

Minutes

Washington State Convention Center
Public Facilities District

Regular Meeting of the Board of Directors
December 18, 2018

I. CALL TO ORDER

Frank K. Finneran, Board Chairman, convened a regular meeting of the Washington State Convention Center Public Facilities District (WSCC) at 1:00 p.m., in Room 303, of the Convention Center.

MEETING ATTENDANCE

Board Directors in Attendance

Frank K. Finneran, Chair
Deryl Brown-Archie, Vice Chair
Robert Flowers
Susana Gonzalez-Murillo (by teleconference)
Jerry Hillis
J. Terry McLaughlin
Denise Moriguchi
Craig Schafer

Board Directors Absent

Nicole Grant

Officers in Attendance

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

Consultants / Vendors in Attendance

David Dolquist, ARAMARK
Keith Hedrick, ARAMARK
Matt Shea, ARAMARK
Matthew Hendricks, Hendricks - Bennett, PLLC
Becky Bogard, Bogard & Johnson, LLC
Colin Green, LMG
Matt Griffin, Pine Street Group
Tom Norwalk, Visit Seattle
Kelly Saling, Visit Seattle
Kris Cromwell, Visit Seattle
Patrick Smyton, Visit Seattle
Margery Aronson, WSCC Art Foundation

Staff in Attendance

Clare Canzoneri	Krista Daniel
Rebecca Emmons	Daniel Johnson
Shannon Leahy	Michael McQuade
Paul Smith	Lorrie Starkweather
Susnios Tesfaye	Ron Yorita

II. APPROVAL OF MINUTES

October 29 & 30, 2018 WSCC PFD Special Board Meetings and November 27, 2018 WSCC PFD Regular Board Meeting

Mr. Hillis made a motion to approve the minutes of the October 29 & 30, 2018 Special Board meetings and the November 27, 2018 Regular Board meeting as presented. Ms. Brown-Archie seconded and the motion was carried by the unanimous affirmative vote of all Directors present, in person and via teleconference.

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.

IV. CHAIRMAN'S REPORT

A. Election of Board Officers: Chair and Vice-Chair

The Bylaws of the Washington State Convention Center Public Facilities District, Article III, Section 3.3, Board Officer Election: Term of Office state "*Except for an initial board officer who may serve an initial four-year term, Board Officers shall serve a two-year term, unless terminated earlier by the Board. The terms of Board Officers routinely expire on December 31 of the second year of his or her Board Officer term. The Board shall elect a Board Officer from among its members at its regular meeting closest to January 1 in any year following the year elected. There shall be no restriction on Board members serving successive terms as Chair or Vice-Chair.*" Notification of the requirement for the election of Chair and Vice-chair was provided to the Directors on November 30, 2018 by the President/CEO, after which Mr. Finneran and Ms. Brown-Archie stated they would both stand for reelection if that was the will of the Directors.

Mr. Hillis made a motion to elect Mr. Frank Finneran, Chairman of the Board; and to elect Ms. Deryl Brown-Archie, Vice-Chair of the Board, for the two-year term ending December 31, 2020.

Ms. Moriguchi seconded and the motion was carried by the unanimous affirmative vote of all Directors present, in person and via teleconference. (7 to 0, with 2 Directors absent.)

Ms. Brown-Archie requested that over the course of this two-year term, the current Board conduct active succession planning for these two Board Officer positions.

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, #49

Informational Items:

1. WSCC Sales Productivity Report
2. WSCC Monthly Expenditures Auditing Officer Certification
3. Letter re Purchase of Seattle Art Museum's (SAM) Transferable Development Rights
4. Letter from Seattle Office of Housing re 1711 Boren Avenue, Project No. 3020177-LU, Bonus Non-Residential Floor Area Contribution

Mr. Flowers made a motion to approve the Consent Agenda as presented. Mr. Hillis seconded and the motion was carried by the unanimous affirmative vote of all Directors present, in person and via teleconference.

VI. PFD COMMITTEE REPORTS

A. Finance Committee

1. Report from Washington State Auditor

Mr. Flowers advised that the Finance Committee met with the State Auditors this morning to conduct an Exit Interview. The State Auditor provided a clean report for the Washington State Convention Center. It should be noted that this is the thirty-second (32nd) clean report for the Convention Center on its audits which began approximately two years prior to opening for business in 1988. Mr. Flowers wished to extend thanks to the management team and staff for the good work that has been done on the audits. The audit will be published and become available online by the end of December. WSCC's next State audit will be conducted in the fall of 2019 for 2018 performance. Mr. Blosser advised that a copy of the State Auditors Exit Report will be e-mailed to the Board.

