

Minutes

Washington State Convention Center
Public Facilities District

Regular Meeting of the Board of Directors
July 25, 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.

MEETING ATTENDANCE

Board Directors in Attendance

Frank K. Finneran, Chair
Deryl Brown-Archie, Vice Chair
Robert Flowers
Katie Garrow
Taylor Hoang (by video conference / conference call)
Tom Norwalk
Craig Schafer

Board Directors Absent

J. Terry McLaughlin
Susana Gonzalez-Murillo

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

Margery Aronson, Addition Art Project (by conference call)
Melinda Altamirano, ARAMARK
Keith Hedrick, ARAMARK
Quiller McCurry-Willis, ARAMARK
Tim Ceis, Ceis Bayne East Strategic
Matthew Hendricks, Hendricks - Bennett, PLLC
Damon Koford, LMG
Dominic Pham, LMG
Kelly Saling, Visit Seattle
Ali Daniels, Visit Seattle
Peter Andersen, Visit Seattle (by video conference / conference call)
Chris Connelly, Visit Seattle

Staff in Attendance

Melina Bermudez	Krista Daniel
Hannah Ermi	Derek Forare
Katie Hall	Deb Hermansen
Andrew King	Michael McQuade
Lorrie Starkweather	Loni Syltebo
Earl Taylor	

II. APPROVAL OF MINUTES

May 23, 2023, WSCC PFD Board Regular Meeting

Mr. Schafer made a motion to approve the minutes of the May 23, 2023, Regular Board meeting, as presented. Mr. Norwalk 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. Ratification of Additional Facility Project Contract List (June 2023)
2. Ratification of Additional Facility Project Contract List (July 2023)
3. Approval of Additional Facility Project Draw Schedule Payments, #103 (June 2023)
4. Approval of Additional Facility Project Draw Schedule Payments, #104 (July 2023)

Informational Items:

1. SCC Sales: June 2023 Summary Report
2. SCC Sales: Regional-Local Business – June 2023
3. SCC Monthly Expenditures Auditing Officer Certification
4. SCC Parking Report
5. Food Service Report (ARAMARK)
6. SCC Mid-Year Retail Report
7. SCC 2023 Q2 Outreach Report

Mr. Finneran noted that the two June Action Items were reviewed and approved by the Facility Committee at their meeting on June 27, 2023, and the two July Action Items were reviewed and approved by the Facility Committee earlier today. The four Action Items are being recommended to the full Board for approval.

Ms. Brown-Archie made a motion to approve the Consent Agenda as presented. 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.

B. Board Retreat Update and Draft Agenda

Mr. Finneran requested Mr. Blosser to provide an update on the 2023 Board Retreat meeting. Mr. Blosser advised that the draft agenda for the Board Retreat was contained in the packets. This year's Retreat will be a one-day meeting scheduled for Tuesday, October 24, 2023, and the event will be at Summit. As Mr. Blosser continues to add details to the draft agenda to finalize the meeting items, it was requested that the Board members forward any questions, comments, or potential agenda items directly to him. The draft agenda will be reviewed with the Chairman as details are finalized.

C. Introduction of Ms. Katie Hall

Mr. Blosser introduced Ms. Katie Hall to the Board of Directors. Ms. Hall started at the District on July 24, 2023, in the role of Executive Assistant to the President and Board of Directors, to train and transition into the position as Mrs. Lorrie Starkweather will be retiring. On behalf of the WSCC PFD Board of Directors, Mr. Finneran welcomed Ms. Hall to the team.

