

Minutes

Washington State Convention Center  
Public Facilities District

Regular Meeting of the Board of Directors  
July 28, 2015

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 206, Level 2, of the Convention Center.

MEETING ATTENDANCE

Board Directors in Attendance

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

Board Directors Absent

J. Terry McLaughlin

Officers in Attendance

Jeffrey A. Blosser, President / CEO  
Linda Willanger, Vice President of Administration / AGM  
Ed Barnes, Vice President of Operations  
Chip Firth, Director of Finance and Administration / CFO

Consultants / Vendors in Attendance

Stephen Kiely, ARAMARK  
Dawn Wells, ARAMARK  
Dawn Wheeler, ARAMARK  
Becky Bogard, Bogard & Johnson, LLC  
Joe Bennett, Hendricks - Bennett, PLLC  
John Chau, LMN Architects  
Chris Eseman, LMN Architects  
Mark Reddington, LMN Architects  
Crystal Ng, Pine Street Group  
Tony Gavilanes, PSAV  
Tim Boyd, The TSB Communications Group  
Kris Cromwell, Visit Seattle  
Rob Hampton, Visit Seattle  
Tom Norwalk, Visit Seattle  
Kelly Saling, Visit Seattle  
Patrick Smyton, Visit Seattle

Visitors

Norm Judah, Microsoft  
Mannohan S. (Shawn) Virk, Romio's Pizza

Staff in Attendance

Josh Dennis	Daniel Johnson
Tamara Mc Donald	Michael McQuade
Kathleen Smith	Paul Smith
Lorrie Starkweather	Ron Yorita

## II. APPROVAL OF MINUTES

May 19, 2015 Regular WSCC PFD Board Meeting;  
June 25, 2015 Special WSCC PFD Board Meeting; and  
July 16, 2015 Special WSCC PFD Board Meeting

Mr. Hillis made a motion to approve the minutes of the May 19, 2015 Regular Board meeting, the June 25, 2015 Special Board meeting, and the July 16, 2015 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. 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. Quarterly Benefits Report

Mr. Flowers 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.

## VI. PFD COMMITTEE REPORTS

### A. Addition Committee

#### 1. Update Report

Mr. Finneran reported that the Addition Committee met earlier today, as it does on a monthly basis, and discussed the overall conduct of the project. The Committee reviewed the expenses and the contracts that our development manager (Pine Street Group) has entered into and/or expended since the last meeting. We are making reasonably good progress on all fronts and work is continuing on the list of items yet to be completed pertaining to the entitlement process, the acquisition of land, preparing to finance what amounts to be a \$1.4 billion dollar project, and overseeing and participating in the design of the building.

#### 2. LMN Architects: Early Design Guidance

Mr. Finneran requested the LMN Architects provide an update on their early design work for the Addition Project. Mr. Reddington introduced himself, Mr. Chau and Mr. Eseman, leaders of the Project Team at LMN Architects. The first phase of the design process, Schematic Design, is about 50% complete. A basic approach has been established and the team is working on many details about how the structural systems, mechanical systems, plan layouts, details about materials, etc., will integrate into the project. In addition to Schematic Design, LMN is involved in the entitlement process which has many steps. One such step, in order to get a Master Use Permit, is working with the Design Review Board, a group of community volunteers under the umbrella of Seattle's Department of Planning & Development. The Design Review Board reviews projects first at the Early Design Guidance stage; then if approved at this stage, the project moves to Design Recommendation stage. For a large complex project like the WSCC Addition Project, there are more than one Early Design Guidance meetings. We have just finished our second, and believe there will be one more meeting this fall. Mr. Reddington and Mr. Chau provided the Directors with a summary of the presentation which was delivered to the Early Design Guidance panel at the second meeting.

Mr. Finneran advised that progress is being made for the acquisition and control of the land necessary to the project. Meetings with King County are continuing and updates will be provided when available. Entitlement, vacations and permitting are an important component of the project. Work is continuing on these components, and the Committee is targeting the first part of 2016 to bring those to a conclusion to the extent that it's physically possible.

Mr. Finneran reported that at today's Addition Committee meeting, the Committee voted to endorse the notion that WSCC would retain Pine Street Group to help us with the co-development. This is not part of their current scope of work. The Addition Committee is seeking agreement from the Board that WSCC could engage

Pine Street Group to provide assistance with the co-development, and that the Addition Committee would bring before the full Board for approval at a future meeting, a revision to the current contract with Pine Street Group to add co-development to their scope of work. No action is required at this time.

The Addition Committee continues to monitor project costs and discussions are beginning with potential advisors and participants in the long range financing for the Project. Mr. Eoff recently convened a meeting with several of the people who worked with WSCC on the bond issue for the previous project. These discussions are encouraging, however cannot be definitive at this juncture being a year away from going to market.

