

Minutes

Washington State Convention Center
Public Facilities District

Regular Meeting of the Board of Directors
January 24, 2023

I. CALL TO ORDER

Frank K. Finneran, Board Chairman, convened a regular meeting of the Washington State Convention Center Public Facilities District (SCC) 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.

MEETING ATTENDANCE

Board Directors in Attendance

Frank K. Finneran, Chair
Deryl Brown-Archie, Vice Chair
Susana Gonzalez-Murillo
Taylor Hoang (by video conference / conference call)
J. Terry McLaughlin
Tom Norwalk
Craig Schafer

Board Directors Absent

Robert Flowers
Katie Garrow

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 video conference / conference call)
Keith Hedrick, ARAMARK
Quiller McCurry-Willis, ARAMARK
Emelie East, Ceis Bayne East Strategic
Matthew Hendricks, Hendricks - Bennett, PLLC
Johnathan Cooper, LMG
Matt Griffin, Pine Street Group
Tammy Canavan, Visit Seattle
Ali Daniels, Visit Seattle
Peter Andersen, Visit Seattle
Kelly Saling, Visit Seattle
Troy Anderson, Visit Seattle
Michael Woody, Visit Seattle

Staff in Attendance

Melina Bermudez	Krista Daniel
MacKenzie Gaspar	Andrew King
Michael McQuade	Jules Miller
Tony Sheehan	Lorrie Starkweather
Loni Syltebo	Earl Taylor

II. APPROVAL OF MINUTES

November 22, 2022, WSCC PFD Board Regular Meeting and December 20, 2022, WSCC PFD Board Regular Meeting

Mr. McLaughlin made a motion to approve the minutes of the November 22, 2022, and December 20, 2022, Regular Board meetings, as presented. Ms. Gonzalez-Murillo 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. Introduction of New Board Member, Tom Norwalk

Mr. Finneran welcomed Mr. Tom Norwalk to the meeting and advised that Mr. Norwalk was appointed to the WSCC PFD Board of Directors by the Governor for the four-year term (January 1, 2023 to July 30, 2026) to fill the Board position previously held by Mr. Jerome Hillis. Mr. Norwalk thanked Mr. Finneran and advised he is looking forward to working with the Board and staff.

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 (January 2023)
2. Approval of Additional Facility Project Draw Schedule Payments, #98 (January 2023)

Informational Items:

1. SCC Sales: December 2022 Summary Report
2. SCC Sales: Regional-Local Business – December 2022
3. SCC Monthly Expenditures Auditing Officer Certification
4. SCC Parking Report
5. Food Service Report (ARAMARK)
6. SCC Retail Report, 2022 Year End

Mr. Finneran noted that the two Action Items were reviewed and approved by the Facility Committee earlier today and are being recommended to the full Board for approval.

Mr. Norwalk made a motion to approve the Consent Agenda as presented. 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.

V. PFD COMMITTEE REPORTS

A. Facility Committee

1. Update Report

Mr. Finneran advised that the Facility Committee met earlier today and reviewed the Additional Facility Project Draw Funding Request #98 dated January 13, 2023, and the Summit Project Contract List for January 2023, that the Board just approved in the consent agenda. The Committee also received a progress report from staff on the 2022 Capital Projects. Mr. Finneran requested Mr. Blosser to provide a brief update to the Board. Mr. Blosser advised that in December, the Board approved the 2023 Capital Projects List and Budget. Today staff presented a progress report to the Facility Committee for the 2022 Capital Projects, and a final accounting for the 2022 Capital Projects will be presented to the Facility Committee at the February meeting. Mr. Blosser advised that all of the 2022 projects were completed, as well as some additional unanticipated projects that arose during the course of 2022. Staff expect to

see a savings of approximately \$820,000 in the project budget which will be deposited into the Capital Reserve Fund. Staff are looking forward to starting on the approved 2023 Capital Projects.

