

Minutes

Washington State Convention Center  
Public Facilities District

Regular Meeting of the Board of Directors  
September 22, 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 400, Level 4, of the Convention Center.

MEETING ATTENDANCE

Board Directors in Attendance

Frank K. Finneran, Chair  
Deryl Brown-Archie, Vice Chair  
Jerry Hillis  
Craig Schafer  
Karen Wong

Board Directors Absent

J. Terry McLaughlin  
Robert J. Flowers  
Susana Gonzalez-Murillo

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 Wheeler, ARAMARK  
Becky Bogard, Bogard & Johnson, LLC  
Matthew Hendricks, Hendricks - Bennett, PLLC  
Matt Griffin, Pine Street Group  
Johnny Baca, PSAV  
Fred Eoff, Public Financial Management  
Joe Melancon, Smart City  
Julia Slocombe, Smart City  
Jim Snook, Smart City  
Kris Cromwell, Visit Seattle  
Rob Hampton, Visit Seattle  
Patrick Smyton, Visit Seattle

Visitors

Carla Barrick, Alliance for a Liveable Denny Triangle  
Stefan Mortiz, UniteHERE Local 8  
Sherilyn Anderson, Wells Fargo

Staff in Attendance

Krista Daniel	Daniel Johnson
Tamara Mc Donald	Michael Murphy
Kathleen Smith	Paul Smith
Lorrie Starkweather	Ron Yorita

## II. APPROVAL OF MINUTES

### July 28, 2015 WSCC PFD Regular Board Meeting

Mr. Schafer made a motion to approve the minutes of the July 28, 2015 Regular Board meeting as presented. Mr. Hillis seconded and the motion was carried by the unanimous affirmative vote of all Directors present.

## III. PUBLIC COMMENTS

There were no public comments.

## IV. CHAIRMAN'S REPORT

### A. Delegation of Authority, September 24 to October 21, 2015

Due to a travel schedule, Mr. Finneran, Board Chairman, may be difficult to contact during the period September 24 to October 21, 2015. To make certain the work of the WSCC Board of Directors would not be impeded if Mr. Finneran was unreachable a motion was proposed to reaffirm delegation of authority during this time period, with duties of the Chair delegated to the Vice-Chair, Ms. Brown-Archie, and Signing Authority delegated to the Chair of the Board Finance Committee, Mr. Flowers.

Mr. Hillis made a motion to authorize the Board Vice-Chair to perform all of the duties of the Chair from September 24 to October 21, 2015, pursuant to District By-Laws, Article III, Section 3.1; and to delegate Signing Authority for expenditures over \$100,000 to the Chair of the Finance Committee from September 24 to October 21, 2015, as outlined in the PFD Operating Policy Budget Resolution 2010-19, dated December 14, 2010. Mr. Schafer seconded and the motion was carried by the unanimous affirmative vote of all Directors present.

### B. Consent Agenda

Mr. Finneran presented the Consent Agenda to the Board. The following action items and informational reports had been sent to the Board for review prior to today's meeting:

#### Action Items:

1. Ratification of Additional Facility Project Contract List
2. Approval of Additional Facility Project Draw Schedule Payment

#### Informational Items:

1. WSCC Sales Productivity Report
2. WSCC Monthly Expenditures Auditing Officer Certification

Ms. Brown-Archie 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 continuing to make 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, the financing of the project, overseeing and participating in the design of the building. Mr. Finneran requested Mr. Griffin provide the board with an update on the Addition Project. Mr. Griffin spoke to the project schedule, entitlement process, provided an update on the status of land acquisition, budget and financing, design, and contracts. At this point in time, most of the building blocks are in place to be able to go forward with the project.

Mr. Finneran reported that certain matters related to the financing plan for the Addition were to have been discussed with the Finance Committee today, however due to unforeseen circumstances the Finance Committee meeting was cancelled. As discussed at the Addition Committee meeting, there was a minor change in the project budget, moving the total project budget from \$1,417,648,000 to \$1,424,000,000. The Addition Committee approved this move of funds because it was a de minimis amount and had just some line item variations in it, and a minor increase in the cost of one particular line item which is Transit-related Construction, also known as Metro-related construction from \$12 million to \$20 million as an overall estimate of the cost to accommodate that particular construction.

Mr. Hillis made a motion to approve the change in the overall project budget total amount from \$1,417,648,000 to \$1,424,000,000, with an increase in the Transit-related Construction line item from \$12,000,000 to \$20,000,000. Mr. Schafer seconded and the motion was carried by the unanimous affirmative vote of all Directors present.

B. Government Affairs Committee

1. Update

Ms. Brown-Archie advised that a Request for Qualifications (RFQ) for Public and Legislative Advisory Services has been released and proposals are due very shortly. The Government Affairs Committee hopes to bring their recommendation of the apparent successful proposer to the Board at the November Board meeting.