2. Update

Mr. Flowers advised that the Finance Committee met this morning and were provided a review and presentation of the marketing budget by Mr. Norwalk. The Marketing Committee had an opportunity to review this presentation at an earlier meeting and that information had been included in Visit Seattle's 2019 goals which had been approved by Resolution 2018-14 and contained in the WSCC 2019 budget which was approved by the Board by Resolution 2018-11. Mr. Norwalk provided a subsequent review of the previously approved information for the Finance Committee in order that it could be documented in the minutes for the Finance Committee. Mr. Flowers stated that the process going forward will be that the marketing budget will be approved in 2019 for the 2020 budget by the Marketing Committee and then forwarded to the Finance Committee for review and recommendation to the full Board.

3. Approval to Recognize Additional Expenses for 2018 Operating Budget, Resolution # 2018-16

A RESOLUTION approving additional spending authority for the Budget for the Washington State Convention Center Public Facilities District for Fiscal Year 2018 amending and superseding Resolution 2017-17.

Mr. Flowers advised that the Board approves the budget each year by broad line items for staff to follow and manage. As required by Board Policy, any single line items that are projected to be \$100,000 over the approved budget must come back to the Board for approval. Staff presented the Finance Committee with four Operating Budget line items and expenditures for review and recommendation to the full Board for approval. These four categories are 1) Wages; 2) Food & Beverage Services; 3) Utilities; and 4) Other Services. Mr. Flowers stated that the Finance Committee recommends approval of Resolution 2018-16.

Mr. Flowers made a motion to approve Resolution 2018-16 to increase the following line items expenditures for Fiscal Year 2018:

- a) Wages: from \$6,150,000 to \$6,336,000
- b) Food & Beverage Services: from \$12,802,951 to \$14,982,000
- c) Utilities: from \$3,053,336 to \$3,145,000; and
- d) Other Services: from \$2,671,149 to \$2,832,8937

Mr. Schafer seconded and the motion was carried by the unanimous affirmative vote of all the Directors present, in person and via teleconference.

B. Marketing Committee

1. Update on Branding / Naming Work Progress

Mr. Schafer advised the Marketing Committee met earlier today to discuss and finalize the colors and identity lockups for our branding and naming work as proposed by Hornall Anderson and approved by the Marketing Committee, Center staff and Visit Seattle. The colors selected are representative of the 'land', 'sky' and 'water'. We have officially moved away from 'Kelly green' into something that is a bit more like a 'global warming green'. Mr. Schafer stated that we are now at a point to conclude our work

with Hornall Anderson and believes the Center has landed in a good place with a good selection of colors that work well together. A lot of work remains to be done from this point forward on the signage and the new logos/lock-ups will actually work on the buildings in terms of lighting and scale, etc. and so forth. The Marketing Committee liked Hornall Anderson's updates and Mr. Schafer opened the floor for any comments/questions from the Board. Mr. Flowers asked if this would be on just the Addition or both buildings and Mr. Blosser stated that this would be on all signage for both buildings. Mr. Blosser stated that on the lock-up page, we wanted to make sure that we could utilize Seattle Convention Center both from a vertical and a horizontal standpoint because of the way it will be utilized in different locations as well as digitally. Mr. Blosser advised that it was also necessary to make sure we had those lock-ups and also the ability to use the singular colors which is helpful relative to how things may end up being played out, relative to the separate buildings. This will be tested to ensure it is feasible and meets with the Center's requirements. Mr. Blosser stated that during the branding/naming project process, the WSCC and Visit Seattle teams have had good conversation on this and how it plays out, and he believes the Center is in a good time/place for moving forward with the transition and feels this logo/design represents the Convention Center very well. Ms. Brown-Archie advised she liked the graphics as presented and that, in her opinion, we're ready to go. Mr. Schafer thanked the Board.

