

2022/2021

# Washington State Convention Center Public Facilities District: Independent Auditor's Report and Financial Report

For the fiscal years ended December 31, 2022, and 2021

*Vision: By doing ordinary things in an extraordinary manner, we will earn the  
privilege of serving our guests again.*

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## Report of Independent Auditors

Board of Directors  
Washington State Convention Center Public Facilities District

### Report on the Audit of the Financial Statements

#### ***Opinion***

We have audited the financial statements of the Washington State Convention Center Public Facilities District (the "District"), which comprise the statements of net position as of December 31, 2022 and 2021, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Washington State Convention Center Public Facilities District as of December 31, 2022 and 2021, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Emphasis of Matters***

##### *Change in Accounting Principle*

As discussed in Note 1 to the financial statements, the District adopted the provisions of GASB Statement No. 87, *Leases*, effective January 1, 2021. The financial statements have been retroactively restated in accordance with the requirements of the new accounting standard. Our opinion is not modified with respect to this matter.

##### *Adjustments to Prior Period Financial Statements*

As discussed in Note 1 to the financial statements, the District has recorded a correction of an error related to capital assets. Our opinion is not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in cursive script that reads "Moss Adams LLP".

Seattle, Washington  
June 20, 2023

## OVERVIEW

The Washington State Convention Center Public Facilities District (the "District") presents the Management's Discussion and Analysis (MD&A) of its financial activities for 2022. The MD&A focuses on significant financial issues, provides an overview of the District's financial activity and highlights operational changes in the District's financial position.

The accompanying financial statements present the activities of the District. The District was created on July 19, 2010, by King County (Ordinance 16883), pursuant to Substitute Senate Bill 6889, which authorized the creation of the public facilities district by King County and the transfer of assets and liabilities from the nonprofit corporation, established by the Washington State Legislature in 1982, to design, construct, promote, and operate the Washington State Convention Center. Prior to its formation, the District was an agency of the State of Washington, and its activities were reported in the Annual Comprehensive Financial Report (ACFR) of Washington State. RCW 36.100.010 authorized King County to create the District that is coextensive with the boundaries of the county. A public facilities district is a municipal corporation, an independent taxing "authority" within the meaning of Article VII, Section I of the State Constitution.

The District is a municipal corporation governed by a nine-member board of directors (the "Board") which establishes and approves policy and budgets. Three members of the Board are appointed by the Governor of the State, three members of the Board are nominated by the County Executive subject to confirmation by the County Council, and three members of the Board are nominated by the mayor of the City of Seattle subject to confirmation by the City Council. One of the Governor's appointments and one of the County's appointments must represent the lodging industry in the District, and one of the City's appointments must represent organized labor. Members of the Board serve four-year terms.

## ABOUT OUR BUSINESS

The District operates a world-class convention center and its new \$1.9 billion addition called Summit opened in January 2023. The combined one-of-a-kind urban convention center campus will be uniquely positioned and rank in the top 40 convention centers in the nation. Each building can operate independently or simultaneously. The combined complex will generate significant regional economic activity by attracting international, national, and regional conventions, tradeshow, and other events to the State of Washington. The District generates event-related revenue primarily from the sale and use of meeting and exhibition space, the sale of services that support the use of that space, such as electricity, water/drain, audio/video, and telecommunications (together such services are referred to herein as "Facility Services"), and sales of food and beverage at the facility.

The District also operates three separate public parking garages in downtown Seattle totaling 1,598 spaces. The Summit Addition will add approximately 700 spaces when complete. The garages are all top-tier parking facilities in the heart of Seattle, providing access to multiple freeway ramps and accessible parking for events, commuters, nearby residents, and tourists alike. The garages generate revenue resulting from parking fees and electric vehicle charging stations.

In prior years, the District was heavily impacted by the COVID-19 pandemic and 2022 saw a recovery in events and revenue. Impacts began on March 18, 2020, when the Governor issued a proclamation suspending interest on tax payments including lodging taxes, and hit deeper on March 23, 2020, when the Governor issued a statewide stay-at-home order, requiring individuals to remain at home except for essential activities, banning social and other gatherings, and closing all businesses with certain exceptions for essential businesses. The state has slowly and cautiously moved toward re-opening with strict and ever-changing health mandates, while navigating through the approval and administration of vaccines and boosters, and the onset of various COVID variants. In March 2022, the Center was allowed to hold events without a vaccine, mask, or social distancing requirement in place.

**ABOUT OUR BUSINESS (continued)**

To put the financial impact of the COVID-19 pandemic into context, the Center hosted 212 events in the fiscal year ended on December 31, 2019, drawing 369,204 attendees and generating more than 317,743 hotel room nights. In 2018 and 2017, 350,172 room nights and 329,039 room nights were generated, respectively. Prior to public health mandates shutting down operations in 2020, the Center had booked 73 events with an estimated 279,945 attendees for the year but ended with only 30 events and 94,885 attendees. In 2021, the lingering uncertainty around the pandemic and associated health mandates resulted in just 28 events and a total of 65,166 attendees. In 2022, the recovery accelerated with 145 events and 271,018 attendees. Regional events materialized faster than national events given the ease of travel within a localized area. National event bookings are gaining momentum going forward as travel restrictions return to normal and attendee confidence builds.

**TABLE: CONVENTION CENTER EVENTS**

<u>Year</u>	<u>Number of Events</u>	<u>Number of Attendees</u>
2017	285	382,725
2018	245	410,780
2019	212	369,204
2020	30	94,885
2021	28	65,166
2022	145	271,018

*Source: The District.*

**FINANCIAL HIGHLIGHTS**

Total operating and nonoperating revenues saw significant recovery from the prior year with total operating revenue increasing 246% and total nonoperating revenue increasing 351%. The reopening phase of the pandemic saw management making frequent adjustments to shifting public health mandates. Staffing levels were purposely added back in a thoughtful manner to balance maintenance, preservation, and security of the facility. At the same time, the Summit Building addition project continued and successfully sold the first phase of the re-development parcel and a secondary marshalling yard which resulted a \$44.9 million gain on the disposal of assets. Cash preservation continued to be a theme which saw the District take a third State Deficiency Loan of \$13.2 million. The beginnings of the economic recovery and successful disposal of assets caused a 9.7% improvement in net position from the prior year.

- A. Net position increased by approximately \$38.4 million from 2021 to 2022. The increase in net position is the result of easing COVID-19 restriction which led to a 94% increase in lodging tax – regular revenues and 99% increase in lodging tax – extended revenues. In addition, the gain on the disposal of first phase of the re-development parcel associated with the Summit Addition and the sale of a secondary marshalling yard also contributed to the increase.
- B. Total operating revenues increased 246% because of the convention centers operations reopening. Building rent increased 116% as pandemic restrictions eased. Food service revenues grossed \$14.5 million from \$1.7 million in the prior year or a 776% increase. Facility services such as electric, conductivity and audio/visual generated revenue also increased to \$3.2 million from \$576,972 in the prior year or a 457% increase. Parking revenues never fell as much as other event related activities because management’s focus on capturing nonevent parking business from local hospitals and construction workers from nearby construction sites including the Summit Building. As a result, parking revenues increased only 21%. Property leases fell 9% because office space leased to the Summit construction began to end as the project neared completion. Other operating revenue includes outsourced event staffing which increased 264% as convention business returned.

**FINANCIAL HIGHLIGHTS (continued)**

- C. The District maintained a disciplined approach to hiring as the center and local economy reopened. As a result, salary and wage expenses increased 58% and employee benefits increased 66%, in-house marketing salaries increased 37%, and in-house benefits were up 16%. Staffing levels increased to 210 full time equivalents by the end of 2022 which is still below the 2019 level of 224.
- D. Professional and other services increased 88% due to an increase in insurance premiums and a strategy shift in the purchasing of information management service and hardware to leases and software as a service (SAAS) from direct purchases hardware and software.
- E. Food service expenses increased 536% as the center reopened and saw more events. The most important measure is the gross margins on food service which expanded to 64.7% from 19.7%.
- F. Nonoperating revenue and expenses increased 351% to \$64.3 million from negative \$25.6 million. Lodging tax – regular increased 94% to \$77.7 million and lodging tax – extended increased 99% to \$4.4 million. Lodging tax revenues accelerated after the local economy reopened and pent-up demand for leisure activities were met.
- G. Nonoperating interest and investment income increased 46%. A higher interest environment combined with improved lodging tax revenue shifted the risk reward equation and allowed the District to extended duration. Subsequently, the District split its treasury portfolio between the State of Washington Local Government Investment Pool (LGIP) and individual bonds to take advantage of the steepness in the front end of the yield curve.
- H. Interest expense increased 7% due to a slightly back weighting of the maturity schedule in the 2010, 2018 and 2021 senior and subordinate debt and the payback of the 2021 general obligation net parking revenue note. The deficiency loans from the State of Washington are captured in other expenses and increased 72%. Build America Bond subsidy declined 3% as principal payments increased and interest expense decreased. There were no bond issues cost in 2022 other than bond trust administrative fees.
- I. Gain/Loss of disposal of asset represents a material change from the prior period. As part of the Summit addition, two neighboring land parcels were developed pads for a high-rise office tower and residential building. The first phase of the development (office tower pad) was sold in 2022. The second pad will be sold later. The additional asset disposal was from the sale of an auxiliary event staging area or marshalling yard. Together the assets disposal resulted in a \$44.4 million gain.
- J. Total assets and deferred outflows exceeded total liabilities and deferred inflows by \$433.3 million in 2022 from \$394.8 million in 2021. The increase was due to revenues exceeding expenses.
- K. In December 2022, Moody's Investor Service updated the outlook for the District to stable from negative while maintaining the rating the 2010B, 2018, and 2021 lodging tax bonds Baa1 and the 2018 and 2021 subordinate lodging tax bonds Baa3. S&P Global Ratings maintained its at BBB- on Washington State Convention Center Public Facilities District's previously issued series 2010B and 2018 lodging-tax bonds and BB+ on the series 2018 subordinate lodging-tax bonds. S&P Global Ratings outlook continues to be negative.
- L. The rapid recovery in lodging tax, sound economic fundamentals for the Seattle and King County region and the opening of the Summit building will likely be a trifecta of positive trends that should support a robust post pandemic recovery in District financial health.