As Chair of the Addition Committee, Mr. Finneran advised that the major components of the financial dimensions concerning the bond issuance are to be referred to the Finance Committee. WSCC is engaging the services of an analyst to do a 10-year pro forma of the various financial ramifications of running this combined enterprise for the next 10 years after it is opened to provide research from a financial performance point of view.

B. Government Affairs Committee

1. Update

Ms. Brown-Archie reported that the Government Affairs Committee met today. Discussion took place regarding efforts to have a sales tax deferral passed during the 2014-15 Legislative Session. The Committee will be working on strategies for the coming Legislative Session and on the coordination of messaging to the legislators and key contacts. Ms. Brown-Archie advised that the Government Affairs Committee would be working more closely with Pine Street Group's communications efforts. We understand that Pine Street Group is focusing in on beginning their communications with local elected officials, and the Committee felt that it was better to have a coordinated approach. A meeting is being scheduled prior to the September board meeting. The Committee also discussed labor strategy, and we are hopeful that our new Board member, representing labor, will be appointed by the Mayor soon so that further discussions can be conducted related to labor support for our ongoing efforts.. The Government Affairs Committee looks forward to the input of all the Directors on the communications efforts as we seek to explain our project to the elected officials.

2. Consultant Update Reports

Ms. Brown-Archie advised that consultant update reports from the team of Ms. Bogard and Mr. Boyd, and from Mr. Webster were contained within the Board packets.

C. Facility Committee

1. Update

Mr. Hillis reported that the Facility Committee met today and provided a summary of items discussed. The new WSCC Administrative Offices, located in the former Retail Triangle space, are spectacular and on behalf of the Facility Committee, Mr. Hillis congratulated Mr. Barnes and the staff on doing a remarkable job with this project and keeping very close to budget. The Pike Street Project to replace the sidewalk will be going out to bid in the very near future. The Facility Committee also discussed the issue of naming of the facilities for ease of wayfinding and continuity between the 3 buildings, and hopes to have a recommendation for full Board approval by December 2015. The Committee has been discussing ways to improve the Level 1 Retail Corridor including lighting, fixtures, and other amenities, and is in the process of examining alternative solutions. Mr. Barnes advised that 60% of the 2015 Capital Projects are now complete and on budget.

D. Finance Committee

1. Investment Update

Mr. Flowers advised that the Finance Committee reviewed the 2014 second quarter report on the WSCC portfolio of investments currently managed by Government Portfolio Advisors. There were no surprises or concerns.

Mr. Flowers reported that the Finance Committee would be meeting more frequently to provide more information to the Addition Committee as necessary.

E. Outreach Committee

1. Update

Ms. Gonzalez-Murillo reported that the Outreach Committee met recently with Pine Street Group and Skanska-Hunt to understand their concepts for outreach and where we can coordinate the WSCC outreach efforts, not forgetting the Committee's objectives which include community, inclusion, marketplace, and staff, and in assisting the WSCC in meeting its minority outreach goals. The Committee members felt the presentation provided by Skanska-Hunt and Pine Street Group was very good. Pine Street Group will be coming back to the Outreach Committee in the next few months with a budget for outreach that is acceptable to the Outreach and Finance Committees, and the Chair of the Board, keeping in mind that outreach is an important task that we want to accomplish, but it should not become another job within the bigger job missing our main objective. Mr. Blosser

advised that Skanska-Hunt has a specific individual handling outreach and diversity matters, along with training on how to respond to RFP's and RFQ's as a small business for the general contractor. Pine Street Group is also drafting some goals to bring back to the Committee for review in September, and these aspirational goals for the WSCC Addition Project will be brought to the Board for approval.

## 2. Outreach Mid-Year Report

Ms. Gonzalez-Murillo advised that the 2015 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. Mr. Finneran advised that the Mid-Year Outreach Report is very well done and encouraged directors to read through the report.

### F. Marketing Committee

#### 1. Marketing & Sales Mid-Year Report

Mr. Schafer reported that the Marketing Committee met on July 22, 2015 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 146.7% over their projected goal for WSCC Room Nights booked for all future events at 141,217 vs. a goal of 99,250. Projected room night consumption for 2015 is also ahead of pace at mid-year with 101.6% of goal at 299,704 vs. a goal of 295,000 room nights. At the mid-year mark, WSCC is running just below gross revenues at 49.4% of rental revenue for 2015, and running well ahead for room nights at 19,698 year-to-date as compared to the annual goal of 23,000. The Marketing Committee discussed creating a program for the Addition marketing and sales and the WSCC and Visit Seattle teams will work together to draft an outline of the process starting from a projected ground breaking date to bring back to the Committee.

