

Minutes

Washington State Convention Center
Public Facilities District

Regular Meeting of the Board of Directors
September 27, 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., in Room 2B, of the Convention Center. Meeting attendance was also available 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. Ms. Garrow was unable to join the meeting until 2:30 p.m. No Board action was taken until Ms. Garrow's arrival and the quorum was confirmed.

MEETING ATTENDANCE

Board Directors in Attendance

Frank K. Finneran, Chair
Deryl Brown-Archie, Vice-Chair
Robert Flowers
Katie Garrow (by video conference)
Craig Schafer

Board Directors Absent

Susana Gonzalez-Murillo
Jerry Hillis
Taylor Hoang
J. Terry McLaughlin

Officers in Attendance

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 (by telephone)
Keith Hedrick, ARAMARK
Quiller McCurry-Willis, ARAMARK
Matthew Hendricks, Hendricks - Bennett, PLLC
Emelie East, CBE Strategic
Will Yoder, LMG Inc.
Matt Griffin, Pine Street Group
Jane Lewis, Pine Street Group
Tammy Canavan, Visit Seattle
Kelly Saling, Visit Seattle
Troy Anderson, Visit Seattle
Peter Andersen, Visit Seattle
Julie Hart, Visit Seattle (CFO by Design)

Staff in Attendance

Michael McQuade
Lorrie Starkweather
Tony Sheehan
Loni Syltebo

II. APPROVAL OF MINUTES

July 26, 2022, WSCC PFD Board Regular Meeting

Ms. Brown-Archie made a motion to approve the minutes of the July 26, 2022, Regular Board meeting, as presented. Mr. Schafer seconded, and the motion was carried by the unanimous affirmative vote of all Directors present, in person and 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. Approval of Additional Facility Project Draw Schedule Payments, #93 (August 2022)
2. Approval of Additional Facility Project Draw Schedule Payments, #94 (September 2022)
3. Ratification of Additional Facility Project Contract List (August 2022)
4. Ratification of Additional Facility Project Contract List (September 2022)

Informational Items:

- A. SCC Sales Summary: August 2022
- B. SCC Sales: Regional-Local Booking Performance – August 2022
- C. SCC Monthly Expenditures Auditing Officer Certification
- D. SCC Parking Report
- E. Food Service Report (ARAMARK)

Mr. Flowers made a motion to approve the Consent Agenda as presented. Mr. Schafer seconded, and the motion was carried by the unanimous affirmative vote of all Directors present, in person and 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). Unfortunately, the date for Temporary Certificate of Occupancy (TCO) and when the District can take possession of the building has been further delayed from October 11 to November 11. Work will continue around the delay in TCO for the things we have to do in early December, and to get the building open and operating in January 2023 for the first scheduled events. 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 on the setback in the schedule for TCO and advised that we are working with the Seattle Fire Department as they inspect the fire and life systems to ensure all are operating as required. Work also continues on the pieces required to get the building finalized such as getting the finishes in place and in a position where the Convention Center can hold its first events later this year. We are all focused on TCO and completion of the facility. On Finances, Mr. Griffin advised that costs appear to be holding and that they are optimistic that if the project does not encounter any major issues, they should come out almost in balance with the Sources and Uses. This does include the fact that a decision was made to delay some tenant improvements and a few other items.

Mr. Flowers requested Mr. Griffin to provide an update on the cracking of the concrete as mentioned in the monthly report. Mr. Griffin advised that a solution has not yet been determined.

However concrete dries and sometimes cracks, but there is more cracking in certain sections of the concrete finished surface than we'd like. PSG and the General Contractor are working to determine a remedy for this situation, to determine the cause, and responsibility for the costs involved.