C. Addition Committee

1. Update Report

Mr. Finneran requested Mr. Griffin provide the Board with a brief update of the Addition Project. Mr. Griffin spoke with regards to the schedule, advising that the project appears to be recovering from a 4 to 6-week delay that arose as a result of the utilities work in the street, mostly due to water and shoring concerns along Boren Avenue. Pine Street Group and the contractor are in the process of looking at ways to pick up the lost 4 to 6 weeks which is an important step prior to reaching the bottom of the hole.

Mr. Griffin advised that discussion occurred at today's Addition Committee regarding an even larger issue for the Project, that being a cost problem on the construction contract on the MACC (Maximum Allowable Construction Cost) of between \$60 - \$80 Million. On December 13, 2018, Pine Street Group received a trial balance on the MACC which indicated an amount of over \$50 Million more than this \$80 Million. Discussion occurred at the Addition Committee that this amount is now closer to \$150 Million (\$130 Million + sales tax + other items) over what was approved by the Board in the WSCC Addition Financial Plan. Mr. Griffin stated that the Project is too far along in the process that changing the design of the building is not a possibility and not good value for the Convention Center. As discussed at today's Addition Committee, Pine Street Group is to work with Clark-Lewis to streamline the items they have requested to be included in the Addition or in the MACC that have not been agreed upon or approved. Pine Street Group will come back to the Addition and Finance Committees with a new Financial Plan in January 2019 and will be looking at what this means in terms of WSCC's borrowing in 2021.

Mr. Griffin advised that an Executive Session was held at today's Addition Committee to discuss the potential sale of the office development and residential development opportunities. Pine Street Group sought the approval of the Addition Committee to empower the Chairman to assist in the process of finding the right way to conclude a deal with the office developer, with that agreement being subject to the full Board's approval.

On contracts, Mr. Griffin advised that the Project is in good shape in general, with the exception of the MACC and the lease with WSDOT. Mr. Griffin reported that while work is still ongoing on the WSDOT lease, agreements have been executed with WSDOT to take the Project through the requirements for construction up to the end of the 1st quarter of 2019.

Mr. Griffin advised that under the miscellaneous category, Pine Street Group had been working with the press, City of Seattle, and others to ensure that the Convention Center receives due credit for the significant amount of money it is putting into the community. Pine Street Group authored an opinion article in the December 14, 2018 Puget Sound Business Journal trying to make sure the Convention Center and the Board receive more credit for what they are doing within the community. Mr. Griffin stated that

on December 17th, Mr. Blosser attended the City’s press conference announcing the \$75 Million being allocated for affordable housing this year, of which \$34 Million came from the Convention Center’s public benefits monies.

D. Government Affairs Committee

1. Update

Ms. Brown-Archie advised that the Government Affairs Committee has not met since the last report on November 27, 2018 and will be scheduling a meeting in January with continued focus on legislative issues that may impact the Convention Center and the Committee’s goals for the year.

2. Government Relations Consultant Report

Ms. Bogard provided a brief overview of some of the changes that are taking place in the Legislature in 2019 as a result of the recent State elections. Results are showing the following margins for the Senate and the House of Representatives: Senate - 28 Democrats | 21 Republicans; House - 57 Democrats | 41 Republicans. Ms. Bogard advises there will be some reorganization taking place within the various legislative committees.

VI. VISIT SEATTLE & WSCC Sales Reports

A. Visit Seattle Destination Overview

Mr. Norwalk reported that Smith Travel Research report for the month of November 2018 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 November YTD with an occupancy rate of 83.4%, down 3.0% from the same period in 2017; RevPAR was down 0.1% and ADR saw an increase of 3.0% as compared to the same period last year. Year to-date November 2018, Boston CBD/Airport is leading the Occupancy category at 83.8 % (with San Francisco Market St & Seattle Downtown following in second place at 83.4%. San Francisco Market St is leading in Average Room Rate, and RevPar categories, with Seattle Downtown holding onto third spot in these two categories. Seattle numbers continued to track strongly with the eight other cities in the group.

Following on the new report format looking at the supply change in the hotel marketplace, Mr. Smyton reported on the YTD performance, not just looking at it by RevPar but by the supply change in these markets and also the overall room revenue change. YTD November 2018, Seattle RevPar is down 0.1%, but because our supply has increased over 8% over the year, we are up almost 7.9% in revenue. So that is important for us in terms of the Lodging Tax side of things. The notable cities on the slide that have some significant growth in supply are Nashville and Austin. These are cities that have continued to grow significantly over the last couple of years. There is some staggering growth in some of the markets that Seattle competes with. Seattle numbers continue to track strongly with the eight other cities in the group.

