

Minutes

Washington State Convention Center
Public Facilities District

Regular Meeting of the Board of Directors
September 24, 2013

I. CALL TO ORDER

Frank K. Finneran, Board Chairman, convened a regular meeting of the Washington State Convention Center Public Facilities District (WSCC PFD) at 2:03 p.m. in Meeting Room 3A/B of the Convention Center.

MEETING ATTENDANCE

Board Directors in Attendance

Frank K. Finneran, Chairman
Deryl Brown-Archie, Vice Chair
Rick Bender
Robert J. Flowers
Jerry Hillis
J. Terry McLaughlin
Susana Gonzalez-Murillo
Karen Wong

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

Matthew R. Hendricks, Hendricks - Bennett, PLLC
Rebecca Bogard, Bogard & Johnson LLC
Tom Norwalk, Marco Bloemendaal and Kris Cromwell, Visit Seattle
Steve Kiely, Dawn Wheeler, ARAMARK.
Fred Eoff, Public Financial Management, Inc.
Matt Griffin, Pine Street Group
Jim Snook, CCPI
Neil Atkinson, PSAV

Visitors

Stefan Moritz, UNITE HERE Local 8
Tony Spinrad
Nat Levy, Daily Journal of Commerce

Staff in Attendance

Michael McQuade	Krista Daniel
Marsha Rambert	Daniel Johnson
Susnios Tesfaye	Mary Pauly
Dennis Galloway	Brad Kolodzaike
Kathleen Smith	Lorrie Starkweather

II. APPROVAL OF MINUTES

A. July 23, 2013 Regular WSCC PFD Board Meeting

Mr. Bender made a motion to approve the minutes of the July 23, 2013 Board meeting as presented. Mr. Flowers 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. Renewal of Contract for Public & Legislative Advisory Services

Mr. Finneran advised that agenda item IV-A has been relocated to Section V B 3, Government Affairs Committee.

B. 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

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.

V. PFD COMMITTEE REPORTS

A. Expansion Committee

1. Executive Session

The Chairman announced that the Board of Directors would hold an Executive Session consistent with RCW 42.30.110(1)(b) as permitted by the Open Public Meetings Act. The purpose of the Executive Session was to consider matters related to potential real estate acquisition and development. The Executive Session commenced at 2:05 p.m. and lasted twenty five minutes. In addition to all Board members present, attendance at the Executive Session included Mr. Blosser, Mr. Hendricks and Mr. Griffin.

2. Update Report:

Mr. Finneran provided an update on expenditures to date on the proposed expansion project in order to move the project forward. The Board of Directors has authorized, over the last two years, \$1.5 million to pay for expenditures that are related to the expansion, those being expenses outside of the approved operating budget. Expenditures for fiscal 2012 totaled \$150,512, and expenditures to date for fiscal 2013 total \$301,912, leaving a remaining balance of \$1,047,576. If more moneys, beyond the remaining balance, are required during the remainder of the pre-development phase, the President will provide the recommendation and request to the Board for approval.

B. Government Affairs Committee

1. Update Report:

The Government Affairs Committee met recently to primarily discuss a legislative plan and is assisting staff in drafting a document for review by the Board at the Strategic Planning Retreat meeting. The Committee has tasked staff with creation of a one-page speaking points document to assist with implementation of the legislative plan.

2. Consultant's Report:

Ms. Bogard provided an update on Olympia and advised that the 2014 Legislative Session would be a short session of 60 days.

3. Renewal of Contract for Public and Legislative Advisory Services:

Following a Request for Proposal (RFP) process, Bogard & Johnson LLC was awarded the contract for public and legislative advisory services for the Washington State Convention Center PFD effective November 1, 2010. The agreement's period of performance runs through October 31, 2013, with two 1-year extension options. Staff is recommending the addition of an item to the Scope of Work to authorize Bogard & Johnson to hire subcontractors with special expertise and experience in order to support the legislative agenda as approved by the WSCC PFD Board. The Government Affairs Committee and staff feel that with the legislative agenda that is in the works, it is anticipated additional resources to support that plan will be required. The WSCC is very satisfied with the services provided by Bogard & Johnson. Staff is recommending approval and the Government Affairs Committee concurs with that recommendation, to extend the service with Bogard & Johnson LLC for a one-year period, November 1, 2013 through October 31, 2014 with the item added to the Scope of Work.