Mr. Schafer advised that work will also start on the renewal of the Visit Seattle contract as it expires at the end of 2015. Goals will also be brought back to the Marketing Committee for review in September.

### G. Operating Goals Committee

#### 1. Operating Goals Mid-Year Report

Ms. Gonzalez-Murillo advised that the Operating Goals Committee were provided a mid-year assessment report on progress for the thirteen goals approved for 2015. The Board approved the WSCC PFD 2015 Operating Goals at the December 16, 2014 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 2015.

The Operating Goals Committee will meet prior to the October 2015 Board retreat to identify operating goals for fiscal year 2016. 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 2016 Operating Goals may take place at the November 24, 2015 Board meeting.

### H. Art Committee

#### 1. Update

Ms. Wong advised that the *HARVEST: The Bounty of Washington* art exhibit is installed and the WSCC Board is honored to sponsor a reception to be held on Tuesday, August 4, 2015, during the National Conference of State Legislatures Legislative Summit (NCSL) being held at the Washington State Convention Center. Ms. Bogard is on the host committee of the NCSL event. Ms. Bogard thanked the WSCC Board and ARAMARK for sponsoring what is traditionally a "State Night" reception at the Legislative Summit. We appreciate the opportunity for the Washington State legislators to mingle with the WSCC Board, the host committee and guests, to see the Convention Center and to view the spectacular art exhibit.

Ms. Wong reported that the WSCC Art Foundation is working on a wonderful gift opportunity for the Washington State Convention Center and anticipate bringing this before the Board at the September 22, 2015 meeting. We have a gift inquiry from the Doris Chase family to gift two major sculptures to the WSCC Art Foundation. The sculptures are called "*Winged*" and "*Encircling*", and are currently on display at the Convention Center near the Level 2 escalators.

## VI. VISIT SEATTLE & WSCC Sales Reports

### A. Visit Seattle Destination Overview

Mr. Norwalk provided an update on the 115<sup>th</sup> U.S. Open Golf Tournament that was held at June 15 - 21, 2015 at Chambers Bays, in University Place, WA. Visit Seattle used the opportunity to piggyback on the event to showcase Seattle and surrounding areas to 73 national visitors/guests, and 45 key international executives who were predominantly from Asia. Organizers of the event have advised that the overall impact of the event proved well worth the effort and they look forward to an opportunity to host a major golf event in the future.

Smith Travel Research report for June 2015 YTD 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 June with occupancy rate of 91.6%, almost equal to the same period in 2014; RevPAR increased 14.9% and ADR had an increase of 14.9% as compared to the same period last year. In June 2015, Downtown Seattle and Seattle TIA ADR's (\$250.15 and \$243.18) ranked just below San Francisco (\$253.19). San Francisco remains in the lead in all three categories within the west coast competitive set year-to-date. Seattle numbers continued to track strongly with the five other cities in the group.

#### B. Visit Seattle Sales Report

Visit Seattle WSCC sales production for the month of June 2015 was 317.89% of goal and for Hotel was 140.11% of goal. 2015 year-to-date room night production through June is at 146.72% of goal and for Hotel is at 106.21% of goal. Visit Seattle top-line revenue for WSCC bookings for June YTD totaled \$1,340,326.

Mr. Hampton 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 2015 for lost WSCC business has been estimated at nearly \$49,975,000 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 2015, one group fell into the waived business category, with an associated loss of 24,984 in hotel room bookings, a loss of 5,500 event attendees, and an estimated loss of \$9,823,000 in overall economic impact for the region.

#### C. WSCC Sales Report

Mr. McQuade reported that for June YTD, WSCC Sales staff top-line rent and projected net rent revenues totaled \$121,480 for Convention Center contracted bookings. Groups hosted in June 2015 realized 1,149 in hotel room bookings, with 6,584 event attendees, and an estimated \$701,753 in top-line revenues.

During June, WSCC Sales staff booked 29 new events into the Center to infill around convention business booked by Visit Seattle. Cumulatively, these 29 WSCC booked events represent over 9,177 in estimated attendance, 30 associated room nights, and combined topline revenues of over \$320,166 for rent, food & beverage, parking and subcontractor services.

### VII. PRESIDENT'S REPORT

#### A. Electronic Board and Board Committee Documentation

Mr. Blosser reported that this is the inaugural electronic Board meeting using tablets for the directors to view their meeting documents in BoardBook. Staff has been able to save time and paper costs with the electronic materials, and we hope to utilize BoardBook and the tablets for the Committee meetings going forward as well. Mr. Blosser requested that the Directors provide him feedback on this process, as we seek to make the transition as seamless as possible.

#### B. WSCC Annual Report

Mr. Blosser reported that the 2014 WSCC Annual Report was finalized and released at the end of July 2015 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. WSCC Plan Document Restatement – 401(a) Plan – PPA Provisions, Resolution 2015-12

A RESOLUTION approving restatement of the Washington State Convention Center (WSCC) Retirement Savings Plan.