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 #104 dated July 12, 2023, and the Additional Facility Project Contract List for July 2023, which the Board just approved in the consent agenda. The Committee discussed the remaining punch-list items and Temporary Certificate of Occupancy (TCO) items required to complete the Summit project, and those items will be ongoing through the remainder of this year, with some items on the list to be completed in the first quarter of 2024. The SCC operations team are struggling through with these incomplete items and are doing the best they can under the circumstances to continue to host events. The event inhouse at Summit this week (through August 21), Asia Pacific Economic Cooperations 2023 (APEC), has very strict security requirements and the construction team cannot work on interior project items until the event concludes at Summit. Work will resume as soon as possible afterwards. The Committee also discussed sources and uses funding and the anticipated shortfall in capital until the sale of the residential parcel (co-development) and the Boren Street parcel are realized, hopefully in the first quarter of 2024. The Committee discussed potential funding sources and options. The Summit retail buildout currently trails our schedule primarily due to the impact of COVID-19 on the PFD and the Addition Project and the need to put some items on hold until the economic situation resolved following the pandemic.

Mr. Finneran advised that the Facility Committee reviewed the six-month program report for the 2023 Capital Projects for Arch, as well as the Mid-Year Operating Goals progress report.

B. Government Relations and Civic Outreach Committee

1. Update

Ms. Brown-Archie reported that the Government Relations & Civic Outreach Committee on July 20, 2023. The Committee received reports from Mr. Ceis and Ms. Sullivan regarding City, County, and State activities. Discussion also took place regarding funding opportunities for the Convention Center. The Committee also reviewed the Mid-Year Operating Goals report.

Ms. Brown-Archie requested Mr. Ceis to provide brief updates of the consultant reports which were reviewed at the Committee.

2. Government Relations Consultant Report

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

C. Finance Committee

1. Update

Mr. Flowers advised that the Finance Committee met on July 24, 2023. The Committee reviewed the 2023 second quarter Investment Report from Government Portfolio Advisors; the Summit Project finance updates; Mr. Griffin and Mr. Hecker provided a brief update on the potential funding options from the State Treasurer and King County; and Mr. Hecker provided an overview of the Operating Financial Statement for June.

2. Report on Property Insurance for WSCC PFD and Approval for 2023 Coverage

Mr. Flowers stated that, as the Board will recall, at the May 23, 2023, meeting, the Finance Committee was given authority to approve the District's property insurance to comply with a July 1 date to renew property insurance for the two buildings. The Finance Committee received the insurance specifications to review, and Mr. Flowers was happy to report that the limit coverages and the costs fell in line with the parameters set by the Board for the purchase of the insurance. The Executive Summary from Alliant Insurance was sent to the Board in their packets prior to this meeting.

Mr. Flowers made a motion that the WSCC PFD Board ratify the selection of the Alliant Property Insurance Program as outline in the Board packets, as approved by the Finance Committee on July 24,

2023. 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.

D. Marketing Committee

1. Update

Mr. Schafer advised that the Marketing Committee met on July 19, 2023. The SCC Sales team reported on progress towards meeting 2023 goals and work achieved to date for the Marketing & Communications Plan for SCC was also presented. The Committee reviewed the Mid-Year Operating Goals progress report. Mr. Schafer requested Mr. Norwalk to report on the Board Mission Statement.

2. Board Mission and Value Statement Review and Potential Approval

Mr. Norwalk advised that following the report at the May 23, 2023, Board Meeting, the Marketing Committee and SCC staff have drafted verbiage for a renewed Board Mission Statement for the District as we move forward into the future with the two buildings, Arch and Summit.

Proposed Board Mission Statement (as at 07.25.2023):

Seattle Convention Center elevates and enhances Seattle's global brand and reputation. Driving economic benefits through the power of meetings and conventions, the Center plays a major role as a catalyst for revitalizing and reconnecting downtown Seattle and its neighborhoods. The SCC will lead with industry partners a commitment to workforce development and diversity, creating a distinct level of customer service excellence, sustainable operations, and financial stability contributing significant civic benefits for the people of the City, County, and State.

The Marketing Committee and staff support the renewed language for the Board Mission Statement. Mr. Norwalk advised that currently the Marketing Committee is in agreement that amending the Board of Directors and Staff Value Statement should wait until after the Mission Statement revisions are approved in order to receive more engagement and feedback with the full Board and District staff. It was suggested that the Value Statement be discussed at the Retreat Meeting in October.