2. Consultant Update Reports

Ms. Brown-Archie advised that consultant update report from Ms. Bogard is 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. Mr. Hillis advised that after a recent safety inspection, Thyssen Krupp Escalators mechanics notified WSCC staff that the handrails on three escalators in the main galleria that serve Level 3-4 were cracking and due to safety concerns required immediate approval to replace them. Staff met with the escalator technicians for further evaluation on the severity of the matter and verified that the handrails are required to be replaced. All parties believe the cause of this failure is from UV degradation as all other escalator handrails have been inspected on lower levels and none show signs of deterioration. Weighing the potential liability and risk of waiting to replace the handrails until 2016, the WSCC operations staff is requesting an emergency 2015 capital appropriation of \$100,000.00. The Facility Committee reviewed the matter with staff and verified that there are sufficient funds in the existing Unrestricted Capital fund.

Mr. Hillis made a motion that the WSCC PFD Board of Directors recognize the existence of an emergency situation and approve the Facility Committee's recommendation to approve emergency funding from the unrestricted Capital Fund to allow for the immediate replacement of the escalator handrails in question. Ms. Brown-Archie seconded and the motion was carried by the unanimous affirmative vote of all Directors present.

D. Art Committee

1. WSCC Art Foundation Gift Request

Ms. Wong reported that the Art Committee may be in a position to bring forward the gifting of two important pieces of art to the WSCC Art Foundation. These pieces of Doris Chase artworks "Winged" and "Encircling" have been on loan to the WSCC for more than a decade, and the Art Committee is requesting the Board's approval to continue to show and display these works in the collection. More information will be brought before the Board at the November board meeting.

2. Art Deaccession

Ms. Wong advised that the significant Pike Streetscape improvements led by the Facility Committee and approved by the City, necessitate removal of the *BuzzWord* artworks. This construction upgrade will require removal of the vertical sculptures and the lighting armatures as well as some sidewalk changes. These modifications do compromise the integrity of the artist's overall design of the artwork enhancement elements as was originally sited. The artworks are owned by WSCC and were part of the art enhancement effort during the 2001 north expansion. They include the Pike Street vertical sculptures, beehive patterned exit door covers on both sides of 8<sup>th</sup> Avenue between Pike and Pine, circular sidewalk paving pattern along Pike and its extension into the Pike Lobby, and colors for the 8<sup>th</sup> Avenue lighting armatures (armatures which were designed by LMN Architects). The 4 collaborating artists were Kate Wade, Linda Beaumont, Stuart Keeler and Michael Machnic. A notice has been sent to the artists, consistent with the federal Visual Artists Rights Act (VARA). The artists were asked to contact WSCC if they intended to exercise their rights under VARA for an opportunity to remove one or all of the sculptures, or pay for their removal. To date, we have heard from 2 of the artists, neither of whom expressed an interest in removing the works. Staff and the WSCC Art Advisors have considered all reasonable opportunities to relocate the artworks in or around the WSCC facilities. No alternate site locations have been located.

Ms. Wong made a motion that the WSCC Board of Directors approve the recommendation of the WSCC Board Art Committee that the *BuzzWord* artworks (Pike Street vertical sculptures, beehive patterned exit door covers on both sides of 8<sup>th</sup> Avenue between Pike and Pine, circular sidewalk paving pattern along Pike and its extension into the Pike Lobby, and, colors for the 8<sup>th</sup> Avenue lighting armatures by artists Kate Wade, Linda

Beaumont, Stuart Keeler, Michael Machnic), be deaccessioned from the WSCC artworks collection, with disposition of the works to be in accordance with the Washington State Arts Commission's "Collections Management Policy". Ms. Brown-Archie seconded and the motion was carried by the unanimous affirmative vote of all Directors present.

3. Harvest: "The Bounty of Washington" Reception

Ms. Wong reported that the reception held on September 10 was very successful and well attended by artists and our community who enjoyed this travelling art show. The Art Committee is hosting an Art Appreciation Reception on December 4 to thank our art partners and Art Foundation supporters.

E. Outreach Committee

1. Update

In Ms. Gonzalez-Murillo's absence, Mr. Blosser provided an update for the Outreach Committee, and advised that the Outreach Committee met last week to review the development of the MWBE process for goals for the Addition Program. The meeting attendees included representatives from Pine Street Group, LMN Architects, and the Skanska-Hunt team. The Committee was provided information on how the process for outreach was going to be determined, the methods used by LMN and Skanska-Hunt for past outreach and the vision for future outreach for the Addition project. The Outreach Committee is drafting an outreach goal for the Addition Project and will submit the recommended goal to the Addition Committee for direction moving forward on outreach for the project. Ms. Brown-Archie advised that the information provided was very good and timely given the current environment with the construction boom, and felt that the partners in the project seem to be very committed to being aggressive as they move forward. Mr. Finneran advised that this would be a specific, measurable outreach goal for the Addition project.

VI. VISIT SEATTLE & WSCC Sales Reports

A. Visit Seattle Destination Overview

Mr. Norwalk provided an overview of a recent sponsorship opportunity for Visit Seattle with the Clipper 2015-2016 Around-the-World sailing race. The race launched in London in August and the yacht is scheduled to be in Seattle in April 2016.

