

Minutes

Washington State Convention Center
Public Facilities District

Regular Meeting of the Board of Directors
December 15, 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 303, of the Convention Center.

MEETING ATTENDANCE

Board Directors in Attendance

Frank K. Finneran, Chair
Jerry Hillis
Craig Schafer
Susana Gonzalez-Murillo
J. Terry McLaughlin
Karen Wong

Board Directors Absent

Deryl Brown-Archie, Vice Chair
Robert Flowers

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
Melinda Altamirano, ARAMARK
Chris Foret, ARAMARK
Jose Luis Chavez, ARAMARK
Jessica Golden, ARAMARK
Fergus Lynch, ARAMARK
Derek Murphy, ARAMARK
Lauren Adams, ARAMARK
Angelina Martinez, ARAMARK
Mayra Melka-Baldwin, ARAMARK
Kate Tschida, ARAMARK
Becky Bogard, Bogard & Johnson, LLC
Matthew Hendricks, Hendricks - Bennett, PLLC
Brock Bradley, PSAV
Mike Meyers, PSAV
Fred Eoff, Public Financial Management
Tom Norwalk, Visit Seattle
Kris Cromwell, Visit Seattle
Patrick Smyton, Visit Seattle
Glenn Harrington, WSCC Art Foundation

Visitors

Tom Leptich, Skanska-Hunt
Kevin Volkmann, A.R.T.

Staff in Attendance

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

II. APPROVAL OF MINUTES

November 24, 2015 WSCC PFD Regular Board Meeting

Mr. Hillis made a motion to approve the minutes of the November 24, 2015 Regular Board meeting as presented. Mr. Schafer 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. 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
3. Government Relations Consultant Update

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.

B. Recognition of the Service of Mr. Stephen Kiely, Resolution 2015-22

A RESOLUTION by the District Board recognizing the service of Stephen Kiely.

Mr. Schafer made a motion to approve Resolution #2015-22, recognizing the service of Stephen Kiely. 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 Report

Mr. Finneran advised that the Addition Committee last met on November 24, 2015, and the next meeting is scheduled for January 26, 2016.

B. Marketing Committee

1. Approval of Visit Seattle 2016 Sales Plan, Goals and Scope of Work, Resolution 2015-24

A RESOLUTION by the District Board approving the 2016 Annual Strategic Marketing Plan and 2016 Annual Budget with Visit Seattle.

Mr. Schafer advised that the Marketing Committee had reviewed the proposed 2016 Visit Seattle Sales Plan, Goals and Scope of Work as required by the contract with Visit Seattle. The Marketing Committee is in agreement with the scope of work, sales plan and goals as submitted and is recommending approval.

Mr. Schafer made a motion to approve Resolution 2015-24, adopting Visit Seattle's Annual Strategic Marketing Plan and Budget for 2016. Mr. McLaughlin seconded and the motion was carried by the unanimous affirmative vote of all the Directors present.

C. Finance Committee

1. Update

In Mr. Flowers' absence, Mr. McLaughlin reported that the Finance Committee met today and the State Auditors presented the Exit Meeting, which indicated no findings for 2015. There were two exit items recommended, and WSCC staff agrees with both recommendations and will report to the Finance Committee once completed. On behalf of the Finance Committee, Mr. McLaughlin called out Mr. Firth and the WSCC accounting/finance staff for an outstanding job.

2. Approval of Additional Funds for Visit Seattle, Resolution 2015-25

A RESOLUTION of the District Board approving the authorization of the transfer of funds from the 2015 Lodging Tax Receipts line item to the Marketing Services line item.

Mr. McLaughlin advised that hotel/motel (lodging) tax receipts have exceeded the 2015 budget numbers for 2015. The current contract with Visit Seattle calls for WSCC to use its best efforts to use the 86% to 14% ratio of splitting the funds for Marketing and Sales efforts to sell the destination and the Convention Center. The Marketing Committee met today, and after discussion and review, are recommending approval of the additional lodging tax allocation to Visit Seattle based on the contractual obligation and interest.

Mr. McLaughlin made a motion to approve Resolution #2015-25, based on the recommendation of the Marketing Committee and the collection of the additional funds from hotel tax to authorize a transfer of up to \$1,120,075 from the Lodging Tax receipts line item to the Marketing Services line item. Mr. Schafer seconded and the motion was carried by the unanimous affirmative vote of all the Directors present.

