

Minutes
Washington State Convention Center
Public Facilities District
Regular Meeting of the Board of Directors
September 26, 2017

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 303, 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
Denise Moriguchi

Board Directors Absent

Nicole Grant

Officers in Attendance

Jeffrey A. Blosser, President / CEO
Linda Willanger, Vice President of Administration / AGM

Officers Absent

Ed Barnes, Vice President of Operations

Consultants / Vendors in Attendance

Brian McFadin, ARAMARK
Keith Hedrick, ARAMARK
Gary Smith, Clark-Lewis
Matthew Hendricks, Hendricks - Bennett, PLLC
Jill Hashimoto, LMG
Matt Griffin, Pine Street Group
Erika Johnson, Pine Street Group
Erika Johnson, Pine Street Group
Sam Russell, Pine Street Group
Colin Green, PSAV
Tom Norwalk, Visit Seattle
Rob Hampton, Visit Seattle
Kelly Saling, Visit Seattle
Kris Cromwell, Visit Seattle
Patrick Smyton, Visit Seattle
Aaron Davis, Visit Seattle

Staff in Attendance

Krista Daniel
Daniel Johnson
Michael McQuade
Michael Murphy
Henrik Paul
Paul Smith
Lorrie Starkweather
Susnios Tesfaye

II. APPROVAL OF MINUTES

July 25, 2017 WSCC PFD Regular Board Meeting

Mr. Schafer made a motion to approve the minutes of the July 25, 2017 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

Mr. Finneran advised that anyone wishing to speak before the Board, either as an individual or as a member of a group, may do so at this time. Individuals desiring to speak shall give their name, address, and the group they represent, if any. There were no public comments presented.

IV. CHAIRMAN'S REPORT

A. Report out on Chairman's Ad Hoc Taskforce Results

Mr. Finneran stated that a special Ad Hoc Taskforce was convened to discuss and review potential updates for WSCC branding and naming. The Taskforce met on August 17 and in attendance were: Mr. Finneran, Chair; Mr. Schafer and Ms. Moriguchi, WSCC Board Directors; Mr. Blosser, Ms. Willanger, Mr. Barnes, WSCC Executive Staff; Ms. Bogard, Bogard & Johnson; Mr. Griffin and Ms. Lewis, Pine Street Group; Mr. Norwalk and Mr. Blandford, Visit Seattle. Mr. Finneran advised that the responsibilities for the naming/branding work now falls under the purview of the Marketing Committee instead of the Facility Committee. The Marketing Committee will be having subsequent meetings and will report their recommendations to the full Board at a future date.

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 Payments, #34

Informational Items:

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

Mr. Hillis 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.

VI. PFD COMMITTEE REPORTS

A. Addition Committee

1. Update

Mr. Finneran requested Mr. Griffin provide the Board with an update on the Addition Project. Mr. Griffin provided a brief project summary and stated that the critical path to getting started on the project continues to be the entitlements, which includes going through the EIS and the alley and street vacations,

and then onto the City Council. We are continuing the process of working through the Seattle Design Commission to gain approval of the alley and street vacations, and are also working on the process to provide the public benefits package details at the request of the Design Commission. As part of this process, an agreement was reached with UniteHERE to provide a training program for the hospitality industry. Mr. Griffin stated that this will be good for the community and UniteHERE. Also as part of this process, meetings have been held with the Community Package Coalition regarding their list of proposed public benefit items and we are working to reach agreement. Mr. Griffin advised that as the project continues on to the City Council level, we are fortunate to have the support of not only UniteHERE, but also the Martin Luther King County Labor Council (MLKCLC). The MLKCLC, with Board member Nicole Grant as its Executive Secretary Treasurer, has passed a resolution in favor of the Addition Project. Ms. Grant has met with City Councilmembers to explain the importance of moving the project forward for jobs, apprenticeships, and other items of importance to labor. The construction start date was tentatively slated for the end of March 2018, however cannot be confirmed until the entitlement process has reached completion. Mr. Griffin advised that today at the Finance Committee, Pine Street Group laid out a schedule for the process of hiring investment bankers, and preparing for issuing of the bonds at approximately the same time as the start of construction. Mr. Griffin provided a brief update on the Design process and advised that the drawings are at the 60% level, and the general contractor (Clark-Lewis) is currently receiving prices from the sub-contractors. Mr. Griffin also provided some information to the Board regarding a piece of legislation being proposed by the City of Seattle on an additional tax on Air B&B type businesses.

