



CONVENTIONS: EXPANDING OUR ECONOMY

Washington State Convention Center

Fiscal 2009 Annual Report

July 1, 2008–June 30, 2009

Governor's Message



If you find yourself in downtown Seattle during a major convention, you are likely to see the city's sidewalks, restaurants, shops and attractions filled with badge-wearing delegates. More than 140,000 national and international guests came to the Washington State Convention Center (the Center) in fiscal 2009, spending nearly \$242 million during their brief visits. This spending not only provides significant financial benefits that reach each and every community in our state, but also leads to the creation of thousands of living-wage jobs.

I am pleased to report that the Center was presented, for the second consecutive year, with the Washington Wine Award of Distinction. This prestigious award recognizes the Center's extensive use and promotion of our state's excellent wines. Last year more than 18,000 bottles were served to convention guests, introducing Washington wines to a vast new worldwide audience.

The \$4.5 million in marketing funds provided annually by the Center to the Washington Tourism Commission enables the Commission to expand the promotion of the many wonders of our magnificent state. This additional investment will be returned with increased tourism business throughout Washington.

On behalf of the citizens of Washington, I am pleased to express my gratitude to the Center's board of directors and staff who, despite the challenging economic climate, have completed another successful year.

Sincerely,

A handwritten signature in black ink that reads "Christine O. Gregoire". The signature is written in a cursive, flowing style.

Christine O. Gregoire
Governor

The State of the Convention Center



While our state has felt the impact of the worldwide economic recession, the Washington State Convention Center has so far weathered the financial downturn with higher than anticipated revenues. A solid backlog of events and a limited number of cancellations enabled the Center to post a \$2,382,441 positive bottom line for fiscal 2009. The board of directors heeded early indications of the financial downturn and authorized exceptional actions to offset an expected decline in revenues. These actions included reductions in utility consumption, goods and services, and a state-mandated wage and hiring freeze to bring expenses in much lower than originally budgeted.

It is important to note that even with these expense reductions, the Center did not cut back on its aggressive capital improvement program for the facility. Updates included replacing the original 20-year-old HVAC chillers, resurfacing a major portion of the expansive roof, upgrading elevators and replacing components of the grand escalators in the South Lobby. As we have consistently stressed in this report over many years, our building is our business. Keeping the facility in outstanding condition—along with retaining a dedicated staff that provides exceptional service—is the only way our Center can compete with the many newer and larger buildings in the western United States.

Looking to the future, the Center and its supporters were disappointed that approval for the expansion of the facility was not forthcoming during the previous legislative session. As requested, we have provided a new set of studies to the Legislature and look forward to receiving authorization to continue to move the expansion process forward. We believe expansion is the best possible course to maintain the Center as a viable economic development entity for the state. To meet demand in the meantime, The Conference Center will add 71,000 square feet of distinctive meeting space to the Convention Center complex. Located at Eighth and Pike, the new facility is scheduled to open in July 2010 (see page 5).

The Center will continue to manage expenses to offset what we anticipate will be a significant reduction in revenues for fiscal 2010. With the end of the recession uncertain, the recovery of our industry will be slow, and it is likely that our bottom line will be negatively impacted next year.

Sincerely,

A handwritten signature in black ink, appearing to read "Frank K. Finneran".

Frank K. Finneran
Chairman and Chief Executive Officer

A handwritten signature in black ink, appearing to read "John Christison".

John Christison
President and Chief Operating Officer

Financial Highlights

FISCAL YEAR	2009	2008
Operating Revenue	\$ 25,562,405	\$ 24,989,171
Expenditures	\$ (23,179,964)	\$ (23,192,773)
Gain	\$ 2,382,441	\$ 1,796,398
NUMBER OF EVENTS		
National/International	51	47
Local/Regional	423	624
Total	474	671
EVENT ATTENDANCE		
National/International	140,175	129,836
Local/Regional	290,596	352,932
Total	430,771	482,768
Total Delegate Spending	\$ 241,955,908	\$ 228,855,159
Net Cash Flow to State	\$ 19,516,000	\$ 26,601,000
Impact to Local Institutions	\$ 9,884,575	\$ 9,359,337

FACTS

Spending by out-of-state delegates attending events at the Center since its opening in 1988 has exceeded

\$3.4 billion.