## **OVERVIEW OF THE FINANCIAL STATEMENTS**

The operations of the District are grouped into one business type fund for financial reporting purposes. The District's accounting demonstrates legal compliance and financial management over transactions related to certain functions or activities.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows provide information about the activities and finances of the District as a whole.

#### **The Statement of Net Position**

The Statement of Net Position reports information about the District as a whole and about its activities in a way that helps communicate the financial condition of the District. This statement includes assets and liabilities using the accrual basis of accounting, which is like the accounting used by most private sector companies. All the current year revenues and expenses are considered regardless of when cash is received or paid.

The District's net position is the difference between assets and liabilities. The District reports net position as the difference between assets plus deferred outflows of resources, less liabilities plus deferred inflows of resources.

Net position is one way to measure the District's financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial condition is improving or deteriorating. You will need to consider other non-financial factors, such as changes in the District's funding structures and the condition of the District's operating assets, to assess the overall financial health of the District.

#### **The Statement of Revenues, Expenses, and Changes in Net Position**

The Statements of Revenues, Expenses, and Changes in Net Position show the District's income and expenses during the period. All revenues earned and expenses incurred during the years ended December 31, 2022 and 2021 are reported in the District's financial statements.

The District's operating revenues and expenses result from providing a variety of services associated with convention and event business (building rent, food services, and facility services). The District also operates approximately 1,650 parking stalls in three facilities and manages approximately 19,425 square feet of retail leases. Finally, nonoperating revenue and expenses represents the major source of tax revenue and debt administration.

#### **The Statement of Cash Flows**

The District categorizes cash inflows and outflows into four categories: 1) cash flows from operating activities, 2) cash flows from non-capital financing activities, 3) cash flows from capital and related financing activities and 4) cash flows from investing activities.

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## FINANCIAL ANALYSIS

	<u>2022</u>	<u>2021 Restated*</u>	<u>Percentage Change</u>	<u>2020 Restated**</u>	<u>Percentage Change</u>
<b>ASSETS</b>					
Current & other assets	\$ 196,180,999	\$ 480,285,932	-59%	\$ 552,310,725	-13%
Capital assets	<u>2,209,153,903</u>	<u>1,933,525,477</u>	14%	<u>1,465,212,167</u>	32%
Total assets	2,405,334,902	2,413,811,409	0%	2,017,522,892	20%
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred outflows	<u>42,211,257</u>	<u>43,418,273</u>	-3%	-	0%
Total assets & deferred outflows	<u>2,447,546,159</u>	<u>2,457,229,682</u>	0%	<u>2,017,522,892</u>	22%
<b>LIABILITIES</b>					
Current liabilities	101,341,536	143,140,873	-29%	89,708,222	60%
Noncurrent liabilities	<u>1,912,490,693</u>	<u>1,918,545,164</u>	0%	<u>1,480,765,444</u>	30%
Total liabilities	2,013,832,229	2,061,686,037	-2%	1,570,473,666	31%
<b>DEFERRED INFLOW OF RESOURCES</b>					
Leases	<u>460,591</u>	<u>731,545</u>	-37%	-	0%
Total liabilities & deferred inflows	2,014,292,820	2,062,417,582	-2%	1,570,473,666	31%
<b>NET POSITION</b>					
Net investment in capital assets	328,534,425	177,198,223	85%	315,456,126	-44%
Restricted	19,448,284	32,735,300	-41%	2,604,366	1157%
Unrestricted	<u>85,270,630</u>	<u>184,878,577</u>	-54%	<u>128,988,734</u>	43%
Total net position	<u>\$ 433,253,339</u>	<u>\$ 394,812,100</u>	10%	<u>\$ 447,049,226</u>	-12%

\*Amounts reported for 2021 were adjusted for the adoption of Governmental Accounting Standards Board (GASB) Statement No. 87, Leases (GASB 87) and correction of an error (see Note 1)

\*\*Amounts reported for 2022 were adjusted for the correction of an error (see Note 1)

Current and other assets decreased 59% or \$284.1 million in 2022 from 2021 due to the use of bonds proceeds on the Summit Addition, use of cash to support operation, in-house marketing, and support for the destination marketing organization Visit Seattle. Current and other assets decreased approximately \$72.0 million from 2020 to 2021 due to the use of bond proceeds on Summit Addition construction costs, the use of cash to meet debt service, and offsetting operating losses attributable to the insufficient lodging tax revenues used for in-house marketing, and cancellation of events.

Capital assets increased \$275.6 million from 2021 to 2022 due to the continuation of the Summit building site work including construction in process, net of current year depreciation and the disposal of the office tower co-development and marshalling yard. Capital assets increased \$447.7 million from 2020 to 2021 due to the Summit building site work including construction in progress, net of current year depreciation and other capital asset additions and disposals.

Deferred outflows decreased \$1.2 million from 2021 to 2022 due to the amount recognized as a component of interest expense on an effective interest cost basis over the life of the old debt or the life of the new debt, whichever is shorter. Deferred outflows increased \$43.4 million from 2020 to 2021 due to a partial refunding of the 2018 Parity and Subordinate bonds.

## FINANCIAL ANALYSIS (continued)

Current liabilities declined \$41.8 million from 2021 to 2022 due to a lower year end draw on Summit related construction activities. Current liabilities increased \$32.9 million from 2020 to 2021 million due to increases in accounts payable activity as operations emerged from COVID-19 pandemic induced shutdowns. Noncurrent liabilities were flat from 2021 to 2022 as principal paid on debt was offset by a third State deficiency loan. Noncurrent liabilities increased \$437.8 million due to the additional debt burden to finish the Summit Addition and State Deficiency Loan to support existing debt service.

Net investment in capital assets increased 85% or \$151.3 million from 2021 to 2022 due to a mix of activities from the continued draw of bond proceeds for Summit construction, the disposal of assets and reduction of cash for the use on the Summit project. Net investment in capital assets decreased from 2020 to 2021 due to additional debt taken on related to Summit Addition construction and a drawdown in bond proceeds for the project. Restricted net position decreased 41% due to debt service reserve and capitalized interest fund associated with 2021 Jr "Green" bonds and the debt service reserve fund for 2021 General Obligation Net Parking Revenue note. The change in net position - investment in capital assets also reflects the net effects of other capital asset additions and disposals, bond principal payments, and depreciation on capital assets. Finally, there was insufficient lodging tax revenues and additional sales tax revenue to meet July 2021 debt service. The gap in debt service and tax revenue was filled with the use of unrestricted funds to offset the gap in tax revenue decreased from 2020 to 2021.

Total operating revenues increased 246% from 2021 to 2022 and was driven by a return of activity at the District. Building rental revenue accelerated as the number of events increased 418% to 145 from 28 and resulted in an increase of 116% year over year. Food service revenues grossed \$14.5 million from \$1.7 million in the prior year or a 776% increase. More importantly food service margins expanded to 64.7% from 19.7%. Facility services such as electric, conductivity and audio/visual generated revenue also increased to \$3.2 million from \$576,972 in the prior year or a 457% increase. Parking revenues increased 21%. Property leases fell 9% because office space leased to the Summit construction began to end as the project neared completion. Other operating revenue includes outsourced event staffing which increased 264% as convention business returned.

Operating expenses increased 53% from 2021 to 2022 due to more salaries and wages, professional services, food service expenses, additional parking debt interest payments, and a larger contribution to the destination marketing organization Visit Seattle. Salaries and wages increased 58% as the District brought back staff to support a larger event schedule. The rate of hiring was measured to control expenses and was also impacted by a slow return of the labor force into the leisure and hospitality sector as well as a competitive labor market. Profession services increased 6% because of increased insurance cost on the new Summit building. As expected, the food service expenses contributed the most to higher operating expenses, but gross margins were significantly better than anticipated due to the relatively limited staffing costs embedded in the food service expense. Aramark is the sole provider of food services at the center and food service expenses includes the cost of Aramark staff. Like the District, measured hiring through the reopening phase of the pandemic kept costs down.

