

Minutes

Washington State Convention Center
Public Facilities District

Regular Meeting of the Board of Directors
July 22, 2014

I. CALL TO ORDER

Deryl Brown-Archie, Acting Board Chair, convened a regular meeting of the Washington State Convention Center Public Facilities District (WSCC PFD) at 2:02 p.m. in room 401, of the Convention Center.

MEETING ATTENDANCE

Board Directors in Attendance

Deryl Brown-Archie, Vice Chair
Rick Bender
Robert J. Flowers
Susana Gonzalez-Murillo
Jerry Hillis
J. Terry McLaughlin
Craig Schafer

Board Directors Absent

Frank K. Finneran, Chairman
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
Stephen Kiely, ARAMARK
Dawn Wheeler, ARAMARK
Tom Norwalk, Visit Seattle
Marco Bloemendaal, Visit Seattle
Kris Cromwell, Visit Seattle
Patrick Smyton, Visit Seattle
Rebecca Bogard, Bogard & Johnson, LLC
Jim Snook, CCPI
Mark Haley, Smart City / CCPI
Steve Fitzpatrick, GES Global Experience Specialists
Tim McCabe, PSAV

Visitors

Chris Cole, AECOM
Dale Clark, Hart Crowser, Inc.
Dave Winter, Hart Crowser, Inc.
Brett Earnest, Clark Construction
Stefan Moritz, UNITE HERE Local 8
Abby Lawlor, UNITE HERE Local 8
Alana Schutt, Pine Street Group
Curt Burks, Skanska
Stacey C. Lewis, Pacifica Law Group
Deanna Gregory, Pacifica Law Group
Sherilyn Anderson, Wells Fargo Securities

Staff in Attendance

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

II. APPROVAL OF MINUTES

May 20, 2014 Regular WSCC PFD Board

Mr. Hillis made a motion to approve the minutes of the May 20, 2014 Regular 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

Ms. Brown-Archie 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. Bender 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. Expansion Update

Mr. Blosser advised that as Chairman Finneran was unable to attend today's meetings, the Expansion Committee meeting scheduled for today has been postponed.

2. Approval of Interim Facility Expansion Project Management Services Contract, Resolution 2014-3

A RESOLUTION Approving the Interim Facility Expansion Project Management Services Contract for the Washington State Convention Center Public Facilities District.

Mr. Blosser advised that further to the Board's approval at the Special Meeting held April 24, 2014, of the apparent successful proposer(s) for Expansion Project Management Services: Pine Street Group to provide Pre-Development and Development Management Services; AECOM to perform Construction Management Services; and the Board authorizing the Expansion Committee to negotiate contract terms with Pine Street Group to perform these services subject to the Board's approval of the agreements. The Expansion Committee and WSCC staff is, in conjunction with Pine Street Group, working on the feasibility components of the proposed project. As more work is required in the feasibility phase prior to bringing the Expansion Project to the Board for adoption and approval, the Expansion Committee and staff are recommending the interim contract with Pine Street Group to provide necessary consulting work to help determine project scheduling, project planning and budgeting, permitting, coordination and other services for the WSCC expansion feasibility needs. The interim contract termination date would be September 30, 2014, with an option to extend for one to two months, depending on Board approval. A new contract will be negotiated with both firms for the long term once expansion is approved.

Mr. Hillis made a motion to approve Resolution #2014-3, approving the interim Facility Expansion Project Management Services contract with Pine Street Group. Mr. Bender seconded and the motion was carried by the unanimous affirmative vote of all Directors present.

3. Approval of Interim Facility Expansion Construction Management Services Contract, Resolution 2014-4

A RESOLUTION Approving the Interim Facility Expansion Construction Management Services Contract for the Washington State Convention Center Public Facilities District.

