

Minutes

Washington State Convention Center
Public Facilities District

Regular Meeting of the Board of Directors
January 25, 2022

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, Mrs. Starkweather conducted a roll call of Board Directors to ensure a quorum in attendance, as well as to identify meeting attendees.

MEETING ATTENDANCE

Board Directors in Attendance (by video conference / conference call)

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

Officers in Attendance (by video conference / conference call)

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)

Margery Aronson, Addition Art Project
Melinda Altamirano, ARAMARK
Keith Hedrick, ARAMARK
Matt Shea, ARAMARK
Becky Bogard, Bogard & Johnson, LLC
Matthew Hendricks, Hendricks - Bennett, PLLC
Matt Griffin, Pine Street Group
Kelly Saling, Visit Seattle
Kris Cromwell, Visit Seattle
Tom Norwalk, Visit Seattle
Troy Anderson, Visit Seattle

Staff in Attendance

Melina Bermudez	David Cononetz
Krista Daniel	Michael McQuade
Tony Sheehan	Lorrie Starkweather
Loni Syltebo	Susnios Tesfaye
Earl Taylor	

Guests in Attendance (by conference call)

Lisa Libro, Build America Mutual
Alex McLaughlin, McKay Shields, LLC
Alma Elahee

II. APPROVAL OF MINUTES

November 23, 2021, WSCC PFD Board Regular Meeting and December 21, 2021, WSCC PFD Board Regular Meeting

Ms. Brown-Archie made a motion to approve the minutes of the November 23, 2021, and December 21, 2021, Regular Board meetings, 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 (January 2022)
2. Approval of Additional Facility Project Draw Schedule Payments, #86 (January 2022)

Informational Items:

1. WSCC Sales: December 2021 Summary Report
2. WSCC Sales: COVID-19 Impact on Regional-Local Business – December 2021
3. WSCC Monthly Expenditures Auditing Officer Certification
4. WSCC Parking Report
5. Food Service Report (ARAMARK)
6. WSCC Retail Report, 2021 Year End

Mr. Hillis made a motion to approve the Consent Agenda as presented. Mr. McLaughlin 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 that the Addition Committee held its regular monthly meeting earlier today and received a status report from Pine Street Group (PSG) on the priority items for consideration and on our efforts to receive reimbursement on our COVID-19 expenditures for the Addition Project and District Operations. The Project is also dealing with the unknowns associated with the Teamsters' strike as it relates to the delivery of concrete. Mr. Finneran requested Mr. Griffin to provide the Board with a brief presentation of the current status of the Addition Project items.

Mr. Griffin provided a brief update and advised that the schedule has had a difficult time resulting from a combination of the strike of the Teamsters' concrete delivery drivers, the continued impact of COVID-19, and some particularly bad weather at the end of the year. The delay in the schedule has moved the targeted Temporary Certificate of Occupancy (TCO) date from July 1 to August 1, 2022. Mr. Griffin said that the Teamsters' concrete strike is causing the most immediate issue, and PSG is participating in discussions with King County, WSDOT, Sound Transit, and others to determine possible ways to get concrete flowing again. On the sources & uses for the project, Clark-Lewis continues efforts to resolve the delays caused by American Bridge on the project. PSG is working on the recovery of the \$30 million in COVID-19 expenses for the project and \$5 million for WSCC Operations, and PSG has hired Insight Strategic Partners (ISP) to help with the legislative work, with Ms. Bogard (WSCC's contracted Public & Legislative Advisory Services) assisting ISP when requested.

B. Finance Committee

1. Update

Mr. Flowers advised that the Finance Committee met on January 20, 2022. We did not receive an Exit Conference from the Washington State Auditors at this meeting, as they requested more time to complete their report. The Exit Conference will be scheduled for an upcoming Finance Committee meeting. The Committee received an update on the District's investment report from Government Portfolio Advisors (GPA). GPA is working closely with Mr. Hecker to ensure funds are maintained in short-term investments so that he can make the moves of funds as required. Mr. Hecker and Mr. Blosser provided the Committee an update on the 2021 budget performance. Mr. Blosser advised that 2021 was a difficult year again as we were not able to hold events. We did have some event activity in April, May, and June, and then event activity dropped down again until September. Staff were called back into the building in August to be trained on our GBAC and safety protocols in anticipation of the PAX 2021 event over the Labor Day weekend. Mr. Blosser advised that while the event schedule was decent, attendance at the events was in the forty to sixty percent range of what we would consider normal attendance numbers. Although we saw a loss, we did make budget in terms of numbers, and the Paycheck Protection Program (PPP) funds helped that significantly. Mr. Hecker and the Finance team have submitted a request to have the PPP loan amount forgiven, and we anticipate having that information next month. Mr. Blosser also advised that the WSCC Sales team has worked hand-in-hand with the Visit Seattle Sales team to help as much as possible with moving events into future years which will be beneficial going forward for both buildings.

