

Minutes

Washington State Convention Center
Public Facilities District

Regular Meeting of the Board of Directors
March 22, 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 2:02 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
Robert Flowers
Susana Gonzalez-Murillo
Jerry Hillis
J. Terry McLaughlin
Craig Schafer

Board Directors Absent

Deryl Brown-Archie, Vice Chair

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
Alison Birdwell, ARAMARK
Melinda Altamirano, ARAMARK
Keith Hedrick, ARAMARK
Becky Bogard, Bogard & Johnson, LLC
Matthew Hendricks, Hendricks - Bennett, PLLC
Matt Griffin, Pine Street Group
Chris Raftery, Raftery CRE, LLC (attended Executive Session only)
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	Earl Taylor

Guests in Attendance (by conference call)

None

II. APPROVAL OF MINUTES

January 25, 2022, WSCC PFD Board Regular Meeting

Mr. Schafer made a motion to approve the minutes of the January 25, 2022, Regular Board meeting as presented. Mr. Hillis 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. To Recognize Service to the WSCC PFD Board, Resolution #2022-03

A RESOLUTION by the District Board Recognizing the Service of Tom Norwalk.

Mr. Finneran advised that, while the Board and staff are sad to see him go, we are pleased that Mr. Norwalk has achieved this remarkable milestone in his life.

Mr. Finneran recited from Resolution 2022-03, WHEREAS Tom Norwalk has served the City of Seattle, the State of Washington, the Hospitality Community, and the Board of Directors of the Washington State Convention Center for the past 15 years as President and CEO of Visit Seattle; and

WHEREAS, Mr. Norwalk has provided distinctive leadership and partnership to the Board with his considerable knowledge and experience elevating the status of the City of Seattle and the Washington State Convention Center as a world-class leisure and convention destination; and

WHEREAS, Mr. Norwalk's tireless efforts and unwavering commitment to promote, market, and sell the Convention Center, has delivered extraordinary results to increase sales, jobs, and economic impact to the surrounding region while providing invaluable civic contributions to the community and support of the District's Board mission; and

WHEREAS, the dedicated public service partnership and wise leadership of Mr. Norwalk to the Washington State Convention Center Board should be honored, recognized, and remembered.

NOW, THEREFORE, BE IT RESOLVED that the District Board expresses its gratitude and sincere appreciation to Tom Norwalk for his leadership, partnership, and unmatched dedicated service to enable the Board to achieve its goals and fulfill its mission over the last 15 years.

Mr. Schafer made a motion to approve Resolution 2022-03, recognizing the service of Tom Norwalk to the WSCC PFD Board. Ms. Gonzalez-Murillo seconded, and the motion was carried by the unanimous affirmative vote of all Directors present via video conference / conference call.

Mr. Norwalk thanked the Board for this honor and provided a few historical comments of fondly remembered Board meetings and events, his past employment within the hospitality/hotel industry, and advised that he will continue to be an advocate for the Center, the city/region/state, albeit in a volunteer capacity.

B. 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 (February 2022)
2. Ratification of Additional Facility Project Contract List (March 2022)
3. Approval of Additional Facility Project Draw Schedule Payments, #87 (February 2022)
4. Approval of Additional Facility Project Draw Schedule Payments, #88 (March 2022)

Informational Items:

1. WSCC Sales: February 2022 Summary Report
2. WSCC Sales: COVID-19 Impact on Regional-Local Business – February 2022

3. WSCC Monthly Expenditures Auditing Officer Certification
4. Benefits Committee – 2021 Summary Report
5. WSCC Parking Report
6. Food Service Report (ARAMARK)