Mr. Norwalk made a motion to approve the updates to the Board Mission Statement as presented. 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.

E. Long-Range Planning Committee

1. Update

On behalf of Mr. McLaughlin, Mr. Blosser advised that the Long-Range Planning Committee met on July 21, 2023. Staff presented a list of prioritized Capital Project Items for the Committee's review and discussion. An update on the District's Compensation Study Review and a report out on hiring and retention was provided by Ms. Bermudez. Mr. Blosser provided an Industry Trends Report, and the Committee reviewed the Mid-Year Operating Goals Progress Report.

F. Art Committee

2. Update

On behalf of Ms. Gonzalez-Murillo, Mr. Blosser advised that the Art Committee met on July 19, 2023. Mr. Blosser was happy to report that the Rotating Art Program is back on track in Arch in the Phyllis Lamphere Gallery on Level Two, and invited the Board to take a look at the artworks on display. Mr. Blosser requested Ms. Willanger to provide an update on the Art Committee activities. Ms. Willanger advised that Mr. Norwalk is a member of the Board Art Committee and has been added to the Washington State Convention Center Art Foundation Board (WSSC Art Foundation). At their recent meeting, the Art Committee reviewed the remaining Summit artworks which are on pace for completion in 2023. There are two artworks slated for completion in early 2024 and staff are working closely with the Pine Street Group team to complete installation of the artworks. The Board may recall that during the planning for the Summit Grand Opening, an Arts Celebration for Summit was postponed. The Art Committee and the Addition Project Art Program are now scheduling an event to highlight the artworks, honor the artists and the stakeholders involved with the Addition Project Art Program. This event to be held on Tuesday,

November 28, 2023, at Summit. Program details are still in the planning phase and more information will be provided as confirmed.

Ms. Willanger advised that with the hiring of Ms. Mara Vostral as Arts Program Specialist, the Center was fortunate to resume the Rotating Art Program at Arch in the Phyllis Lamphere Gallery on Level Two after a three-year hiatus. A juried Rotating Art Program had been conducted prior to the closure of the building due to the COVID-19 pandemic and when contacted again, the two finalists were not able to participate. However, they were kind enough to reassemble similar shows and we have Fogue Art (53 works) and Youth In Focus (approximately 20 works) now on display. Ms. Willanger advised that we are delighted to have 28 glass artworks that are part of the WSCC Art Foundation collection being installed in the Level 2 Gallery at Arch this week. Ms. Willanger extended thanks to Ms. Aronson, Vice President of the WSCC Art Foundation, who was responsible for the donation of these glass artworks.

VI. VISIT SEATTLE & SCC Sales Reports

A. Visit Seattle Destination Overview

Mr. Andersen provided a summary of Hotel Performance for the downtown Seattle area for Year-to-date June 2023, YOY 2019: Occupancy down 18.1%; Average Daily Room Rate up 6.5%; RevPar down 12.8%; Supply up 7.5%; Demand down 11.9%; Revenue down 6.2%.

Mr. Andersen reported on the Smith Travel Research (STR) Select Competitive Set numbers for June 2023. The Seattle Downtown market, along with our tracked competitive set, continue to make progress with occupancy rates (from 90.4% in Vancouver Downtown, to 83.8% in Seattle Downtown, and to 64.0% in Houston CBD), average room rates (from \$328 in Boston CBD, \$271 in Seattle Downtown, and to \$157 in Phoenix Central), and RevPar (from \$284 in Boston CBD, to \$227 in Seattle Downtown, and to \$105 in Phoenix Central). STR reported June year-to-date, Seattle Downtown occupancy rate of 63.1%, an 8.8% change over prior year; average room rate of \$215, an 8.2% change over prior year; and RevPar of \$136, a 17.8% change over prior year.