C. Government Affairs Committee

1. Update

Ms. Brown-Archie reported that the Government Affairs Committee is down one member, however, did meet on January 24, 2022. A number of guests were in attendance, including Mr. Griffin and Ms. Lewis from Pine Street Group, and the Committee was introduced to the lobbyist team from Insight Strategic Partners who have been contracted by Pine Street Group. The Committee is in the process of assisting with the legislative goal of obtaining funds to address the financial shortfall resulting from the impacts of COVID-19. At the meeting yesterday, the Committee discussed coordinating the legislative and lobbying efforts between Ms. Becky Bogard (WSCC's main lobbyist), Insight Strategic Partners (retained by Pine Street Group specifically to assist on the funding shortfall), and Mr. Joe Woods (lobbyist for Visit Seattle, who is working on tourism). The Committee discussed the importance of coordinating these efforts so as not to confuse the elected officials with the three different requests for funding and support, as the asks are very different. A one-page document was created by Pine Street Group that was approved by the Committee for use in discussions for the legislative effort at the State to get funding.

Ms. Brown-Archie requested Ms. Bogard to provide a brief update of the consultant report which was reviewed at the Committee. Ms. Bogard provided an overview on items in her report related to tourism and hospitality. In addition to the budget items that Ms. Brown-Archie spoke about, there are several other bills being proposed. One is to come out of the Senate Business and Financial Services Committee pertaining to legislation that was passed that creates a grant program for businesses that have suffered due to cancellations of conventions. Ms. Bogard has heard this is not slated to be a large grant program, but brings to the forefront a particular problem, and it could be beneficial for the District and Addition project as we continue efforts for additional funding. The legislation was proposed by the new Secretary of State and it is aimed at businesses like PAX and some of the others that have lost money. The wording is quite broad, though, and could include a convention and visitors bureau (CVB), or ARAMARK. As this bill makes its way through the legislature, we will be keeping an eye on it. In addition, there are several pieces of legislation that could impact the Hospitality Industry being brought forward, not necessarily proposed by the industry association but by people coming forward to help the cause. For example, one bill seeks to provide a tax incentive for creating new positions within the hospitality industry, and another suggesting additional B&O tax breaks.

Ms. Brown-Archie advised that the District's contract with Bogard & Johnson expires at the end of March 2022 and there are no further extensions available. As a public agency, the District is required to go out for a competitive solicitation for the contracted Public & Legislative Advisory Services after all extensions have been exhausted. The Government Affairs Committee is reviewing the proposed RFQ language to ensure it captures all the tasks and responsibilities we would have for lobbying services, with the effective date of the next lobbying services contract to be April 1, 2022. There are no restrictions on the number of contract terms for existing contractors, and Ms. Bogard is welcome to submit a response to the RFQ. Ms. Bogard's contract does take us through the current Legislative Session.

Ms. Brown-Archie reported that the Government Affairs Committee is reviewing the role of the Board Task Force and as the Board will recall, two of the Task Force members resigned their Board positions last fall. The Task Force was going to focus on City issues; things like civility, homelessness; and Ms. Brown-Archie thanked Mr. Woods and Mr. Norwalk for participating on the Government Affairs Committee and their generosity in reporting out on those issues. Ms. Brown-Archie said that we do not want to cause confusion with the legislators and City Council on these topics by requesting meetings with the Task Force at a time when we have more critical needs on the financial front. With that in mind, the Government Affairs Committee will defer discussions on reconfiguring and restaffing the Task Force efforts to late February or March.

2. Government Relations Consultant Report

Ms. Brown-Archie advised that the consultant update report from Ms. Bogard is contained within the Board packets.

D. Art Committee

1. Update

Ms. Gonzalez-Murillo reported that the Art Committee met on January 18, 2022, and she advised that the Committee is currently comprised of herself as Chairperson, and Mr. Finneran. We look forward to welcoming new Board Directors onto the Committee later this year.