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**FINANCIAL ANALYSIS (continued)**

**Comparative Schedule of Changes in Net Position**

Washington State Convention Center Public Facilities District Comparative Schedule of Changes in Net Position For the Years Ending December 31, 2022 and 2021					
	2022	2021 Restated*	Percentage Change	2020	Percentage Change
<b>OPERATING REVENUES</b>					
Building rent	\$ 3,740,270	\$ 1,730,108	116%	\$ 760,840	127%
Food service	14,512,070	1,657,343	776%	4,950,410	-67%
Parking	3,386,848	2,808,495	21%	2,147,140	31%
Facility services	3,213,981	576,972	457%	738,069	-22%
Property lease/rental operation	521,007	569,876	-9%	370,107	54%
Other operating	1,151,440	316,649	264%	312,671	1%
Total operating revenues	<u>26,525,616</u>	<u>7,659,443</u>	246%	<u>9,279,237</u>	-17%
<b>NONOPERATING REVENUES</b>					
Lodging tax - regular	77,653,484	40,123,263	94%	18,384,474	118%
Lodging tax - extended	4,406,920	2,219,006	99%	906,446	145%
Marketing tax	-	-	0%	2,920,579	-100%
Build America Bonds subsidy	5,451,729	5,627,805	-3%	5,779,726	-3%
Gain/(loss) on disposal of assets	44,896,329	(472,455)	9603%	(371,664)	27%
Interest on lease activity	8,626	10,781	-20%	-	0%
Gain on forgiveness of debt	2,964,114	-	0%	-	0%
Interest and investment income	1,295,781	887,015	46%	10,771,244	-92%
Total revenues	<u>163,202,599</u>	<u>56,054,858</u>	191%	<u>47,670,042</u>	18%
<b>OPERATING EXPENSES</b>					
Salaries and wages	7,501,477	4,748,077	58%	5,203,787	-9%
Employee benefits	4,435,951	2,676,021	66%	3,344,588	-20%
Professional and other services	2,971,191	1,581,092	88%	1,692,993	-7%
Food service expense	8,813,306	1,385,070	536%	2,343,728	-41%
Supplies	404,100	201,412	101%	342,985	-41%
Utilities	3,044,550	2,239,950	36%	1,912,187	17%
Repair and maintenance	1,715,582	1,339,742	28%	1,500,428	-11%
Depreciation and amortization	14,127,609	14,308,660	-1%	14,079,938	2%
Other administrative	341,025	81,139	320%	118,868	-32%
Parking debt interest expense	581,144	260	223417%	-	0%
Visit Seattle, outside marketing	7,500,000	5,000,000	50%	4,393,251	14%
In-house marketing expense	206,186	161,413	28%	83,463	93%
In-house marketing salaries	503,812	368,603	37%	597,752	-38%
In-house marketing benefits	231,555	199,177	16%	243,902	-18%
Total operating expenses	<u>52,377,488</u>	<u>34,290,616</u>	53%	<u>35,857,870</u>	-4%
<b>NONOPERATING EXPENSES</b>					
Interest expense	71,464,648	66,573,617	7%	63,983,868	4%
Bond issuance costs	-	6,895,291	-100%	-	0%
Other expenses	919,224	532,460	73%	438,635	21%
Total expenses	<u>124,761,360</u>	<u>108,291,984</u>	15%	<u>100,280,373</u>	8%
<b>CHANGE IN NET POSITION</b>	38,441,239	(52,237,126)	-174%	(52,610,331)	-1%
<b>NET POSITION</b>					
Beginning of Year	<u>394,812,100</u>	<u>447,049,226</u>	-12%	<u>499,659,557</u>	-11%
End of Year	<u>\$ 433,253,339</u>	<u>\$ 394,812,100</u>	10%	<u>\$ 447,049,226</u>	-12%

\*Amounts reported for 2021 were adjusted for the adoption of GASB 87, Leases (see Note 1)

## FINANCIAL ANALYSIS (continued)

The District assumed the cost of providing the furnishings and equipment (FF&E) for most of the new building. Funding of FF&E was provided through debt supported by the parking operations. The first full year of debt payments started in 2022 and increased to \$581,144 from \$260. Finally, a robust recovery in lodging tax collection allowed the District to increase funding to Visit Seattle, the destination marketing organization for the region, 50% from \$5.0 million to \$7.5 million. Overall, net operating income improved 3% from 2021 to 2022.

Nonoperating revenue and expenses increased a material amount to \$38.4 million from (\$52.2) million in the prior year. The 174% increase was driven by a robust recovery in lodging tax revenues, better investment income performance, and a significant gain on the disposal of assets and offset by higher interest expense from an additional deficiency loan and an acceleration of the debt servicing costs.

Lodging tax – regular increased 94% to \$77.7 million and lodging tax – extended increased 99% to \$4.4 million. Lodging tax revenues saw month over month increases as high as 80% after the local economy reopened and pent-up demand for leisure activities were met. The year over year growth in lodging tax revenue is not expected to continue at this rate in the years ahead but does indicate strong underlying demand of hotel services in the regional economy. Looking forward, the District's ability to guide lodging tax revenue trends will be supported by the opening of the Summit building. Two buildings will allow the District to influence average daily room rates (ADR) and occupancy rates especially in the low tourism season or winter months. With two buildings working in concert the District can reduce variability in ADR and occupancy rates by staggering events. So, as one event is moving in and beginning another event can conclude and move out. The ability to manage and overlap events will lead to higher overall rates of hotel activity leading to a more stable and higher sustained rates of lodging tax revenue growth.

Nonoperating interest and investment income increased 46%. A higher interest environment combined with Improved lodging tax revenue shifted the risk reward equation and allowed the District to extended duration. Subsequently, the District split its treasury portfolio between the State of Washington Local Government Investment Pool (LGIP) and individual bonds to take advantage of the steepness in the front end of the yield curve.

Gain/Loss of disposal of assets represents a material change from the prior period. As part of the Summit addition two neighboring land parcels were developed pads for a high-rise office tower and residential building. The first phase of the development (office tower pad) was sold in 2022. The second pad will be sold later. The additional asset disposal was from the sale of an auxiliary event staging area or marshalling yard. Together the asset disposals resulted in a \$44.4 million gain.

Overall, nonoperating revenue increased 191% to \$163.2 million from \$56.1 million. The rapid recovery in lodging tax, sound economic fundamentals for the Seattle and King County region and the opening of the Summit building will likely be a trifecta of positive trends that should support a robust post pandemic recovery in District financial health.

Washington State Convention Center Public Facilities District: Independent Auditor's Report and Financial  
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**CAPITAL ASSETS**

The following schedule is a summary of the District's investment in capital assets as of December 31, 2022, 2021, and 2020:

	<u>2022</u>	<u>2021 Restated*</u>	<u>2020**</u>
Capital assets, not being depreciated			
Land	\$ 297,331,010	\$ 321,485,456	\$ 321,485,455
Construction in progress	<u>1,684,441,973</u>	<u>1,371,065,962</u>	<u>911,817,217</u>
Total capital assets, not being depreciated	<u>1,981,772,983</u>	<u>1,692,551,418</u>	<u>1,233,302,672</u>
Capital assets, being depreciated			
Buildings and improvements	463,951,706	463,682,060	462,261,396
Other improvements and art collection	12,453,229	12,331,594	12,331,594
Machinery/equipment/furniture/fixtures	<u>15,095,868</u>	<u>15,716,885</u>	<u>14,677,192</u>
Total capital assets, being depreciated	<u>491,500,803</u>	<u>491,730,539</u>	<u>489,270,182</u>
Less accumulated depreciation and amortization for:			
Buildings and improvements	(245,422,996)	(232,972,481)	(220,813,780)
Other improvements and art collection	(5,542,513)	(5,473,087)	(4,713,071)
Machinery/equipment/furniture/fixtures	<u>(13,312,659)</u>	<u>(12,409,817)</u>	<u>(11,328,836)</u>
Total accumulated depreciation and amortization	<u>(264,278,168)</u>	<u>(250,855,385)</u>	<u>(236,855,687)</u>
Total capital assets, being depreciated, net	<u>227,222,635</u>	<u>240,875,154</u>	<u>252,414,495</u>
Right-of-use lease assets	<u>158,285</u>	<u>98,905</u>	<u>-</u>
Total capital assets	<u>\$ 2,209,153,903</u>	<u>\$ 1,933,525,477</u>	<u>\$ 1,485,717,167</u>

\*Amounts reported for 2021 were adjusted for the adoption of GASB 87, Leases and correction of an error (see Note 1)

\*\*Amounts reported for 2022 were adjusted for the correction of an error (see Note 1)

Capital assets increased from 2021 to 2022 due to Summit Building construction project spending plus other capital asset additions, offset by current year depreciation and disposals. Additional information regarding capital assets is provided in Note 5 to the financial statements.

**DEBT ADMINISTRATION**

In February 2021, the District applied, qualified for, and received \$3.0 million in Payroll Protection Program funds through the U.S. Small Business Administration. The funds were used as intended to keep the District's workforce employed while the facility was under mandatory pandemic closure and restricted use. The loan was fully forgiven on March 7, 2022.

In July 2021 pursuant to terms of the Transfer Agreement with the State of Washington, the District took a third deficiency loan of \$13.2 million against accumulated Additional Tax receipts to preserve liquidity levels which will help to hedge against potential lodging tax revenue volatility. The deficiency loan rate is 3.4% and is amortized over a 10-year period. After further review and legal analysis, the WA Office of State Treasurer reinterpreted the Transfer Agreement language and determined the annual interest rate is variable and therefore will reset every year.

**ECONOMIC FACTORS**

The consensus economic forecast for the U.S. economy is for slowing growth in 2023 due to persistent inflation, labor market tightness, and a hawkish Federal Reserve. Factors affecting tourism, hospitality, and convention business remain relatively positive compared to the depth of the pandemic. The District is subject to various macroeconomic factors such as inflation, monetary policy, COVID-19 variants, and global politics.

Local economic fundamentals in King County, Washington continue to recover from pandemic measures and has settled back into positive long-term secular trends of sustained population, employment, and personal income growth. The King County Office of Economic and Financial Analysis reports, “*King County employment overall has recovered fully from COVID recession and employment has continued to climb after topping 1.5 million in August 2022. well-publicized layoffs in the tech industry have yet to hit the numbers in any meaningful way. Tourism was strong in 2022 with nearly 300 cruise trips carrying 1.2 million people leaving from Seattle.*” As of May 1, 2023, Seattle-Tacoma International Airport experienced TSA screened volume, aircraft operation, and roadway traffic 4%, 6%, and 7% below 2019 year to date levels, respectively. Year over year, activity indicates a significant rebound with experienced TSA screened volume, aircraft operation, and roadway traffic 115%, 26%, and 105% above 2021 levels.