B. Government Affairs Committee

1. Update

Ms. Brown-Archie advised that the Government Affairs Committee met on September 20 and Ms. Bogard, WSCC's contracted lobbyist, provided a summary of the City of Seattle proposed legislation pertaining to an additional tax on the Air B&B type establishments, as well as the State legislation that we've been working on. At the meeting, the committee also received an update from Ms. Stacey Lewis, Pacifica Law Group, regarding work currently being conducted with the State Treasurer's Office. Discussion also took place at the Committee meeting regarding general lobbying needs going forward for us to be successful.

2. Consultant Update Report

Ms. Brown-Archie advised that the consultant update report from Ms. Bogard is contained within the Board packets.

C. Art Committee

1. Update and Potential Action Regarding the Naming of the WSCC Art Gallery

Ms. Gonzalez-Murillo advised that at the July 25, 2017 Board meeting, the Board approved the concept of honoring emeritus WSCC Board member, Ms. Phyllis Lamphere, with the naming of the public art galleries in her honor. Staff are recommending the galleries be named on Levels 2 and Level 3 of the escalator areas with signage. These locations showcase the majority of public art and rotating art that is centrally located and open to the public to enjoy, and has the further advantage of resembling an art gallery layout. Mr. Blosser advised that the proposed name would be some variation of the *Phyllis Lamphere Art Galleries* and signage would be placed on the two sides of the lobby spaces as you come up the escalators so that the signage is visible from both sides as people enter the Galleria levels. Staff is working with the Art Committee to set a budget for the plaques and an unveiling event honoring Ms. Lamphere, her invited guests, Board members, WSCC staff and other invitees.

Ms. Gonzalez-Murillo made a motion to authorize the President/CEO and Chair of the Art Committee to develop and install the necessary signage, plaque and final name. Further, to proceed with planning the activities, marketing and other aspects of this project for the dedication of the new named art galleries, and that this project could be undertaken as soon as possible to be respectful of Ms. Lamphere. Ms. Brown-Archie seconded the motion.

Discussion occurred, and Mr. Finneran added the caveat that the budget for the proposed project and any potential name change for the project are forwarded to the Board for their review and approval. Further discussion occurred regarding naming the two galleria levels for the gallery or limiting to one level, for example Level 2 where the current Rotating Art is on display.

Ms. Gonzalez-Murillo amended the motion to authorize the President/CEO and Chair of the Art Committee to develop a proposed budget to install the necessary signage, plaque and final name; report back to the Board for approval; that the gallery be named for only one Level; further to proceed with an unveiling and dedication activity. Ms. Brown-Archie seconded the motion as amended and the motion was carried by the affirmative vote of all Directors present.

D. Finance Committee

1. Update

Mr. Flowers advised that the Finance Committee met today and discussed financing for the Addition Project. We are looking at March 2018 to possibly be ready to go to market for financing. At the Board Retreat on October 30 & 31, the Finance Committee will present the proposed 2018 Budget to the Board for discussion.

2. Discussion and Possible Action regarding an Amendment to the WSCC Procurement Policy, Resolution # 2017-13

A Resolution amending Resolutions 2015-5, 2015-8 and 2017-10 that amends the WSCC Operating Procedure 20-04.02 regarding procurement.

Mr. Flowers advised that Resolution 2017-13 is being recommended by the Addition Committee and the Finance Committee for the Board's approval. Mr. Flowers made a motion to approve Resolution #2017-13. Mr. McLaughlin seconded and the motion was carried by the affirmative vote of all Directors present.

E. Benefits Committee

1. Update

Mr. McLaughlin reported that the Benefits Committee met on August 11, 2017 to discuss the 2018 health benefits renewal for administrative (non-represented) employees. The WSCC's small pool of non-represented employees joined the Association of Washington Cities (AWC) in 2013 and subsequently healthcare costs were greatly reduced from previous costs. Employees receive quality plans at an economical rate that was not possible as a stand-alone group. AWC has informed the group that the current medical plans offered will not be extended into 2018 due to the uncertainty of the Affordable Care Act's excise tax on health coverage and the general affordability of the plans. AWC is recommending the next best medical plans that still provide good coverage for employees and dependents. Participants will see higher deductibles, out-of-pocket maximums and office co-pays. The Benefits Committee, comprised of WSCC employees and Mr. McLaughlin as Board Liaison, has approved this change. This is an informational item only, with no action to be taken. Mr. Blosser advised that this will be included in the 2018 budget.