Ms. Gonzalez-Murillo provided an update regarding the Ninth and Pike artwork status and reminded the Board of the background details of this Addition Art Program project. As the Board will recall, in 2018 as part of the Public Benefit Art Budget, the District committed to an artwork at Arch at the corner of 9th and Pike. This artwork is part of the package required and linked to the Summit building entitlement program (for Street and Alley Vacations), and it is very important that we ultimately have an artwork at this location. An overview of the artist selection process and the selection panelists was provided, and Ms. Gonzalez-Murillo advised the successful artist was Christian Muller, with the proposed large red Pendulum kinetic sculpture. As the Board will recall this site is challenging due to its scale, the shell veneer of the side of the Arch building, the limited options to carry heavy-weighted hang points, and behind the wall is the location for mechanical equipment. It became very expensive to continue this art concept. Structural studies were needed to further this artwork and the project ran into the unforeseen circumstances of funding the Summit building, and then COVID-19 arrived and all artwork projects were frozen. These challenges stalled the project and funds were simply not available to continue to research the structural challenges with the Pendulum for the site and meet the needed timeframe for opening in 2023. The Board Art Committee made the very difficult decision to not proceed with this work.

Ms. Gonzalez-Murillo advised that, as the District is required to have artwork at this site for our entitlements to be complete, the Board Art Committee met with Pine Street Group and the WSCC Art Advisors and have made the decision to re-engage Christian Muller to design a new artwork that is optimized from the site-learning that he developed during research for the Ninth and Pike location. This work is to be bold, colorful, and able to be viewed from many different locations and angles; is to meet the structural requirements, weight, support, and tension capabilities for the Arch building; and will be more of a wrapping-type artwork that equally distributes weight across the site. The Board Art Committee and the Art Advisors have approved an \$800,000 budget for this artwork and have approved the ability to transfer funds from the other art budget of (\$4.6 million) to successfully fund this work. These funds are well within the Addition Art Project budgets. Ms. Gonzalez-Murillo advised this report was simply to

provide an update to the Board on progress to re-engage this artist and move forward as this work is important and required for final permitting of Summit.

VI. VISIT SEATTLE & WSCC Sales Reports

A. Visit Seattle Destination Overview & Visit Seattle Sales Report

Mr. Norwalk reported on the Smith Travel Research (STR) Select Competitive Set numbers for December 2021. The Seattle Downtown market, along with our tracked competitive set, continue to make progress with occupancy rates (from 35.5% in Portland CBD, to 45.6% in Seattle Downtown, and up to 65.7% in Los Angeles CBD), average room rates (from \$129 in Portland CBD, \$159 in Seattle Downtown, and up to \$199 in Nashville CBD), and RevPar (from \$67 in Houston CBD, to \$73 in Seattle Downtown, and up to \$121 in Nashville CBD). STR reported December 2021 Year-to-date, Seattle Downtown occupancy rate of 43.4%; average room rate of \$169 and RevPar of \$73.

Mr. Norwalk advised that the 2022 Visit Seattle has two new Advisory Board members: Ms. Sara Nelson, Seattle City Councilmember; and Mr. Fred Felleman, Port of Seattle Commissioner.

Ms. Saling provided a 2021 Transaction Summary, advising that 2021 Tentative bookings (WSCC and In-House) had 844 Meetings, 1.1 million Total Room Nights, and \$3.6 billion in Economic Impact. Gross Bookings in 2021 (WSCC and In-house) had 313 Total Meetings, 366,490 Total Room Nights, and \$459 million in Economic Impact. Cancelled business in 2021 (WSCC and In-house) had 155 Meetings, 312,653 in Total Cancelled Room Nights, which reflects a loss of \$330.3 million in Economic Impact.

Ms. Saling advised that, as the Board may recall, January normally sees the annual PCMA (Professional Convention Management Association) Convening Leaders conference take place. This year saw a hybrid event in Las Vegas over the dates of January 9-12, 2022, with 2,500 in-person attendees and 600 virtual attendees. Visit Seattle hosted a pop-up happy hour with Visit Austin and eleven Seattle partners, and the team featured the SEAforSHE campaign with pins and beverages made with DRY soda.

Ms. Saling reported on WSCC room nights on the books compared to the West Coast competitive set and the Like-Size Cities competitive set, for years 2020 through 2025. Ms. Saling also reported on WSCC forecast versus business originally booked and remaining on the books, for attendance and room nights by quarter, as of January 19, 2022, for the period through 2022 Q4.

Ms. Saling advised that two separate site tours are scheduled for January 26, 2022, with approximately twenty Microsoft representatives from their production team and show owners. This will be a great opportunity to showcase WSCC and Summit.