Mr. Hillis made a motion to approve the Consent Agenda as presented. Ms. Gonzalez-Murillo seconded, and the motion was carried by the unanimous affirmative vote of all Directors present 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). Mr. Finneran noted that there will be an Executive Session held relative to the Addition Project schedule delays for discussion with legal counsel. One item that is of importance to the District is the ongoing 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, advising that the Summit building is taking shape. The contractor is clearly struggling with the schedule which has been significantly impacted by the striking Teamsters' concrete delivery drivers which has lasted over 100 days. The concrete strike has caused about a two and one-half month delay in the Temporary Certificate of Occupancy (TCO) for the project, moving it to the end of September/beginning of October. Mr. Griffin advised that the contractor has purchased its own concrete trucks and is seeking union drivers with Commercial Drivers Licenses (CDL) to operate these trucks. To date there are approximately 950 construction workers on the site and Mr. Griffin advised that the contractor would like to have 1,100 workers. There is a substantial amount of work being conducted, however many of the items on the Critical Path are not able to be completed. For example, the foundation walls and slabs located north of Olive that are critical to complete the Loading Dock area, and sidewalks and entrances on Pine Street or Boren Avenue.

Mr. Griffin reported on Sources & Uses for the Project, and as the Board will recall, in its' last Legislative Session the State Legislature did provide the Convention Center with \$20 Million of the \$35 Million requested by the District (\$30 Million for COVID-19 expenses for the Addition project and \$5 Million for WSCC Operations). Mr. Griffin advised that PSG's legislative efforts were led by Insight Strategic Partners (ISP) 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 today and had an opportunity to meet the new Financial Audit team from Moss Adams. The Committee approved Moss Adams audit plan and they hope to have the audit completed by end of May / early June. Mr. Blosser advised that the Selection Committee chose Moss Adams as the apparent successful proposer, and we are looking forward to having them onboard.

C. Government Affairs Committee

1. Update

In Ms. Brown-Archie's absence, Mr. Blosser reported that the Government Affairs Committee met on March 21, 2022, and discussed a number of items. Mr. Blosser advised that through the united efforts of Insight Strategic Partners (contracted by Pine Street Group), Mr. Griffin and Ms. Lewis from Pine Street Group, Ms. Bogard (WSCC's main lobbyist), Mr. Norwalk, representatives from Labor, and others to assist with the legislative goal of obtaining funds to address the financial shortfall resulting from the impacts of COVID-19, the Legislature did get approved, giving WSCC \$20 million of the \$35 million requested. The Committee also received updates from Ms. Bogard on legislative activities in the City and King County,

and an update from Mr. Norwalk and Mr. Joe Woods on Visit Seattle's efforts with the City regarding an increase to the Seattle Tourism Improvement Area (STIA) fee, to help with marketing and allow for increased travel and tourism promotion for the city and region. It was Mr. Blosser's understanding that the proposed STIA amendment has passed out of the Council Committee and will be brought to the full City Council for approval on March 29, 2022. If approved, this would raise the current STIA surcharge fee from \$2 to \$4 per hotel room night and will help to improve Visit Seattle's ability to market and sell the community, city, and region.

Mr. Blosser requested Ms. Bogard to provide a brief update of the consultant report which was reviewed at the Committee and was contained in the packet previously sent to the Board.

Mr. Blosser advised that the Government Affairs Committee were provided an update on the RFQ process for the contracted Public & Legislative Advisory Services which is currently out on the street. It is anticipated that responses will be received by the end of March, with the review of responses and interviews to follow as necessary. Ms. Bogard's current contract expires March 31, 2022.

2. Government Relations Consultant Report

Mr. Blosser advised that the consultant update report from Ms. Bogard is contained within the Board packets.

D. Art Committee

1. Approval of WSCC PFD Art Foundation Request to Accept Donated Art, Resolution 2022-02

A RESOLUTION by the Board of Directors of the Washington State Convention Center Public Facilities District ("District") approving the request from the Washington State Convention Center Art Foundation ("Art Foundation") to accept art donated to the Art Foundation for display in the District's facilities.

Ms. Gonzalez-Murillo reported that the Art Committee, comprised of Ms. Gonzalez-Murillo and Mr. Finneran, met on March 16, 2022, to review a request by the Art Foundation to accept art donated to the Art Foundation for display in the District's facilities. This includes up to thirty (30) art works from the US Bank Centre. A memo from the Art Foundation providing details of the donation from the US Bank Centre of the Pilchuck Glass Collection was contained in the Board member's packets for review. The memo listed the works and their artists, as well a presentation of images of the artworks was provided to the Board for their review.

