

Minutes

Washington State Convention Center
Public Facilities District

Regular Meeting of the Board of Directors
September 28, 2021

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., by video conference / conference call via Microsoft Teams. At the chairman's request, Ms. Starkweather conducted a roll call of Board Directors to ensure a quorum in attendance.

MEETING ATTENDANCE

Board Directors in Attendance (by video conference)

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

Officers in Attendance (by video conference)

Jeffrey A. Blosser, President / CEO
Linda Willanger, Vice President of Administration / AGM
Sam Hecker, Director of Finance / CFO
Jon Houg, Vice President of Operations

Consultants / Vendors in Attendance (by video conference / conference call)

Melinda Altamirano, ARAMARK
Becky Bogard, Bogard & Johnson, LLC
Matthew Hendricks, Hendricks - Bennett, PLLC
Matt Griffin, Pine Street Group
Tom Norwalk, Visit Seattle
Kelly Saling, Visit Seattle
Kris Cromwell, Visit Seattle
Patrick Smyton, Visit Seattle
Troy Anderson, Visit Seattle
Margery Aronson, WSCC Art Foundation

Staff in Attendance (by videoconference / conference call)

David Cononetz, Director of Facilities
Krista Daniel, Director of Event Services
Michael McQuade, Director of Sales
Jules Miller, Accounting Manager
Tony Sheehan, Director of Information Services
Lorrie Starkweather, Executive Assistant to the President & Board
Loni Syltebo, Director of Communications
Earl Taylor, Director of Operations

Guests in Attendance (by conference call)

Alma Elahee
Lisa Libro, Build America Mutual
Karen Sudderth

II. APPROVAL OF MINUTES

July 27, 2021, WSCC PFD Board Regular Meeting

Mr. McLaughlin made a motion to approve the minutes of the July 27, 2021, Regular Board meeting, and the July 9, 2021, Special Board meeting, as presented. Mr. Flowers seconded, and the motion was carried by the unanimous affirmative vote of all Directors present via video conference / conference call.

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. 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 (August 2021)
2. Ratification of Additional Facility Project Contract List (September 2021)
3. Approval of Additional Facility Project Draw Schedule Payments, #81 (August 2021)
4. Approval of Additional Facility Project Draw Schedule Payments, #82 (September 2021)

Informational Items:

1. WSCC Sales: August Summary Report
2. WSCC Monthly Expenditures Auditing Officer Certification
3. WSCC Parking Report
4. Food Service Report

Mr. Flowers made a motion to approve the Consent Agenda as presented. Ms. Moriguchi seconded, and the motion was carried by the unanimous affirmative vote of all Directors present via video conference / conference call.

V. PFD COMMITTEE REPORTS

A. Addition Committee

1. Update Report

Mr. Finneran advised the Addition Committee met earlier today and were briefed on the unfortunate incident that occurred on the construction site on Monday, September 20, 2021, where tragically, a construction worker lost their life.

Mr. Finneran requested Mr. Griffin to provide the Board with a recap. Mr. Griffin advised that there was a very unfortunate incident with a worker killed on the job site last Monday. This tragedy weighs heavy over all of us, and our thoughts are with family, friends, and co-workers. Mr. Griffin advised that Clark-Lewis (C-L) have performed additional safety reviews of the site and have held meetings with all the construction crew. As of today, there are approximately eight hundred workers onsite. This has appropriately raised everyone's heightened concern about safety.

Mr. Griffin advised that on the schedule, the contractor continues to show the Temporary Certificate of Occupancy (TCO) as July 1, 2022. A significant amount of work remains to be done to get us to the TCO date. On the financing plan, other than reconciling cost issues with the contractor regarding

the delayed schedule due from the slower steel erection, most other cost items seem to be in control now, with some increases. On the sources, Mr. Griffin advised the Addition Committee remains hopeful that we will receive COVID-19 reimbursement funds from the City/State. As well the Addition Committee, in cooperation with the Finance Committee, are working to gain clarity around the Convention Center's unrestricted cash balance and how these funds are being used for Center operations as well as in the Addition project. Discussions with the Finance Committee and Center staff are ongoing.

