

## Minutes

Washington State Convention Center  
Public Facilities District

Regular Meeting of the Board of Directors  
December 19, 2017

### 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 303, of the Convention Center.

### MEETING ATTENDANCE

#### Board Directors in Attendance

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

#### Board Directors Absent

Nicole Grant

#### Officers in Attendance

Jeffrey A. Blosser, President / CEO  
Linda Willanger, Vice President of Administration / AGM  
Ed Barnes, Vice President of Operations  
Chip Firth, Director of Finance and Administration / CFO

#### Consultants / Vendors in Attendance

Brian McFadin, ARAMARK  
Keith Hedrick, ARAMARK  
Debra Dunn-Arrabito, ARAMARK  
Matt Shea, ARAMARK  
Becky Bogard, Bogard & Johnson, LLC  
Matthew Hendricks, Hendricks - Bennett, PLLC  
Colin Green, LMG  
Jill Hashimoto, LMG  
Matt Griffin, Pine Street Group  
Kyle Acheson, Pine Street Group  
Brenda Baxter, Pine Street Group  
Tom Norwalk, Visit Seattle  
Rob Hampton, Visit Seattle  
Kris Cromwell, Visit Seattle  
Patrick Smyton, Visit Seattle

#### Staff in Attendance

Brock Bradley	Josh Dennis
Daniel Johnson	Donald Lane

Michael McQuade  
Paul Smith  
Susnios Tesfaye

Michael Murphy  
Lorrie Starkweather  
Ron Yorita

II. APPROVAL OF MINUTES

October 30 & 31, 2017 WSCC PFD Special Board Meeting and November 28, 2017 WSCC PFD Regular Board Meeting

Mr. Flowers made a motion to approve the minutes of the October 30 & 31, 2017 Special Board meeting (Board Retreat) as well as the minutes of the November 28, 2017 Regular Board meeting as presented. Ms. Gonzalez-Murillo seconded and the motion was carried by the unanimous affirmative vote of all Directors present.

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. Phyllis Lamphere Gallery

Mr. Finneran extended congratulations to the Board members and staff who were involved in the luncheon held December 14, 2017, to honor Ms. Phyllis Lamphere and the dedication of the Phyllis Lamphere Gallery located on Level 2. Special thanks to Ms. Gonzalez-Murillo and the WSCC Board Art Committee, Ms. Willanger and the WSCC team for creating a very special event for which we can all be proud.

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
2. Approval of Additional Facility Project Draw Schedule Payments, #37

Informational Items:

1. WSCC Sales Productivity Report
2. WSCC Monthly Expenditures Auditing Officer Certification

Mr. Hillis 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.

V. PFD COMMITTEE REPORTS

A. Addition Committee

1. Update Report

Mr. Finneran reported that the Addition project continues to move forward as reported at the November meeting, with passing from the Seattle Design Commission and we are now working towards the approval of the Master Use Permits and street vacations, etc., by the City agencies and the Seattle City Council.

Mr. Finneran requested Mr. Griffin provide the Board with an overview of the Addition Project. Mr. Griffin spoke with regards to the critical path, the entitlement process for the street and alley vacations. The project passed through the Seattle Design Commission (SDC) on November 16, 2017, and we are working on next steps necessary with City Council. On the Master Use Permits, Mr. Griffin advised that there are four different Master Use Permits: 1 for the King County site work and the other three are for the separate blocks. Once the alley vacations are granted, those Master Use Permits will