Ms. Gonzalez-Murillo advised that the Art Committee is recommending Board approval of the Art Foundation receiving this donation. Mr. Flowers made a motion to approve Resolution 2022-02. Mr. McLaughlin seconded, and the motion was carried by the unanimous affirmative vote of all Directors present via video conference / conference call.

E. Long-Range Planning Committee

1. Update

Mr. McLaughlin reported that the Long-Range Planning Committee met on March 3, 2022, and discussed several topics, including: The draft Summit Grand Opening plan and budget; Staff's meeting with Seattle Department of Construction and Inspections regarding WSCC land use issues; Two vacant Mayoral-appointed Board positions that continue to be vacant since the departure of Denise Moriguchi and Nicole Grant in the fall of 2021; Mr. Blosser provided an industry trends update regarding coming out of COVID-19; Hospitality industry staffing shortages locally and across the nation; Security issues in the downtown core; Staffing plan to ready the District for opening of Summit in 2023 being delayed to late August 2022 due to the TCO slippage; and, the Community Engagement Strategy for the Summit opening to include messaging to the community, stakeholders, and neighbors on construction issues, community benefits from the Project, and economic impact the District facilities will provide once both buildings are open.

F. Facility Committee

1. Update

Mr. Hillis reported that the Facility Committee met on March 18, 2022, and received updates from staff and discussed several items, including:

- The South Hand Carried Freight Elevator, the primary heavy lift conveyance servicing the garage, loading docks, and Ballroom at Arch, has been returned to service after a four (4) month period of troubleshooting and repair.

- The Committee reviewed the 2021 Capital Project List with completed and uncompleted projects. Notably, the conveyance projects for the elevator car top handrails and step chain replacement were completed, as was the hands-free service enhancements project. The signage project reflecting the name change from Washington State Convention Center to Seattle Convention Center was started in 2021 and will be carried over to be completed in 2022. The funds associated with the sign project, as well as unspent funds from the proposed projects, were retained within the Capital Reserve Fund.

- The Committee received an update on 2022 progress on the Board-approved Capital Projects List. Glass replacement due to vandalism at Arch, and the Signage Project continuing to an expected completion by the end of April. A new project has been approved by the Committee for 2022, within the approved and existing total funds approved by the Board, to replace a failed steam water heater that supports the north levels of the McKay expansion. Funding for the steam water heater is being provided by reductions to the exterior lighting project line item.

- The Committee was briefed on property damage inflicted at the MLK Marshalling Yard by unknown persons who removed the majority of the electrical wiring throughout the property near Thanksgiving of 2021. The property is currently de-energized and safe. Staff have engaged with an electrical contractor to generate a new power riser diagram and plan in order to bid for replacement wiring work. Cost for re-wiring the Marshalling Yard is estimated to be more than \$50,000.00.

- The Committee was also briefed on damage sustained to escalator #18 that serves Galleria Level 1 to Level 2 North over McKay/7th & Pike entry. Foreign debris was lodged in a component of the machine that has worn down a portion of every stair tread of the unit. The unit is not expected to pass its next annual inspection by Labor and Industries as a result of this damage. A quote has been provided by our services contractor of \$85,000.00 to affect repairs. Mr. Hillis advised the Committee is expecting a request from WSCC staff with a plan to fund the required repairs at the next Committee meeting.

G. Benefits Committee

1. Update

Mr. McLaughlin reported that the WSCC Benefits Committee met last on February 4, 2022. The partners present at the meeting included Benefits Committee staff, RBC plan advisors, and a Milliman relationship manager. Key highlights of the meeting included a discussion regarding the Investment Policy Statement; A review of the fund changes that became effective January 17, 2022; The Committee unanimously voted to approve to continue to use the forfeiture account funds to pay for plan expenses; There were no funds on the watch list; and, eight RBC general education meetings for plan participants are planned to be held this season.

