

Minutes

Washington State Convention Center
Public Facilities District

Regular Meeting of the Board of Directors
September 23, 2014

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 room 303, of the Convention Center.

MEETING ATTENDANCE

Board Directors in Attendance

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

Dawn Wheeler, ARAMARK
Cliff Webster, Carney Badley Spellman
Joe Melancon, CCPI
Matthew R. Hendricks, Hendricks - Bennett, PLLC
Matt Rosauer, Pine Street Group
Christopher Proff, PSAV
Fred Eoff, Public Financial Management, Inc.
Tim Boyd, The TSB Communications Group
Tom Norwalk, Visit Seattle
Kris Cromwell, Visit Seattle
Patrick Smyton, Visit Seattle

Visitors

Chris Cole, AECOM
Gary Oelsner, Clark Construction
Dale Clark, Hart Crowser, Inc.
Shannon Gustine, Hensel Phelps
David Valentine, Hensel Phelps
Troy A. Hoberg, Hunt Construction Group
Alana Schutt, Pine Street Group
Stefan Moritz, UNITE HERE Local 8

Staff in Attendance

Brad Kolodzaike	Daniel Johnson
Ji Jung	Kathleen Smith
Larry Cyr	Lorrie Starkweather
Marsha Engelsberg	Michael McQuade
Ron Yorita	Susnios Tesfaye

II. APPROVAL OF MINUTES

July 22, 2014 Regular WSCC PFD Board

Mr. Flowers made a motion to approve the minutes of the July 22, 2014 Regular Board meeting as presented. Ms. Gonzalez-Murillo 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

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

B. Update on Board Member Appointments / Reappointments

Mr. Finneran provided an update regarding Board member appointments/reappointments, and reiterated that per the WSCC By-laws, "following the expiration of the terms of the initial Board members, 3 members of the successor Board must be nominated by the King County Executive, subject to confirmation by the King County legislative authority; 3 members must be nominated by the Mayor of Seattle, subject to confirmation by the Seattle legislative authority; and 3 members must be appointed by the Governor." Currently, confirmation has been received that Mr. Hillis has been reappointed by the Governor for a four year term expiring July 30, 2018. Mr. Finneran and Ms. Brown-Archie have received notification that they have been reappointed by the King County Executive for four-year terms expiring July 30, 2018, however these appointments are subject to confirmation by the King County Council at a meeting in December. The Office of the Mayor has not come to a decision on the two positions which expired July 30, 2014, currently held by Mr. Flowers and Mr. Bender. The WSCC By-laws state that "any Board member whose term has expired continues to serve until such director has been reappointed or upon the appointment of his or her successor."

C. Board Officer Election

Mr. Finneran advised that as required by the WSCC Bylaws, Section 3.3. Board Officer Election: Term of Office, "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 in which the term of a Board Officer has expired. Each Board Officer shall hold office until his or her successor is elected. There shall be no restriction on Board members serving successive terms as Chair or Vice-Chair." Mr. Finneran recommends that the Election of Board Officers be conducted at the December 16, 2014 Board of Directors meeting, which is the last scheduled meeting in 2014. Mr. Finneran suggests that the current Officers remain the same, with Finneran as Chairman and Ms. Brown-Archie as Vice-Chair. Directors will have an opportunity to submit nominations either in advance of the meeting, from the floor, or nominations as a slate.

V. PFD COMMITTEE REPORTS

A. Expansion Committee

1. Expansion Committee Update

Mr. Finneran advised that the Expansion Committee has met frequently since the July 2014 Board of Directors meeting primarily working to become organized in such a fashion as to efficiently and effectively pursue the work that is in front of the Committee and staff. The Chairman spoke to the reorganization of the leadership of the Expansion Project which had been submitted to the Directors at the July meeting. The Directors, at that time, were provided an organizational chart showing Pine Street Group leading the WSCC Expansion Project as Project Developer with a number of separate entities reporting in support of the project, including AECOM as Construction Manager. Subsequently, the Expansion Committee has made the decision to terminate the Agreement for Interim Facility Expansion Construction Management Services, pursuant to Section 1.01 (General Terms and Conditions – Exhibit A – Termination for Convenience). Further discussion was moved to Executive Session.