<b>Annual Growth</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Population	1.6%	0.8%	1.3%	1.1%	1.0%
Employment	-5.8%	1.8%	5.5%	1.0%	1.0%
Personal income	6.0%	7.5%	2.5%	2.1%	3.5%
Inflation	1.7%	4.6%	8.9%	5.0%	2.9%
Taxable retail sales	-7.5%	16.6%	9.2%	3.9%	4.4%

Source: King County, WA Office of Economic and Financial Analysis, Econpulse Fourth Quarter 2022. 2020 – 2021 represent actual figures and 2022 – 2024 represent projected figures.

Lodging fundamental, as of the week ending April 16, 2023, show mixed results compared to pre-COVID-19 levels in 2019. For example, in Seattle’s downtown core average daily room rates (ADR) were \$216, which exceeded 2019 levels by 20.2%. Occupancy rates, however, lagged by 6.4% at 73.7%. The revenue per available room (RevPar) is up 11.8% versus 2019. RevPar is a very encouraging sign for lodging tax revenue fundamentals. Moreover, on a county-wide level compared to 2022 for the same week ending April 16, 2023, saw occupancy, average daily room rates, and RevPar up 9.0%, 19.3%, and 30.3%, respectively. The recovery of lodging tax revenue was faster than expected on an accrual basis which resulting 2022 lodging tax – regular exceeding 2019 levels by approximately \$700,000 to \$77.7 million from \$77.0 million.

Changes or fluctuations in the attractiveness of Seattle as a tourist and convention destination may adversely affect the level of Lodging Tax Revenues and Convention Center bookings. Such factors that may affect tourism and convention activity include public safety, civility issue in downtown Seattle, and other factors that may affect Seattle’s national and international reputation as a place to visit. Any future slowdown or decrease in the level of tourist activity (including convention activity) in the District is likely to result in slowed growth or a reduction in Lodging Tax Revenues. However, over the last decade the total taxable lodging activity within King County grew to the point that lodging activity is evenly split between King County and the City of Seattle. Growth in lodging activity outside of the City of Seattle moderates Seattle’s reputational risk. Diversifying the economic base and revenue structure of the District are web-based lodging units (VRBO or Airbnb). This is relatively new and developing revenue source (Lodging tax – extended). With a short history of tax collections, COVID impacts, and the subsequent economic closure there are unexplained relationship the greater lodging sector. In all, the mixed macroeconomic factors cloud the path of recovery for the District, but strong secular regional and local microeconomic factors support a gradual yet cautious outlook.

**FINANCIAL CONTACT**

The District's financial statements are designed to provide users with a general overview of the District's finances and to demonstrate accountability to the taxpayers, investors, creditors, and customers of the District. If you have questions about the report, please contact the District's administrative offices at 206-694-5000. The District's financial statements can be accessed at its website: [www.seattleconventioncenter.com](http://www.seattleconventioncenter.com).



# Washington State Convention Center Public Facilities District: Independent Auditor's Report and Financial Report

## Washington State Convention Center Public Facilities District Statement of Net Position December 31, 2022 and 2021

	2022	2021 Restated*
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 63,212,350	\$ 124,264,746
Restricted cash and cash equivalents	67,051,430	230,672,018
Investments	24,534,675	11,080,257
Restricted investments	14,223,843	103,951,931
Receivables (net)	635,425	1,599,980
Due from other governments	11,216,533	7,467,503
Lease receivable	278,266	509,256
Prepayments and other current assets	461,600	267,578
Total current assets	181,614,122	479,813,269
Noncurrent assets		
Investments (noncurrent)	7,968,897	-
Restricted investments (noncurrent)	6,340,932	-
Lease receivable (noncurrent)	253,510	459,628
Other noncurrent assets	3,538	13,035
Total noncurrent assets	14,566,877	472,663
Capital assets		
Land	297,331,010	321,485,456
Buildings and improvements	463,951,706	463,682,060
Machinery/equipment/furniture/fixtures	15,095,868	15,716,885
Buildings and improvements/art collection	12,453,229	12,331,594
Right-of-use lease assets	158,285	98,905
Accumulated depreciation and amortization	(264,278,168)	(250,855,385)
Construction in progress	1,684,441,973	1,371,065,962
Total capital assets	2,209,153,903	1,933,525,477
<b>Total assets</b>	<b>2,405,334,902</b>	<b>2,413,811,409</b>
Deferred outflows of resources	42,211,257	43,418,273
<b>Total assets and deferred outflows</b>	<b>2,447,546,159</b>	<b>2,457,229,682</b>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	8,252,674	40,326,224
Retainage payable from restricted assets	17,866,459	14,964,494
Salaries, benefits and taxes payable	941,877	700,040
Unearned revenue and deposits payable	3,782,910	2,193,539
Due to other governments	18,518,049	9,698,878
Paycheck Protection Program loan	-	2,964,114
Interest payable	37,667,433	38,498,912
Current portion of long-term debt	13,591,465	10,990,478
Lease liability	6,597	36,787
Earnest money deposit	-	20,500,000
Other current liabilities	714,072	2,267,407
Total current liabilities	101,341,536	143,140,873
Noncurrent liabilities		
Net, unamortized premiums	1,910,496,959	1,918,446,138
Due to other governments (noncurrent)	1,943,437	-
Lease liability (noncurrent)	-	6,597
Other liabilities (noncurrent)	50,297	92,429
Total noncurrent liabilities	1,912,490,693	1,918,545,164
<b>Total liabilities</b>	<b>2,013,832,229</b>	<b>2,061,686,037</b>
Deferred inflow of resources		
Leases	460,591	731,545
<b>Total liabilities and deferred inflows</b>	<b>2,014,292,820</b>	<b>2,062,417,582</b>
<b>NET POSITION</b>		
Net investment in capital assets	328,534,425	177,198,223
Restricted:		
Restricted for debt service	19,448,284	32,735,300
Unrestricted	85,270,630	184,878,577
Total net position	\$ 433,253,339	\$ 394,812,100

\*Amounts reported for 2021 were adjusted for the adoption of GASB 87, Leases and correction of an error (see Note 1)

See accompanying notes.

Washington State Convention Center Public Facilities District: Independent Auditor's Report and Financial  
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**Washington State Convention Center Public Facilities District  
Statements of Revenues, Expenses, and Changes in Net Position  
For the Years Ending December 31, 2022 and 2021**

	<b>2022</b>	<b>2021 Restated*</b>
<b>OPERATING REVENUES</b>		
Building rent	\$ 3,740,270	\$ 1,730,108
Food service	14,512,070	1,657,343
Parking	3,386,848	2,808,495
Facility services	3,213,981	576,972
Retail leases	521,007	569,876
Other operating	1,151,440	316,649
Total operating revenues	26,525,616	7,659,443
<b>OPERATING EXPENSES</b>		
Salaries and wages	7,501,477	4,748,077
Employee benefits	4,435,951	2,676,021
Professional and other services	2,971,191	1,581,092
Food service expense	8,813,306	1,385,070
Supplies	404,100	201,412
Utilities	3,044,550	2,239,950
Repair and maintenance	1,715,582	1,339,742
Depreciation and amortization	14,127,609	14,308,660
Other administrative	341,025	81,139
Parking debt interest expense	581,144	260
Visit Seattle, outside marketing	7,500,000	5,000,000
In-house marketing expense	206,186	161,413
In-house marketing salaries	503,812	368,603
In-house marketing benefits	231,555	199,177
Total operating expenses	52,377,488	34,290,616
<b>OPERATING LOSS</b>	<b>(25,851,872)</b>	<b>(26,631,173)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Lodging tax - regular	77,653,484	40,123,263
Lodging tax - extended	4,406,920	2,219,006
Interest on lease activity	8,626	10,781
Interest and investment income	1,295,781	887,015
Interest expense	(71,464,648)	(66,573,617)
Build America Bonds subsidy	5,451,729	5,627,805
Gain/(loss) on disposal of assets	44,896,329	(472,455)
Gain on forgiveness of debt	2,964,114	-
Bond issuance costs	-	(6,895,291)
Other expenses	(919,224)	(532,460)
Total nonoperating expenses	64,293,111	(25,605,953)
<b>CHANGE IN NET POSITION</b>	<b>38,441,239</b>	<b>(52,237,126)</b>
<b>NET POSITION</b>		
Beginning of year	394,812,100	447,049,226
End of year	<b>\$ 433,253,339</b>	<b>\$ 394,812,100</b>

\*Amounts reported for 2021 were adjusted for the adoption of GASB 87, Leases (see Note 1)

See accompanying notes.

Washington State Convention Center Public Facilities District: Independent Auditor's Report and Financial  
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**Washington State Convention Center Public Facilities District  
Statements of Cash Flow  
For the Years Ending December 31, 2022 and 2021**

	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 29,079,542	\$ 17,033,353
Payments to suppliers	(66,324,438)	(37,029,700)
Payments to employees	(12,637,144)	(7,923,183)
Net cash used in operating activities	(49,882,040)	(27,919,530)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Nonoperating portion of lodging taxes received	82,060,404	42,342,269
Taxes received to be paid to other governments	8,819,172	6,183,216
Portion of taxes paid to other governments	(3,749,030)	(5,108,336)
Payment Protection Program loan received	-	2,964,114
Nonoperating revenues and (expenses)	1,027,875	(531,894)
Net cash provided by noncapital financing activities	88,158,421	45,849,369
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from issuance of debt	13,186,361	403,542,330
Proceeds from land sales	64,426,132	-
Purchases of capital assets	(319,724,493)	(419,912,116)
Bond issuance costs	(3,664)	(1,256,394)
Principal paid on capital debt	(12,205,774)	(9,000,000)
Lease interest income	78,613	-
Interest paid on capital debt	(77,417,890)	(66,241,092)
Build America Bonds subsidy received	5,451,729	5,627,805
Net cash used in capital and related financing activities	(326,208,986)	(87,239,467)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	1,295,780	1,542,005
Net change in fair value of investments	(97,505)	(664,215)
Purchases of investments	(248,338,210)	(130,334,944)
Proceeds from sales and maturities of investments	310,399,556	211,004,467
Net cash provided by investing activities	63,259,621	81,547,313
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(224,672,984)	12,237,685
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	354,936,764	342,699,079
End of year	\$ 130,263,780	\$ 354,936,764
<b>CASH AND CASH EQUIVALENTS AS REFLECTED IN THE STATEMENT OF NET POSITION</b>		
Cash and cash equivalents	\$ 63,212,350	\$ 124,264,746
Restricted cash and cash equivalents	67,051,430	230,672,018
Total cash and cash equivalents in the statement of net position	\$ 130,263,780	\$ 354,936,764

\*Amounts reported for 2021 were adjusted for the adoption of GASB 87, Leases (see Note 1)

See accompanying notes.

