

Minutes

Washington State Convention Center Public Facilities District

Regular Meeting of the Board of Directors
December 20, 2016

I. CALL TO ORDER

Frank K. Finneran, Board Chairman, convened a regular meeting of the Washington State Convention Center Public Facilities District (WSCC) at 2:03 p.m., in Room 303, of the Convention Center.

MEETING ATTENDANCE

Board Directors in Attendance

Frank K. Finneran, Chair
Deryl Brown-Archie, Vice Chair
Susana Gonzalez-Murillo
Nicole Grant
Jerry Hillis
J. Terry McLaughlin
Karen Wong

Board Directors Absent

Robert Flowers
Craig Schafer

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
Becky Bogard, Bogard & Johnson, LLC
Matthew Hendricks, Hendricks - Bennett, PLLC
Matt Griffin, Pine Street Group
Fred Eoff, Public Financial Management, Inc.
Mike Meyer, PSAV
Colin Green, PSAV
Tom Norwalk, Visit Seattle
Rob Hampton, Visit Seattle
Patrick Smyton, Visit Seattle
Kelly Saling, Visit Seattle
Kris Cromwell, Visit Seattle

Staff in Attendance

Daniel Johnson	Tamara Mc Donald
Michael McQuade	Michael Murphy
Paul Smith	Lorrie Starkweather
Susnios Tesfaye	Ron Yorita

II. WSCC BOARD CORRESPONDENCE TO WSCC STAFF

Chairman Finneran advised that the Board of Directors have forwarded a letter to Mr. Blosser to extend the Board's sincere appreciation to the entire staff of the Center for their efforts contributing to very successful results for 2016, and asked Mr. Blosser to share this letter with all staff and service partners at WSCC. The Board of Directors is very proud of this facility and of our staff and service partners who take great pride in their work to keep the building in shipshape condition and ensure our clients, guests and visitors have a great experience while at the WSCC. Their keen attention to detail and exceptional customer service skills are a big part of what keeps our customers returning for subsequent events. Thank you for a job well done!

III. APPROVAL OF MINUTES

November 1 & 2, 2016 WSCC PFD Special Meetings and November 22, 2016 WSCC PFD Regular Meeting

Mr. Hillis made a motion to approve the minutes of the November 1 & 2, 2016 Special Board meetings and the November 22, 2016 Regular Board meeting as presented. Mr. McLaughlin seconded and the motion was carried by the unanimous affirmative vote of all Directors present.

IV. PUBLIC COMMENTS

There were no public comments.

V. 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
2. Approval of Additional Facility Project Draw Schedule Payment

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. Ms. Gonzalez-Murillo seconded and the motion was carried by the unanimous affirmative vote of all Directors present.

VI. PFD COMMITTEE REPORTS

A. Addition Committee

1. Update Report

Mr. Finneran reported that the Addition Committee met this morning and reviewed the normal course of items having to do with the many features of the project. Mr. Finneran requested Mr. Griffin provide the Board with an update on the Addition Project. Mr. Griffin spoke to the schedule, working towards the start of construction in the fall of 2017, and the entitlement process. The EIS report is on track to be published in February. Pine Street Group has been holding public hearings regarding potential public benefits. Mr. Griffin commented on the budget, and advised that one of the key pieces is the pending completion of Design Development drawings by LMN Architects, on track for the end of December. Once the Design Development drawings are complete, the general contractor, Clark-Lewis will begin the process of pricing the construction work. Outreach efforts are continuing for minority contractors and women-owned businesses with good success.

B. Finance Committee

1. Approval of 2017 Operating Budget, Resolution 2016-23

A RESOLUTION by the District Board Adopting An Operating Budget for the District for 2017.

In Mr. Flowers' absence, Mr. McLaughlin reported that the Finance Committee met on December 15, 2016 and reviewed the draft 2017 budget presented by staff. Staff provided an explanation of the

changes to the draft budget document previously reviewed by the Board at the strategic planning retreat meetings in November to reflect the cancellation of the Microsoft TechReady event in July 2017. Changes were made to revenues related to Food & Beverage and Facility Services, as well as the corresponding expenses in Food & Beverage as well as Supplies and Other Services. Staff has reviewed all business and feels this draft budget reflects the business for 2017 and the expenses needed to manage the business coming in 2017.

Mr. McLaughlin advised that the Finance Committee has approved this draft budget for 2017 and is recommending approval of Resolution 2016-23 by the Board.

Mr. Hillis made a motion to adopt Resolution 2016-23, the recommendations of the Finance Committee for the approval of the 2017 Operating Budget as presented. Ms. Brown-Archie seconded and the motion was carried by the unanimous affirmative vote of all the Directors present.

2. Approval of Banking Services Contractor Selection, Resolution 2016-24

A RESOLUTION designating U.S. Bank, N.A. as the vendor to provide the District with banking services.