Mr. Blosser advised that the IRS requires that all standard plan documents be restated every five to six years to incorporate all the new laws and requirements. It is time to do that for the WSCC Retirement Savings Plan. The plan document for the retirement savings plan has been restated to comply with the changes required by the Pension Protection Act of 2006. The document was prepared by our third party administrator, Milliman, and also reviewed by legal counsel, Stoel Rives LLP. This document complies with the requirements and is being brought to the Board for their approval as the Plan Manager for this program.

Ms. Brown-Archie moved to approve the amended and restated 401(a) Plan document to comply with the Pension Protection Act of 2006. Mr. Flowers seconded and the motion was carried by the unanimous affirmative vote of all Directors present.

#### D. Retail Mid-Year Report

There are 17 retail spaces within the Convention Center. Currently, 13 of these spaces are rented. Mr. Blosser provided some highlights from the report provided to the Directors. The Facility Committee had suggested a review of the retail space and the retail program to better understand the upgrades needed to bring the area into a compatible design and feel with the updated colors, etc., of the facility renovations. Staff met with representatives from Graham Baba Architects in April for an orientation and walk-through of the retail areas, and received an outline of proposed services. Staff will take that outline into consideration in planning the retail review going forward. The former Moby's Restaurant space has been designated as event space and has been used for two large events in this reporting period; for crew meals for TechReady 20 in January and as a commercial beer garden for Emerald City Comicon in March. The space has been designated as "Suite 10" and is being actively marketed to meeting planners by WSCC staff and the Visit Seattle sales team as a new food and beverage event space, which is adding food and beverage revenues from this outlet.

Mr. Blosser advised that goals for the next six months include having conceptual plans for potential upgrades to the Level 1 retail area; resume evaluation of the retail brokerage RFP proposals, with the intent of engaging a service provider to place retail tenants in the currently vacant spaces; lease new retail spaces on Pike Street adjacent to the WSCC administrative offices, pending completion of construction; and renew leases with current retail tenants as necessary.

#### E. New Administrative Offices Completed and Occupied

Mr. Blosser reported that the new Administrative Offices are completed and staff has transitioned over to the new space. On behalf of the Board and staff, Mr. Finneran thanked Mr. Barnes and Mr. Kolodzaike for their hard work and efforts to get this project completed.

### VIII. STAFF REPORTS

#### A. WSCC Parking Report

Mr. Tesfaye reported that parking revenues for June 2015 were down 16% from the revenues reported in June 2014; and June YTD revenues were down 10% from the same period in 2014, 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. Kiely reported total sales for June 2015 were down 11.7% from forecast, however down 54% from the same period last year, due to event dates. Total costs for June 2015 were 20% lower than forecast. June 2015 total WSCC profit was up \$21,542 from forecast. Year-to-date sales are \$417,126 over forecast and \$179,855 below same period in 2014. Food service return to WSCC year-to-date is up \$339,637 from forecast and 1% down from prior year. ARAMARK continues to focus on the Food Management and Labor Management programs during Fiscal Year 2015 with the goal of continued positive results.

### IX. FINANCIAL REPORT

Mr. Firth reported that year-to-date June 2015 total operating revenues were up slightly compared to the same period in 2014, however under budget by 2.6%. For the month of June 2015, Food Service revenues were under budget by 12%. Retail revenue was down 13%, and the Marketing Tax came in just slightly over budget. Building Rent revenue was under budget by 2.6% for the month of June 2015.

Operating expenses for June 2015 were under budget for the month by 5.6%; and the corresponding sales were down 2.6%. Staff continues to conservatively manage expenses in FY2015.

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 2015 were \$1,224,458.

Year-to-date the operating surplus through June totaled \$688,974. Operating loss for June 2015 was \$216,621. Non-Operating Revenues year-to-date through June 2015, for regular and additional lodging taxes, totaled \$28,822,248. Non-Operating Revenues for the month of June were \$5,862,302, up 3% from budget. Non-Operating Expenses year-to-date through June 2015, which includes transfer of additional lodging tax, debt service, capital improvement projects and the addition budget, totaled \$23,506,223, under budget by 13%. Non-Operating Expenses during the month for transfer of additional lodging tax, debt service, capital improvement projects, and addition budget totaled \$4,389,317, under budget by 23%.

Mr. Firth advised that the forecast for the 2015 fiscal year continues to track positively for WSCC.

### ADJOURNMENT

Ms. Brown-Archie moved to adjourn the July 28, 2015 Board meeting at 4:15 p.m. Mr. Flowers seconded and the motion was carried by the unanimous affirmative vote of all Directors present.