Washington State Convention Center Public Facilities District: Independent Auditor's Report and Financial Report

**Washington State Convention Center Public Facilities District  
Statements of Cash Flow  
For the Years Ending December 31, 2022 and 2021**

	<b>2022</b>	<b>2021 Restated*</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating loss	\$ (25,851,872)	\$ (26,631,173)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation and amortization	14,127,609	14,308,660
Bad debt expense	42,646	(6,077)
Changes in operating assets and liabilities:		
Accounts receivable	921,910	8,194,570
Operating accounts payable	(39,173,550)	(27,430,521)
Prepayments	(184,525)	423,118
Salaries, benefits, and taxes payable	241,837	230,108
Unearned revenue and deposits payable	1,589,371	344,186
Other operating liabilities	(1,595,466)	2,647,599
Net cash used by operating activities	\$ (49,882,040)	\$ (27,919,530)
 <b>SCHEDULE OF NONCASH INVESTING, CAPITAL, NONCAPITAL, AND RELATED FINANCING ACTIVITIES</b>		
Capital assets in accounts payable and retainage payable	\$ 10,001,966	\$ 42,583,404
Gain (loss) on fair value of investments	\$ (97,505)	\$ (664,215)
Proceeds from bond issuance	\$ -	\$ 543,900,000
Debt refunded and related costs paid through escrow	\$ -	\$ (543,900,000)
Net gain on disposal of capital assets	\$ (44,896,329)	\$ 472,455
Forgiveness of Paycheck Protection Program loan	\$ 2,964,114	\$ -

\*Amounts reported for 2021 were adjusted for the adoption of GASB 87, Leases (see Note 1)

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The accompanying financial statements present the activities of the Washington State Convention Center (WSCC) Public Facilities District (the "District"). The District was created on July 19, 2010 by King County Ordinance 16883, pursuant to Substitute Senate Bill 6889, which authorized the creation of the public facilities district by King County and the transfer of assets and liabilities from the nonprofit corporation, established by the Washington State Legislature in 1982, to design, construct, promote and operate the Washington State Convention Center. Prior to July 19, 2010, the District was an enterprise fund of the State of Washington, and its activities were reported in the Comprehensive Annual Comprehensive Financial Report (ACFR) of Washington State.

The District is an independent governmental entity, and all of its activities are accounted for in the records of the District. The District is governed by a nine-member board of community members appointed by the State of Washington, King County, and the City of Seattle. All liabilities incurred by the District are required to be satisfied exclusively from the assets, credit, and property of the District. The District's reporting cycle is the 12-month calendar period from January 1 through December 31.

In November 2010, the District issued bonds. The proceeds were distributed in accordance with the Official Statement for the bonds and the Transfer Agreement between the state and the District.

As of December 31, 2010, the District recorded the assets of the enterprise fund of the State of Washington, including all capital assets and a receivable from the state, which was transferred to the District on January 4, 2011. The District also recorded all of the liabilities of the state's corporation, with the exception of the long-term debt, which was defeased with the bond issue discussed in the above paragraph.

The Summit Building opened in January 2023 and includes 155,000 square foot exhibition hall, 100,000 square foot flex hall, 125,000 square feet of meeting rooms and a 60,000 square feet ballroom. The Summit Building added nearly 1.5 million square feet of gross floor area to the Convention Center, more than doubling the existing Convention Center exhibit, meeting, and banquet space.

**Component Units**

The Washington State Convention Center Art Foundation, a 501(c)(3) tax exempt organization, was formed to support the public art program of the WSCC. The Art Foundation's Board of Directors is appointed by the Chair of the WSCC Board of Directors Art Committee and approved by the WSCC Board of Directors. While the WSCC Board of Directors has the ability to control which art is displayed at any point in time, it does not direct the operation of the Art Foundation. The WSCC is entitled to the assets of the Art Foundation only upon its dissolution. The Art Foundation has no employees. As such, WSCC staff provides administrative services to the Art Foundation. The total assets are \$742,405 as of December 31, 2022, as well as total revenues of \$1,832 and total expenses of \$175 for the year. There are no transactions between the two entities for the years ended December 31, 2022 and 2021. As such, the Art Foundation is not included in the WSCC's financial statements as either a blended or a discretely presented component unit.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Accounting and Presentation**

The financial statements of the District are presented following the proprietary fund principles of governmental accounting standards. Under those principles, the accounts of the District are grouped within a single fund for reporting purposes. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

The District uses the accrual basis of accounting and the economic resources measurement focus. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of when the related cash is received or disbursed. Amounts received but not earned at year-end are reported as unearned revenues. Earned but unbilled revenues are accrued. Amounts disbursed but not owed at year-end are reported as pre-paid expenses. Amounts owed, but for which the District has not yet been invoiced, are accrued.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) in the United States requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates particularly susceptible to significant change in the near term relate to the depreciable lives of capital assets.

**Summary of Significant Accounting Policies**

***Policy for Defining Operating and Nonoperating Revenues/Expenses***

Operating revenues/expenses are distinguished from nonoperating revenues/expenses based on their relationship to the primary purpose of the District, which is operating a convention center. The operating revenues of the District result from event rentals, related event fees, food service, parking, and retail leases. The operating expenses relate directly or indirectly to the generation of the operating revenues and include salaries and benefits, professional services, food service, depreciation, supplies, utilities, maintenance, advertising, other administrative expenses, and marketing expenses.

The District relies on contractors to provide specific event services for clients. Rates charged for all contractor services are approved by the District. Aramark has a management contract with the District and is the exclusive food and beverage provider within the center. The District recognizes in its financial statements gross food service revenues and food service expense. Revenues from the other three contractors are recorded as Facility Services under Operating Revenues. Edlen is the exclusive electrical and air/water/drain provider for the District. The District receives in the range of 30% to 36% of the revenue generated by Edlen and retains the remaining revenues and all expenses. Smart City provides exclusive telecommunication, data, and internet services. Generally, the District receives 35% of the gross revenues and Smart City retains the remaining revenue and covers all expenses. LMG is the preferred audio-visual provider. Generally, LMG pays the District 20% to 25% commission depending on the service or rented equipment provided.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Summary of Significant Accounting Policies (Continued)**

***Policy for Defining Operating and Nonoperating Revenues/Expenses (Continued)***

For fiscal 2022 and all comparable years the District consolidated marketing revenues and expenses into operating category. Marketing revenue is a dedicated portion of the lodging tax that supports national and international marketing by Visit Seattle on the District's behalf. In-house marketing supports advertising and marketing for events in the building and local/regional marketing.

***Policy for Defining Cash Equivalents***

It is the District's policy to invest temporary cash surpluses. Cash includes the following:

- Cash on hand.
- Cash on demand deposit with financial institutions.
- Cash in management pools (e.g., the Local Government Investment Pool) that are like demand deposits.

***Cash equivalents include highly liquid investments with the following characteristics:***

- Readily convertible to known amounts of cash.
- Mature in such a short period of time that their values are effectively immune from changes in interest rates.

The District considers all investments, originally purchased with a three-month term or less, to be cash equivalents.

***Policy for Application of Restricted Versus Unrestricted Resources***

The District applies all restricted resources to eligible expenses prior to applying unrestricted resources. For example, the District's debt covenants restrict certain resources for debt service and capital improvements, and the District applies these restricted resources to debt service and capital improvements first, before using unrestricted assets. Were there to be insufficient restricted resources for debt service and capital improvements, the District would compensate for any insufficiency with unrestricted resources.

**Budgetary Information**

***Scope of Budget***

The District adopts an annual operating budget by board action no later than December 31. It adopts budgets for the debt service requirements of individual debt issues. It adopts capital projects budgets for specific projects for a three-year period. Each year's annual operating budget is developed based on economic projections. The Board adopts a contingency amount, within which management can control spending variances.

Capital Bond budget funding carries forward until projects are completed and/or funding is exhausted.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budgetary Information (Continued)**

***Scope of Budget (Continued)***

The Board of Directors approved Resolution number 2012-6, a Capital Improvement Project Funding Program. Annually \$4 million adjusted by the prior year's consumer price index will be dedicated to annually fund approved capital improvement projects. Unspent funds will carry-forward, but capital improvement projects must be approved annually.

The Board of Directors approved Resolution number 2010-16 that requires the establishment of an annual operating reserve based on 100 days of operating budgeted expenses. The balance of the Operating Reserve was fully depleted in 2021 due to ongoing impacts of the COVID-19 pandemic.

The pandemic and subsequent Governor's "Stay Home, Stay Healthy" proclamation suspended Operating and Capital Budget Reserve Requirements until normal operations and recovery of lodging tax revenue could support debt service. In December 2022, the Board of Directors approved a \$1,000,000 transfer to the Operating Reserve to begin the normalization process as lodging tax recover to support debt service. Finally, in December 2022, the Board of Directors approved by motion to update the Annual Summit Project Financial Plan to \$96,000,000.