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 February 2022. The Seattle Downtown market, along with our tracked competitive set, continue to make progress with occupancy rates (from 41.0% in Seattle Downtown, and up to 75% in Phoenix Central), average room rates (from \$131 in Portland CBD, \$153 in Seattle Downtown, and up to \$249 in Phoenix Central), and RevPar (from \$54 in Portland CBD, to \$63 in Seattle Downtown, and up to \$187 in Phoenix Central). STR reported February 2022 Year-to-date, Seattle Downtown occupancy rate of 35.2%, up 94% from prior year; average room rate of \$150, up 36% from prior year; and RevPar of \$53, up 163.8% over prior year.

Mr. Norwalk thanked Mr. Blosser and Mr. Schafer for their participation on the Visit Seattle CEO Search Taskforce. There were six potential candidates identified, and this has now been short-listed to two.

In Ms. Saling’s absence, Mr. Norwalk provided an update on booking progress for the two buildings, Summit and Arch, for years 2023 to 2027 / pace to consumption targets. Mr. Norwalk 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.

Mr. Norwalk reported that as of March 22, 2022, there are now 98 cancellations of national programs at the Washington State Convention Center. We have proposed re-booking future dates for 82 of these programs (not including annual repeat programs). The 4 we haven’t proposed dates for are due to yield management decisions, where those groups don’t yet fit properly to maximize space and results in the WSCC.

Mr. Norwalk also reported on WSCC forecast versus business originally booked and remaining on the books, for attendance and room nights by quarter, as of February 15, 2022, for the period through 2022 Q4.

B. WSCC Sales Report

Mr. McQuade provided a year-to-date at-a-glance report for the period of January to February 2022. For this period, WSCC & Visit Seattle Sales staff total combined top-line rent actualized \$361,900 for Convention Center contracted bookings (84% of FY2022 goal). For this period, WSCC top-line rent actualized \$293,280 and 2,555 room nights.

There were five events hosted in January and February 2022, realizing 10,593 in hotel room night bookings, with 52,162 delegates, and an estimated \$95,056 in top-line revenues. Year-to-date actuals saw 52,162 delegates, 10,605 in hotel room night bookings, and an estimated \$975,055 in top-line revenues (rent, food & beverage, services, and parking).

Mr. McQuade provided a summary of groups booked in January and February 2022. WSCC Sales staff booked 13 new events into the Center with 12,950 estimated delegates, 853 forecast room nights, and \$921,406 in top-line forecast revenues.

VII. PRESIDENT’S REPORT

A. COVID Issues and Industry Trends

Mr. Blosser advised that all attendance requirements are no longer mandated for indoor events regarding vaccination verification, negative tests, or masks. WSCC will follow show requests if they need to wear masks, require vaccine verification for entrance to the show or a negative test. Staff and contractors will comply with show requirements. Mr. Blosser advised that as the health authorities are watching the new BA.2 Omicron variant, we will be monitoring their decisions as it relates to show management requirements over the next two months. The Curative testing center will remain on site at WSCC through at least April and WSCC can extend them if needed.

B. Diversity, Equity, and Inclusion (DEI) Program Report

Mr. Blosser advised that the Board received his report regarding where we are from a staffing standpoint after recalling team members. Numbers are down from 2019 and reflect current team members:

<u>162 Employees:</u>	45% White	55% Minorities for whole team	60% Male	40% Female
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Mr. Blosser said that staff will continue to review our hiring outreach avenues to be more inclusive in our search for new employees. As the Board will recall, as part of the DEI Program for 2022, the District’s major contractors/partners will also be part of our efforts to improve engagement for the agency and will be reporting to the Board as to their DEI efforts, programs, and processes.

ARAMARK is the District’s contracted exclusive food & beverage provider, and Mr. Blosser introduced Ms. Birdwell and Ms. Altamirano to report on ARAMARK’s corporate and local Diversity, Equity, and Inclusion Programs.