B. Government Affairs Committee

1. Update

Ms. Brown-Archie advised that the Government Affairs Committee met earlier today and met with our government relations consultants, CBE Strategic. Ms. Brown-Archie requested Ms. East to provide the Board with an overview of items in the CBE Strategic monthly report related to the City, County, and State updates, SCC priorities, and other notable activities. Ms. Brown-Archie advised that Ms. Eileen Sullivan, Sullivan Advocacy, is part of our consultant team under CBE Strategic. The Committee will be tasking CBE Strategic and Ms. Sullivan with looking into some issues at the State level surrounding state funding and any potential legislation that may be necessary. There will be some decisions at the Board level that Chairman Finneran will lead in terms of determining whether a legislative fix will be necessary to provide funding relief.

As the Board will recall, the Washington State Convention Center Public Facilities District ("dba" Seattle Convention Center) is a member of the Association of Washington State Public Facilities District (AWSPFD). The AWSPFD held its annual meeting on September 21, 2022. Ms. Brown-Archie and Mr. Blosser attended this meeting. Guest speakers included representatives from the WA Department of Commerce and the WA State Auditor's Office. Mr. Jim Hedrick, lobbyist for AWSPFD, shared with the group that the State does have a significant amount of funding on hand for mental health remedies, and this caught Ms. Brown-Archie's attention as SCC and the Board are concerned about civility and how this impacts the Seattle area and convention business. The point was made however that the state does not have the infrastructure to follow through on those expenditures and the funding may be used elsewhere if not used in the next six months. The Committee will be requesting Ms. Sullivan to look into this. Mr. Blosser shared observations about civility and public safety and what's going on around the SCC facilities. SCC staff are constantly monitoring, and the Committee would like to see if there are some advocacy efforts that could be undertaken as far as policies that will improve the situation. Ms. Brown-Archie said that it does appear that the City of Seattle is going in the right direction now.

2. Government Relations Consultant Report

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

C. Finance Committee

1. Update Report

Mr. Flowers advised that the Finance Committee met earlier today. The Committee received an update from Pine Street Group on the Addition project finances from Mr. Griffin.

Mr. Blosser and Mr. Hecker provided the Committee an update on the draft 2023 SCC operating budget, and this will be a discussion item for the Board at the Strategic Planning Retreat at the end of October.

The Committee was briefed on upcoming property insurance costs, and this will be a topic of discussion at the Board Retreat as well. Mr. Blosser wished to give the Board a heads up regarding the costs associated with the addition of a second building, and in particular with the costs for earthquake insurance. Staff are working with SCC's insurance broker, Alliant Insurance Services, Inc., on options and potential vendors. Mr. Blosser advised that the insurance is to be approved at the November Board meeting, prior to the December expiry date. Mr. Finneran requested to have SCC's insurance broker provide the Board with a better understanding of what is involved in the arena of earthquake insurance. Ms. Brown-Archie requested to know if Alliant Insurance Services have access to the list of agencies involved with AWSPFD and if there could be any cost benefits. Mr. Blosser to check with our broker.

The Committee reviewed the August 2022 Financial Operating Statement, being presented to the Board today by Mr. Hecker.

D. Art Committee

1. Review and Potential Approval of Addition Artwork Concept

In Ms. Gonzalez-Murillo's absence, Mr. Blosser advised that the Art Committee met on September 22, 2022, and was presented two Addition Art Project items for review and recommendation to the full Board. The first item is the approval of the art concept for the Ninth and Pike Project to be displayed on the Arch Building. Mr. Blosser requested Ms. Lewis to provide a brief overview.

Ms. Lewis advised that, as the Board will recall, there are two public benefit artworks that we need to provide through our work with the City of Seattle. One of the locations is on the exterior of the existing Convention Center at Ninth and Pike. Artist Christian Moeller created a concept for that location that was a kinetic pendulum, however due to a variety of structural concerns we have needed to move on to a different concept by Christian Moeller. This is an \$800,000 artwork and the funds for it currently exist within the Addition Project Art Budget. Ms. Lewis asked Ms. Brunner to describe this new concept. Ms. Brunner showed a presentation of the Christian Moeller artworks concept being created for installation on the exterior wall of the Arch building at Ninth and Pike Street. An explanation of the building's construction in this location, along with a description of the necessary structural/engineering analysis conducted by SCC Operations staff to ensure the installation was possible and the steps necessary were taken into consideration. Ms. Brunner advised this project has been structurally challenging, and she extended appreciation to Mr. Houg, SCC Vice President of Operations, and Mr. Cononetz, SCC Director of Facilities, for their assistance to make this happen. Explanation of the artist's ideas for the artwork and the creative process were given, along with colorful examples of how it will appear installed on the building from different viewpoints. Ms. Lewis advised that the two public benefit artworks were conceived along with the Seattle Design Commission (SDC), and Ms. Brunner has previewed this new concept with the SDC and they are very enthusiastic about it.