***Amending the Budget***

The District prepares a monthly comparison of budgeted amounts to actual amounts. It can amend its operating budget only by board action. Capital budgets are monitored throughout the length of the specific projects, and budgets are modified by board action.

**Assets, Liabilities, and Net Position**

***Cash and Cash Equivalents (see Note 3)***

It is the District's policy is to invest all temporary cash surpluses. At December 31, 2022 and 2021, the District had \$63,212,350 and \$124,264,746, respectively, in unrestricted cash and cash equivalents.

***Investments (see Note 4)***

It is the policy of the District to invest all public funds in accordance with governing federal, state, and local statutes. The District updated its investment policy in 2016 to incorporate the new State of Washington regulations. The certification of excellence for investment policies was awarded by the Washington Public Treasurers' Association to the District. The District's objectives are to ensure safety of the principal, to maintain an investment portfolio that is sufficiently liquid to meet all operating requirements, debt payments and capital purchases, and to achieve a market rate of return taking into account risk constraints.

The District maintained current and non-current restricted investments with external fiscal agents, which are presented on the Statement of Net Position as current restricted investments in the amount of \$14,223,843 and \$103,951,931 as of December 31, 2022 and 2021, respectively. Current restricted investments were spent down to on the Summit addition and were offset by additional funding from the 2021 Jr "Green" Bonds and the 2021 General Obligation FF&E Note. 2018 First Priority and Subordinate Bonds proceeds were totally consumed in 2021. Current and non-current unrestricted investments are \$24,534,675 and \$11,080,257 as of December 31, 2022 and 2021, respectively. All investments are reported at fair value as reported by the external fiscal agent.



**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Net Position (Continued)**

***Receivables***

Receivables consist of the following components:

Customer accounts receivable consist of amounts owed by private organizations for goods and services and leased retail space and are presented net of an estimate of uncollectible accounts.

***Due to/from Other Governments***

Due from other governments is mainly composed of Lodging Tax collected by the hotels and earned in last two months of the fiscal year but paid to the District by the State of Washington in the first two months of the following year. Due to other governments consists primarily of the portion of lodging tax revenues payable to the State of Washington, City of Seattle, and King County.

***Inventories***

The District does not carry any significant inventories. It expenses operating supplies and small tools when purchased.

***Restricted Assets and Liabilities***

The District restricts certain resources based on bond covenants, board requirements and contractual arrangements. The following restrictions pertain to:

- Operating Reserve Account
- Bond Interest and Principal Accounts
- Retainage Accounts

***Capital Assets (see Note 5)***

Capital assets include land, buildings, building improvements, machinery and equipment, furniture and fixtures, art collections and construction in progress. Assets are capitalized if the initial investment is \$5,000 or greater and have an estimated useful life of more than one year. Groups of capital assets may be capitalized even if their individual costs are less than \$5,000 and subsequent additions to the group are likewise capitalized. Capital assets are recorded at cost. Costs of additions or improvements are capitalized if they increase the useful life of the asset. Routine repair and maintenance costs are expensed when incurred.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Net Position (Continued)**

Capital assets in service are depreciated over their useful lives using the straight-line method. The following useful lives are used in recording depreciation expense:

<u>Assets</u>	<u>Useful Lives (Years)</u>
Buildings	50
Building improvements	4-15
Equipment - heating/air conditioning	13
Vehicular equipment	13
Equipment - furniture	2-10
Equipment - communications	10
Equipment - data processing	4-10
Vehicles and all other equipment	5
Art collections	Not depreciated

***Correction of Error***

In 2019, the District received an earnest money deposit of \$20,500,000 related to the sale of land. The District recorded the cash received as a reduction to construction in progress when an earnest money deposit liability should have been recorded. The Statements of Net Position from 2019 through 2021 were impacted and all prior periods have been restated to correct. See tabular disclosure below for impact by financial statement line item.

***Leases (see Note 8)***

The District implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, (GASB 87) retroactively to January 1, 2021. Accounting changes adopted to conform to the provisions of GASB 87 have been applied retroactively and 2021 figures have been adjusted. The impacts of the adoption are summarized in the following table:

	<u>2021 as previously reported</u>	<u>Restatement related to adoption of GASB 87</u>	<u>Restatement related to correction of error</u>	<u>2021 as restated</u>
<b><u>Statement of Net Position</u></b>				
Lease receivable	\$ -	\$ 509,256	\$ -	\$ 509,256
Lease receivable (noncurrent)	-	459,628	-	459,628
Right-of-use lease assets	-	98,905	-	98,905
Construction in progress	1,350,565,962	-	20,500,000	1,371,065,962
Accumulated depreciation and amortization	(250,823,983)	(31,402)	-	(250,855,385)
Lease liability	-	36,787	-	36,787
Lease liability (noncurrent)	-	6,597	-	6,597
Earnest money deposit	-	-	(20,500,000)	(20,500,000)
Deferred inflow of resources	-	731,545	-	731,545
Net investment in capital assets	156,436,662	261,561	20,500,000	177,198,223
Unrestricted net position	205,378,577	-	(20,500,000)	184,878,577
Total net position	394,550,539	261,561	-	394,812,100
<b><u>Statement of Revenues, Expenses, and Changes in Net Position</u></b>				
Retail leases	343,318	226,558	-	569,876
Professional and other services	1,637,282	56,190	-	1,581,092
Depreciation and amortization	14,277,258	(31,402)	-	14,308,660
Interest on lease activity	-	10,781	-	10,781
Other expenses	(531,894)	(566)	-	(532,460)
Change in net position	(52,498,687)	(261,561)	-	(52,237,126)

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Net Position (Continued)**

***Leases (see Note 8) (Continued)***

The District is a lessee for noncancelable leases. The District recognizes a lease liability and an intangible right-to-use lease asset in the proprietary fund financial statements.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized using the straight-line basis over its useful life.

Key estimates and judgements related to lease include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

The District is a lessor for noncancelable leases. The District recognizes a lease receivable and a deferred inflow of resources in the financial statements.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measure as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term using the straight-line basis.

Key estimates and judgements related to lease include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease liability are composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Assets, Liabilities, and Net Position (Continued)**

***Compensated Absences***

The District compensates employees for vacation and sick leave. All such leave is accrued when earned and reduced when used. Vacation leave for administrative staff may be accumulated to a maximum of 240 hours on the employee's anniversary date. Vacation leave for union staff may be accumulated to:

<u>Years of Hours Worked</u>	<u>Maximum Accumulated Hours</u>	<u>Maximum Carry-over Accumulation Allowed (in hours)</u>
1 – 4	80	96
5 – 8	120	120
9 – 10	128	128
11 – 13	144	136
14 – 15	168	160
Max	176	160

Sick leave for all staff may be accumulated to a maximum of 720 hours, with excess up to 96 hours payable at 25% annually. Part-time staff may accumulate vacation and sick leave, using a pro-rata formula based on 2080 hours annually. Upon retirement, termination or death, unused vacation leave is payable in full and unused sick leave is forfeited.

***Unearned Revenue and Deposits Payable***

The District collects certain money in advance, primarily customer deposits for future events. Until earned, these collections are presented as unearned revenue and deposits payable.

***Bond Premiums***

Bond premiums and discounts are deferred and amortized over the life of the bonds. At the time of a bond refunding, the unamortized premiums or discounts are amortized over the life of the refunded bonds or the life of the refunding bonds, whichever is shorter. Bonds payable is reported net of the applicable premium or discount. The District amortizes bond premiums or discounts using the straight-line method.

***Restricted and Unrestricted Net Position***

The District's net position is presented as net investment in capital assets, restricted and unrestricted. Restricted net position excludes capital assets, net of related debt, but includes other assets on which there are externally imposed legal restrictions. Unrestricted net assets include all other net assets.

*Capital assets* consist of land, buildings, machinery and equipment, furniture and fixtures, art collections and construction in progress. The related debt is the debt issued to support acquisition and construction of capital assets, reduced for any unspent proceeds. *Restricted assets* are defined as assets that have been restricted by contractual agreement with external parties (e.g., debt covenants) or by law through enabling legislation. Restricted assets are reduced by related liabilities to determine restricted net position. *Unrestricted assets* include assets that have no restrictions placed on them, as well as assets that have been internally restricted (e.g., imposed by the District's Board of Directors).

**Reclassification**

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on previously reported net position.

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Management asserts there have been no material violations of finance-related or contractual provisions.

**NOTE 3 – CASH DEPOSITS WITH FINANCIAL INSTITUTIONS**

The District's cash and cash equivalents are held in multiple financial institutions and are covered by the Federal Deposit Insurance Corporation (FDIC) or by collateral held in a pool administered by the Washington State Public Deposit Protection Commission (PDPC). Deposits may at times exceed FDIC coverage limits.

The Local Government Investment Pool (LGIP) is an unrated 2a-7 like pool, as defined by GASB 31. Accordingly, participants' balances in the LGIP are not subject to interest rate risk. In accordance with GASB 40 guidelines, the balances are also not subject to custodial credit risk. The credit risk of the LGIP is limited as most investments are either obligations of the U.S. government, government sponsored enterprises, or insured demand deposit accounts and certificates of deposit. Investments or deposits held by the LGIP are either insured or held by a third-party custody provider in the LGIP's name. The fair value of the District's pool investments is determined by the pool's share price. The District has no regulatory oversight responsibility for the LGIP which is governed by the Washington State Finance Committee and is administered by the State Treasurer. The LGIP is audited annually by the Office of the State Auditor, an independently elected public official. The LGIP is not rated and is disclosed in the financial statements as a cash equivalent.