3. Approval to Recognize Additional Expenses for 2015 Operating Budget, Resolution 2015-26

A RESOLUTION approving additional spending authority for the Operating Budget for the District for Fiscal Year 2015 amending and superseding Resolution 2014-13.

Mr. McLaughlin advised that the Board approves the budget each year by broad line items for staff to follow and manage. Expenditures for line items cannot exceed the approved budget amount by more than \$100,000 unless such additional expenditure level is approved by the Board. Due to the additional business and increased revenues, expenditures in three categories have exceeded the threshold \$100,000 to create and support the additional revenues generated. The categories potentially affected are 1) Marketing Services; 2) Wages; and 3) Benefits, resulting from event needs which were heavier than anticipated in 2015 which caused higher than expected costs for set-up hours to provide the required event-related services and coverages.

Mr. McLaughlin made a motion to approve Resolution 2015-26 to increase the following line items expenditures for Fiscal Year 2015:

- a) Marketing Services: from \$9,312,481 to \$10,432,556 (estimate based on projected tax revenues)
- b) Wages: from \$5,426,629 to \$5,564,718 (estimate of final number)
- c) Employee Benefits: from \$4,864,161 to \$5,004,997 (estimate of final number)

Mr. Schafer seconded and the motion was carried by the unanimous affirmative vote of all the Directors present.

C. Art Committee

1. Update

Ms. Wong updated the Board on the *Celebrate Art Reception* held Friday, December 4, 2015, and extended appreciation to the current and emeritus Board members who were in attendance, along with staff, WSCC art partners, WSCC Art Foundation supporters, and members of our neighborhood. The reception helped create awareness and support within the community for the WSCC Art Program.

2. WSCC Art Foundation Update

Ms. Wong introduced Mr. Glenn Harrington to provide an update on the Art Foundation's participation in the GiveBIG funds solicitation. Mr. Harrington advised that in an effort to expand the WSCC Art Foundation's resources, the Foundation participated for the first time in 2015 in this one-day philanthropic effort sponsored by The Seattle Foundation. GiveBIG occurs annually in early May and is a chance for everyone in the community to donate to a wide variety of worthy causes, and the Seattle Foundation's "stretch pool" (a matching component) gives those donations even greater impact. The WSCC Art Foundation and the WSCC Art Committee are seeking the Board's support and personal participation for GiveBIG in 2016, in order to establish a base to grow resources for the public art program at the Convention Center.

VI. VISIT SEATTLE & WSCC Sales Reports

A. Visit Seattle Destination Overview

Mr. Norwalk advised that PCMA (Professional Convention Management Association) is convening their 2016 Convening Leaders conference in Vancouver, B.C. in January. Visit Seattle has partnered with PCMA on a new program called PCMA Women@Work which will meet during the Vancouver conference. Through specific education and networking opportunities, the new PCMA Women@Work program will focus on leadership support and mentorship for women in the events and hospitality industry.

Smith Travel Research report for November 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 November with an occupancy rate of 85.3%, up 1.5% from the same period in 2014; RevPAR increased 9.7% and ADR had an increase of 8.2% as compared to the same period last year. In October 2015, San Francisco topped the competitive set with an ADR of \$294.50. Downtown Seattle and Seattle TIA ADR's (\$201.87 and \$194.05) ranked just below San Diego downtown, to finish the month in the third and fourth spots. 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 November 2015 was 73.37% of goal and for Hotel was 207.16% of goal. 2015 year-to-date room night production through November is at 144.94% of goal and for Hotel is at 111.70% of goal. Visit Seattle top-line revenue for WSCC bookings for November YTD totaled \$1,323,235.

Mr. Norwalk 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 November 2015 for lost WSCC business has been estimated at nearly \$11,400,906 due to lack of Convention Center space already booked and no dates available for additional business that could meet in Seattle, with an associated 12,370 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 November 2015, two groups fell into the waived business category, with an associated loss of 15,567 in hotel room bookings, a loss of 5,850 event attendees, and an estimated loss of \$14,939,250 in overall economic impact for the region.