VI. VISIT SEATTLE & WSCC Sales Reports

A. Visit Seattle Destination Overview

Mr. Norwalk reported that Smith Travel Research report for August 2017 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 Los Angeles CBD. Downtown Seattle finished August with an occupancy rate of 93.5%, up 1.2% from the same period in 2016; RevPAR saw an increase of 5.2% and ADR had an increase of 3.9% as compared to the same period last year. In August 2017, Seattle Downtown topped the competitive set for the month with an ADR of \$277. Boston CBD/Airport's ADR (\$263) finished the month in the second spot. Year to-date, Boston

CBD/Airport is in the lead in the category of Average Room Rate, San Francisco in the lead with RevPar, and Seattle Downtown leading in the Occupancy category. 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 July and August 2017 was 76.79% of goal and Hotel Production was 84.23% of goal. Year-to-date 2017 definite room night production for WSCC is at 80.24% of goal, and at 102.66% for Hotel Production.

Mr. Hampton reviewed year-to-date WSCC lost and waived room nights. Year-to-date, 489,309 room nights were lost (business bid on, but was not awarded) primarily because of WSCC size, hotel rates, and date availability. Year-to-date, 414,689 room nights were waived (business that wanted Seattle to bid, but we were unable to bid for various reasons) primarily because of date availability and WSCC size.

C. WSCC Sales Report

Mr. McQuade reported that for August 2017, WSCC & Visit Seattle Sales staff combined top-line rent totaled \$290,293 for Convention Center contracted bookings. Groups hosted August YTD realized 9,349 in hotel room night bookings, with 121,732 delegates, and an estimated \$5,131,901 in top-line revenues.

During August, WSCC Sales staff booked 20 new events into the Center to infill around convention business booked by Visit Seattle. Cumulatively, these 20 WSCC booked events represent over 4,432 in estimated attendance, 176 associated room nights, and combined topline revenues of over \$283,688 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 scheduled for Monday, October 30 and Tuesday, October 31, 2017. The meetings are being held at the Sheraton Seattle Hotel. There are two confirmed speakers presenting on Day 2 of the retreat: Mr. Jeff Eastman, President/CEO of Strategic Data Resources, will provide updated competitive set information; and Mr. Jon Scholes, President/CEO of the Downtown Seattle Association, will provide an update on MID work, the city park management program, and DSA goals. A copy of the draft agenda was provided to the Board. Mr. Finneran advised that Day 1 of the Retreat agenda is being revised as the Addition model is too large to travel from LMN to the Sheraton for viewing at the meeting. Mr. Finneran has adjusted the schedule to meet at LMN for the Addition Development Update agenda item, and will reconvene the meeting at the Sheraton. More details will be provided to the Board members as details are confirmed.

B. Pike / Pine Mobility Improvements Update

Mr. Blosser provided a brief overview of the Pike / Pine Mobility Improvements project being undertaken by the Seattle Department of Transportation (SDOT). A fact sheet was included in the Board packets, and this project will provide protected bike lanes and signal upgrades in downtown Seattle on Pike and Pine Streets, in an effort to improve safety for everyone and connect pieces of a center city bike network. Also presented for the Board's review were copies of the design elements for the Pike / Pine Renaissance Pedestrian Experience. The design is to be completed in 2018.

VIII. STAFF REPORTS

A. Parking Report

Mr. Tesfaye reported that parking revenues for August 2017 were up 3.69% from the revenues reported in August 2016; and August YTD revenues were up 5% from the same period in 2016, mainly due to the event mix in the building. WSCC's monthly parking for the main garage is currently at full capacity. There is currently no wait-list for the garages.

As per the Chairman's request, Mr. Tesfaye provided a report showing the average income per stall / per category / per month – public versus monthly parking per building and employee parking. Mr. Tesfaye reported that for the month of August 2017, average rate per day per stall was:

- Freeway Park garage has 660 stalls available. There are 3 categories: Monthly Parking (436 parkers) at an average rate per stall of \$250.34 per month; Employee Debit Card (540 card holders) at an average daily rate per stall of \$13.69; and Daily Parkers with an average daily rate per stall of \$70.09. Monthly Parking usage averaged 364 per day (55%); Employee Debit Card usage averaged 46 per day (7%); and Daily Parking usage averaged 66 per day (10%). Total stalls occupied on average were 475 per day, or 72%.