Mr. Blosser advised that further to the Board's approval at the Special Meeting held April 24, 2014, of the apparent successful proposer(s) for Expansion Project Management Services: Pine Street Group to provide Pre-Development and Development Management Services; AECOM to perform Construction Management Services;

and the Board authorizing the Expansion Committee to negotiate contract terms with AECOM to perform these services subject to the Board's approval of the agreements. The Expansion Committee and WSCC staff is, in conjunction with AECOM, working on the feasibility components of the proposed project. As more work is required in the feasibility phase prior to bringing the Expansion Project to the Board for adoption and approval, the Expansion Committee and staff are recommending the interim contract with AECOM to provide necessary consulting work to help determine construction scheduling, project building costs, facility programming needs and experience with convention center construction management services for the WSCC expansion feasibility needs. The interim contract termination date would be September 30, 2014, with an option to extend for one to two months, depending on Board approval. A new contract will be negotiated with both firms for the long term once expansion is approved.

Mr. Bender made a motion to approve Resolution #2014-4, approving the interim Facility Expansion Construction Management Services contract with AECOM. Mr. Schafer seconded and the motion was carried by the unanimous affirmative vote of all Directors present.

B. Art Committee

1. Update on Legal Work for WSCC Art Foundation

Mr. Blosser, at Ms. Gonzalez-Murillo's request, provided the Board an update on work to date by Mr. Denny Wong of the firm of Foster Pepper. Mr. Wong was contracted by the Art Foundation to conduct a review of the relationship between the Washington State Convention Center Public Facilities District ("District") and the Washington State Convention Center Art Foundation ("Art Foundation") as contained in the Agreement for Services entered into as of February 19, 2013 between the two entities and as approved by the Board of Directors. This review pertains to the relationship between the two entities, to ensure that the management of the Foundation and the services rendered by the District do not jeopardize the current relationship or the Foundation's non-profit charitable status. Mr. Wong has completed his review and the document is currently being reviewed by Mr. Matt Hendricks, the District's General Counsel. The Foundation has a meeting scheduled in August and this item is on the agenda for discussion and approval. The Art Committee will bring the document back to the full Board of Directors for approval of any proposed changes.

2. WSCC Art Exhibition Project

Ms. Gonzalez-Murillo provided an update on an upcoming WSCC-created Art Show being developed by staff with the support of the Art Committee, Government Relations Committee, and Outreach Committee. The 2013 Board Communication Plan goal includes sharing WSCC's story with stakeholders to assure decision-makers are aware of the specific benefits, values, diversity, and economic impact that WSCC business creates at the local, regional and statewide levels. WSCC staff is developing a photographic art exhibition focused on Washington agriculture and products, with the potential inclusion of a diversity component. This will be a juried photographic exhibition developed by staff with support from WSCC art advisors, and other public facilities districts participating in showcasing the exhibit. It is hoped that the show will launch at WSCC in 2015 in time for the National Conference of State Legislators (NCSL) 2015 Legislative Summit to be held at WSCC. After the launch and display here at the WSCC, the exhibition will travel to Spokane Convention Center PFD and then to Kennewick PFD in/around 2016. Partnering with other public facilities districts on the display of the exhibition provides opportunities to showcase the work and the key messages about art, buying local and the economic impact of the WSCC. It also provides exposure to the buying power of public facilities districts across the state.

C. Facility Committee

1. Update

Mr. Hillis provided an update on the Pike Street and sidewalks improvements project. The Facility Committee met today to review some of the improvements being looked at for Pike Street and the sidewalk materials. Staff will be preparing a demonstrative presentation of some of the materials that are to be used on the sidewalks for the Board members to review. The Facility Committee also reviewed a proposed project to upgrade some of the retail food service facilities, e.g. Deli A and B serving those Exhibit Halls.

2. Approval of Office Renovations Public Works Contract

Mr. Hillis introduced Mr. Barnes to update the Board on the proposed contract for the retail triangle conversion project and the approved funding for this project contained in the 2014 Capital Budget. In November 2013, the Board approved a 5-year capital program that outlined the components of the project per year and agreed that the Facility Committee would review the capital program each November for any adjustments that may be required for the next fiscal year. Mr. Barnes advised that WSCC completed a low-bid public works process that came in at \$7.2 million. The contract being presented is within the budget established within the approved 5-year plan. The Facility Committee and staff recommend the adoption of this contract.