B. Finance Committee

1. Update

In Mr. Flowers absence, Mr. Blosser advised that the Finance Committee met on January 24, 2023, and the State Auditors' Office (WA SAO) presented the Exit Conference for SCC's annual performance audit. The WSCC PFD again received a clean audit from the State Auditors, with no findings of any sort. Mr. Blosser commended staff for their efforts in supporting the SAO this year during the audit process. Mr. Griffin provided the Committee a review of the Addition Project funds relative to some potential funding opportunities being sought from King County and the WA State Treasurer's Office, among others. Mr. Blosser advised that Mr. Hecker and Mr. Griffin have been working on these potential funding sources for quite some time, in order to put together additional funding sources, if needed, for the Project or for Center operations over the next three years. Mr. Hecker sent a letter, on SCC's behalf, to the State Treasurer relative to expectations and possible sources to support SCC's liquidity position. Mr. Griffin is also assisting the District's efforts with King County and other local jurisdictions to identify possible funding solutions. The Committee also received an update on the District's year-end investment report from Government Portfolio Advisors (GPA).

C. Government Relations and Civic Outreach Committee

1. Update

Ms. Brown-Archie reported that the Government Relations & Civic Outreach Committee met on January 24, 2023. Discussion was primarily pertaining to the Summit Grand Opening events, and involvement and potential attendance at specific events by local elected officials.

Ms. Brown-Archie requested Ms. East (CBE Strategic) to provide a brief update of the consultant report which was reviewed at the Committee.

2. Government Relations Consultant Report

Ms. Brown-Archie advised that the consultant update report from Ms. East and Ms. Sullivan (Sullivan Advocacy) is contained within the Board packets.

VI. VISIT SEATTLE & SCC Sales Reports

A. Visit Seattle Destination Overview & Visit Seattle Sales Report

Ms. Canavan introduced two new Visit Seattle team members: Mr. Michael Woody, SVP Community Engagement and Public Affairs Executive; and, Ms. Kris La Fata, Director – Destination and Convention Services. Ms. Canavan provided the Seattle Travel Industry update for December 2022.

Mr. Andersen reported on the Smith Travel Research (STR) Select Competitive Set numbers for December 2022. The Seattle Downtown market, along with our tracked competitive set, continue to make progress with occupancy rates (from 66.6% in Vancouver Downtown, to 47.1% in Seattle Downtown, and to 36.8% in Portland CBD), average room rates (from \$220 in Nashville CBD, \$178 in Seattle Downtown, and to \$139 in Portland CBD), and RevPar (from \$128 in San Diego CBD and Nashville CBD, to \$84 in Seattle Downtown, and to \$51 in Portland). STR reported December 2022 Year End, Seattle Downtown occupancy rate of 64.8%, a 49.4% change over prior year; average room rate of \$222, a 31.3% change over prior year; and RevPar of \$144, a 96.1% change over prior year.

Ms. Saling provided an overview of groups that actualized in 2022. There were 35 groups that met during 2022, with final attendance coming in at 88% of the original numbers, and total room nights (TRN) realizing 87% of original numbers. Ms. Saling reported on booking progress for the two building for years 2023 through 2027, pace to consumption target. An overview of 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, was also provided. Ms. Saling also provided an overview of Visit Seattle's Q1 2023 Travel and Events. The team are set to be very busy attending meetings, conferences, and making sales calls across the country.

Ms. Saling also provided an update on the Citywide Sales Strategy Project currently underway. This project is to develop a collaborative framework for the success of the expanded Seattle Convention Center facilities, with the goal to create alignment with the convention center and hotel partners to define success, key performance indicators (KPI's), and the criteria of "good business." The project draft recommendations were received the week of January 15, 2023, and meetings are being scheduled with the headquarter (HQ) hotels and Seattle Convention Center team to discuss business models and needs.

Ms. Daniels reported that Summit has received the 2022 Smart Meetings Platinum Choice award. Visit Seattle is working with SCC and PR agencies DCI and GreenRubino on the Summit Grand Opening and beyond to proactively invite media to the opening events and are continuing to pitch for 2023 awards. Ms. Daniels advised that the creative assets for Seattle Convention Center have been updated with Summit information.

B. SCC Sales Report

Mr. McQuade provided a year-to-date at-a-glance report for the period of January to December 2022. For this period, SCC & Visit Seattle Sales staff total combined top-line rent actualized was \$4,578,107 for Convention Center contracted bookings (81% of FY2022 goal), with total net rent actualized coming in at 70% of goal at \$3,369,131.

There were twenty-four (24) events hosted in November and December, realizing 512 in hotel room night bookings, with 16,402 delegates, and an estimated \$872,319 in top-line revenues. Year-to-date actuals saw 141,685 delegates, 11,192 in hotel room night bookings, and an estimated \$5,599,790 in top-line revenues (rent, food & beverage, services, and parking).