C. WSCC Sales Report

Mr. McQuade reported that for November YTD, WSCC & Visit Seattle Sales staff combined top-line rent totaled \$5,302,062 for Convention Center contracted bookings. Groups hosted in November 2015 realized 783 in hotel room bookings, with 7,246 event attendees, and an estimated \$586,051 in top-line revenues.

During November, WSCC Sales staff booked 13 new events into the Center to infill around convention business booked by Visit Seattle. Cumulatively, these 13 WSCC booked events represent over 4,509 in estimated attendance, 526 associated room nights, and combined topline revenues of over \$637,982 for rent, food & beverage, parking and subcontractor services.

VII. PRESIDENT'S REPORT

A. WSCC All-Staff Meeting Report

Mr. Blosser provided an update to the Board on the recent Employee All-Staff Meeting and Training Day. The agenda included a broad range of topics during a four hour training and concluded with an employee recognition lunch and awards ceremony.

B. WSCC Employee Recognition

Mr. Blosser reported that District's Mission helps to shape our philosophy and actions about how we manage our business and includes our ongoing commitment to operate with a professional staff delivering distinctive levels of service excellence to fulfill this Mission and WSCC's Service Vision. To implement this policy, the District has instituted the Quality Service Program (QSP) to acknowledge, recognize, reinforce and reward exceptional or outstanding employee performance in their daily work. District employees are comprised of represented and non-represented staff and contract service provider employees, who are also eligible for recognition under this program, and will be trained in the criteria for receiving a recognition award or commemoration. Mr. Blosser advised that the executive team is evaluating WSCC's current practices of rewarding, recognizing and how employees receive recognition, and the annual cost of the program. The policy is in draft format and under review by Mr. Hendricks. It is anticipated that the policy will be brought before the Board for approval by resolution during the first quarter of 2016.

VIII. STAFF REPORTS

A. WSCC Parking Report

Mr. Tesfaye reported that parking revenues were down 14% in November 2015 as compared to November 2014, and slightly under the target budget due to the event mix for the month. WSCC's monthly parking is currently at full capacity, with a small wait-list for both garages.

B. Food Service Report

Mr. Kiely reported total sales for November 2015 were up \$33,501 from forecast and down \$679,609 from prior year. Total costs for November 2015 were 2 percentage points lower than forecast. November total WSCC

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PFD profit was below prior year by \$1,596,534, however \$463,385 better than forecast. Year-to-date sales are \$253,361 over forecast and \$1,802,467 below prior year. Food service return to WSCC PFD for January through November is up \$466,073 from forecast and below prior year by \$1,218,018. Mr. Kiely advised that the significant difference from the numbers produced in November 2015 versus November 2014 resulted from the event mix. We did not have an event such as Tableau to cap off November this year. ARAMARK continues to focus on the Food Management and Labor Management programs and reports are showing positive results.

X. FINANCIAL REPORT

Mr. Firth reported that year-to-date November 2015 total operating revenues were down 2.7% compared to the same period in 2014, however ahead of budget by 2.9%. For the month of November 2015, Food Service revenues were below budget by 5%. Retail revenue was down 17%, and the Marketing Tax came in 26% over budget. Building Rent revenue was ahead of budget by 13% for the month of November 2015.

Operating expenses for November 2015 were at budget for the month; and the corresponding sales were up 6.5%. Staff continues to conservatively manage expenses in FY2015. Year-to-date the operating surplus through November totaled \$2,040,158. Operating loss for November 2015 was \$260,793.

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 November 2015 were \$3,482,389.

Non-Operating Revenues year-to-date through November 2015, for regular and additional lodging taxes, totaled \$70,763,030. Non-Operating Revenues for the month of November were \$7,713,180, up 28.8% from budget. Non-Operating Expenses year-to-date through November 2015, which includes transfer of additional lodging tax, debt service, capital improvement projects and the addition budget, totaled \$54,094,880, under budget by 32.5%. Non-Operating Expenses during the month for transfer of additional lodging tax, debt service, capital improvement projects, and addition budget totaled \$6,336,923, under budget by 40.6%.

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

ADJOURNMENT

Mr. Hillis moved to adjourn the December 15, 2015 Board meeting at 3:05 p.m. Ms. Gonzalez-Murillo seconded and the motion was carried by the unanimous affirmative vote of all Directors present.