B. Government Affairs Committee

1. Update

Ms. Brown-Archie reported that the Government Affairs Committee met earlier today and received an update from Ms. Bogard. Mr. Blosser and Ms. Bogard spoke on the efforts of the Coalition to work with the Governor's Office and King County to receive answers around the safety protocols currently in place and those being proposed, to be able to provide up-to-date and accurate information to clients, customers, staff, and stakeholders. Mr. Norwalk and Mr. Woods provided an update on a number of topics including the Downtown Revitalization Plan which is now in distribution. Ms. Brown-Archie advised that the Committee is following the new joint County/City homelessness effort, and we received a briefing on Compassion Seattle which did not pass City Council, however the group is now focusing efforts on the next steps in the process.

2. Government Relations Consultant Report

Ms. Brown-Archie advised that the consultant update report from Ms. Bogard is contained within the Board packets. At Ms. Brown-Archie's request, Ms. Bogard provided the Board an overview of her report to the Government Affairs Committee earlier today, as well as highlights of information contained in her report.

C. Finance Committee

1. Update

Mr. Flowers advised that the Finance Committee met earlier today. The Committee discussed the impact of the bond tender exchange funding and how that will impact the Center's cash-flow going forward. Mr. Flowers requested Mr. Blosser and Mr. Hecker to provide the Board a briefing. Mr. Hecker advised that the cash-flow analysis, if all the sources of funds occur as scheduled, indicates that between Operations, Debt Service, and the Project overall, we will have sufficient liquidity to meet the needs of the bond holders, of Operations, and the Projects ending in 2022. Mr. Hecker advised that there are some cashflow months where we will be consuming the additional sales tax from the State to meet Debt Service, but in the greater/better seasonal months in quarters three and four of 2022, the analysis indicates we will be able to meet Debt Service on our own. The results of the cashflow analysis identified some areas where we need to think about the timing of the sources of funds coming from the Project to have contingency plans in place to support those anticipated cashflows but overall, the analysis indicates there will be sufficient liquidity to meet all the needs of bondholders, Operations, and the Project. Mr. Blosser added that the Hotel Tax numbers, in terms of Debt Service, are looking better although not as robust as we would like it to be, but we think that there is enough in the model to ensure we cover debt and have the right cash-flow for the Project and Center operations. Mr. Flowers said that in the discussions with the Finance Committee, it was clear that there was to be additional work to finetune the cash-flow through Pine Street Group, Mr. Hecker, and Mr. Blosser to make sure the numbers are adjusted and updated as we see changes in the marketplace. Mr. Flowers advised that the Committee would continue to have in-depth reviews and discussions on the cash-flow as we go forward.

Mr. Blosser advised that the funding process for the Convention Center FF&E (furniture, fixtures, and equipment) was also discussed with the Finance Committee. Staff have put together a good means to fund this project with utilizing excess Parking Funds as the resource for ensuring we can do the FF&E package.

D. Art Committee

1. Update Report

Ms. Gonzalez-Murillo reported that the Art Committee met on September 13th and the Addition Art Advisors met on September 21st with main topic of discussion at both meetings being around the budgets for all Summit art installations. The Committee discussed the delays that have resulted in increased costs as well as some coordination issues. All projects are in good shape with sufficient contingencies and funds to reach completion. All the Summit art projects will not be completed by the building opening. The Committee also discussed the 9th Avenue project (“The Pendulum”) which was put on hold due to project funding. As the Addition project is again fully funded, there will be ongoing dialogue as to if this piece can proceed or if another art installation will be created in its place, as this is part of the required public art. More discussions on how to proceed will take place in the coming weeks. The significant cost increases for the CPS Artwork due to COVID-19 as it relates to the manufacturing of the resin product to be used for the art as well as the shipping of the materials from Europe was discussed. Ms. Gonzalez-Murillo advised the artist is working on cost reductions along with making sure the integrity of the piece is maintained. The two remaining commissioned pieces are being finalized with the selection panel and the potential artists to be solicited for responding to this call. The largest piece will be on the large wall across from the Exhibit Hall entrance and will make quite a statement when completed. The Committee discussed the remaining budget for smaller art pieces to be purchased as well as to types of art to be determined for these locations.

VI. VISIT SEATTLE & WSCC Sales Reports

A. Visit Seattle Destination Overview & Sales Report

Mr. Norwalk was happy to announce that Visit Seattle has promoted Ms. Saling to Senior Vice President / Chief Sales Officer.

Mr. Norwalk provided a destination overview and reported that Smith Travel Research (STR) results for the month of August 2021 indicated an increase across all categories for Downtown Seattle against the same period last year: Occupancy 60.1%, up 206.8%; RevPar at \$118, up 372.3%; and Average Room Rate at \$196, up 53.9%. Mr. Norwalk said that Seattle has performed well compared to other west coast cities, like Portland and San Francisco, and that has continued to be the theme through the summer.