Mr. McQuade provided a summary of groups booked in November and December for 2022. SCC Sales staff booked eighteen (18) new events into the Center and cumulatively, these 18 SCC booked events represent over 9,925 in estimated attendance, 12 forecasted associated room nights, and combined topline forecast revenues of over \$471,179 for rent, food & beverage, parking, and subcontractor services.

VII. PRESIDENT'S REPORT

A. Completion of Operating Goals for FY2022, Resolution #2023-01

A RESOLUTION Approving Completion of the 2022 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, some 2022 operating goals were affected by the continued COVID-19 Pandemic conditions and were either reduced, postponed or cancelled, limiting the capabilities of the Center to complete or partially complete some goals; and

WHEREAS, the individual Committees of the Board have monitored and reviewed the 2022 performance of the District throughout the year and are recommending approval to the Board that the 2022 Calendar Year Operating Goals for the District are complete with the needed adjustments due to the Pandemic.

Mr. Blosser reported that the 2022 Operating Goals – End Year Report was included in the Board packets along with Resolution 2023-01. This report provides updates on all Operating Goals from the Strategic Planning Retreat in October to the end of 2022, representing the year-end status. Staff met with all Committees on several occasions during 2022 to discuss progress towards the established goals throughout the year with the new conditions affecting the operations. Mr. Blosser walked through the eleven individual goals highlighting completion status for each. His comments reflected the issues and changes the Board had made to the 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.

Mr. Blosser advised that the individual Committees of the Board have monitored and reviewed the 2022 performance of the District throughout the year and are recommending approval to the Board that the 2022 Calendar Year Operating Goals for the District are complete with the needed adjustments resulting from the Pandemic.

Ms. Hoang made a motion to approve Resolution #2023-01, approving the satisfactory completion of the 2022 Calendar Year Operating Goals. Ms. Gonzalez-Murillo seconded, and the motion was carried by the unanimous affirmative vote of the Directors present, in person and via video conference / conference call.

B. Outreach Report, 2022 Year-end

Mr. Blosser advised that the 2022 Year-End Outreach Report had been distributed to the Board in their packets prior to today's meeting.

Mr. Blosser advised that the Year-End report included SCC's organizational outreach objectives of Community, Inclusion, Marketplace, and Staff; Food & Beverage Update on local/regional food product procurement; Goods & Services Procurement; Community Outreach; 2022 Hiring Statistics from Human Resources; Sales Update on diverse community events – event status for 2018-2022.; and a Summary of Waste Diversion in tons.

C. Update of Summit Grand Opening Events

Mr. Blosser provided an update of the Summit Grand Opening activities scheduled for January 25 (Ribbon Cutting; Hospitality and Industry Event); January 26 (Summit Ballroom Dedication (Naming Event)); and January 27 (Public Open House).

Mr. Blosser advised that staff had the opportunity to meet with the Redfin show management team. As the Board will recall, Redfin was the first national event to utilize the Summit space and was a good event for SCC.

VIII. FINANCIAL REPORT

The Financial Report was distributed to the Board in their packets in advance of this meeting. Mr. Hecker advised that December 2022 operating loss met budget. There were 11 events and building rents greatly outperformed expectation as did facility services. Operating revenue missed expectations by \$744,341 or 45.0%. Operating expense controls continued to help the bottom line which came in 24.1% below budget or \$752,832. Together monthly operation lost \$1.45MM. YTD operating revenues underperformed by 7.3% or \$2.1MM but are up by a wide margin compared to last year (262.3%). YTD operating expenses are underbudget by 14.1% or \$4.9MM due to cost containment measure in salaries/wages and other service. YTD operating loss widened to \$2.8MM but is 49.4% better than budget. The District materially improved its expected operating loss since the beginning of the year to 50.6% of \$5.6MM or \$2.8MM. Mr. Hecker reminded the Board that there are no lodging tax revenues to support either internal or external marketing expenses. However, the faster than expected recovery in lodging tax allowed the PFD to increase the contribution of lodging tax to Visit Seattle by \$2.5MM to \$7.5MM. Overall, YTD net operating and marketing losses are 6.6% better than budget or 94.1% of an expected \$14.6MM amended loss.

XI. ADJOURNMENT

Mr. Schafer made a motion to adjourn the January 24, 2023, Board meeting at 3:38 p.m. Ms. Gonzalez-Murillo seconded, and the motion was carried by the unanimous affirmative vote of all Directors present, in person and via video conference / conference call.