In fiscal 2009, spending by out-of-state delegates added an average of

\$662,893

per day to Washington's economy.



To meet increasing demand for accommodations in downtown Seattle, several hotel properties have recently opened or expanded.

Shown clockwise from far left :
The Hyatt at Olive 8, the lobby of the Sheraton Seattle Hotel, and the main entrance to the Four Seasons Hotel Seattle.

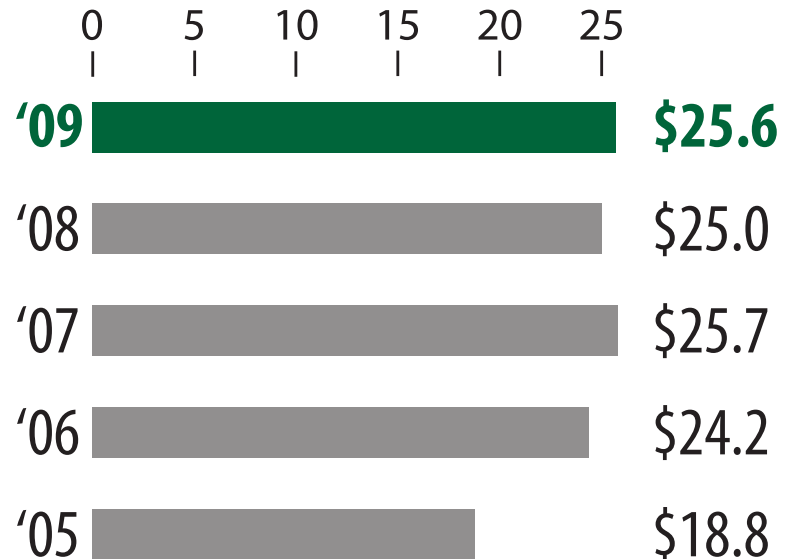
Convention Center Operations

Total operating revenue for fiscal 2009 exceeded \$25.5 million, just slightly below the all-time high of \$25.7 million. Building rent, food service and facility services revenues were all higher than 2008 levels; food service led the way with an impressive net increase of \$1.1 million over the prior year's results.

BUILDING RENT The Center confirmed 474 events in fiscal 2009, drawing a total of 430,771 attendees and providing \$4,182,663 in gross building rent revenues. A total of 51 "citywide" events brought such diverse groups as the New York Life Insurance Company's Executive Council, the American Academy of Neurology and the International Trademark Association. The Center continues to be a popular destination for meetings and maintains an exceptional return client rate. A good example of this is the American Epilepsy Society, which indicated that its events in Seattle (2002 and 2008) were such a success that it has contracted to return in 2014. Two Microsoft TechReady events drew employees from all around the world. The popular annual Northwest Flower & Garden Show—a fixture on the calendar since 1989—is one of the Center's long standing clients. The successful OneStop sales program supports smaller local meetings and events, allowing the Center to maximize occupancy during and between large national events. OneStop staff managed a total of 351 events in fiscal 2009.

Total Annual Operating Revenue

(dollars in millions)





Designed and furnished to exceed LEED Silver certification, The Conference Center features 71,000 square feet of meeting, exhibit, banquet and prefunction space. The facility will open in July 2010.

Convention Center Operations (continued)

RETAIL RENT The Center's 20 retailers provide a wide variety of services to convention attendees, area businesses and residents. Occupancy remained steady with net retail rent revenue coming in at \$630,362. At the time this report was prepared, the popular Juice It Cafe was finalizing plans to relocate from its current location on Level 1 to a larger, more accessible space in the International Meeting Place on Level 2 South.