Mr. Norwalk provided a COVID-19 recovery update summary advising softening in travel is related to the Delta variant wreaking havoc on travel sentiment around the nation, however over 50% of American travelers are planning leisure trips in the next 3 months. There is some shifting about how far out and when they will travel and making changes to their plans. Interesting to note that many travelers are supporting the vaccine mandates and it is hoped that this plays out as well with convention delegates when they have a choice of attendance. Mr. Norwalk advised the King County vaccine mandates officially go into effect October 25, requiring verification of vaccination or a negative FDA-approved test within 72 hours for outdoor gatherings of 500+ and indoor venues (restaurants, bars, entertainment, and recreational) of 12 or more. The good news broadly has been about the opening of the U.S. borders with the UK and European Union markets to allow visitors to start travel again via air. There has been no change yet on land travel border issues.

Mr. Norwalk also provided an update on the efforts of the Downtown Revitalization Working Group, which held its last meeting today. This is the working group that has been meeting since February 2021 talking about revitalizing downtown, activating storefronts, cleaning the city, talking about public safety and things we can do in neighborhoods to bring people into the City. One of Visit Seattle’s contributions in that, along with the Downtown Seattle Association (DSA), has been to spend quite a bit of money in promoting and advertising around the region and around the neighboring states to bring people to Seattle. The “Seattle in Bloom” campaign which ran the month of August, rewarded guests who stayed in overnight hotels downtown with a bouquet from the Pike Place Market and it was very well subscribed and pleasant surprise for guests. Between the DSA and Visit Seattle, over \$3 million has been spent on the promotion of downtown to overnight and day visitors, and Visit Seattle contributed of that a little over \$2 million from their Tourism Improvement Funds and will continue to spend that money into

the fall and into the holiday season to try to keep business going. The “I know a place” campaign was the hallmark of the revitalization campaign utilizing influencers, restaurateurs, and artists to tell their story about the neighborhoods they love, the businesses they frequent, as efforts to promote the neighborhoods and downtown continue.

B. Visit Seattle Sales Report

Ms. Saling reported on a recap of July and August Convention Sales Production, advising that 2021 YTD actual bookings (Arch, Summit and In-House) were 197,984, down 43,095 from prior year. 2021 YTD tentative bookings (Arch, Summit and In-House) were 763,863, down 77,745 from prior year. Ms. Saling advised that the 35,031 room nights booked between July and August was a big step in the right direction. The lead volume has changed since this period for Seattle and across the U.S. due to the Delta variant.

Ms. Saling reported on WSCC room nights on the books compared to two competitive sets: West Coast Set (LA, San Francisco, San Jose, Anaheim, Portland) and Like Size Cities Set (Denver, Phoenix, Vancouver, Austin, Minneapolis, Baltimore).

In terms of WSCC groups impacted due to COVID-19 for years 2020 through 2024, Ms. Saling reported that as of today there are now a grand total of ninety group cancellations of national programs at the WSCC; representing a total of 369,195 Attendees; 598,480 total room nights; \$655.3 million in economic impact; and \$44.6 million in total rent and food & beverage revenues. The sales teams have proposed re-booking future dates for seventy-four of these programs. Visit Seattle has not proposed dates to four of these groups due to yield management decisions, where those groups do not yet fit properly to maximize space and results in the WSCC.

Ms. Saling advised there has been discussion in King County as it relates to the new rules that will be in effect as of October 25. The client sentiment is varied and there are some critical outstanding questions that Ms. Bogard is helping to get answers for, and there are some groups that are not opposed to the restrictions because it provides cover for them on decisions that they would have made anyway, and it may be a little easier for them with these being our regulations. WSCC Operations and Event Services have been working to understand how the regulations apply to groups coming in, not just past October 25, but to ensure there is comprehensive understanding for the groups between now and then. Ms. Saling provided a destination comparison, advising that Seattle and King County are leading the nation as it relates to the rules, restrictions, and implementation of meetings, and while we have a lot to be proud of, there are people who still disagree with what’s happening but it appears that the attendee-base rather than the meeting planners who are somewhat conflicted on whether or not they support the rules.

Ms. Saling provided an overview of Business on The Books vs Forecast, showing attendance and room nights by quarter as of September 22, 2021.