be consolidated into one, and that will be the critical path for getting started. On the Schedule, we are looking at the start of construction in May 2018. Mr. Griffin advised that meetings have begun with the underwriter team, approved by the Board in November. The financing program is headed up by Mr. Eoff. We are working to understand the options currently before us: 1) to issue the bulk of the bonds, but not all, about the start of construction, and then towards the end of construction issue the remaining parts of the bonds; 2) the other possibility is to issue all the bonds upfront and avoid having to go through the process twice. We are in the process of working with Mr. Eoff and the underwriters to understand those two possibilities and then a decision can be made. Mr. Griffin commented on the Art program, advising that Pine Street Group started work on the Art program several years ago. Over that time, the constraints that we must satisfy within the Art Program have changed: 1) King County made the first \$4.6 million a requirement of the process; 2) Pieces to be incorporated into the structure, called Urban Design Merit, required by the Seattle Design Commission; and 3) Pieces to be done in a public process, called Public Benefits. Ms. Lewis will be leading on the process to reformat how the Art Program moves forward on these three areas and will come back with recommendations to the WSCC Board Art Committee.

B. Finance Committee

1. Update

Mr. Flowers reported that the Finance Committee met earlier today. The State Audit is not complete yet and we anticipate bringing a report on the outcome to the management and the Board at the January 2018 Board meeting. The Committee were provided an update on the November financials by Mr. Firth, and Mr. Eoff provided an update on the underwriter meetings with the Co-Senior Managers (Citibank and Goldman Sachs) and the Co-Managers (Bank of America/Merrill Lynch, J.P. Morgan Securities and Royal Bank of Canada Capital Markets) as we prepare to go forward with underwriting for the bonds. Interviews for the two finalists for the RFQ for Investment Advisor Services are being scheduled in January, and the Committee anticipates bringing their recommendation for approval to the full Board at the January 23, 2018 meeting.

2. Approval to Recognize Additional Expenses for 2017 Operating Budget, Resolution # 2017-23

A RESOLUTION approving additional spending authority for the Budget for the Washington State Convention Center Public Facilities District for Fiscal Year 2017 amending and superseding Resolution 2016-23.

Mr. Flowers advised that the Board approves the budget each year by broad line items for staff to follow and manage. As required by Board Policy, any single line items that are projected to be \$100,000 over the approved budget must come back to the Board for approval. Staff presented the Finance Committee with four Operating Budget line items and Visit Seattle expenditures for review and recommendation to the full Board for approval. These four categories are 1) Employee Benefits; 2) Food & Beverage Services; 3) Utilities; and 4) Other Services. Mr. Blosser advised that the additional increase in expenses for Visit Seattle is a result of the increase in the Hotel/Motel tax revenues, with that percentage being based on their contract with WSCC. Mr. Flowers stated that the Finance Committee recommends approval of Resolution 2017-23.

Mr. Hillis made a motion to approve Resolution 2017-23 to increase the following line items expenditures for Fiscal Year 2017:

- a) Employee Benefits: from \$5,066,691 to \$5,206,176
- b) Food & Beverage Services: from \$11,673,600 to \$12,952,193
- c) Utilities: from \$2,976,415 to \$3,104,925
- d) Other Services: from \$2,569,301 to \$2,735,165; and
- e) 2017 Marketing Budget total expenditures from \$13,563,846 to \$13,841,354; with Visit Seattle - Outside Marketing: from \$11,664,908 to \$11,903,565

Mr. Schafer seconded and the motion was carried by the unanimous affirmative vote of all the Directors present.

C. Marketing Committee

1. Approval of the 2018 Annual Strategic Marketing Plan and 2018 Annual Budget with Visit Seattle, Resolution # 2017-24

A RESOLUTION by the District Board approving the 2018 Annual Strategic Marketing Plan and 2018 Annual Budget with Visit Seattle.

Mr. Schafer advised that the Marketing Committee reviewed the 2018 Annual Strategic Marketing Plan and 2018 Annual Budget with Visit Seattle in their meeting this afternoon. These documents were also presented to the Board at the Retreat and the Marketing Committee is in agreement with staff on these plans.

Mr. Schafer made a motion to approve Resolution # 2017-24, to adopt the 2018 Annual Strategic Marketing Plan and 2018 Annual Budget with Visit Seattle. Mr. Flowers seconded and the motion was carried by the unanimous affirmative vote of all the Directors present.