Ms. Brown-Archie made a motion to approve a 1-year extension to the Public & Legislative Advisory Services agreement with Bogard & Johnson LLC, with the additional item in the Scope of Work and a

corresponding change to the total compensation. Mr. Flowers seconded, and the motion was carried by the unanimous affirmative vote of all Directors present.

C. Finance Committee

1. Investment Funds, Second Quarter Report:

The Finance Committee met today and was provided a Second Quarter Investment Program Review by Davidson Fixed Income Management. After discussion, the Finance Committee recommended the investment manager, along with WSCC management and Mr. Fred Eoff, financial advisor to the WSCC, work together to fashion a plan to look at future investment strategies that would also meet the needs of a potential expansion. This group will report back to the Finance Committee with their recommendations.

2. Auditor Update:

An Entrance Conference report from the Washington State Auditors' office was provided to the Finance Committee. WSCC PFD's Audit Manager is Mr. Jim Griggs; the Audit Supervisor is Mr. Rick Thorson; and the Audit Lead is Mr. Robert Manalili. Mr. Manalili is in the process of performing an Accountability Audit for fiscal year 2012 and the Exit Report to be completed on or before October 24, and this report will be presented to WSCC management.

D. Facility Committee

1. Update:

The Facility Committee met today and staff provided an update on progress regarding the activities recently completed or currently underway at the WSCC, both in terms of the capital improvements projects and scheduled facility maintenance and upgrades within the current FY2013 budget and Unrestricted Reserve Fund. There are currently fifteen (15) bond-financed projects in the works; including digital signage, static signage in the building, and Level 6 renovations to operable wall fabrics. Some of these projects are complete. Majority of the projects are underway in the bid process. In the capital improvements funded within the Unrestricted Capital Reserve Budget, 60% of the projects have been completed. These projects were approved by the WSCC Board in March 2013, and the remainder of the projects are scheduled for completion prior to the end of the year.

E. Outreach Committee

1. Update:

The Outreach Committee met recently with staff to review efforts to date and provide staff with recommendations for website updates. The Outreach Committee is striving to bring all the Board committees to consensus on unified/uniform messaging and WSCC's image to the public, our clients and stakeholders for future efforts, be they marketing, sales, or expansion related.

VI. VISIT SEATTLE & WSCC Sales Reports

A. Visit Seattle Destination Overview

Mr. Norwalk reported Smith Travel Research comparisons for revenue per available room (RevPAR), average daily room rate (ADR) and occupancy variance for August 2013 for hotels in Seattle and six major west coast cities with convention centers. Seattle topped the group for August 2013 with year-over-year variance for occupancy increasing by 3.3% to finish the month at 95.4%, RevPAR was up 19.4% and ADR was up 15.6%, as compared to the same period in 2012. San Francisco, Portland and Vancouver (B.C.) hotels remained busy for the month of August as well. San Francisco hotels continue to lead the market in all categories within the Convention Center's competitive set. Mr. Norwalk was proud to point out that it is very rare to reach the 95% occupancy numbers.

Visit Seattle recently hosted the Customer Advisory Board (CAB) meetings at the Fairmont Olympic Hotel. The meeting agenda provided the eighteen customers who attended with a look at websites, best practices, materials produced by WSCC and Visit Seattle, and the CAB members were encouraged to share their comments and ideas.