Mr. Blosser advised that the Board Art Committee has reviewed this concept created by Christian Moeller, as has the Project Art Advisors, and both groups approved, and recommend this concept to the full Board for approval.

Mr. Finneran made a motion that the Board approve the recommended Christian Moeller art concept for the Ninth and Pike Project to be displayed on the Arch building. Ms. Brown-Archie seconded, and the motion was carried by the unanimous affirmative vote of all Directors present, in person and via video conference / conference call.

2. Review and Potential Approval of Studio Artwork Purchase

Mr. Blosser advised that the second item has to do with the selection of Studio Art to be purchased and placed in approved locations as part of the art program for Summit. Mr. Blosser requested Ms. Lewis to provide explanation of the process for selecting these pieces.

Ms. Lewis advised that it has always been part of the plan for the Addition Art budget to purchase studio artwork to hang on the walls of Summit. A selection process had been established and completed, and the Addition Art Advisors have a selection of artwork that we would like to get approval for. This is a collection of artworks, and Ms. Lewis advised the Art Program will do their best to purchase as many of these artworks as we can. Some of them are on the market now and may have already been purchased, so we may need to make substitutions, however these are a selection of the artworks in general. Ms. Lewis requested Ms. Brunner to describe the artworks and the selection process. Ms. Brunner advised that this collection of artworks typifies some of the guiding principles that have been with the Art Advisors and Committee from day 1 and that is first inclusivity and diversity, secondly giving emerging artists a chance to be showcased in the building, as well as some of our most well-known and respected artists, and finally spreading the wealth. They have been very clear that they want a lot of artists in our community to benefit from this extraordinary investment in art. This collection highlights all of those guiding principles. Ms. Heather Dwyer, a long-time member of the WSCC PFD Art Advisors as well as an Addition Art Project Advisor, facilitated the selection process. Three curators from the

Seattle-King County Region joined the selection panel. The selection panel researched the artists as well as their available artworks, and consulted a list developed by the Convention Center and spearheaded by Ms. Margery Aronson and Mr. Tim Purtill, also members of the selection panel. The collection is very diverse, but it will come together beautifully in the various locations that have been pre-determined since the building's design and showcases some of the most well-known artists of our region as well as some of the rising superstars. Ms. Lewis advised that this is a \$525,000 investment by the Convention Center and those funds exist in the Addition Project Art budget currently. Ms. Brunner advised that the purchase price of the artworks includes the estimated framing cost and sales tax, and that the cost will remain within the budgeted amount. Mr. Finneran wished to note that Ms. Gonzalez-Murillo is quite excited about this proposed collection.

Mr. Finneran moved that the Board approve the selection and purchase of these art pieces for the Summit project as presented and recommended by the Board Art Committee. Ms. Brown-Archie seconded, and the motion was carried by the unanimous affirmative vote of all Directors present, in person and via video conference / conference call.

VI. VISIT SEATTLE & WSCC Sales Reports

A. Visit Seattle Destination Overview and Convention Sales Recap

Ms. Canavan provided an overview of some priority initiatives that Visit Seattle has been pursuing related to incremental revenues for 2023, and the potential for some funding from governmental grants. As well, several internal reviews are being undertaken to ensure cost efficiencies are in place, along with alignment of internal processes, and leading into culture and leadership development. Ms. Canavan and Mr. Blosser have been meeting regularly to work to unite on initiatives and teamwork. Ms. Canavan updated the Board on Visit Seattle current open positions and was happy to announce the hiring of several new team members. Pre-pandemic, Visit Seattle was at 72 FTE. At the worst of the pandemic, they were at roughly 30, and at the beginning of 2022, they were at 36. Visit Seattle currently have an organizational chart that reflects 53 positions; 7 of which are currently open. Year to date 2022, Visit Seattle has hired 19 new team members.