B. Visit Seattle Sales Report

Ms. Saling reported that the Visit Seattle November 2018 YTD yearly definite production blended goal was 534,720, with actuals coming in at 111% of goal (593,190). The breakdown for the WSCC sales production was 301,417, 97% of goal, and Hotel Production was 291,773, 130% of goal.

Ms. Saling reviewed select WSCC lost and waived room nights November 2018 YTD for meeting years 2018 to 2024, advising that there were a total of 114 events lost, and the reasons were:

o Date Availability	19%	o Rates – Hotels	16%
o Meeting Eliminated	11%	o Rates – WSCC	9%
o Internal Assn Political Decision	9%	o WSCC Size	8%
o Rotation Change	7%	o Yield Management	5%
o Hotel Size	5%	o Miscellaneous	5%
o Economy/Budget Constraints	3%	o Inadequate Committable Hotel Rooms	3%

C WSCC Sales Report

Mr. McQuade reported that for November 2018, WSCC & Visit Seattle Sales staff combined top-line rent totaled \$413,202 for Convention Center contracted bookings. Year-to-date, combined top-line rent was 103.03% of goal, totaling \$6,167,551.

Groups hosted November YTD realized 13,923 in hotel room night bookings, with 180,718 delegates, and an estimated \$7,413,342 in top-line revenues.

During November, WSCC Sales staff booked 9 new events into the Center to infill around convention business booked by Visit Seattle. Cumulatively, these 9 WSCC booked events represent over 651 in estimated attendance, 3 associated room nights, and combined topline revenues of over \$25,129 for rent, food & beverage, parking and subcontractor services.

VII. PRESIDENT'S REPORT

A. Report out on Property Insurance Revisions and Costs

As requested at the November 27, 2018 Board meeting, Mr. Blosser reported on the property insurance renewal. Liberty Mutual did bind WSCC for the \$500 Million coverage in terms of getting the insurance in place going forward for 2019. They have also agreed to utilize the same account rate for additional coverages as they start to put together the new components. As the Board had requested, an appraisal for replacement costs for the existing facility will commence after the first of the year and it is anticipated the appraisals will take approximately 30-60 days to complete. Mr. Blosser will report back to the Board at the March Board meeting once those numbers have been received.

B. WSCC All-Staff Meeting Report

Mr. Blosser advised that employees and service contractors attended the December 17th All-Staff meeting. Staff new to the WSCC were welcomed and presentations provided on: 2018 WSCC highlights including WSCC's 30th Anniversary Celebration; 2018 department highlights; Addition Financing Project (bond financing); Summit groundbreaking; launch of WSCC's social media presence; opening of the new sales Studio; and WSCC's Legacy of Art; Employee Recognition Program; 2019 Projects and Goals, including life/cycle plant projects, building enhancements, wayfinding and the rebranding project. Mr. da Costa from LMN Architects provided a presentation on the Summit building for staff to have an opportunity to see the layout and ask questions. Mr. McQuade provided an overview of the Summit floor plans and Mr. Hedrick presented Food Service updates with particular emphasis on innovation, public foods and sustainability. To conclude the All-Staff meeting, we held our Staff Recognition Luncheon to thank committee members serving in 2018 for Safety, Wellness, and Employee Relations and staff and service contractors were recognized for 5, 10, 15, 20, 25 and 30-year service anniversaries.

VII. STAFF REPORTS

A. Parking Report

Mr. Tesfaye reported that parking revenues for November 2018 were up 3% from the revenues reported in November 2017; and November YTD revenues were up 1.51% from the same period in 2017, mainly due to the event mix in the building. WSCC's monthly parking for the main garage is currently at full capacity. A wait-list is not being kept for the garages at this time due to the Addition Project Labor Agreement parking however is being monitored on a month-to-month basis.

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 November 2018, average rate per day per stall was:

- Freeway Park garage has 660 stalls available. There are 3 categories: Monthly Parking (2,797 parkers) at an average rate per stall of \$239.50 per month; Employee Debit Card (590 card holders); and Daily Parkers with an average daily rate per stall of \$19.64. Monthly Parking usage averaged 242 per day (37%); Employee Debit Card usage averaged 83 per day (13%); and Daily Parking usage averaged 57 per day (9%). Total stalls occupied on average were 381 per day, or 58%.