2. Project Management Contract Extension

Mr. Finneran advised that at the July 22, 2014 meeting, the Directors approved Resolution 2014-3, which approved the Interim Facility Expansion Project Management Services Contract with Pine Street Group for services rendered to September 30, 2014. Both parties agree that the level of activity during the interim period has been greater than anticipated, and that the term and the total amount of compensation originally established in the Interim Agreement should be increased accordingly. The Expansion Committee is recommending the first amendment to the interim agreement with Pine Street Group be extended for an additional three month period, and that the dollar value be increased by the amount of \$675,000, to a total maximum amount of \$925,000. All other terms and conditions of the contract shall remain unchanged.

Mr. Hillis made a motion to approve the First Amendment to the Interim Facility Expansion Project Management Services Contract with Pine Street Group for the period October 1 to December 31, 2014, and to increase the total fees payable to an amount not to exceed \$925,000. Ms. Brown-Archie seconded and the motion was carried by the unanimous affirmative vote of all the Directors present.

3. Requesting King County to Commence Condemnation Proceedings on Behalf of the Washington State Convention Center to Acquire Real Property Necessary for its Expansion Project, Resolution 2014-9

A RESOLUTION requesting King County to commence condemnation proceedings on behalf of the Washington State Convention Center to acquire real property necessary for its Expansion Project.

Mr. Finneran advised that certain real properties have been identified as necessary for the Expansion Project. The District has been unsuccessful, despite good faith efforts, in negotiating the purchase of one of the parcels of real property located at 915 Howell Street, currently owned by the Kollias family. As a Public Facilities District within King County, the Board has the authority to petition King County to condemn the property to assist with the purchase and acquisition, if necessary. At the present time, it is not certain if the entire condemnation process will be required, however this Resolution would enable the commencement of the process.

Mr. Hillis made a motion to approve Resolution 2014-9, to request King County to commence condemnation proceedings on behalf of the Washington State Convention Center to acquire real property necessary for its Expansion Project. Mr. McLaughlin seconded and the motion was carried by the unanimous affirmative vote of all the Directors present.

4. Architects / Design Selection Process Update

Mr. Finneran provided an update on the selection process for Architects / Design Services consultants. There were eight responses to the Request for Qualifications (RFQ). The Expansion Committee was empowered to short-list the candidates to three finalists to participate in the Request for Proposal (RFP) phase. Mr. Blosser advised that a Pre-Proposal Conference/Site Tour has been scheduled for September 24, 2014, to provide a general overview of the project, tour both the alternative expansion site and the existing facility, and answer questions from the participants. A list of questions will be compiled and the questions with answers will be sent to all participants. The last date for questions regarding the RFP is October 7, 2014. The short-list submitter's proposals are due on November 4, 2014. Interviews are scheduled for November 12 & 13, 2014. The selection of the Facility Expansion Architect/Engineering Services contractor is scheduled to take place prior to November 17, 2014.

B. Art Committee

1. Adopting a Revised Agreement for Services with the Washington State Convention Center Art Foundation, Resolution 2014-7

A RESOLUTION by the Board of Directors of the Washington State Convention Center Public Facilities District ("District") adopting a revised Agreement for Services ("Services Agreement") with the Washington State Convention Center Art Foundation ("Art Foundation").

Ms. Wong advised that, as was reported at the July 22, 2014 Board meeting, the Art Foundation hired Mr. Denny Wong of the firm Foster Pepper to review the relationship between the District and the Art Foundation as contained in the Agreement for Services entered into as of February 19, 2013 between the two entities and approved by the Board of Directors. Mr. Wong's review recommends that the Services Agreement be amended to clarify the WSCC Board's grant of rights and obligations relating to the activities of the Art Foundation to allow the directors of the Art Foundation to direct Art Foundation work that is in their best interest subject to the terms of the Services Agreement. The amendments to the Service Agreement as recommended by legal counsel were provided to the Directors for their consideration.