PARKING Parking is typically the first department to feel the effects of a softening economy, and revenues from the two garages saw a slight reduction from 2008 levels. Gross revenue was \$3,711,238, a decrease of just under 6 percent from the previous year. Throughout the year, the Center's main garage has a steady occupancy rate and regularly maintains a waiting list for new monthly parking applicants.

FACILITY SERVICES Three independently contracted vendors provide in-house technical services for the Center's meeting and trade show clients. These services include audio visual (Audio Visual Factory); telecommunications, connectivity and Internet (Convention Communication Provisioners, Inc.); and electrical services (Edlen Electrical Exhibition Services). Net revenues from facility services reached an all-time high of \$2,414,867 in fiscal 2009.

FOOD SERVICE Net food service revenue rebounded strongly this year, totaling \$6,330,702—a significant increase from the \$5,230,724 in net revenue recorded in 2008. Prudent managing of expenses and an expanded menu were the primary reasons for the improvement. The Center generates more food and beverage revenue, both per square foot and per delegate, than any other meeting facility in the country.

These results have been achieved and maintained by creating customized menus that exceed the expectations of clients and, whenever possible, purchasing locally sourced sustainable food and beverage items. This provides guests with the freshest products, supports local producers and cuts down on the Center's carbon footprint as shipping distances are greatly reduced. In-season fruits and vegetables come from local growers. Flour for our in-house bakery is obtained from eastern Washington. Some 95 percent of the wines served (more than 18,300 bottles last year) come from Washington state wineries. The free-range chicken and eggs served come from Washington farms. Only sustainably harvested fish that are not on the Monterey Bay Aquarium's watch list are purchased. All coffee and tea products served come from fair-trade-certified, organic, shade-grown sources. The Center and ARAMARK, its catering contractor, have been recognized locally, nationally and internationally for their industry-leading efforts to provide customers with the "greenest" possible meetings.



Rolled Washington apple pancakes are a popular item on the Center's extensive menu.

Economic Benefits

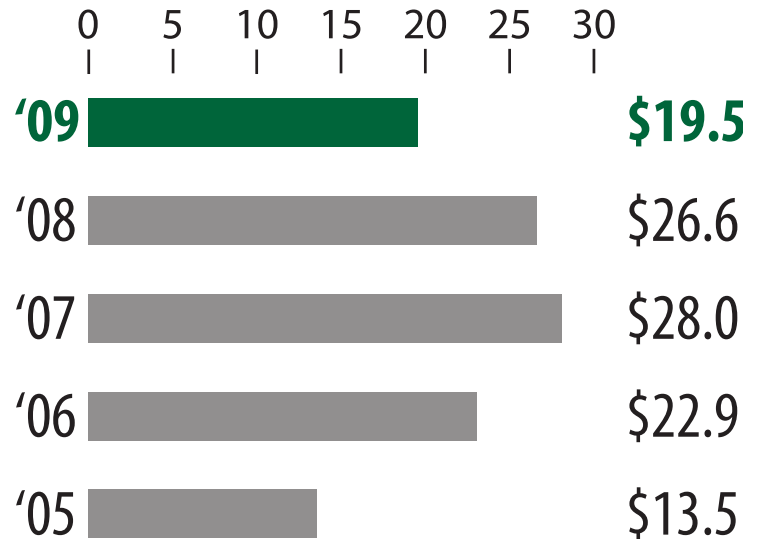
After 21 years of operation, the total cost of the Center to the citizens of our state remains \$0. The Center continues to pay dividends to residents in all areas of Washington by annually contributing a significant amount of revenue to the state's general fund and through other economic and civic benefits. In fiscal 2009, \$9.9 million was provided to the city of Seattle, King County, and a number of other regional tax-based agencies and projects from Center-related tax receipts.

The Center continues to be a major contributor to the economic well-being of the state. The significant spending by thousands of delegates who come to Washington to attend meetings and conventions provides hundreds of millions of dollars in direct economic impact each year. Hundreds of people are employed by the Center and its in-house contractors, and thousands more work in the hotels, restaurants, retail stores and travel-related businesses that serve the convention and visitor industries. Additional living-wage jobs are also created for the people who supply these businesses.