As of December 31, 2022 and 2021, cash and cash equivalents include:

<u>Financial Institution</u>	<u>2022</u>	<u>2021</u>
US Bank	\$ 67,063,710	\$ 59,434,970
Local Government Investment Pool (LGIP)	63,200,070	295,491,794
Petty cash/change funds	-	10,000
Total	<u>\$ 130,263,780</u>	<u>\$ 354,936,764</u>

Petty Cash/Change Funds closed in 2021 due to the cashless strategy implementation.

**NOTE 4 – INVESTMENTS**

In accordance with the District's investment policy and Washington State law, authorized investment purchases include Certificates of Deposit with financial institutions qualified by the Washington Public Deposit Protection Commission, U.S. Treasury and Agency Securities, Bankers' Acceptances, Bonds of Washington State and any local government in Washington State which have, at the time of purchase, one of the three highest credit ratings of a nationally recognized rating agency and the State Investment Pool (which is a 2a7-like pool).

**Fair Value Measurement**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset:

- Level 1 inputs are quoted prices in active markets for identical assets. These valuation inputs are considered most reliable.
- Level 2 inputs are quoted prices for similar assets, quoted prices for identical or similar assets in markets that are not active, or other observables. These valuation inputs are considered to be reliable.
- Level 3 inputs are significant unobservable inputs and are considered to be the least reliable.

**NOTE 4 – INVESTMENTS (CONTINUED)**

**Fair Value Measurement (Continued)**

The District has the following recurring fair value measurements as of December 31, 2022 (in thousands):

U.S. Government Treasury of \$31,785 (thousands) are valued using quoted process in an active market for identical assets (Level 1 inputs). Foreign issues, supranational, agency, commercial paper, and corporate securities of \$21,283 (thousands) are valued using quoted prices for similar assets, quoted process for identical or similar assets in a market that are not active, or other observable (Level 2 inputs). The District holds no investments that require valuation using Level 3 inputs.

Investment Type	Fair Value	Maturities		% of Total Portfolio	Ratings	
		Less Than 1 Year	1 to 5 Years		S&P	Moody's
<b>Level 1</b>						
Treasury notes	\$ 31,785	\$ 25,444	\$ 6,341	59.89%	AA+	Aaa
<b>Level 2</b>						
Foreign issues	1,491	490	1,001	2.81%	A/A-	A1
Agency bonds	18,327	12,333	5,994	34.53%	AA+/A-1+	Aaa
Corporate	1,465	492	973	2.76%	AA+/A-	A1
<b>Total</b>	<b>\$ 53,068</b>	<b>\$ 38,759</b>	<b>\$ 14,309</b>	<b>100.00%</b>		
Percentage of total portfolio		73.04%	26.96%	100.00%		

As of December 31, 2021, the District had the following investments measured at fair value (in thousands). The following table identifies the types of investments, concentration of investments in any one issuer, and maturities of the District's investment portfolio:

Investment Type	Fair Value	Maturities		% of Total Portfolio	Ratings	
		Less Than 1 Year	1 to 5 Years		S&P	Moody's
<b>Level 1</b>						
Treasury notes	\$ 99,500	\$ 85,861	\$ 13,639	86.50%	AA+	Aaa
<b>Level 2</b>						
Foreign issues	4,450	4,450	-	3.87%	A-	A2
Supranational	4,061	4,061	-	3.53%	AAA	Aaa
Commercial paper	5,000	5,000	-	4.35%	A-1/A-1+	P-1
Corporate	2,022	2,022	-	1.76%	A-	A2
<b>Total</b>	<b>\$ 115,033</b>	<b>\$ 101,394</b>	<b>\$ 13,639</b>	<b>100.00%</b>		

Credit risk is the risk that an issuer or other counterparty of an investment will not fulfill its obligations. To mitigate this risk, the District ensures that it adheres to the credit standards as defined in its investment policy. The Moody and S&P rating (if available) are provided in the charts above.

Concentration of Credit risk is the risk of loss attributed to the percentage of a government's investment in a single issuer. To mitigate this risk, the District ensures that it maintains portfolio diversification as defined in its investment policy.

Custodial credit risk is the risk that, in the event of failure of the counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside counterparty. To mitigate this risk, the District ensures that investments are held in safekeeping at a qualified financial institution in the District's name as defined in its investment policy.

The District's bank balance is insured by the FDIC up to \$250,000 and fully collateralized by the Washington Public Deposit Protection Commission (WPDPC) for amounts over \$250,000. The WPDPC constitutes a multiple financial institution collateral pool. Washington state law restricts deposit of funds in financial institutions physically located in Washington unless otherwise expressly permitted by statute and authorized by the WPDPC.

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**NOTE 5 – CAPITAL ASSETS**

The capital assets and related changes during the years ended December 31, 2022 and 2021 are reflected in the following charts:

	January 1, 2022	Increases	Decreases	December 31, 2022
<b>Capital assets, not being depreciated</b>				
Land	\$ 321,485,456	\$ 260,302	\$ (24,414,748)	\$ 297,331,010
Construction in progress	<u>1,371,065,962</u>	<u>332,287,977</u>	<u>(18,911,966)</u>	<u>1,684,441,973</u>
Total capital assets, not being depreciated	<u>1,692,551,418</u>	<u>332,548,279</u>	<u>(43,326,714)</u>	<u>1,981,772,983</u>
<b>Capital assets, being depreciated</b>				
Buildings and improvements	463,682,060	395,247	(125,601)	463,951,706
Other improvements and art collection	12,331,594	121,635	-	12,453,229
Machinery/equipment/furniture/fixtures	<u>15,716,885</u>	<u>11,673</u>	<u>(632,690)</u>	<u>15,095,868</u>
Total capital assets, being depreciated	<u>491,730,539</u>	<u>528,555</u>	<u>(758,291)</u>	<u>491,500,803</u>
<b>Less accumulated depreciation and amortization for:</b>				
Buildings and improvements	(232,972,481)	(12,499,500)	48,985	(245,422,996)
Other improvements and art collection	(5,473,087)	(702,116)	632,690	(5,542,513)
Machinery/equipment/furniture/fixtures	<u>(12,409,817)</u>	<u>(934,243)</u>	<u>-</u>	<u>(13,312,659)</u>
Total accumulated depreciation and amortization	<u>(250,855,385)</u>	<u>(14,135,859)</u>	<u>681,675</u>	<u>(264,278,168)</u>
Total capital assets, being depreciated, net	<u>240,875,154</u>	<u>(13,607,304)</u>	<u>(76,616)</u>	<u>227,222,635</u>
Right-of-use lease assets	<u>98,905</u>	<u>59,380</u>	<u>-</u>	<u>158,285</u>
Total capital assets	<u>\$ 1,933,525,477</u>	<u>\$ 319,000,355</u>	<u>\$ (43,403,330)</u>	<u>\$ 2,209,153,903</u>
<b>January 1, 2021 Restated*</b>				
<b>Capital assets, not being depreciated</b>				
Land	\$ 321,485,456	\$ -	\$ -	\$ 321,485,456
Construction in progress	<u>911,817,217</u>	<u>462,468,842</u>	<u>(3,220,097)</u>	<u>1,371,065,962</u>
Total capital assets, not being depreciated	<u>1,233,302,673</u>	<u>462,468,842</u>	<u>(3,220,097)</u>	<u>1,692,551,418</u>
<b>Capital assets, being depreciated</b>				
Buildings and improvements	462,261,396	2,180,404	(759,740)	463,682,060
Other improvements and art collection	12,331,594	-	-	12,331,594
Machinery/equipment/furniture/fixtures	<u>14,677,192</u>	<u>1,039,693</u>	<u>-</u>	<u>15,716,885</u>
Total capital assets, being depreciated	<u>489,270,182</u>	<u>3,220,097</u>	<u>(759,740)</u>	<u>491,730,539</u>
<b>Less accumulated depreciation and amortization for:</b>				
Buildings	(220,813,780)	(12,445,986)	287,284	(232,972,482)
Other improvements and art collection	(4,718,071)	(755,015)	-	(5,473,086)
Machinery/equipment/furniture/fixtures	<u>(11,328,836)</u>	<u>(1,080,981)</u>	<u>-</u>	<u>(12,409,817)</u>
Total accumulated depreciation and amortization	<u>(236,860,687)</u>	<u>(14,281,982)</u>	<u>287,284</u>	<u>(250,855,385)</u>
Total capital assets, being depreciated, net	<u>252,409,495</u>	<u>(11,061,885)</u>	<u>(472,456)</u>	<u>240,875,154</u>
Right-of-use lease assets	<u>91,626</u>	<u>7,279</u>	<u>-</u>	<u>98,905</u>
Total capital assets	<u>\$ 1,485,803,794</u>	<u>\$ 451,414,236</u>	<u>\$ (3,692,553)</u>	<u>\$ 1,933,525,477</u>

\*Amounts reported for 2021 were adjusted for the adoption of GASB 87, Leases and correction of an error (see Note 1)

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## NOTE 6 – NOTES AND BONDS PAYABLE

Activity for notes and bonds payable are as follows during the years ended December 31, 2022 and 2021.