Mr. Flowers made a motion to approve Resolution 2014-7, adopting the amendments to the Agreement for Services with the Washington State Convention Center Art Foundation. Ms. Brown-Archie seconded and the motion was carried by the unanimous affirmative vote of all the Directors present.

C. Government Affairs Committee

1. Update

Ms. Brown-Archie advised that the Government Affairs Committee met today. At the July meeting, the Board was advised that the RFQ for additional lobbying assistance had been released and submittals had been received. However, the Government Affairs Committee had placed a temporary hold on the process in order to reevaluate needs going forward. After reevaluation, it was determined that the process should proceed and interviews with two candidates were held on September 4, 2014. Mr. Cliff Webster, with the Seattle firm of Carney Badley Spellman, was the successful candidate. Mr. Webster brings with him many years of lobbying and government relations experience and is a welcome addition to the WSCC Government Relations team of Rebecca Bogard and Tim Boyd. Ms. Brown-Archie stated that WSCC now has two contracts for lobbying services; one with Bogard & Johnson LLC (Ms. Bogard and Mr. Boyd) and one with Mr. Webster.

2. Government Relations Consultant Report

Ms. Brown-Archie advised that the Government Relations Consultant Report contains an update from all three consultants; Ms. Bogard, Mr. Boyd and Mr. Webster. The lobbying team is reviewing information that was prepared for the 2013 legislative efforts. The Government Affairs Committee and the lobbying team will be strategizing on methods to obtain passage of sales tax deferral legislation to assist with the WSCC Expansion Project.

D. Finance Committee

1. Approval of Expansion Project Expenditures for Reimbursement by Bond Funds, Resolution 2014-8

A RESOLUTION by the Board of Directors of the Washington State Convention Center Public Facilities District designating certain expenditures for potential reimbursement from bonds or other obligations that may be authorized and approved for issuance by the District in the future.

Mr. Flowers advised that there will be expenditures incurred as work goes forward on the Expansion Project and the Finance Committee, in cooperation with the Expansion Committee, are seeking Board approval to have the ability to roll those expenditures in to our financing as we go forward. The Finance Committee is recommending approval of Resolution 2014-8, which would designate certain expenditures for potential reimbursement from bonds or other obligations that may be authorized and approved by issuance by the District in the future.

Mr. Hillis made a motion to approve Resolution 2014-8, designating certain expenditures for potential reimbursement from bonds or other obligations that may be authorized and approved for issuance by the District in the future. Mr. Schafer seconded and the motion was carried by the unanimous affirmative vote of all the Directors present.

2. Bond Counsel RFQ / RFP

Mr. Flowers advised that staff has released a Request for Qualifications (RFQ) document to secure Facility Expansion Bond Counsel Services. The responses are due September 25, 2014, and the Finance Committee will review the responses and provide their recommendation of a short-list to the Expansion Committee. The Finance Committee has agreed that the process allow the Expansion Committee to select a bond counsel firm and negotiate a contract regarding services, fees, and contract terms. Mr. Flowers, on behalf of the Finance Committee, is recommending approval for the Expansion Committee to have authority to select the Bond Counsel firm, based on a short-list provided by the Finance Committee. Ms. Brown-Archie asked if the final approval for the Bond Counsel firm would be brought before the full Board of Directors for approval. Mr. Finneran advised that due to the necessity of engaging Bond Counsel prior to the next scheduled Board of Directors meeting, the request was being put to the Board for the Expansion Committee to have the authority to finalize the process.

Mr. McLaughlin made a motion to allow the Expansion Committee to have the authority to select the Bond Counsel firm and negotiate a contract with them regarding services, fees and contract terms. Ms. Gonzalez-Murillo seconded and the motion was carried by the unanimous affirmative vote of all the Directors present.