B. WSCC Sales Report

Mr. McQuade wished to give a shout-out to Visit Seattle's Kelly Saling and Anita Cerana for their part in bringing the Microsoft group to tour the Center. WSCC has never had this many Microsoft decision-makers and influencers together for the sole purpose of viewing our event spaces and how it relates to their events. This was a big feat, and congratulations go to Ms. Saling and Ms. Cerana on this important site tour.

Mr. McQuade advised that the first in-person event for 2022 will be held this weekend (January 28 to 30). The Northwest Remodeling Show had been held annually at WSCC for approximately ten years and we look forward to having them back with us.

As Ms. Saling had mentioned, the annual PCMA Convening Leaders conference was held recently in Las Vegas. Ms. Pei-Hua Yen-Roy, WSCC's Senior National Sales Manager, attended the conference and upon returning noted that conference attendance appeared to consist of about two-thirds suppliers and one-third planners. In conversation with her peers and clients, they all agreed that this made sense as all the suppliers are very hungry for in-person events, and all the planners are cautious about having in-person events. Ms. Yen-Roy was able to meet with some of our customers including the Higher Education User Group which is a large tech group coming to the facility in March, as well as some programs that were here in late 2019/early 2020, and one of the programs from 2021, the American Society of Transplant Surgeons which was rescheduled from 2021 out to 2027, and the planner expressed her appreciation for Pei-Hua working with her to schedule those new dates.

Mr. McQuade provided a year-to-date at-a-glance report for the period of February to December 2021. For this period, WSCC & Visit Seattle Sales staff total combined top-line rent actualized \$1,760,148 for Convention Center contracted bookings (101% of FY2021 goal), with total net rent actualized coming in at 103% of goal at \$1,749,546, just slightly under forecast.

There were thirteen events hosted in November and December, realizing 12,327 in hotel room night bookings, with 25,750 delegates, and an estimated \$1,669,602 in top-line revenues. Year-to-date actuals saw 70,254 delegates, 23,698 in hotel room night bookings, and an estimated \$4,941,899 in top-line revenues (rent, food & beverage, services, and parking).

Mr. McQuade provided a summary of groups booked in November and December for 2021 and advised that there had been a technical issue in November and we were not able to provide the data for this month. For December 2021, WSCC Sales staff booked 7 new events into the Center with 122,400 estimated delegates, 4,220 forecast room nights, and \$1,485,540 in top-line forecast revenues.

VII. PRESIDENT'S REPORT

A. Completion of Operating Goals for FY2021, Resolution #2022-01

A RESOLUTION Approving Recommendation of the Board Committees Regarding Completion of the 2021 Operating Goals for the District.

WHEREAS, the District Board has determined it to be necessary and desirable and in the best interests of the District to provide for the organization of the District and to take certain actions as may be required from time-to-time; and

WHEREAS, the District Board feels that it is in the best interests of the District to adopt annual operating goals and to review end of the calendar year performance for those goals as a guidance measure for the Board, District Officers, and employees; and

WHEREAS, several 2021 operating goals were affected by the continued COVID-19 Pandemic conditions and were either reduced, postponed, or cancelled to meet the circumstances surrounding building closures, loss of revenues due to governmental action limiting the capabilities of the Center to conduct business, and event cancellations; and

WHEREAS, the individual Committees of the Board have monitored and reviewed the 2021 performance of the District throughout the year and are recommending approval to the Board that the 2021 Calendar Year Operating Goals for the District are complete with the needed adjustments due to the Pandemic.

Mr. Blosser reported that 2021 again was a very difficult year with the pandemic keeping the building closed for January – March, some business in April – June, and then closed again until September. The hotel occupancy rebounded in 2021 but is still well below historic levels causing funding shortages in almost all areas and again minimal funding for the WSCC sales and marketing efforts with Visit Seattle for national convention business. Mr. Blosser advised that the comments contained in his memo to the Board reflect the funding issues and the changes the Board had made to the 2021 goals. Some goals were not completed, and some were modified given the circumstances and funding issues to react to the pandemic and its effect on the building operations and revenue shortfalls. He walked through the twelve individual goals giving highlights for each and advising which goals were completed; completed with modifications; or were not completed given the circumstances and funding issues to react to the pandemic and its effect on the building operations and revenue shortfalls.

Mr. Blosser advised that the individual Committees of the Board have monitored and reviewed the 2021 performance of the District throughout the year and are recommending approval to the Board that the 2021 Calendar Year Operating Goals for the District are complete with the needed adjustments due to the Pandemic.

Ms. Gonzalez-Murillo made a motion to approve Resolution #2022-01, approving the satisfactory completion of the 2021 Calendar Year Operating Goals. Mr. McLaughlin seconded, and the motion was carried by the unanimous affirmative vote of all the Directors present via video conference / conference call.