D. Government Affairs Committee

1. Update

Ms. Brown-Archie reported that the Government Affairs Committee met on December 5, 2017 by conference call and a subsequent conference call is scheduled for January 2, 2018. The Committee is in the process of working with staff to revise some of the materials and messaging for elected officials going forward starting in January. The focus to be on both the State and City Council levels to support the Addition Committee in getting the legislation required and the necessary decisions needed from the City.

2. Government Relations Consultant Report

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

VI. VISIT SEATTLE & WSCC Sales Reports

A. Visit Seattle Destination Overview

Mr. Norwalk reported that Smith Travel Research report for November 2017 YTD provides comparisons for revenue per available room (RevPAR), average daily room rate (ADR) and occupancy variances for hotels in Seattle Downtown, San Francisco Market Street, Denver Downtown, Portland Central City, Austin CBD, San Diego CBD, Boston CBD/Airport, Nashville CBD and Los Angeles CBD. Downtown Seattle finished November with an occupancy rate of 77.8%, down 1.2% from the same period in 2016; RevPAR saw a decrease of 0.9% and ADR had an increase of 0.2% as compared to the same period last year. In November 2017, Nashville CBD topped the competitive set for the month with an ADR of \$271. Seattle Downtowns ADR (\$189) finished the month in the fifth spot. Year to-date, Boston CBD/Airport is in the lead in the category of Average Room Rate, San Francisco in the lead with RevPar, and Seattle Downtown leading in the Occupancy category. Seattle numbers continued to track strongly with the eight other cities in the group.

B. Visit Seattle 2018 Goals Overview

Mr. Hampton provided an overview of the Annual Sales Booking Goals, WSCC Actualized Consumption Goals, and WSCC Revenue Goals for 2018. A question arose regarding the Economic Impact goal and which area benefits from the resulting economic impact. Mr. Norwalk advised that the economic impact numbers are for the city of Seattle, not for the state of Washington. Mr. Hillis asked if it was possible for a report to be generated to assist the team to provide clear answers to questions received at meetings with City Council, committees, and other legislative efforts? Mr. Finneran advised that the industry analysis does not normally include state tax information. Mr. Hampton provided brief explanation as to the methods of gathering data. Mr. Finneran requested Mr. Hampton provide Mr. Firth with the formulas to prepare an analysis, looking at the various taxes for appropriate uses. Ms. Brown-Archie requested to know why the 2018 consumption goals are lower than the previous year. Mr.

Finneran advised that staff have not been authorized or enabled to book anything into the additional facility until groundbreaking actually happens and date is determined.

C. Visit Seattle Sales Report

Mr. Hampton reported that Visit Seattle WSCC sales production combined for the months of October and November 2017 was 43% of goal and Hotel Production was 206% of goal. Year-to-date 2017 definite room night production for WSCC is at 86% of goal, and at 123% for Hotel Production.

Mr. Hampton reviewed year-to-date WSCC lost and waived room nights. Year-to-date, 619,719 room nights were lost (business bid on, but was not awarded) primarily because of WSCC size, hotel rates, and date availability. Year-to-date, 551,719 room nights were waived (business that wanted Seattle to bid, but we were unable to bid for various reasons) primarily because of date availability and WSCC size.

C. WSCC Sales Report

Mr. McQuade reported that for November 2017, WSCC & Visit Seattle Sales staff combined top-line rent totaled \$340,224 for Convention Center contracted bookings. Groups hosted November YTD realized 13,864 in hotel room night bookings, with 165,593 delegates, and an estimated \$8,502,344 in top-line revenues.

During November, WSCC Sales staff booked 25 new events into the Center to infill around convention business booked by Visit Seattle. Cumulatively, these 25 WSCC booked events represent over 81,570 in estimated attendance, 5,064 associated room nights, and combined topline revenues of over \$450,738 for rent, food & beverage, parking and subcontractor services.