Mr. Hillis made a motion to approve the contract for Retail Triangle Conversion with Bayley Construction as the apparent successful bidder. Mr. Flowers seconded and the motion was carried by the unanimous affirmative vote of all Directors present.

Mr. Barnes wished to point out that this was WSCC's first new contract utilizing a more formidable MWBE submission format. Daniel Johnson drafted this submission process to assure the most MWBE participation possible right from the start. Staff will report back on the outcomes of this first run with the more detailed format.

D. Government Affairs Committee

1. Update

Ms. Brown-Archie advised that the Government Affairs Committee met today. One item of business had to do with the fact that the WSCC had gone out with an RFQ for additional lobbying assistance. Submittals have been received. However, the Committee has placed the process on hold temporarily while they reevaluate the needs going forward. A communication will be sent to the individual responders to the RFQ advising it is going to be delayed until further notice. The Committee also discussed the WSCC Art Exhibition Project and is supportive of the proposal as put forward working cooperatively with the Art and Outreach Committees. The exhibition, with its kick-off here at the Center during the National Conference of State Legislators (NCSL), is a good legislative outreach project for the Government Affairs Committee.

2. Government Relations Consultant Report

Ms. Bogard advised that continued liaison work is being conducted with the appointing agencies for the reappointment of the five Board members whose terms are due to expire at the end of July 2014. One appointment is from the Governor's office; two appointments are from the King County Executive's office; two appointments are from the Mayor's office. The King County and Mayor's appointments require final confirmation by the respective Councils.

E. Outreach Committee

1. Outreach Mid-Year Report

Ms. Gonzalez-Murillo advised that the Outreach Committee met yesterday to review the mid-year Outreach Committee Report. The report has an updated format and flavor and provides an important look at the WSCC's outreach to the community, marketplace outreach, staff outreach, and program updates. Committee updates included: the new interactive mobile app STQRY to showcase WSCC's popular art collection; WSCC staff outreach with voluntary health screenings coordinated by the wellness committee for non-represented employees and spouses with AWC Trust medical insurance; staff were provided a presentation on healthy lifestyles (healthy eating, portion control, exercise) by the owner of Juicy Cafe, one of the WSCC retailers located on Level 2; WSCC community outreach at job fairs, specifically *Hospitality & Employer Hiring Event* at WorkSource Downtown, hosted by the Seattle-King County WorkSource group and, in cooperation with King County and Veteran's Affairs, WSCC hosted and participated with *Working for our Troops: Veterans and Spouses Career Expo*. This event was attended by 130+ employers and over 500 attendees; WSCC website upgrade and development project is almost 65% complete, and the launch of the new site is anticipated by end of September. In the 2014 Communication Plan, the Outreach Committee established a goal for staff to explore best practices by other Convention Centers regarding diversity initiatives and to communicate with other centers in the competitive set to gather information on best practices for implementing and measuring diversity initiatives. WSCC staff contacted 16 convention centers, many in our competitive set.

F. Finance Committee

1. Quarterly Investment Report Update

Mr. Flowers advised that the Finance Committee met yesterday to review the quarterly investment report updates presented by Ms. Deanne Woodring, President, Government Portfolio Advisors (formerly part of D.A. Davidson & Co.). WSCC currently has \$126 million under management. The Finance Committee reviewed the various asset categories and the plans for going forward with investments as we meet some of the changes and demands that will be coming forward in the marketplace.

2. Office of State Treasurer, Local Government Investment Pool, Resolution 2014-6

A Resolution of the District Board Authorizing Investment of Washington State Convention Center Public Facilities District Monies in the Local Government Investment Pool.

Mr. Flowers advised that on November 12, 2010, the Board had approved Resolution 2010-15 authorizing the President/CEO or his designee to deposit funds into the Local Government Investment Pool (LGIP). The Washington State Treasurer's Office has amended language contained in the LGIP agreement which requires the

Board's approval of Resolution 2014-6. The Finance Committee, staff and General Counsel have reviewed the updated language to make the agreement current, and recommend approval by the Board.