Ms. Gonzalez-Murillo recused herself from discussing and voting on this contractor selection and exited the meeting room at 2:14 p.m. while this item was under discussion.

Mr. Blosser advised that a Request for Proposals was issued for banking services for the Washington State Convention Center as the former contract was due to expire with no more extensions available. There were two (2) proposals received, with both being qualified responses. After review of the responsive proposals and proposer interviews, staff and the Finance Committee are recommending selection of U.S. Bank to provide banking services for the Washington State Convention Center.

Ms. Brown-Archie made a motion to approve the selection of U.S. Bank to provide the District with banking services. Mr. Hillis seconded and the motion was carried by the unanimous affirmative vote of all Directors present. (Finneran, Brown-Archie, Hillis, McLaughlin, Grant) Ms. Gonzalez-Murillo rejoined the meeting at 2:16 p.m.

3. Approval to Recognize Additional Expenses for 2016 Operating Budget, Resolution 2016-29

A RESOLUTION approving additional spending authority for the Operating Budget for the Washington State Convention Center Public Facilities District for Fiscal Year 2016 amending and superseding Resolution 2015-17.

Mr. McLaughlin 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. The Finance Committee was presented with two items by staff for review and recommendation to the full Board for approval. These two categories are 1) Employee Benefits, due to an aggressive original number and additional hours worked due to the event schedule; and 2) Food & Beverage Services, with expense increases due to the additional \$2,387,192 in revenues for the fiscal year.

Mr. McLaughlin made a motion to approve Resolution 2016-29 to increase the following line items expenditures for Fiscal Year 2016:

- a) Employee Benefits: from \$4,984,526 to \$6,200,706
- b) Food & Beverage Services: from \$11,858,000 to \$12,513,032

Ms. Grant seconded and the motion was carried by the unanimous affirmative vote of all the Directors present.

C. Marketing Committee

1. Approval of the Visit Seattle 2017 Sales Plan, Goals and Scope of Work, Resolution 2016-28

A RESOLUTION by the District Board approving the 2017 Annual Strategic Marketing Plan and 2017 Annual Budget with Visit Seattle.

In Mr. Schafer's absence, Ms. Gonzalez-Murillo advised that the Marketing Committee had reviewed the proposed 2017 Visit Seattle Sales Plan, Goals and Scope of Work as required by the contract with Visit Seattle. The Marketing Committee is in agreement with the scope of work, sales plan and goals as submitted and is recommending approval.

Ms. Gonzalez-Murillo made a motion to approve Resolution 2016-28, adopting Visit Seattle's Annual Strategic Marketing Plan and Budget for 2017. Mr. Hillis 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 advised that the Government Affairs Committee met yesterday. The Committee has some additional team members who will be meeting with the Committee regularly due to the very full agenda for the upcoming Legislative Session. The Government Affairs Committee (Ms. Brown-Archie, Mr. Schafer, Ms. Grant, Mr. Finneran) and the WSCC staff and WSCC's Public & Legislative Advisory Services consultant, Ms. Bogard, have added the following team members: Mr. Eoff (Public Financial Associates), Mr. Norwalk (Visit Seattle), Mr. Johnson (Pacifica Law Group), Mr. Griffin and Ms. Libby (Pine Street Group). Ms. Brown-Archie spoke to some of the particular concerns that the Committee will be working on for the 2017 Legislative Session. For the proposed legislation that the Committee will be moving forward on, the decision was made to expand WSCC's lobbyist team, similar to what was done in past years. WSCC's Public & Legislative Advisory Services consultant will be contracting with additional lobbying resources.

2. Consultant Update 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 2016 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 84.2%, down 0.1% from the same period in 2015; RevPAR saw an increase of 3.1% and ADR had an increase of 2.9% as compared to the same period last year. In November 2016, Boston CBD/Airport topped the competitive set for the month with an ADR of \$246.45. Downtown Seattle ADR's (\$188.21) finished the month in the fifth spot. Year to-date, San Francisco remains in the lead in the categories of Occupancy, Average Room Rate, and RevPar. Seattle numbers continued to track strongly with the eight other cities in the group.

B. Visit Seattle Sales Report

Mr. Hampton reported that Visit Seattle WSCC sales production combined for the months of October and November 2016 was 111.62% of goal and Hotel Production was 66.79% of goal. 2016 year-to-date room night production through November for WSCC is at 106.57% of goal and Hotel Production is at 75.15% of goal.

Mr. Hampton reviewed year-to-date WSCC lost and waived room nights. Year-to-date; 614,344 room nights were lost (business bid on, but was not awarded) and 701,935 room nights were waived (business that wanted Seattle to bid, but we were unable to bid for various reasons.)