- WSCC garage had 815 stalls available. There are 5 categories: Monthly Parking (142 parkers) at an average rate per stall of \$272.48 per month; Daily Parkers (344 parkers) at an average monthly rate per stall of \$232.82; Validations (49 average per day) with an average rate per stall of \$26.22; HCF, Admin & Validation (4 average per day) at an average rate per stall of \$4.38; Employee & Retail Monthly Parking (30 average per day) at an average monthly rate per stall of \$29.64; and Carpool and Unassigned Monthly Parking (5 average per day). Daily Parkers average usage was 344 per day (42%); Validations average usage was 49 per day (6%); HCF, Admin & Validation average usage was 4 per day (1%); Monthly Parking (Employee & Retail) average usage was 30 per day (4%); and Monthly Parking (Carpool & Unassigned) average usage was 5 per day (1%). Total stalls occupied on average were 432 per day, or 53%.

B. Food Service Report

Mr. McFadin reported total sales for August 2017 were down \$28,538 from forecast, however up \$296,692 from prior year. Total costs for August 2017 were higher than forecast by \$270,475 primarily due to the labor costs which included a retroactive payment to June 1st negotiated in the recent WSCC Labor Agreement, event mix in-house and product costs. August 2017 total WSCC PFD profit was down \$217,964 from prior year however \$299,013 below forecast. Year-to-date sales are \$928,277 above forecast and \$514,153 below prior year. Food service return to WSCC PFD year-to-date is up \$135,141 from forecast and down \$573,052 from prior year. ARAMARK continues to focus on the Food Management and Labor Management programs and reports are showing positive results.

Mr. Finneran requested an analysis be conducted on the two permanent food booths (Solera & Grill) that were built/renovated in the Level Four Exhibition Halls to review the results from these facilities since opening against the expenditure to build out the spaces. Mr. Blosser and Mr. McFadin advised that this will be prepared and provided to the Board.

IX. FINANCIAL REPORT

Mr. Firth reported August 2017 total operating revenues were up 11.1% compared to the same period in 2016, however below budget by 10.2%. For the month of August 2017, Food Service revenues were below budget by 3%. Retail revenue was down 26%, Building Rent revenue was down 9%, Parking revenue was down 9.6%, and Facility Services revenue was below budget by 43.9%. Year-to-date Operating Revenues were 5.1% ahead of budget at \$24,208,486, and above prior year by 0.4%.

Operating expenses for August 2017 were below budget for the month by 1%; and the corresponding sales were down 10%. Staff continues to conservatively manage expenses in FY2017. Operating loss for August 2017 was \$734,025, an increase of 32% over budget due to Employee Benefits, Maintenance & Repair, and Food Service costs. Year-to-date the operating surplus through August totaled \$497,334.

For the month of August 2017, marketing revenues were ahead of budget by 8%; and the monthly marketing expenses totaled \$1,451,927, over budget by 4.2%. Year-to-date August 2017 total Marketing revenues were up 13.6% compared to the same period in 2016, and ahead of budget by 5.2%. Marketing expenses for year-to-date 2017 totaled \$7,676,276, above budget by 3.2%. Marketing surplus for August was \$112,349, a decrease of 25.1% over the same period in 2016. Year-to-date the marketing surplus through August totaled \$363,996, up from budget by 81.3%.

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 2017 were \$3,752,755.

Non-Operating Revenues for the month of August was \$10,239,370, above budget by 9.2%. Non-Operating Revenues year-to-date through August 2017, for regular and additional lodging taxes, totaled \$10,203,443. Non-Operating Expenses during the month for transfer of additional lodging tax, debt service, capital improvement projects, and addition budget totaled \$7,993,068, over budget by 21.8%. Non-Operating Expenses year-to-date through August 2017, which includes transfer of additional lodging tax, debt service, capital improvement projects and the addition budget, totaled \$57,940,399, over budget by 0.2%.

Mr. Firth advised that the forecast for the 2017 fiscal year is tracking positively for WSCC.

X. ADJOURNMENT

Mr. Hillis moved to adjourn the September 26, 2017 Board meeting at 3:47 p.m. Mr. Flowers seconded and the motion was carried by the unanimous affirmative vote of all Directors present.