Mr. Norwalk provided an update on the Seattle Tourism Improvement Area (STIA). The STIA is an initiative sponsored by the Seattle City Council designed to increase leisure tourism to Seattle by advertising and promoting our city as a premier vacation destination in external markets. The initiative allows a \$2 per room per night surcharge to guests in hotels with 60 or more rooms in the greater downtown area. It is anticipated that the initiative will bring more tourists to Seattle, bolster hotel occupancy, protect current jobs, create new jobs, increase business at restaurants and retail stores, and increase patronage at arts, cultural and music venues. It is supported by King County Executive Dow Constantine, Mayor Mike McGinn and many community organizations. Initially, Visit

Seattle estimated that the STIA would raise approximately \$5-6 million in 2012. The funds are to be used for promotion, advertising, sales and marketing services which include, but are not limited to, strategic planning, market research, creative development, media placement, sales activities, hosting tourism industry events relating to promotion and marketing, and administrative and management support for such services. Visit Seattle typically does not do a lot of promotion or advertising during the summer months. The STIA funds are earmarked for the first four months of the year and possibly November and December. Currently a “2-Days in Seattle” campaign, with a slightly new look, are underway in the Santa Monica area – to make a splash in Los Angeles, and in Vancouver, B.C. utilizing the double decker buses. This visual campaign continues feeding back via social media, providing comments made from residents and/or travel writers from those areas about why people need to visit Seattle. Mr. Norwalk feels that this campaign has strongly encouraged people to visit Seattle, and the weekend occupancy numbers are up 5% over FY2012 as a result. As part of the STIA, Visit Seattle has created an i-book or e-cookbook which will be available as a free download available from the APP store. These documents will feature celebrity chefs, hotel chefs, and restaurant chefs making recipes.

B. WSCC and Visit Seattle Sales Reports

Mr. McQuade and Mr. Bloemendaal reported on Convention Center sales. Visit Seattle sales production for August 2013 did not reach the number of room night monthly booking goal, although the year-to-date numbers are right on pace. The overall booking goal includes hotel rooms booked for conventions held at area hotels and other local venues as well as those booked in association with conventions held at WSCC. Overall, hotel room nights booked during August for all Seattle-area venues reached 25.11% of goal for the month, and 101.95% of goal year-to-date.

Visit Seattle sales productivity year-to-date is 79.22% (126,223 room nights). August top line revenues are strong and year-to-date ahead of FY2012 as a result of the number of corporate and medical conventions. 2013 has a significant number of medical conferences/conventions and these groups are proving to be top sources of food and beverage revenues

In August, the Washington, DC, Visit Seattle satellite office reached 138.27% of year-to-date booking goal for WSCC conventions. The Midwest office achieved 95.70% of year-to-date booking goal for WSCC conventions. During August, Visit Seattle staff was unable to confirm any conventions as most planners were on vacation.

In August, WSCC staff booked forty-seven new events into the Center for dates through August 2015, with a cumulative total of over 29,085 in estimated attendance, combined topline rent and food & beverage revenue of \$889,381, and over 5,665 room nights to infill around convention business booked by Visit Seattle.

Mr. McQuade provided a shout-out to Mr. Bloemendaal and both teams (WSCC and Visit Seattle) for their collaborative efforts to ensure maximizing bookings in the short term booking cycle – both Visit Seattle conventions and WSCC events. That collaboration resulted in five Visit Seattle conventions booked into 2013 representing 5,500 room nights and \$900,000 in top line revenues from rent, catering, and other services. That collaboration also allowed WSCC sales staff to confirm three large annual events into 2015 - the Winter Gift Show, Summer Gift Show, and Remodeling Show - outside the normal parameters. These three events represent approximately 4,000 room nights and over \$530,000 in top line revenues. Mr. Bloemendaal’s leadership at Visit Seattle has helped make that possible.

Mr. Bloemendaal 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. Regionally, the loss of economic impact for lost WSCC business year-to-date through August 2013 has been estimated at \$517,277,740. 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. The overall economic impact for waived WSCC business YTD through August has been estimated at \$373,464,060.

VII. PRESIDENT’S REPORT

A. Approval of Exclusive Electrical Installation Contractor, Resolution #2013-15

Mr. Blosser advised that Resolution #2013-15 is tabled to the November 26, 2013 Board of Directors Regular Meeting as a result of a bid protest on the related Request For Proposal which will require certification of equipment by the City of Seattle. It was not possible to receive certification in time for today’s meeting.

B. 2013 Strategic Planning Retreat Update

WSCC Directors were reminded of the 2013 WSCC Board Strategic Planning Retreat being held November 5 & 6 at the Fairmont Olympic Hotel.