VI. VISIT SEATTLE & WSCC Sales Reports

A. Update

Mr. Norwalk advised that Visit Seattle is engaged in a national search to replace the Senior Vice President of Convention Sales & Services position previously held by Mr. Marco Bloemendahl. Mr. Bloemendahl has moved to Milwaukee to be closer to family. Mr. Norwalk reported that the Customer Advisory Board (CAB) meetings were held mid-September. This is a combined event coordinated by WSCC staff and Visit Seattle staff and has been held annually for the past 7 years. This year's event was held at the Westin Hotel, with various activities held in and

around the city. Seventeen meeting planners from around the country attended and provided much needed feedback on items pertaining to Convention Center initiatives, the proposed expansion of the Center, perceived safety within the city of Seattle, association needs and wants, and in particular their opinions regarding the opportunity to push forward on a large hotel project. Mr. Norwalk provided the Directors a copy of a draft letter from the CAB to the Mayor and City Council to express their support for a large hotel project. The CAB, which collectively represents \$300 million of future business for Seattle, feels strongly that this is an incredible opportunity to push forward.

B. Visit Seattle Destination Overview

Smith Travel Research report for August 2014 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 the month with occupancy rate of 95.7%, slightly above August 2013; RevPAR increased 13.4% and ADR had an increase of 12.8% as compared to the same period last year. San Francisco continued to lead the market in all three categories within the west coast competitive set. Seattle numbers continued to track strongly with the five other cities in the group.

C. WSCC and Visit Seattle Sales Reports

Mr. Norwalk and Mr. McQuade reported on Convention Center sales. Visit Seattle Convention Center sales production for August 2014 was at 114.76% of the room night annual booking goal for WSCC events. Top-line revenues for August 2014 saw an increase of 19% over the same period last year and room night productivity was up 8% from August 2013. Visit Seattle top-line revenue for Convention Center bookings totaled \$2,989,206 for the month ending August 2014. Overall, hotel room nights booked during August 2014 for all future business reached 106.28% of goal for the year.

For the month of August YTD, the Visit Seattle satellite office for Washington, DC, was down 76,471 from their January to August YTD goal of 293,333 (73.93% of their YTD goal). The Midwest office was down 82,327 from their January to August YTD goal of 242,000 (65.98% of their YTD goal).

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 August YTD for lost WSCC business has been estimated at nearly \$412,058,644 due to lack of Convention Center space already booked and no dates available for additional business that could meet in Seattle.

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 YTD, 40 groups fall in the waived business category, with an associated loss of 179,229 in hotel room bookings, a loss of 100,494 event attendees, and an estimated loss of \$235,926,856 in overall economic impact for the region.

During August, WSCC Sales staff booked 37 new events into the Center to infill around convention business booked by Visit Seattle. Cumulatively, these 37 WSCC booked events represent over 40,714 in estimated attendance, 10,516 associated room nights, and combined topline revenues of over \$1,175,143 for rent, food & beverage, parking and subcontractor services.

VII. PRESIDENT'S REPORT

A. Update on WSCC Board Strategic Planning Retreat Meetings

Mr. Blosser advised that work is continuing on the agenda and planning for the Strategic Planning Retreat Meetings. Mr. Blosser has made a request to have a representative from the Seattle Waterfront Development Project as the guest luncheon speaker to provide a presentation to the Board on November 25, 2014.

B. Website Review

Mr. Blosser introduced Ms. Marsha Engelsberg, Director of Marketing & Communications, to provide an update on the new WSCC website. Ms. Engelsberg advised that the WSCC team, in conjunction with Parallel Public Works, have been working diligently for many months and the website is ready to be launched in the next few weeks. Ms. Engelsberg provided a demonstration of some of the key components of the new website and the ease with which visitors to the site can access information and documents. Currently, staff and consultants are in a testing phase, and members of the Customer Advisory Board have agreed to assist with testing the site to ensure it meets the needs from a meeting planner perspective.