C. WSCC Sales Report

Mr. McQuade reported that for regional business, re-interest in returning to in-person meetings did not materialize until July and August. WSCC Sales team saw an uptick in inquiries over previous months, and we are hoping this trend continues for the remainder of 2021 and into 2022. It has been challenging with the new safety guidelines from King County as the required vaccine verifications/negative COVID-19 test results are still causing hesitancy in most of the regional programs. Mr. McQuade advised that in 2019 – our last full year of normal operations - there were 393 inquiries received relative to regional events through August of 2019; Year-to-date in 2020 there were 129 inquiries; Year-to-date in 2021, there were 133 inquiries, with 32% of 2021 inquiries coming in during the last two months – July & August. Some of those inquiries did turn into bookings for 2021, notwithstanding COVID-19 and the rules and challenges the organizers had to work through.

Mr. McQuade reported that for July and August 2021, WSCC Sales staff booked fourteen events, with total forecasted attendance of 8,810; forecasted rent of \$145,940; forecasted services of \$212,862; forecasted F&B of \$432,605; with total forecasted top-line revenues (Rent, F&B, Services & Parking) of \$791,408.

Mr. McQuade provided a snapshot of the groups actualized in July and August 2021, with three events hosted; Top Line Revenues (Rent, F&B, Services & Parking) of \$19,632; room nights of twenty-eight; and 1,290 total delegates.

VII. PRESIDENT'S REPORT

A. Update on WSCC Operations

Mr. Blosser advised that PAX was our first major event back into the building. WSCC staff returned to the building full-time on August 2 to be trained in the new cleaning protocols and processes with GBAC, and to prepare for the September PAX event. Mr. Blosser advised that as the Center went back into operations and the event schedule came into play, we were able to recall staff. While not everyone wished to return, approximately 75% of our team came back in all the labor areas in terms of custodial, setup, engineering, and the trades. Aramark saw about the same numbers as well. Unfortunately, we lost 3 Event Managers, 2 National Sales Managers, 1 OneStop Manager, and 2 Operations Supervisors who made the decision to not return to WSCC for assorted reasons, including retirement. Ms. Mary Pauly, WSCC's Director of Human Resources, has also submitted her resignation effective October 1 and she will be moving into a different industry. It seems lately that more people are leaving the hospitality industry to work elsewhere. We continue to monitor and review staffing needs as we seek to hire the right people that will be a good fit for the organization.

The PAX event had reduced ticket sales so there were not the long lines of attendees we would normally see. It was great to see our team doing such a fantastic job of executing the event. A reception was held in the Admin Office as a "welcome back" to the PAX group on the day before the event. Show management utilized the magnetometers for everyone entering the building and required everyone to be vaccinated or tested every day, making for a safe event. Mr. Blosser reported on two of the other events on the schedule: 2021 National Association for College Admission Counseling (NACAC) held their national conference - September 23-25, and the event went very well; and coming up is the American Political Science (APSA) Annual Meeting & Exhibition, opening September 30 – October 3.

From a King County standpoint, Mr. Blosser advised we are seeking King County's guidance to determine how the October 25 mandated safety procedures will fall out with the requirements for people to provide verification of vaccination and/or a negative test result to be able to access the building/events, in addition to the mask requirement. We have asked and are awaiting King County's response to whether negative testing will be required every day for multiple-day events. Proactively, Mr. Houg and Ms. Daniels reached out to Curative, and we now have a Curative COVID-19 testing operating onsite on Level 1 utilizing the Studio 14 space. This company previously operated a COVID-19 testing kiosk for the City of Seattle on the Pike Street sidewalk outside WSCC. This Curative test site is open for our clients, staff, public, and the hospitality community, and is by appointment only. Mr. Blosser is hopeful that answers will be forthcoming this week from King County prior to the October 25 deadline.

B. Update on WSCC Board Strategic Planning Retreat Meeting

Mr. Blosser provided an update on the WSCC Board Strategic Planning Retreat meeting, scheduled for Tuesday, October 26, 2021, and advised the draft agenda was included in the Board packets. The meeting will be a one-day event and Ms. Pamela Banks, Director – Seattle Office of Economic Development, has agreed to be the guest luncheon speaker. Ms. Banks was also a member of the Downtown Revitalization Working Group, and we are looking forward to what she has to say.

Mr. Blosser asked the Board members for their decision on if they wished the meeting to be in-person or conducted virtually as was done in 2020. Mr. Finneran surveyed the directors present and the consensus was for an in-person meeting with virtual/telephone access to be provided, as necessary.