C. Update on Branding and Launch of Seattle Convention Center “dba” (doing business as)

Mr. Blosser provided an update on the rebrand timeline for the name change to Seattle Convention Center:

External monumental signage installation	Mid-March through mid-April
Rebrand-in-progress awareness campaign (Window signs, digital signage)	Mid-March through mid-April
Rebrand notification letters sent (Clients, neighbors, retailers, vendors, contractors)	Late March
Media release via Visit Seattle	To coincide with Pike Street signage installation
Official date of name change	April 18, 2022
Rebrand awareness campaign (Social media, signage, MS Teams backgrounds, website)	April 18 through May 2022
Advertising (425 Business, WSAE, and PSBJ)	April, May, June, August

VIII. FINANCIAL REPORT

The Financial Report was distributed to the Board in their packets in advance of this meeting. Mr. Hecker advised that the PFD continues to maintain the liquidity and resources to meet the obligations associated with debt service, operations, and the project.

Mr. Hecker advised that the month of February looks stronger than it really is because of damages collected associated with cancelled January events. Adjusted monthly revenue performance missed expectation by about \$450,000 or 19%. The unadjusted amount for the damages operating loss was about \$170,000 or 80% better than expected. YTD revenues missed budget by 43.3% and YTD operating expenses are down 30.7%, meaning YTD operating loss is 9.0% over budget. Mr. Hecker reminded the Board that there are no lodging tax revenues currently available to support either internal or external marketing expenses. A slower rate of hiring is reducing Salaries and Benefits resulting in Marketing expenses coming in 3.5% below budget. Overall, YTD net operating loss missed budget by 3.3%.

On a positive note, Mr. Hecker reported that February Lodging Tax revenue beat budget by 4.3% however, as expected the Additional Lodging Tax was used to meet monthly accrued debt service.

Parking operations continues to perform well, beating budget by 36.4% for the month, and ahead of budget YTD by 23.9%. There are some early positive signs of office workers returning to downtown. The reserve lot is nearly full. Parking continues to be supported by Summit construction, Virginia Mason Hospital staff, and the exceptional work of our Parking Manager Susnios Tesfaye.

A high-level review of overall Operations was provided with Mr. Hecker advising that Operations continue to lag as a result of cancelled events. Lodging taxes are holding and are supported by the additional sales tax, so unlike the prior year should meet expectations for debt service for current year. On the cashflow analysis, the major drivers of a reduction in cash are the spend on the Addition project. Mr. Hecker advised that the majority of the District’s liquidity (78%) is maintained in the State LGIP Fund to be in a very short basis points environment. On Use of Funds, the majority of our funds are set aside for use for the Addition project, either in the form of bond proceeds or the segregation of funds for Summit. Mr. Hecker noted that the District’s PPP loan, that we received last year, has been totally forgiven. Mr. Hecker thanked the Accounting/Finance staff and First Federal Bank for the great work done to track the funds throughout the process. Mr. Hecker advised that the Use of Funds chart is provided to

show the Board the Unrestricted, Committed, and Restricted funds, essentially dollars the Board has to spend or can change to spend, and dollars that cannot be spent that are already allocated.

Mr. Hecker reported on the three-month revenue/expense Forecast for 2022 and overall, it is anticipated that, on the Operating side, we will miss budget by \$2 Million, due to cancelled events in January and in May, along with slower recruitment/hiring than was anticipated. Mr. Hecker summarized by saying our liquidity is high; we are conservatively invested; and we've maintained the resources to pay debt service, operating, and commitments to the Addition project.

IX. EXECUTIVE SESSION

Mr. Finneran 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 for twenty (20) minutes. The purpose of the Executive Session was to review a matter with legal counsel. The Executive Session commenced at 3:30 p.m. In addition to the Board members present by video conference / conference call (Finneran, Flowers, Gonzalez-Murillo, Hillis, McLaughlin, Schafer); attendance at the Executive Session included Mr. Blosser, Mr. Hendricks, Mr. Griffin, and Mr. Raftery. At 3:50 p.m., the Executive Session was extended by ten (10) minutes. The regular open meeting reconvened by videoconference at 4:00 p.m. with attendance by the Board of Directors, Mr. Hendricks, Mr. Blosser, Mr. Griffin, and Mrs. Starkweather. No action was taken following the Executive Session.

XI. ADJOURNMENT

Mr. Hillis made a motion to adjourn the March 22, 2022, Board meeting at 4:01 p.m. Mr. Schafer seconded, and the motion was carried by the unanimous affirmative vote of all Directors present via video conference / conference call.