B. Outreach Report, 2021 Year-end

Mr. Blosser advised that the 2021 Year-end Outreach Report had been distributed to the Board in their packets prior to today's meeting. As the building was closed for almost three-quarters of 2021, with event activities during Q4 (September to December 2021), we were not able to purchase locally or recycle/compost in our regular manner. However, good progress was made to ensure that we maintain our standards for how we operate the building, both from a purchase locally and sustainable perspective.

The District is looking to embrace the Diversity, Inclusion, and Equity (DEI) Program into 2022 as event business returns to the Center, and the Board has added this element to the President's performance measures with the goal of "Creating a Culture of Diversity, Inclusion, and Equity: Building Engagement." Mr. Blosser will be reporting out to the Board quarterly as well as in the President's In-Between-Board-Meetings Reports to show current achievements and our efforts to improve engagement for the agency. The District's major contractors/partners will also be part of this effort and will be reporting to the Board as to their DEI efforts, programs, and processes. Aramark will report out in March.

Mr. Blosser advised the Year-end report included hiring statistics for 2021 Q3 and Q4, and the total number of employees recalled and hired back were 84; 35 female hires and 49 males; 52 hired or recalled were minorities (63% of total hiring). Mr. Blosser will continue to report out on hiring as the data becomes available and start to set the current program and requested feedback from the Board as we go

Ms. Brown-Archie thanked Mr. Blosser for addressing some of the concerns the Board had regarding what was going to happen with the challenges of the Outreach Committee. Ms. Brown-Archie feels this is the right direction to take and as Mayor Harrell works to create a policy of diversity and inclusion city-wide, and to the extent that the Board will be seeking the City's support going forward, this is an avenue that the District can tout as one of the reasons why WSCC is an excellent partner for them in terms of Seattle's recovery. Mr. Finneran thanked Ms. Brown-Archie for her comments.

VIII. FINANCIAL REPORT

The Financial Report was distributed to the Board in their packets in advance of this meeting. Mr. Hecker advised that looking back on 2021 the report shows how robust and flexible the PFD is to address uncertainty, and it comes through in the final numbers that we saw for 2021, where our Net Operating Revenues for Marketing and Operations were \$1 million better than budgeted. A lot of this had to do with the Payroll Protection Plan dollars which meant that people were not on furlough for as long as scheduled and we could bring them back sooner. A lot of credit has to go to Mr. Tesfaye and the Parking Garage Operations as he maintained operations for both garages, almost single-handedly for the year, and for the help of the near-by construction sites for utilizing our parking garages. The downside was that as a result of the lower lodging taxes, we had to use approximately \$25 million in cash to support debt service in 2021. One theme, as a take-away, is that we tend to be very conservative in creating budgets, and that allowed the District to take advantage of one-time sources of revenue and to control expenses to meet uncertainties. We continue to face uncertainties as we move in to 2022.

December 2021 operating loss was \$633,254 despite three events and another strong month of parking revenues. Net operating loss missed budget by \$234,391 due to a material miss in food service, lower facilities services and higher salaries, wages, and benefits. YTD operating revenues were down 19.1% compared to budget and operating expenses were under budget by 4.1%. Unfortunately, the gains made at the beginning of the year were not enough to overcome the weakness through year-end due to the rise of COVID variants. YTD operating loss was 17.9% or \$1.02 million above budget. The Payroll Protection Program Grant/Loan offsets much of the loss. When marketing expenses are added, the total yearly loss is \$12.6 million versus \$11.1 million budgeted or 13.9% over budget. On a positive note, December Lodging Tax and Additional Sales Tax revenues (reported with a two-month lag) exceed monthly accrued debt service.

Mr. Hecker reported on the Operating Forecast for 2022. As the Board is aware, we started the year with a few cancellations, and after consulting with the Directors and adding their data into the forecast, with the loss of events we are looking at a shortfall year, with the Operations Surplus & Loss down 3.3% for the forecast for the year. We have the balance sheet wherewithal and the cash on hand

to deal with any uncertainty as we go forward. Parking revenues are expected to continue following the current revenue trend to show strong revenue from construction, early-bird, 12-hour special, and from Virginia Mason Hospital employee parking. Regarding expenses, the forecast indicates a slight reduction in salaries, wages, and other services, with remaining expenditures being similar to budget.

XI. ADJOURNMENT

Mr. Schafer made a motion to adjourn the January 25, 2022 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.