Lost opportunities:

- Non Profit Technology Network – March 2019:
2,000 delegates, 3,275 room nights, \$5.8 million economic impact
- Case Management Society of America – June 2019:
1,700 delegates, 4,242 room nights, \$4.9 million economic impact

Waived opportunities:

- Riot Games – April 2018:
3,500 delegates, 15,620 room nights, \$6.6 million economic impact
- Citrix Systems, Inc. – May 2020:
3,500 delegates, 6,000 room nights, \$18 million economic impact

Ms. Grant wished to comment and stated she wanted to offer thanks, raise one concern, and offer one piece of caution to Visit Seattle. Ms. Grant was noticing that of the clients that have been booked at the Convention Center, there is a lot of diversity, for example the Latino Professional Engineers Association. As a labor movement, we were really surprised to see Visit Seattle basically oppose our primary piece of budget legislation at the city of Seattle in this last budget cycle. It was for increased sustainable funding for labor standards enforcement, education and outreach, and this was something in addition to being a labor priority that was supported by the NAACP. It was a priority for the Church Council, for LGBTQ Allyship, for the Vietnamese Friendship Association, for El Centra de la Raza, and it didn't seem like a piece of policy that was very strongly aimed at the hospitality industry, and Ms. Grant was concerned about the brand of the Convention Center and the brand of Visit Seattle when they take political positions with the Seattle Metropolitan Chamber of Commerce in a legislative argument that was hot and openly business versus worker. Ms. Grant wanted to point out her surprise in seeing this action. The other thing Ms. Grant wished to point out was Initiative 124, which was a ballot initiative that was brought forward by the hotel maids and their union. It was an initiative that just passed for 2017 with over 75% of the vote. It was supported by the workers movement, but the Mayor of Seattle brought a resolution that unanimously passed the City Council in support of it as well. King County Executive Dow Constantine was an avid supporter, and mostly it was voters in the city of Seattle that chose that they wanted to have these regulations in the hotel and hospitality industries. Ms. Grant noticed that today the Seattle Hotel Association, the Washington Hotel Association, and the American Hotel & Lodging Association filed a lawsuit basically attacking Initiative 124, making it so that it wouldn't be implemented until any further lawsuit that sought to throw out the Initiative was finished. Ms. Grant wanted to stress the importance of Visit Seattle and the Convention Center as entities to not get involved in this in any way.

Mr. Norwalk thanked Ms. Grant for her comments and stated that Visit Seattle is first and foremost a sales and marketing agency and that Visit Seattle is a member-based organization with approximately 1,000 members; 75 to 80% of Visit Seattle members around the city and region are all small business. Where and when Visit Seattle does weigh in is usually board-directed and usually to the extent that it affects a lot of our membership within the city. Mr. Norwalk advised that Visit Seattle normally stays away from initiatives or political issues, but we did feel that Initiative 124, although it was sold as an hotel employee's safety issue, there was a lot more below that line, as I think you're aware, and will have some consequences for our operators, most of which are non-union hotels in the city. So Visit Seattle tries to stay away when we can, but when there is something that is affecting a large percentage of our partnership and membership, we do weigh in. However, we are unequivocally first and foremost a marketing organization and a sales organization, and I respect your comments and I hear you.

Ms. Grant thanked Mr. Norwalk and advised that I hear you and respect you, too. She stated that now that Initiative 124 has passed with such overwhelming support from the voters, Ms. Grant think it's important that Visit Seattle and the Convention Center not be associated with a lawsuit that would undo the will of the voters.

Ms. Gonzalez-Murillo commented that first of all, it's nice to see Ms. Grant and appreciate hearing her comments. Ms. Gonzalez-Murillo did not understand how the Latino Professional Engineers Association fits in with this conversation, because as you have heard they are a marketing arm, and we on the Outreach Committee are trying to get broad coverage not just inclusively here with the entrepreneurs, but with the people who live here and need to earn a salary. Ms. Gonzalez-Murillo wished to understand how Ms. Grant sees this as a conflict. Ms. Grant stated that doing public battle over a piece of policy with El Centra de la Raza could have unintended consequences. Ms. Gonzalez-Murillo requested to know if Ms. Grant works for labor with El Centra de la Raza as they are the lobbyists for the Latino community. Ms. Grant stated that they are community partners together and they are in coalition on this particular legislative priority.

The Chairman thanked Ms. Grant, Mr. Norwalk and Ms. Gonzalez-Murillo, and brought the meeting back on to the agenda.

C WSCC Sales Report

Mr. McQuade reported that for November YTD, WSCC & Visit Seattle Sales staff combined top-line rent totaled \$5,631,990 for Convention Center contracted bookings. Groups hosted November YTD realized 15,033 in hotel room night bookings, with 195,078 delegates, and an estimated \$8,120,692 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 23,803 in estimated attendance, 557 associated room nights, and combined topline revenues of over \$543,724 for rent, food & beverage, parking and subcontractor services.