VII. PRESIDENT'S REPORT

A. Preview of WSCC Social Media Procedure

Mr. Blosser provided the Board an update on the draft WSCC Social Media Operating Procedure, to follow up on Resolution #2017-21, WSCC Social Media Policy that was approved by the Board on November 28, 2017. The WSCC Social Media operating procedure has been created to ensure there is clear understanding around the general responsibilities, team roles, usage guidelines, and how this corresponds with Open Public Records law. Mr. Blosser encouraged the Board members to review the procedures and forward their feedback directly to Mr. Blosser. The incoming (2018) Outreach Committee Chair, Ms. Moriguchi, has reviewed and provided her comments and questions which are currently under review by staff. Mr. Blosser advised that the next steps for staff will be to create a strategy and organizational plan for 2018, look at staff systems, budget and the information that will be used for this program, with an anticipated roll-out of the program during the 2<sup>nd</sup> quarter of 2018.

B. ROI Report on Solera and Grill

Mr. Blosser provided a report on the return on investment (ROI) for the two permanent public food outlets, Solera and Grill Deli A. Grill Deli A and Solera opened in 2015 with Grill A being refurbished and Solera being remodeled from a food service storage area into a public foods outlet for events. Total construction costs for the Grill Deli A refurbishment and the creation of Solera was \$1,079,948. This project was approved by the Facility Committee with funds coming from the 5% Reserve Account. There have been significant increases in Grill Deli A revenues since the renovations and substantial revenues have been generated by Solera where there were no sales prior to its creation. These two public foods outlets provide Halls A & B with permanent public foods options for all events. It is estimated that payback will be reached in 8 years, depending upon any increases in revenues from the operations. Mr. Blosser advised that WSCC is looking at Stand F as the next area for renovation.

C. WSCC All-Staff Meeting Report

Mr. Blosser advised that 242 employees and service contractors attended the December 4<sup>th</sup> All-Staff meeting. Staff new to the WSCC were welcomed and presentations provided on: 2017 WSCC highlights; 2018 WSCC business goals; WSCC Quality Service Program kick-off; and updates on the Addition Plan. Mr. Matt Auflick, City of Seattle Office of Emergency Management provided a presentation on home preparedness in case of emergency. Mr. McQuade gave an update of what's ahead for the 2018

event schedule, and Mr. Barnes spoke to the staff on the capital projects to be completed in 2018. Two training sessions were conducted: Quality Service / Recognition Program; and Workplace Conduct Training provided by Summit Law Group. To conclude the All-Staff meeting, we held our Staff Recognition Luncheon to thank committee members serving in 2017 for Safety, Wellness, Employee Relations. Staff and service contractors were recognized for 5, 10, 15, 20 and 25-year anniversaries.

#### VIII. STAFF REPORTS

##### A. Parking Report

Mr. Tesfaye reported that parking revenues for November 2017 were up .63% from the revenues reported in November 2016; and November YTD revenues were up 3.95% from the same period in 2016, mainly due to the event mix in the building. WSCC's monthly parking for the main garage is currently at full capacity. There is currently no wait-list for the garages.

As per the Chairman's request, Mr. Tesfaye provided a report showing the average income per stall / per category / per month – public versus monthly parking per building and employee parking. Mr. Tesfaye reported that for the month of November 2017, average rate per day per stall was:

- Freeway Park garage has 660 stalls available. There are 3 categories: Monthly Parking (415 parkers) at an average rate per stall of \$242.58 per month; Employee Debit Card (550 card holders) at an average daily rate per stall of \$35.74; and Daily Parkers with an average daily rate per stall of \$23.15. Monthly Parking usage averaged 357 per day (54%); Employee Debit Card usage averaged 75 per day (11%); and Daily Parking usage averaged 67 per day (10%). Total stalls occupied on average were 499 per day, or 76%.