C. Selection of Insurance Broker

Mr. Blosser advised that the WSCC had gone out with an RFP for Insurance Brokerage Services and received three responses. All proposals were reviewed administratively, and all were judged to be responsive to the

material requirements of the solicitation. The three proposals were reviewed by a staff evaluation team with Alliant Insurance Services, Inc. being declared to be the apparent successful proposer for Insurance Brokerage Services. Contract completion and execution are pending as of today's meeting date. A recommendation to approve the 2015 Insurance: Liability and Property Coverage will be brought before the Board at the November 25, 2014 Board of Directors meeting.

VIII. STAFF REPORTS

A. WSCC Parking Report

Mr. Tesfaye reported that parking revenues were up 5% in August 2014 as compared to August 2013, and slightly over the target budget due in part to the event mix for the month. WSCC's monthly parking is currently at full capacity, with a small wait-list for both garages. WSCC parkers are now able to pay their monthly parking online with their credit card.

B. ARAMARK Food Service Report

Ms. Wheeler reported total sales for August 2014 were up \$63,806 from forecast and up \$917,010 from prior year. Total costs for August 2014 were 5% lower than forecast and were up 42% from prior year. Year-to-date sales are \$1,950,916 over forecast and \$1,138,262 over prior year. Food service return to WSCC PFD for January through August is up \$1,344,397 from forecast and up \$857,184 from prior year. ARAMARK continues to focus on the Food Management and Labor Management programs and reports are showing positive results. The month of August showed a strong finish, and 2015 is tracking to see good results as well. Mr. McLaughlin applauded the efficient management of staff and the operations which resulted in the 5% drop in costs.

IX. FINANCIAL REPORT

Mr. Firth reported that year-to-date August 2014, total operating revenues were up 7.4%. For the month of August 2014, Food Service revenues were up 2.1%, Retail revenue was down 11.5%, and the Marketing Tax was up 6.3%. Building Rent revenue was down 46.6% for the month of August 2014.

Operating expenses for August 2014 were slightly over budget for the month by 0.5%; however the corresponding sales were up 1.5%. Staff continues to conservatively manage expenses throughout the month.

In 2013, the Board authorized a funding mechanism to support efforts necessary to explore expansion feasibility. Expansion Project Fund expenditures for August 2014 were \$241,633.

Year-to-date the operating surplus through August totaled \$2,342,909. Operating surplus for August 2014 was \$1,106,097. Non-Operating Revenues year-to-date through August 2014, for regular and additional lodging taxes, totaled \$37,696,183. Non-Operating Revenues for the month August were \$7,183,170, up 5.3% from budget. Non-Operating Expenses year-to-date through August 2014, which includes transfer of additional lodging tax, debt service, capital improvement projects and the expansion budget, totaled \$22,057,463, under budget by 6.0%. Non-Operating Expenses during the month, for transfer of additional lodging tax, debt service, capital improvement projects, and expansion budget totaled \$2,624,520, under budget by 13.6%.

Discussion occurred, at the request of the Chairman, regarding client invoicing and the reporting timelines. Mr. Blosser explained that almost all client event invoicing is conducted via the EBMS system with WSCC issuing one invoice for all services provided. However there are some instances where the client requires separate invoicing from WSCC (which includes service providers) and ARAMARK for the food & beverage.

X. EXECUTIVE SESSION

The Chairman announced that the Board of Directors would hold an Executive Session consistent with RCW.42.30.110 (1) (i) as permitted by the Open Public Meetings Act. The purpose of the Executive Session was to discuss a potential legal claim matter. The Executive Session commenced at 3:50 p.m. and lasted 15 minutes. In addition to all Board members and officers present, attendance at the Executive Session included Mr. Blosser and Mr. Hendricks. The meeting reconvened at 4:05 p.m.

ADJOURNMENT

Ms. Brown-Archie moved to adjourn the September 23, 2014 Board meeting at 4:07 p.m. Mr. Flowers seconded and the motion was carried by the unanimous affirmative vote of all Directors present.