Mr. Flowers made a motion to approve Resolution 2014-6, authorizing investment of Washington State Convention Center Public Facilities District monies in the Local Government Investment Pool. Mr. McLaughlin seconded and the motion was carried by the unanimous affirmative vote of all the Directors present.

G. Operating Goals Committee

1. Operating Goals Mid-Year Report

Mr. Bender advised that the Operating Goals Committee were provided a mid-year assessment report on progress for the twelve goals approved for 2014. The Board approved the WSCC PFD 2014 Operating Goals at the December 17, 2013 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 2014.

The Operating Goals Committee will meet prior to the November 2014 Board retreat to identify operating goals for fiscal year 2015. 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 2015 Operating Goals may take place at the November 25, 2014 Board meeting.

H. Benefits Committee

1. Benefits Committee Quarterly Update

Mr. McLaughlin advised that the Benefits Committee met and reviewed the quarterly financial portfolios of the two plans, as well as heard from the administrators of the plans. There was nothing but positive things reported and the Committee is quite comfortable with where those two plans are currently and where they are leading. The administrators presented recommendations to the Committee regarding a change to three particular funds that were on watch, and the Committee did accept their recommendation. Mr. McLaughlin is confident the plans are in good hands and doing well.

VI. VISIT SEATTLE & WSCC Sales Reports

A. Visit Seattle Destination Overview

Smith Travel Research report for June 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 91.7%, slightly under June 2013; RevPAR increased 9.8% and ADR had an increase of 11.6% 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. Bloemendaal and Mr. McQuade reported on Convention Center sales. Visit Seattle Convention Center sales production for June 2014 was at 218.61% of the room night annual booking goal for WSCC events. Top-line revenues for June 2014 saw an increase of 25% over the same period last year however, room night productivity dropped 22% from June 2013. Visit Seattle top-line revenue for Convention Center bookings totaled \$2,558,735 for the month ending June 2014. Overall, hotel room nights booked during June 2014 for all future business reached 91% of goal for the year.

For the month of June YTD, the Visit Seattle satellite office for Washington, DC, was down 55,834 from their January to June YTD goal of 240,000 (76.74% of their YTD goal). The Midwest office was down 77,492 from their January to June YTD goal of 198,000 (60.86% of their YTD goal).

Mr. Bloemendaal 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 June 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 June YTD, 35 groups fall in the waived business category, with an associated loss of 150,814 in hotel room bookings, a loss of 87,094 event attendees, and an estimated loss of \$202,429,656 in overall economic impact for the region.

During June, WSCC Sales staff booked 43 new events into the Center to infill around convention business booked by Visit Seattle. Cumulatively, these 43 WSCC booked events represent over 8,068 in estimated attendance,

572 associated room nights, and combined topline revenues of over \$313,063 for rent, food & beverage, parking and subcontractor services.

VII. PRESIDENT'S REPORT

A. Approval of Data & Telecommunications Provider Services Contract, Resolution 2014-5

A Resolution approving the Exclusive Data and Telecommunications Provider Services contract for the Washington State Convention Center Public Facilities District.

Mr. Blosser advised that an RFP was issued in April of this year for the purposes of soliciting qualified firms to provide exclusive data and telecommunications services for the WSCC and our clients and exhibitors. Four firms were interviewed and staff has selected Convention Communications Provisioners, Inc. (CCPI) as the highest ranking respondent. This seven year agreement involves a substantial investment to upgrade the WSCC wireless system for improved coverage necessary by client demands and this equipment becomes WSCC property at the end of the agreement. Staff recommends approval of the contract with CCPI.

Mr. Hillis made a motion to approve Resolution 2014-5, approving the Exclusive Data and Telecommunications Provider Services Contract for the Washington State Convention Center Public Facilities District to Convention Communication Provisioners, Inc. Mr. Schafer seconded and the motion was carried by the unanimous affirmative vote of all the Directors present.

B. 2013 Annual Report Document Feedback

Mr. Blosser reported that the 2013 WSCC Annual Report was finalized and released at the end of May 2014 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.