B. Visit Seattle Sales Report

Ms. Saling provided an updated on tentative business sourced and definite business booked in May and June 2023 for both Arch and Summit.

Ms. Saling provided an update on booking progress for the two buildings (Summit and Arch) for years 2023 to 2028, for booked (definite) business in May and June 2023 and for sourced (tentative) business in May and June 2023. Ms. Saling 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 2022 through 2027. An overview of business on the books for Summit and for Arch for the years 2023 through 2027 was provided.

Ms. Daniels reported that Seattle Convention Center and Visit Seattle had recently been nominated for some awards, for example: Smart Stars 2023, World Travel Awards 2023, and The Stella Awards from Northstar Meetings Group. An overview of recent meetings media highlights was provided. Ms. Daniels advised that the Visit Seattle PR team will be assisting the APEC 2023 Public Affairs with media relations. Ms. Daniels and Ms. Saling provided an update on the recent 2023 MLB All-Star Week activities, July 7-11, 2023. A brief summary of updated creative assets was provided and a recently created advertising “sizzle” video was shown to the Board and meeting attendees.

Ms. Saling gave an update on the Citywide Sales Strategy. The consultant has determined that in 2028, the year of anticipated SCC stabilization, the annual year-end number of consumed rooms for the SCC is projected to be 482,160 total room nights. This represents a slight reduction from the proposed consumed room night goal at the time of the original proforma for Summit due primarily to facility size changes. The year of stabilization has evolved based on the timing of Summit’s opening and some of the pre-opening sales opportunities due to the pandemic. Discussion occurred, with Mr. Finneran submitting a challenge to the Marketing Committee, chaired by Mr. Schafer, to provide this Board with a full complement of understanding of the various features of the consultants’ reports and projections, with the room night goal being one metric, particularly as it relates to the District’s long-range success and ability to pay for the District’s debt responsibilities and operating expenses. Mr. Finneran reminded the Board that when the concept of the additional facility was presented to the various authorities for their authorization and buy-in, the District used room night productivity as a factor, and not withstanding

everything that has happened in the twelve or more years since the District began the process, it is very important for this Board to understand how all those dynamics are working. Mr. Schafer asked Ms. Saling to provide a copy of the full consultant's report for the Committee to review.

B. SCC Sales Report

Mr. McQuade introduced the newest Sales team members: Regional Sales Manager, Ms. Debra Hermansen; Sales Administrative Assistant, Ms. Lorrain Kelley; and Sales Operations Coordinator, Ms. Helen Kwon.

Mr. McQuade provided a year-to-date at-a-glance report for the period of April – May 2023. For this period, SCC & Visit Seattle Sales staff total combined top-line rent actualized was \$3,465,950 for Convention Center contracted bookings (46% of FY2023 goal), with total net rent actualized coming in at 57% of goal at \$3,228,423.

There were eight (8) events booked in May and June, realizing 3,965 in forecasted hotel room night bookings, with 10,785 estimated delegates, and an estimated \$1,456,838 in top-line revenues.

There were sixteen (16) events hosted in May and June, realizing 1,077 in hotel room night bookings, with 3,421 delegates, and with \$701,949 in top-line revenues (rent, food & beverage, services, and parking). Year-to-date actuals saw 105,151 delegates; 3,918 in hotel room night bookings; and combined top-line forecast revenues of over \$2,775,424 for rent, food & beverage, parking, and subcontractor services.

VII. PRESIDENT'S REPORT

A. Recap of All-Staff Meeting

Mr. Blosser provided a recap of the Summer All-Staff meeting held on June 29, 2023. The meeting was held at Summit, and included training on the SCC Quality Service Program (QSP); a General Session to celebrate accomplishments, and provided a safety update along with some operational guidance. The meeting concluded with a picnic lunch on the Garden Terrace. We try to do this type of training meeting at least once or twice per year, and are looking to schedule another All-Staff Meeting towards the end of November to ensure that we can get staff together and to provide staff with some different opportunities for training. This was a good event and Mr. Blosser extended his appreciation to Ms. Willanger, Ms. Bermudez, and their teams for coordinating and assisting with this meeting.