- WSCC garage has 815 stalls available. There are 5 categories: Monthly Parking (142 parkers) at an average rate per stall of \$272.48 per month; Daily Parkers (342 parkers) at an average monthly rate per stall of \$138.88; Validations (6 average per day) with an average rate per stall of \$2.34; HCF, Admin & Validation (4 average per day) at an average rate per stall of \$1.67; Employee & Retail Monthly Parking (26 average per day) at an average monthly rate per stall of \$10.73; and Carpool and Unassigned Monthly Parking (5 average per day). Daily Parkers average usage was 342 per day (42%); Validations average usage was 6 per day (1%); HCF, Admin & Validation average usage was 4 per day (1%); Monthly Parking (Employee & Retail) average usage was 26 per day (3%); and Monthly Parking (Carpool & Unassigned) average usage was 5 per day (1%). Total stalls occupied on average were 383 per day, or 47%.

Ms. Gonzalez-Murillo wished to extend thanks to the Parking staff for their assistance and customer service skills.

##### B. Food Service Report

Mr. McFadin reported total sales for November 2017 were ahead of forecast by \$817,495, and up from prior year by \$1,712,763. Total costs for November 2017 were higher than forecast by \$125,808 primarily due to the fixed costs, event mix in-house and product costs. November 2017 total WSCC PFD profit was up \$1,153,889 from prior year, and \$691,687 above forecast. Year-to-date sales are \$1,294,696 above forecast and \$819,202 below prior year. ARAMARK continues to focus on the Food Management and Labor Management programs and reports are showing positive results.

#### IX. FINANCIAL REPORT

Mr. Firth reported November 2017 total operating revenues were up 76.7% compared to the same period in 2016 and above budget by 27.6%. For the month of November 2017, Food Service revenues were up by 38%. Retail revenue was down 25.6%, Building Rent revenue was down 37%, Parking revenue was down 21.5%, and Facility Services revenue was above budget by 39.6%. Year-to-date Operating Revenues were 5.2% ahead of budget at \$33,974,714, and below prior year by 0.6%.

Operating expenses for November 2017 were above budget for the month by 5.2%; and the corresponding sales were up 27.6%. Staff continues to conservatively manage expenses in FY2017. Operating surplus for November 2017 was \$788,885. Year-to-date the operating surplus through November totaled \$1,201,738, ahead of budget by 50.3%.

For the month of November 2017, marketing revenues were ahead of budget by 5.6%; and the monthly marketing expenses totaled \$1,353,627, above budget by 3.1%. Year-to-date November 2017 total Marketing revenues were up 13% compared to the same period in 2016, and ahead of budget by 2.8%. Marketing expenses for year-to-date 2017 totaled \$12,014,720, ahead of budget by 0.8%. Marketing surplus for November was \$86,029, a decrease of 41.4% over the same period in 2016. Year-to-date the marketing surplus through November totaled \$686,437, up from budget by 57.2%.

In 2013, the Board authorized a funding mechanism to support efforts necessary to explore expansion feasibility, now called Addition Budget. Addition Project Fund expenditures for November 2017 were \$5,176,281.

Non-Operating Revenues for the month of November were \$9,408,465, above budget by 6.8%. Non-Operating Revenues year-to-date through November 2017, for regular and additional lodging taxes, totaled \$82,618,433. Non-Operating Expenses during the month for transfer of additional lodging tax, debt service, capital improvement projects, and addition budget totaled \$9,085,992, below budget by 39.3%. Non-Operating Expenses year-to-date through November 2017, which includes transfer of additional lodging tax, debt service, capital improvement projects and the addition budget, totaled \$84,251,466, below budget by 3.3%.

Mr. Firth advised that the forecast for the 2017 fiscal year is tracking positively for WSCC.

X. ADJOURNMENT

Ms. Brown-Archie made a motion to adjourn the December 19, 2017 Board meeting at 3:41p.m. Ms. Gonzalez-Murillo seconded and the motion was carried by the unanimous affirmative vote of all Directors present.