Mr. Andersen reported on the Smith Travel Research (STR) Select Competitive Set numbers for August 2022. The Seattle Downtown market, along with our tracked competitive set, continue to make progress with occupancy rates (from 50.6% in Houston CBD, and 81.8% for Seattle Downtown, and up to 87.8% in Vancouver Downtown), average room rates (from \$132 in Phoenix Central, \$266 in Seattle Downtown, and up to \$286 in Boston CBD), and RevPar (from \$76 in Phoenix Central, to \$218 in Seattle Downtown, and up to \$243 in Vancouver Downtown). STR reported August 2022 Year-to-date, Seattle Downtown occupancy rate of 64.2%, up 62.3% from prior year; average room rate of \$222, up 36.9% from prior year; and RevPar of \$143, up 122.2% over prior year.

Ms. Saling provided an update on booking progress for the two buildings, Summit and Arch, for years 2023 to 2027 / pace to consumption targets, and also reported on SCC room nights on the books compared to the West Coast competitive set and the Like-Size Cities competitive set, for years 2021 through 2026.

Ms. Saling reported that there have been 29 SCC groups booked Year-to-date, with total room nights YTD being 142,091 (74,772 Arch | 67,319 Summit). There have been 348 In-House groups booked year-to-date, representing 158,299 total room nights YTD.

B. SCC Sales Report

Mr. McQuade provided a year-to-date at-a-glance report for the period of January to August 2022. For this period, SCC & Visit Seattle Sales staff total combined top-line rent actualized \$2,459,856 for Convention Center contracted bookings. For this period, SCC top-line rent actualized \$558,042 and 2,875 room nights.

There were 7 events hosted in July and August 2022, realizing 85 hotel room night bookings, with 6,427 delegates, and an estimated \$315,943 in top-line revenues. There were 4 events hosted in July 2022, realizing 20 hotel room night bookings, with 4,510 delegates, and an estimated \$189,467 in top-line

revenues. There were 3 events hosted in August 2022, realizing 65 hotel room night bookings, with 1,917 delegates, and an estimated \$126,476 in top-line revenues.

Mr. McQuade provided a summary of groups booked in July and August 2022. SCC Sales staff booked 10 new events into the Center with 4,115 estimated delegates, 120 forecast room nights, and \$124,026 in top-line forecast revenues.

VII. PRESIDENT'S REPORT

A. Review of Cyber Security Operating Procedures

Mr. Blosser advised that at the July 26, 2022, Board meeting, the Board approved the Cyber Security Policy by Resolution 2022-08. Staff has finalized the two operating procedures established by the Cyber Security Policy that align to the National Institute of Standards & Technology framework in case we have an incident and need to access the protocols. The Disaster Recovery Procedure and Incident Response Procedure were included in the packets previously provided to the Board and Mr. Blosser gave a brief explanation of both procedures.

B. Update on SCC Board Strategic Planning Retreat Meeting

Mr. Blosser provided an update on the Board Retreat draft agenda. This will be a one-day meeting, Wednesday, October 26, 2022, and held at the Arch building in Room 2AB. Mr. Jon Scholes, President/CEO of the Downtown Seattle Association will be the guest luncheon speaker. The agenda items are being finalized.

C. SCC Hiring Event at 800 Pike

Mr. Blosser advised that a major hiring event is taking place today at Arch at 800 Pike. This event was planned and is being led by Ms. Bermudez, Director of Human Resources, and the Human Resources team, with support from the entire management team, as we seek to hire approximately 85 new employees. SCC is casting a wide net to advertise for certain positions in Security, Events, Parking, and Operations that require many employees in the same work position, and we are prepared to hire on the spot at this event. Our entire team of managers and staff are working very hard to recruit new members for the Seattle Convention Center.