- WSCC garage had 815 stalls available. There are 5 categories: Monthly Parking (148 parkers) at an average rate per stall of \$272.48 per month; Daily Parkers (345 parkers) at an average monthly rate per stall of \$140.16; Validations (37 average per day); HCF, Admin & Validation (3 average per day); Employee & Retail Monthly Parking (45 average per day); and Carpool and Unassigned Monthly Parking (5 average per day). Daily Parkers average usage was 345 per day (42%); Validations average usage was 37 per day (5%); HCF, Admin & Validation average usage was 3 per day (0%); Monthly Parking (Employee & Retail) average usage was 45 per day (6%); and Monthly Parking (Carpool & Unassigned) average usage was 5 per day (1%). Total stalls occupied on average were 436 per day, or 54%.

B. Food Service Report

Mr. Dolquist thanked staff for a successful KubeCon + CloudNativeCon North America 2018 event.

Mr. Dolquist reported total sales for November 2018 were \$1,541,186, exceeding reforecast by \$122,596, however below prior year by 48%. Total costs for November 2018 were \$786,811, below reforecast 4.9%. WSCC saw a return of 48.2%, 7.1% better than reforecast and 7.3% up from budget. November 2018 total WSCC PFD revenue was \$742,619, exceeding reforecast by \$160,285, however \$974,372 below prior year. Looking at the year-to-date numbers, Product Costs came in at 17.6%, 1.7% below reforecast, and Labor came in 24.2%, 0.9% over reforecast. Year-to-date sales are at \$23,395,994, exceeding reforecast by \$3,025,606, and \$3,145,297 above prior year actuals. Food service return to WSCC PFD year-to-date is \$10,289,253, exceeding prior year by \$2,561,123. ARAMARK continues to focus on the Food Management and Labor Management programs and reports are showing positive results.

IX. FINANCIAL REPORT

Mr. Firth reported November 2018 total operating revenues were down 32.8% compared to the same period in 2017 and below budget by 1.8%. For the month of November 2018, Food Service revenues were below budget by 9.3%. Retail revenue was up 50%, Building Rent revenue was up 15.3%, Parking revenue was down 17.3%, and Facility Services revenue was up 40.4%. Year-to-date Operating Revenues were 10.3% ahead of budget at \$37,838,958, and above prior year by 11.4%.

Operating expenses for November 2018 were below budget for the month by 4.6%. Expenses Year-To-Date are 2.6% over budget. Operating loss for November 2018 was \$154,530, under budget by 35.3%. Year-to-date the operating surplus through November totaled \$3,821,619.

For the month of November 2018, marketing revenues were down 4.5% and the monthly marketing expenses totaled \$1,375,211, below budget by 7.2%. Year-to-date November 2018 total Marketing revenues were up 6.6% compared to the same period in 2017, and just below budget by \$5,954 or 0.0%. Marketing expenses for year-to-date 2018 totaled \$12,932,569, below budget by 1.3%. Marketing surplus for November 2018 was \$101,907, an increase of 18.5% over the same period in 2017. Year-to-date the operating and marketing surplus through November totaled \$4,433,831, over budget by 177.2%.

Addition Project Fund expenditures for November 2018 were \$4,295,084.

Non-Operating Revenues for the month of November were \$11,348,331, above budget by 12.3%. This was due in part to the \$1,937,681 Additional Lodging Tax previously labeled as the 2% Transient tax. The Additional Lodging Tax is presented as revenue, however in standard accounting practices it is reported as a 'due to' and not 'revenue' as it is owed to the State of Washington in its entirety. Non-Operating Revenues year-to-date through November 2018, for regular and additional lodging taxes, totaled \$9,3251,502. Non-Operating Expenses during the month for transfer of additional lodging tax, debt service, capital improvement projects, and addition budget totaled \$12,636,409. Non-Operating Expenses year-to-date through November 2018, which includes transfer of additional lodging tax, debt service, capital improvement projects and the addition budget, totaled \$186,794,925.

Mr. Firth advised that the forecast for the 2018 fiscal year continues to track positively for WSCC.

X. ADJOURNMENT

Mr. Hillis made a motion to adjourn the December 18, 2018 Board meeting at 2:06 p.m. Mr. Flowers seconded and the motion was carried by the unanimous affirmative vote of all Directors present.