C. Update on WSCC Labor Agreement Negotiations Process

Mr. Blosser advised that, as the Board will recall, in late 2019/early 2020 WSCC and the Unions were in the midst of negotiating our labor agreement when COVID-19 hit vigorously and on March 25, 2020 business/operations/events came to a halt. WSCC and the WSCC Labor Council came to an agreement to extend the Labor Agreement through 2021, and we are now resuming the bargaining process with the unions. The first meeting with our team and attorneys took place last week, and the intent is to begin bargaining in October, and for the process to be completed by end of the year/early 2022. Mr. Blosser is hopeful we will have an agreement in place to bring to the Board for approval in January 2022.

VIII. FINANCIAL REPORT

The Financial Report for August 2021 was reviewed by the Finance Committee earlier today and had been sent to the Board for review prior to today's meeting, and the full report is contained in the Board packet. Mr. Hecker advised that August, on the Operating side, is coming in at budget with lower revenues (-1.0% YTD) being offset by lower expenses (-13% YTD). Mr. Hecker expects the budgeted operating loss of \$5.5 million to be lower at \$4.5 million. Lodging taxes continue to lag, however August saw significant growth in anticipation of the Seattle economy opening up, and with lodging taxes and the additional sales tax, we can meet debt service. Parking was a major contributor to better than expected revenues with the continued support from the surrounding construction projects including the Addition project, as well as managing our relationship with Virginia Mason Medical Center. As Mr. Blosser had mentioned, we began to bring staff back in August, nevertheless through this process YTD overall expenses have been managed very well, leading to our overall positive outcome relative to budget through August. Mr. Hecker highlighted the Debt Service line item on the "Budget to Actual" document, advising that this line item does not include any of the new 2021 Junior Bonds or Tender & Exchange refunding amounts which were done after the budget numbers were adopted. As it relates to the cashflow analysis, the PFD has sufficient liquidity to meet the needs of our bond obligations, operations, and the Addition Project. We continue to fold most of our assets in very short instruments, mostly in the LGIP account, as interest rates are extremely low, and we will be spending these dollars within the next 6 to 9 months as the Project continues to ramp up to completion. Mr. Hecker wished to note that as of today, with the Board's approval of Additional Facility Project Draw Schedule Payment #82, we have hit a significant milestone as all the 2018 bond proceeds have been spent (\$1.2 billion).

Mr. Hecker reiterated that when he says the PFD has sufficient liquidity to meet our obligations for the operations and the project, he was specifically referring to the \$26.9 million in Operating Unrestricted Funds and the \$103 million in Unrestricted Other Funds, as these are the funds available to meet Debt Service, Operations, and the additional dollars allocated to the Project. On the fund balance chart, it was noted that we have expended all the PPP dollars and are submitting our PPP forgiveness documentation this week.

The Forecast for the operating side, we are projecting continues to look positive. The YTD Operating Surplus and Loss is projecting a loss of approximately \$5.7 million, with the forecast coming in at about \$4 million. These numbers do not include the PPP dollars. The story is a positive one relative to the budget heading to year end when we add back in the Sales & Marketing Tax, the Visit Seattle expenditures, and In-House Marketing,

To summarize, WSCC PFD hit a milestone as we expended all the 2018 Bond proceeds (\$1.8 billion), and with that we have done two significant debt sales this year with the 2021 Junior Bonds and the refunding & exchange of our 2018 Bonds. Mr. Hecker thanked Ms. Jules Miller, Accounting Manager, for managing all the documentation regarding the PPP loan and for working with our PPP underwriter at First Federal Bank on loan forgiveness. Mr. Hecker stated that what all this comes down to is that WSCC management is doing a very good job in managing the uncertainty of the current environment and managing our liquidity to meet the needs of all the constituents and stakeholders.

IX. FOR THE GOOD OF THE ORDER

Mr. Finneran wished to recognize Ms. Denise Moriguchi for her service to the WSCC PFD Board of Directors since being appointed by Mayor Ed Murray on February 22, 2017, to replace board member Ms. Karen Wong whose term ended in July 2016. Mr. Finneran was sorry to announce that Ms. Moriguchi has resigned from the Board as of September 30, 2021. On behalf of the Board and staff, Mr. Finneran thanked Ms. Moriguchi for her significant contributions during her time on the WSCC PFD Board and wished her the best of success.

X. ADJOURNMENT

Mr. Schafer made a motion to adjourn the September 28, 2021, Board meeting at 3:28 p.m. Ms. Gonzalez-Murillo seconded, and the motion was carried by the unanimous affirmative vote of all Directors present via video conference / conference call.