B. 2023 Operating Goals Mid-Year Progress Report

Mr. Blosser advised that his operations status report for the 2023 Operating Goals mid-year progress is contained in the Board packets and was distributed to the Board prior to this meeting. Mr. Blosser reported that the individual goals had been reviewed with the individual Board Committees, and he verbally provided some highlights of the written report.

C. 2022 Annual Report Update

Mr. Blosser advised that the 2022 Annual Report was finalized and provided to the Chairman and the Board for their review. In the next week, staff will publish the report on the SCC web-site and distribute to our stakeholders, legislators, and various constituencies and contacts by email.

VIII. FINANCIAL REPORT

The Financial Report was distributed to the Board in their packets in advance of this meeting. Mr. Hecker advised that the financial result for the first six months of the year continue the mixed theme. Operating losses are narrower than expected, food service margins beat budget the last two months, but lodging taxes are behind. Month over month June operating deficit was 49.9% or \$337,974 better than expected and 13.1% better year over year. Year to date operating loss was 22.2% or \$1.3 million better than budget but 96.5% or \$2.3 million larger year over year. Like the prior months there is significant enthusiasm for the new convention center campus and leisure travel is rebounding but a cross current developed from reduced business spending. This cross current is reflected in lower-than-expected lodging tax remittance and lower YTD F&B margins. Lodging taxes were behind, however we are expecting them to accelerate better than budget in the months ahead. Overall, cash use was higher than anticipated but is an acceptable risk given what is likely to be a strong summer leisure travel season. Parking revenues are

currently not meeting expectations due to significantly less Summit construction workers and the slow return of downtown workers/parkers. Several initiatives are in the works to boost parking revenue including deploying SpotHero, reviewing rates, and providing discounted rates to a large firm to access Freeway Park. Even with the YTD miss debt service coverage remains strong but operational support is lagging. Discussion occurred regarding long-term projections and expectations. Mr. Hecker spoke to the Budget to Actuals Report.

Mr. Hecker directed the Board's attention to the Fund Distribution graph and encouraged them to review it closely. The District has committed \$12 million in Operating Funds to meet the budget. We have committed \$10 million to Visit Seattle and another \$2 million to Internal Marketing. As of right now, that \$27 million in Unrestricted represents dollars available but does not show how many of those dollars have been committed. We have committed \$18.6 million of that \$27 million for Operating Support, Visit Seattle, Internal Marketing, Deficiency Loan, and an additional \$6 million of those funds are just customer deposits. We are really looking at approximately \$9 million in cash to use for however the Board sees fit. Mr. Hecker advised that if the Board would like more information added to this chart to assist with providing a clearer picture of where the District is on a cash-to-use basis, please let him know. The majority of the monies the District collects we do not have access to, and yet we have to manage it in a fiduciary manner, because most of it goes back to the State, the County, or the City. That is the story, and I would just say that we have significant tail winds pushing at our backs. Secular trends for the Puget Sound area and the information you have seen from Visit Seattle and our marketing partners would indicate that there is positive hope going forward. We have to make it through the cyclical and seasonal challenges in faith. I would lastly say that we have complex issues to deal with. The more time that we have to deal with those issues, the better outcome. But we are running out of some time.

Ms. Brown-Archie commented that the WSCC PFD Board has a wonderful Finance Committee, with wonderful employees and staff across the board. Ms. Brown-Archie acknowledged that it is a difficult time to be a Finance person for the Board, and on behalf of the Board she extended sincere appreciation to Mr. Hecker for his work and efforts on behalf of the Board and the District.

XI. ADJOURNMENT

Mr. Schafer made a motion to adjourn the July 25, 2023, Board meeting at 4:10 p.m. Mr. Norwalk seconded, and the motion was carried by the unanimous affirmative vote of all Directors present, in person and via video conference / conference call.