D. Update on SCC Labor Agreement Negotiations Process

Mr. Blosser advised that, as the Board may recall, that once the Washington State Convention Center Public Facilities District Labor Council ("WSCCLC") has reached agreement and voted to accept the negotiated Collective Bargaining Agreement ("CBA") and the Appendices, it is required that the District Board ratify this CBA and authorize the President to sign the agreement on behalf of the Convention Center.

Mr. Blosser provided a general update to make the Board aware that the parties are getting closer to a final agreement, and as there is not a Regular Meeting of the Board in October, a Special Meeting of the Board may be required, once WSCCLC completes its work, to approve the ratification of the CBA. Mr. Blosser remains hopeful that this agreement will be finalized in the very near future.

E. Visit Seattle Diversity, Inclusion, and Equity Presentation

Mr. Blosser advised that as part of SCC's Diversity, Equity, & Inclusion process our partners have been asked to provide an update on their company's efforts in this regard. Ms. Canavan, President/CEO of Visit Seattle, provided information about Visit Seattle's core values of Inclusion, Impact, Commitment, and Excellence, and their DEI efforts and initiatives to date.

VIII. FINANCIAL REPORT

The Financial Report was distributed to the Board in their packets in advance of this meeting. Mr. Hecker advised that the month of August beat budget expectations. The Center held 8 events this month with a month end operating loss of \$608,990 (vs budget loss of \$917,330) on revenues of \$2,047,276 and expenses of \$2,656,267. For the month, revenues beat budget expectations by 35.0% or \$530,442 and expenses were underbudget by 9.1% or \$222,103. YTD operating revenues continue to underperform

budget by 22.2% or \$4.1MM but are up by a wide margin compared to last year (425.2%). YTD operating expenses are underbudget by 17.1% or \$3.7MM. YTD operating loss was \$3.5MM or \$400,698 above budget. The Center is at 64.5% of its expected yearly operating loss of \$5.48MM. As a reminder, there are no lodging tax revenues to support either internal or external marketing expenses. A slower rate of hiring in the marketing areas reduced salaries and benefits resulting in expenses coming in 8.3% underbudget for the month and 7.7% underbudget YTD. Overall, YTD net operating and marketing losses are within 1% of budget expectation or 62.4% of an expected \$12.0MM loss.

Parking continues to perform very well beating budget by 28.8% MTD and 22.2% YTD. There are positive signs of office workers returning to downtown with the reserve parking at near full capacity. Parking continues to be supported by Summit construction but less as construction winds down, Virginia Mason Hospital employees, and events returning.

Mr. Hecker reported that the Additional Lodging Sales Tax Credit is presented as revenue used to cover accrued debt service for lodging backed bonds. These dollars will become a deficiency loan with the State. The Department of Revenue remitted \$2.4MM in August. Lodging tax revenue were sufficient to cover monthly debt service and Additional Lodging Sales tax was not used. These funds are reserved and transferred back to the State in July 2023. YTD \$5.6MM Additional Sales Tax dollars were used to meet debt service.

Mr. Hecker reported on the three-month revenue/expense Forecast for 2022. Mr. Hecker advised that we are meeting our YTD budget with expense controls, and with August numbers indicating better than expected revenues, as well as Lodging Taxes starting to accelerate significantly faster than anyone anticipated. This is all positive news for the year-end operating budget. The better-than-expected September and October projections would indicate half the expected Operating Loss relative to the beginning of the year. Part of this forecasted scenario is to use a portion of the excess Lodging Taxes to provide Visit Seattle with another \$2.5MM in the Q4 of 2022, and this has been built into the three-month forecast.

XI. ADJOURNMENT

Mr. Schafer made a motion to adjourn the September 27, 2022, Board meeting at 3:53 p.m. Mr. Flowers seconded, and the motion was carried by the unanimous affirmative vote of all Directors present, in person and via video conference / conference call.