Several first-class hotels within walking distance of the Center have either opened or expanded recently in response to the lodging needs of an ever-increasing number of out-of-town guests attracted to the region and the Center.

Net Annual Cash Flow to State

(dollars in millions)





Using locally grown produce helps the Center provide guests with the freshest products, reduce its carbon footprint and support Washington farmers like Jody Bouchey of Wapato.

Giving Back to Our Stakeholders

Adding economic vitality to the state is not the only role of the Center. The Legislature has directed that the Center provide civic benefits for the people of Washington. This important mandate is fulfilled in many ways, but primarily through extending opportunities in the hiring of employees and suppliers, as well as offering numerous outreach activities for convention guests and our stakeholders.

Another area where the Center has had a leadership role is in energy conservation and recycling. Resources have been invested into making the facility more "green."

Since December 2007, the Center has contracted with Cedar Grove Composting to haul away all of its food scraps and food-soiled paper, as well as landscape trimmings. This composting program not only keeps tons of waste out of a landfill, but is also uniquely completed by the purchase of clean compost from Cedar Grove for use in the Center's three acres of indoor and outdoor gardens. Recycling has been a standard procedure at the Center since the facility first opened.

Water usage is substantially reduced with the recent conversion of all 188 of the Center's rest room fixtures from standard to low-flow models. Automatic, touchless faucets have been installed in all rest rooms to conserve resources.

The entire contents and packaging of the Center's box lunches are now 100 percent compostable. Since the introduction of this new packaging in November 2008, customers have ordered more than 60,000 box lunches. In addition, all disposable food service items provided to customers by the catering department are now compostable. This includes plates made of sustainable bamboo, wax-free coffee cups, cutlery made from a corn-based resin, and a completely compostable water bottle. The entire water bottle (including the cap and label) will compost in 90 days or decompose in six months in a landfill—compared to some 5,000 years for a conventional petroleum-based bottle. Since their introduction, the Center has ordered more than 156,000 of these bottles—a huge, positive step in reducing waste.

The Center's art collection remains a popular attraction for convention attendees as well as the general public. More than 100 works of art are on public display daily throughout the facility, and several rotating art shows are also presented annually in partnership with area arts organizations. From October 2008 to March 2009, the Center produced *Only in Washington*, a juried exhibition of fine art photography that showcased the beauty and diversity of the state of Washington. Also on display in fiscal 2009 were exhibitions presented by the Colored Pencil Society, the World Health Organization and the City of Seattle's Arts and Cultural Affairs department.

Exhibitor Service Center

FREEMAN



The packaging and
contents of your
box lunch are
100% compostable

Please discard
in receptacles
marked "COMPOST"
when finished

The Center continues to be an industry leader in green meetings by being the first meeting facility to provide 100 percent compostable packaging for its boxed lunches and water bottles.

Board of Directors



FROM LEFT TO RIGHT:

Karen Wong

Rick S. Bender (standing)

J. Terry McLaughlin

Deryl Brown-Archie
Vice Chair

Frank K. Finneran
Chairman and Chief Executive Officer

Susana Gonzalez-Murillo

Jerome L. Hillis

Harry G. Sladich

Robert J. Flowers
Treasurer

Executive Staff



FROM LEFT TO RIGHT:

Krista Daniel
Director of Event Services

John Christison
President and
Chief Operating Officer

Ron Yorita
Director of Operations

Ed Barnes
Vice President of Operations

Chip Firth
Director of Finance
and Administration and
Chief Financial Officer

Linda Willanger
Vice President of Administration
and Assistant General Manager

Michael McQuade
Director of Sales
and Marketing

A comprehensive set of financial statements for the 2009 annual report is available online at the Washington State Convention Center's website at www.wscc.com. To request a printed copy of the financial statements, please contact WSCC Public Relations at 206.694.5000.

CREDITS

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