top-line revenues.

During June, WSCC Sales staff booked 25 new events into the Center to infill around convention business booked by Visit Seattle. Cumulatively, these 25 WSCC booked events represent over 7,164 in estimated attendance, 75 associated room nights, and combined topline revenues of over \$263,161 for rent, food & beverage, parking and subcontractor services.

VIII. PRESIDENT'S REPORT

A. 2015 Annual Report Document Feedback

Mr. Blosser advised that the 2015 WSCC Annual Report was finalized and released mid-June 2016 after the audited financial statements were concluded and reported to the Board. The annual report was distributed electronically to our major stakeholder groups and is available on the WSCC website. Hard copies of the report have been provided to the Directors at today's meeting.

B. WSCC Mid-Year Retail Report

There are 18 retail spaces within the Convention Center. Currently, 12 of these spaces are rented. Mr. Blosser provided some highlights from the report provided to the Directors. The Facility Committee has worked to set the direction regarding long-range redevelopment of Level 1. The focus has been on short-range opportunities and issues which are compatible with the longer-term vision to reconfigure and upgrade the area to improve the experience for convention and meeting attendees as well as for the general public. The lease with Goldbergs' To Go has been terminated after considerable discussion between the owner and WSCC. Negotiations have continued with Romio's Pizza to relocate from the Kollias building on the Addition property to the vacant retail space on Pike Street between 8th and 9th Avenues.

Mr. Blosser advised that goals for the next six months include continuing and completing conceptual planning for an upgrade to Level 1 with staff and the Facility Committee; pending the Level 1 Project outcomes and completion of the sidewalk improvements, prepare the new street-front retail spaces for leasing; and renew leases with current retail tenants as necessary.

VIII. STAFF REPORTS

A. WSCC Parking Report

1. Parking Report

Mr. Tesfaye reported that parking revenues for June 2016 were down 3% from the revenues reported in June 2015; and June YTD revenues were up 1.0% 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

Mr. McFadin reported total sales for June 2016 were up \$979,592 from forecast and up \$1,496,557 over prior year. Total costs for June 2016 were higher than re-forecast by \$24,571, primarily due to the event mix inhouse. June 2016 total WSCC PFD profit was up \$915,152 over prior year and \$5,020 better than re-forecast. Year-to-date sales are \$993,807 above forecast and \$4,068,381 above prior year or an increase of 55.5%. Food service return to WSCC PFD year-to-date is up \$703,915 from forecast and up \$2,169,003 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.

X. FINANCIAL REPORT

Mr. Firth 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 June 2016 total operating revenues were up 14.7% compared to the same period in 2015, and ahead of budget by 6.6%. For the month of June 2016, Food Service revenues were ahead of budget by 70%. Retail revenue was down 27.5%, Building Rent revenue was down 4.3%, Parking revenue was down 1.3%, and Facility Services revenue was up 33.4% for the month of June 2016.

Operating expenses for June 2016 were over budget for the month by 10.9%; and the corresponding sales were up 45.1%. Staff continues to conservatively manage expenses in FY2016. Year-to-date the operating surplus through June totaled \$1,151,285. Operating surplus for June 2016 was \$560,493, a decrease of 262.5% over the same period in 2015.

Year-to-date June 2016 total Marketing revenues were down 4.8% compared to the same period in 2015, however under budget by 5.3%. For the month of June 2016, marketing revenues were below budget by 1.8%. Marketing expenses for year-to-date 2016 totaled \$4,562,419, below budget by 5.4%. For the month of June 2016, marketing expenses totaled \$872,211, below budget by 2.3%, however 11.6% over June 2015. Year-to-date the marketing surplus through June totaled \$180,502, below budget by 3.1%. Marketing surplus for June was \$40,308, a decrease of 68.3% 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 June 2016 were \$2,003,671.

Non-Operating Revenues year-to-date through June 2016, for regular and additional lodging taxes, totaled \$30,653,058. Non-Operating Revenues for the month of June was \$5,982,271, down 3.8% from budget. Non-Operating Expenses year-to-date through June 2016, which includes transfer of additional lodging tax, debt service, capital improvement projects and the addition budget, totaled \$45,916,978, over budget by 3.6%. Non-Operating Expenses during the month for transfer of additional lodging tax, debt service, capital improvement projects, and addition budget totaled \$6,042,621, below budget by 13.2%.

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

ADJOURNMENT

Mr. McLaughlin moved to adjourn the July 19, 2016 Board meeting at 3:47 p.m. Mr. Flowers seconded and the motion was carried by the unanimous affirmative vote of all Directors present.