C. Amendment to 457(b) Employee Retirement Contribution Plan, Resolution #2013-16

A RESOLUTION authorizing amendment of the WSCC Employee Retirement Contribution Plan to allow the addition of a Roth deferral feature in addition to current pre-tax deferral option, effective January 1, 2014, and to allow for in-plan Roth conversions of amounts previously deferred by participants on a pre-tax basis, effective January 1, 2014.

The Benefits Committee has reviewed and approved a recommendation to add a Roth deferral feature to the 457(b) Employee Retirement Contribution Plan and allow for in-plan Roth conversions of amounts previously deferred on a pre-tax basis to provide WSCC non-represented staff options on their retirement program. As this is a plan design change, the Board is required to approve this amendment to the 457(b) Plan as outlined in Resolution #2013-16.

Mr. Hillis made a motion to approve Resolution #2013-16, authorizing the amendment of the WSCC Employee Retirement Contribution Plan to allow the addition of a Roth deferral feature in addition to current pre-tax deferral option, effective January 1, 2014, and to allow for in-plan Roth conversions of amounts previously deferred by participants on a pre-tax basis, effective January 1, 2014, as presented. Ms. Brown-Archie seconded and the motion was carried by the unanimous affirmative vote of all Directors present.

D. Association of Washington Cities (AWC) – Interlocal Agreement Approval, Resolution #2013-17

A RESOLUTION approving the Association of Washington Cities Employee Benefit Trust Health Care Program Interlocal Agreement.

On October 30, 2012, the District Board unanimously approved a motion which authorized the President to take the necessary steps to contract with the Association of Washington Cities (AWC) Benefit Trust to secure the Health and Welfare benefits package for District non-represented employees. The AWC Employee Benefit Trust is changing to a self-insured program effective January 1, 2014 and as such WSCC is required to approve and sign the Interlocal Agreement. Staff and legal counsel have reviewed the documents and are recommending approval of Resolution 2013-17.

Mr. Hillis made a motion to approve Resolution #2013-17, to approve and adopt the Interlocal Agreement creating the Health Care Program, in substantially the form of Exhibit A, the Association of Washington Cities Employee Benefit Trust Health Care Program Interlocal Agreement. Mr. Bender seconded and the motion was carried by the unanimous affirmative vote of all Directors present.

VIII. STAFF REPORTS

A. WSCC Parking Report

Mr. Tesfaye reported that parking revenues were slightly lower in August 2013 as compared to August 2012, primarily due to the difference in event mix for the month, and fewer local parkers. Though the main Convention Center Garage continues to have a waiting list for monthly parking, WSCC is offering monthly parking to new customers in Freeway Park Garage.

B. ARAMARK Food Service Report

Mr. Kiely reported top-line food service revenues of \$2,146,796 for August 2013, up \$1,546,523 over top-line revenues for the same period last year. Net revenue to the WSCC in August 2013 totaled \$1,093,002, up \$1,072,418 over net revenues for the same period last year, due in part to the successful Cardinal Health conference.

IX. FINANCIAL REPORT

Mr. Firth reported that operating revenues for August 2013 were up 62.1% as compared to the same period last year and up 5.4% from budget for the month. Food service revenues for August 2013 were up 257.6% over the same period last year.

Operating expenses for August 2013 were below budget by 3.3%, and the corresponding sales were up 5.4%. Staff is continuing to conservatively manage expenses. Operating expenses year-to-date through August 2013 are tracking to budget as a whole.

In 2012, the Board authorized a funding mechanism to support capital improvement projects necessary to keep the Convention Center in quality condition. In August 2013, Capital Improvement Project Fund expenditures totaled \$40,752.

Operating surplus for August 2013 was \$484,438. Year-to-date the operating surplus through August totaled \$1,334,975. Non-Operating Revenues for August 2013, for regular and additional lodging taxes, totaled \$6,321,567. Non-Operating Expenses during the month, for transfer of additional lodging tax and debt service, totaled \$3,257,506.

X. ADJOURNMENT

Mr. Bender moved to adjourn the September 24, 2013 Board meeting at 3:27 p.m. Mr. McLaughlin seconded and the motion was carried by the unanimous affirmative vote of all Directors present.