Smith Travel Research report for August 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 August with occupancy rate of 93.5%, down 2.3% from the same period in 2014; RevPAR increased 6.4% and ADR had an increase of 8.9% as compared to the same period last year. In August 2015, Downtown Seattle and Seattle TIA ADR's (\$261.90 and \$255.12) ranked almost at par with San Francisco (\$258.97). August saw Seattle Downtown and Seattle TIA take the lead in all three categories within the west coast competitive set. 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 five other cities in the group.

B. Visit Seattle Sales Report

Visit Seattle WSCC sales production for the month of August 2015 was 191.60% of goal and for Hotel was 61.11% of goal. 2015 year-to-date room night production through August is at 135.01% of goal and for Hotel is at 100.51% of goal. Visit Seattle top-line revenue for WSCC bookings for August YTD totaled \$1,870,396.

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 August 2015 for lost WSCC business has been estimated at nearly \$3,490,800 due to lack of Convention Center space already booked and no dates available for additional business that could meet in Seattle, with an associated 3,630 lost room nights.

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 August 2015, three groups fell into the waived business category, with an associated loss of 31,001 in hotel room bookings, a loss of 18,800 event attendees, and an estimated loss of \$54,360,200 in overall economic impact for the region.

C. WSCC Sales Report

In Mr. McQuade's absence, Mr. Blosser reported that for August YTD, WSCC & Visit Seattle Sales staff combined top-line rent totaled \$3,922,858 for Convention Center contracted bookings. Groups hosted in August 2015 realized 2,518 in hotel room bookings, with 7,021 event attendees, and an estimated \$451,572 in top-line revenues.

During August, 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 9,656 in estimated attendance, 566 associated room nights, and combined topline revenues of over \$480,196 for rent, food & beverage, parking and subcontractor services.

## VII. PRESIDENT'S REPORT

### A. Update on WSCC Board Strategic Planning Retreat Meeting

Mr. Blosser provided an update on the WSCC Board Strategic Planning Retreat meetings being held October 27 & 28 at the Seattle Marriott Waterfront Hotel. The draft agenda for the Retreat was provided to the Directors and is still a work in progress. The electronic BoardBook and the tablets will be used at the Retreat as we continue our paperless meeting process.

### B. Introduction of Mr. Michael Murphy, Project Coordinator

Mr. Blosser introduced Mr. Michael Murphy, WSCC's new Project Coordinator for the Addition project. Mr. Murphy joined the team in August and will be a pivotal liaison between WSCC and Pine Street Group for the Addition project. The Board welcomed Mr. Murphy to the organization.

### C. New Administrative Offices Open House

Mr. Blosser advised that an Open House for the new Administrative Offices is being held on October 8 between 4:30 and 6:30 p.m. Invitations are being extended to our partners, contractors, neighbors, business contacts, clients and associates to show the new space and have an opportunity to visit. We look forward to a good turnout.

## VIII. STAFF REPORTS

### A. WSCC Parking Report

Mr. Tesfaye reported that parking revenues for August 2015 were up 2% from the revenues reported in August 2014; and August YTD revenues were down 6% 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 the main WSCC garage.

### B. Food Service Report

Ms. Wheeler reported total sales for August 2015 were up 16.5% from forecast, and up 14.1% from the same period last year, due to event dates. Total costs for August 2015 were 5.4% higher than forecast, and 18% higher than same period last year. August 2015 total WSCC profit was up \$409,659 from forecast, and up 31% from the same period last year. Year-to-date sales are \$927,110 over forecast and \$651,194 above same period in 2014. Food service return to WSCC year-to-date is up \$17,627 from forecast and 8% higher than 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 August 2015 total operating revenues were up 13.4% compared to the same period in 2014, however ahead of budget by 4.5%. For the month of August 2015, Food Service revenues were up from budget by 16%. Retail revenue was down 13%, and the Marketing Tax came in 16% over budget. Building Rent revenue was under budget by 49% for the month of August 2015, however July rent exceeded budget by 96%. This is primarily due to Costco switching months after the budget was prepared.

Operating expenses for August 2015 were over budget for the month by 7%; and the corresponding sales were up 5%. Staff continues to conservatively manage expenses in FY2015. Year-to-date the operating surplus through August totaled \$1,608,816. Operating surplus for August 2015 was \$1,168,246.

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 August 2015 were \$1,526,674.

Non-Operating Revenues year-to-date through August 2015, for regular and additional lodging taxes, totaled \$44,154,548. Non-Operating Revenues for the month of August were \$8,767,454, up 19.7% from budget. Non-Operating Expenses year-to-date through August 2015, which includes transfer of additional lodging tax, debt service, capital improvement projects and the addition budget, totaled \$35,927,323, under budget by 25%. Non-Operating Expenses during the month for transfer of additional lodging tax, debt service, capital improvement projects, and addition budget totaled \$4,772,538, under budget by 54.8%.

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

ADJOURNMENT

Mr. Hillis moved to adjourn the September 22, 2015 Board meeting at 3:10 p.m. Mr. Schafer seconded and the motion was carried by the unanimous affirmative vote of all Directors present.