C. Freeway Park Airspace Re-evaluation Update

Mr. Blosser provided an update on the Freeway Park Airspace Re-evaluation process that is underway with Washington State Department of Transportation (WSDOT). This airspace lease pertains to the part of the building which is constructed over I-5. As part of the original airspace lease, there was a formula created as to value, land value, and rent credit based on the investment that was put into the space. For the next ten year period, WSCC is required to prepare a reevaluation of that property. WSCC contracted with McNaul Ebel Nawrot & Helgren (Mr. Marc Winters), Kidder Mathews (Mr. Peter Shorett), and Hainline & Associates (Mr. Chuck Hartung) to align all of those activities which are contained in the lease with WSDOT, and update those land values and investment costs for input into the formula for improvements and construction credits to determine the next ten years' worth of rental, if any. To date WSCC has not paid rent based on the credits and the value of the investment made. Mr. Winters authored a letter to WSDOT containing the information from Mr. Hartung and Mr. Shorett. This letter was sent to WSDOT in February 2014. Mr. Blosser received a response from WSDOT in June whereby they were in agreement on our process and advised no rent was due at this time however they were not in agreement with some of the WSCC analysis. WSCC has sent a subsequent letter to WSDOT requesting clarification and to date there has been no response. Mr. Blosser advised that he will provide the Board further updates as more information is received.

D. Retail Mid-Year Report

There are 20 retail spaces associated with the Convention Center. Currently, 18 of these spaces are rented. The Center is slightly under budget for rental revenues as a result of the two empty spaces however, staff are working with WSCC retail broker, Mr. Paul Chiles, to develop long-term strategies for tenancies.

Mr. Blosser provided an update on the leasehold excise tax issue and the resulting decision by the Washington State Department of Revenue to recognize that as a public facilities district, WSCC is exempt from the requirement to collect the leasehold tax from its retail tenants. WSCC has now begun a process to refund the taxes to our tenants.

VIII. STAFF REPORTS

A. WSCC Parking Report

Mr. Tesfaye reported that parking revenues were up 10% in June 2014 as compared to June 2013, and slightly over the target budget due in part to the event mix for the month. WSCC's monthly parking is currently at full capacity due to an increase in month-to-month parkers. WSCC is now offering monthly parkers the option of paying for their parking online.

B. ARAMARK Food Service Report

Mr. Kiely reported total sales for June 2014 were up \$736,697 from forecast and up \$920,149 from prior year. Total costs for June 2014 were 20% lower than forecast and were 25% lower than prior year. Year-to-date sales are \$1,671,981 over forecast and \$705,375 over prior year. Food service return to WSCC PFD for January through June is up \$1,124,313 from forecast and up \$1,222,791 from prior year. Percentage year-to-date food

service return to WSCC is up 5.4% from forecast and up 5.7% from prior year. ARAMARK continues to focus on the Food Management and Labor Management programs.

IX. FINANCIAL REPORT

Mr. Firth reported that year-to-date June 2014, total operating revenues were up 8.8%. For the month of June 2014, Food Service revenues were up 61.4%, Retail revenue was down 17.9%, and the Marketing Tax was down 5.9%. Building Rent revenue was down 12.6% for the month of June 2014.

Operating expenses for June 2014 were slightly over budget for the month by 1.9%; however the corresponding sales were up 25.0%. 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 June 2014 were \$56,150.

Year-to-date the operating surplus through June totaled \$1,614,283. Operating surplus for June 2014 was \$629,086. Non-Operating Revenues year-to-date through June 2014, for regular and additional lodging taxes, totaled \$24,968,671. Non-Operating Revenues for the month of June were \$4,722,776, a little under budget by 9.5%. Non-Operating Expenses year-to-date through June 2014, for transfer of additional lodging tax and debt service, totaled \$15,691,681, under budget by 4.8%. Non-Operating Expenses during the month, for transfer of additional lodging tax and debt service, totaled \$2,632,945.

ADJOURNMENT

Mr. Flowers moved to adjourn the July 22, 2014 Board meeting at 4:01 p.m. Ms. Gonzalez-Murillo seconded and the motion was carried by the unanimous affirmative vote of all Directors present.