VII. PRESIDENT'S REPORT

A. Response to WSCC Board Correspondence

On behalf of the WSCC staff, Mr. Blosser thanked the Board for their letter of support, and he will ensure staff is provided with a copy. The WSCC team continues to do a great job to ensure the building is in tip-top shape and our guests/clients/attendees have a wonderful experience while at the Center.

B. WSCC All Staff Meeting Report

Mr. Blosser provided an update to the Board on the recent Employee All-Staff Meeting and Training Day. The agenda included an Active Shooter Training component tailored specifically for WSCC, an update on results from 2016 and a look ahead at 2017. Ms. Marty Hartman, Executive Director at Mary's Place, spoke to the group and provided thanks for the community service work provided by WSCC staff and ARAMARK staff. The WSCC All-Staff Meeting concluded with an employee recognition lunch and awards ceremony.

VIII. STAFF REPORTS

A. WSCC Parking Report

1. Parking Report

Mr. Tesfaye reported that parking revenues for November 2016 were down 3% from the revenues reported in November 2015; and November YTD revenues were down 1.0% from the same period in 2015, mainly due to the event mix in the building. WSCC's monthly parking for the main garage is currently at full capacity. There is a small wait-list for both garages. The notices regarding the parking rate increase effective February 1, 2017, approved at the November 22, 2016 Board meeting, are being sent out. Four charging stations for electric vehicles have been installed in the main garage and require the user to pay by credit card at the station. Mr. Tesfaye advised that to date, the charging stations were used 34 times since installation.

B. Food Service Report

Mr. McFadin reported total sales for November 2016 were up \$4,732 from re-forecast and up \$121,231 over prior year. Total costs for November 2016 were less than re-forecast by \$8,975, primarily due to the event mix in-house. November 2016 total WSCC PFD profit was up \$41,134 over prior year and \$13,647 better than re-forecast. Year-to-date sales are \$2,069,898 above re-forecast and \$4,508,237 above prior year or an increase of 21%. Food service return to WSCC PFD year-to-date is up \$1,057,828 from forecast and up \$2,182,097 from prior year. ARAMARK continues to focus on the Food Management and Labor Management programs during Fiscal Year 2016 with the goal of continued positive results. Fiscal Year 2016 is tracking to see good results.

X. FINANCIAL REPORT

Mr. Firth reported that the format for the financial report was revised in March to isolate the Marketing Revenues and Expenses from the Operating and Non-Operating categories. The In-House Marketing Expenses are now also included under the Marketing Expenses category.

Year-to-date November 2016 total operating revenues were up 9.9% compared to the same period in 2015, and ahead of budget by 8%. For the month of November 2016, Food Service revenues were ahead of budget by 109%. Retail revenue was down 30.4%, Building Rent revenue was up 41.1%,

Parking revenue was down 20%, and Facility Services revenue was up 30.9% for the month of November 2016.

Operating expenses for November 2016 were over budget for the month by 2%; and the corresponding sales were up 53.3%. Staff continues to conservatively manage expenses in FY2016. Year-to-date the operating surplus through November totaled \$2,440,545. Operating loss for November 2016 was \$59,409, a decrease of 86.2% over the same period in 2015.

Year-to-date November 2016 total Marketing revenues were up 5.7% compared to the same period in 2015, however under budget by 4.8%. For the month of November 2016, marketing revenues were below budget by 0.5%. Marketing expenses for year-to-date 2016 totaled \$11,694,666, below budget by 4.8%. For the month of November 2016, marketing expenses totaled \$1,261,452, below budget by 0.5%, however 22% over November 2015. Year-to-date the marketing surplus through November totaled \$771,279, below budget by 7%. Marketing surplus for November was \$99,788, an increase of 40.7% over the same period in 2015.

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 2016 were \$2,036,367.

Non-Operating Revenues year-to-date through November 2016, for regular and additional lodging taxes, totaled \$76,452,006. Non-Operating Revenues for the month of November was \$8,889,826, up 1.4% from budget. Non-Operating Expenses year-to-date through November 2016, which includes transfer of additional lodging tax, debt service, capital improvement projects and the addition budget, totaled \$87,626,995, over budget by 1.7%. Non-Operating Expenses during the month for transfer of additional lodging tax, debt service, capital improvement projects, and addition budget totaled \$15,030,153, over budget by 0.4%.

Mr. Firth advised that the forecast for the 2016 fiscal year is tracking positively for WSCC.

XI. ADJOURNMENT

Ms. Gonzalez-Murillo moved to adjourn the December 20, 2016 Board meeting at 3:13 p.m. Ms. Brown-Archie seconded and the motion was carried by the unanimous affirmative vote of all Directors present.