Description	Maturity	Interest Rates	Balance December 31 2021	Additions	Reductions & Amortization	Balance December 31 2022	Amount Due Within One Year
Series 2010B Bonds	July 1, 2040	3.92% - 6.79%	\$ 247,575,000	\$ -	\$ (8,590,000)	\$ 238,985,000	\$ 8,970,000
King County CPS Note	June 30, 2049	4.25%	141,010,940	-	-	141,010,940	-
Series 2018 First Priority Bonds	July 1, 2058	5.00%	382,990,000	-	(355,000)	382,635,000	385,000
Series 2018 Subordinate Priority Bonds	June 30, 2058	1.00% - 4.25%	152,730,000	-	(415,000)	152,315,000	435,000
Washington State Deficiency Note #1	June 30, 2030	3.495%	14,250,838	-	(2,477,048)	11,773,790	1,300,950
Washington State Deficiency Note #2	June 30, 2031	3.495%	4,269,013	-	(368,726)	3,900,287	376,241
Washington State Deficiency Note #3	June 30, 2032	3.495%	-	13,186,361	-	13,186,361	1,124,274
Series 2021A First Priority Bonds	July 1, 2058	3.0% - 5.0%	12,455,000	-	-	12,455,000	-
Series 2021B First Priority Bonds	July 1, 2058	3.0% - 5.0%	243,815,000	-	-	243,815,000	-
Series 2021A Subordinate Priority Bonds	July 1, 2035	3.0% - 5.0%	9,785,000	-	-	9,785,000	-
Series 2021B Subordinate Priority Bonds	July 1, 2058	3.0% - 5.0%	277,845,000	-	-	277,845,000	-
Series 2021 Jr "Green" Bonds	July 5, 2040	4.00%	341,500,000	-	-	341,500,000	-
2021 General Obligation Net Parking Revenue	December 1, 2031	2.16% - 2.87%	20,000,000	-	-	20,000,000	1,000,000
<b>Total bonds and note principal</b>			<b>1,848,225,791</b>	<b>13,186,361</b>	<b>(12,205,774)</b>	<b>1,849,206,378</b>	<b>13,591,465</b>
Unamortized bond premiums			81,210,825	-	(6,328,779)	74,882,046	-
<b>Total Bonds &amp; Notes Payable</b>			<b>\$ 1,929,436,616</b>	<b>\$ 13,186,361</b>	<b>\$ (18,534,553)</b>	<b>\$ 1,924,088,424</b>	<b>\$ 13,591,465</b>

Description	Maturity	Interest Rates	Balance December 31 2020	Additions	Reductions & Amortization	Balance December 31 2021	Amount Due Within One Year
Series 2010B Bonds	July 1, 2040	3.92% - 6.79%	\$ 255,855,000	\$ -	\$ (8,280,000)	\$ 247,575,000	\$ 8,590,000
King County CPS Note	June 30, 2049	4.25%	141,010,940	-	-	141,010,940	-
Series 2018 First Priority Bonds	July 1, 2058	5.00%	598,485,000	-	(215,495,000)	382,990,000	355,000
Series 2018 Subordinate Priority Bonds	June 30, 2058	1.00% - 4.25%	404,430,000	-	(251,700,000)	152,730,000	415,000
Washington State Deficiency Note #1	June 30, 2030	3.70%	14,250,838	-	-	14,250,838	1,425,084
Washington State Deficiency Note #2	June 30, 2031	3.20%	-	4,269,013	-	4,269,013	205,394
Series 2021A First Priority Bonds	July 1, 2058	3.0% - 5.0%	-	12,455,000	-	12,455,000	-
Series 2021B First Priority Bonds	July 1, 2058	3.0% - 5.0%	-	243,815,000	-	243,815,000	-
Series 2021A Subordinate Priority Bonds	July 1, 2035	3.0% - 5.0%	-	9,785,000	-	9,785,000	-
Series 2021B Subordinate Priority Bonds	July 1, 2058	3.0% - 5.0%	-	277,845,000	-	277,845,000	-
Series 2021 Jr "Green" Bonds	July 5, 2040	4.00%	-	341,500,000	-	341,500,000	-
2021 General Obligation Net Parking Revenue	December 1, 2031	2.16% - 2.87%	-	20,000,000	-	20,000,000	-
<b>Total bonds and note principal</b>			<b>1,414,031,778</b>	<b>909,669,013</b>	<b>(475,475,000)</b>	<b>1,848,225,791</b>	<b>10,990,478</b>
Unamortized bond premiums			76,802,683	43,412,214	(39,004,072)	81,210,825	-
<b>Total Bonds &amp; Notes Payable</b>			<b>\$ 1,490,834,461</b>	<b>\$ 953,081,227</b>	<b>\$ (514,479,072)</b>	<b>\$ 1,929,436,616</b>	<b>\$ 10,990,478</b>

Revenue bonds and notes payable debt service requirements to maturity are as follows as of December 31, 2022.

Year	Notes		Bonds Payable		Less BABs		Total
	Principal	Interest	Principal	Interest	Subsidy		
2023	\$ 3,801,465	\$ 2,686,820	\$ 9,790,000	\$ 72,836,857	\$ (5,355,748)	\$ 83,759,394	
2024	4,360,920	2,578,103	10,240,000	72,172,919	(5,154,727)	84,197,215	
2025	5,331,883	7,039,506	10,710,000	71,493,285	(4,944,854)	89,629,820	
2026	5,580,041	6,883,630	11,205,000	70,782,723	(4,725,680)	89,725,714	
2027	5,940,703	6,713,473	11,805,000	70,039,714	(4,496,870)	90,002,020	
2028 - 2032	37,727,126	28,517,949	434,095,000	323,144,456	(19,085,244)	804,399,287	
2033 - 2037	20,007,063	25,496,884	140,350,000	238,268,780	(11,920,643)	412,202,084	
2038 - 2042	32,506,633	20,244,913	178,630,000	193,204,966	(2,591,336)	421,995,176	
2043 - 2047	49,151,582	12,001,918	234,885,000	151,645,000	-	447,683,500	
2048 - 2052	25,463,967	1,642,923	292,065,000	101,371,450	-	420,543,340	
2053 - 2057	-	-	297,045,000	33,745,700	-	330,790,700	
2058-2062	-	-	28,515,000	943,100	-	29,458,100	
<b>Total</b>	<b>\$ 189,871,383</b>	<b>\$ 113,806,119</b>	<b>\$ 1,659,335,000</b>	<b>\$ 1,399,648,950</b>	<b>\$ (58,275,102)</b>	<b>\$ 3,304,386,350</b>	



**NOTE 6 – NOTES AND BONDS PAYABLE (CONTINUED)**

***2010 Build America Bonds***

The District issued revenue bonds in November 2010 in the original amount of \$314,652,701. The debt service is supported by the Lodging Tax, pursuant to RCW 36.100.040(4). This debt issue had three purposes of financing the transfer of the Washington State Convention Center from the state to the District, provide capital funds for renovations of the convention center, and provide funds for a Common Reserve. The District made an irrevocable election to have Section 54AA of the Internal Revenue Code of 1986, apply to 2010B Bonds so that the 2010B Bonds are treated as "Build America Bonds" (BAB). Under this treatment the District has received an interest subsidy of 35% from the US Treasury. The District believed this subsidy would be intact for the life of the bonds outstanding. However, pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended in 2012, certain automatic reductions took place as of March 1, 2013. These required reductions of 8.9% to refundable credits under section 6431 of the Internal Revenue Code applicable to certain qualified bonds. The sequester reduction is applied to section 6431 amounts claimed by an issuer on any Form 8038-CP filed with the Service which results in a payment to such issuer on or after March 1, 2013. The sequestration current subsidy rate is 32.69%. This sequestration rate is expected through 2040. The BAB subsidy was \$5,451,729 and \$5,627,805 for the years ended December 31, 2022 and 2021, respectively.

***2018 Priority and Subordinate Lodging Tax Bonds***

In August 2018, the District issued bonds for the purchase price of \$1,082,583,084, net of underwriter discount. The par amount for the aggregate issuance of the 2018 First Priority Bonds and 2018 Subordinate Priority Bonds was \$1,003,595,000. The District issued revenue bonds to finance a portion of the Summit Building, an addition adjacent to the Convention Center located on an approximately 7.7-acre site bordered by Pine and Howell Streets and Ninth and Boren Avenues. The District has obtained a debt service reserve insurance policy in connection with its 2018 bond issuance that covers both the 2010 bonds and the 2018 bonds. To the extent that the District is not able to make debt service payment to bond holders from Lodging taxes, the insurance policy will pay for the debt service and will convert the amount of the debt service payment, not paid by the District, but paid by the insurance policy to a liability owed to the insurance company. As such, bond holders are protected for payment of their amount due under this insurance policy.

**NOTE 6 – NOTES AND BONDS PAYABLE (CONTINUED)**

**2021 Jr "Green" Bonds**

The District issued lodging tax pledge revenue Jr "Green" Bonds subordinate to Priority and Subordinate lodging tax revenue bonds and payments required to the State of Washington. The issuance funded the final project cost for the Summit Building addition, capitalized approximately 18 months of debt service, and created a debt service reserve fund. Bond holders are in a similar position as the King County Purchase and Sale (CPS) note. This series of bonds are not rated. Debt covenants require the maintenance of a debt service reserve fund equal to one interest payment.

	Total Issuance
Par amount	\$ 341,500,000
Plus: net original issue premium	37,773,315
Less: underwriters discount	(1,654,982)
Total purchase price	\$ 377,618,333

2021 Jr Green Bonds - Application of Proceeds

Deposit To	Purpose	Amount
Addition Project Fund	Project Cost	\$ 347,376,611
Jr Bonds Interest Fund	Interest Fund	23,411,722
Jr Bonds Common Reserve Fund	Debt Service Reserve	6,830,000
Total		\$ 377,618,333

**2021A|B First Priority Bonds and A|B Subordinate Priority Bonds**

In July 2021, the District issued \$12,455,000 of 2021A First Priority bonds with a premium of \$3,306,026, \$243,815,000 of 2021B first priority bonds, \$9,785,000 of 2021A Subordinate bonds with a premium of \$2,332,873, and \$277,845,000 of 2021B Subordinate priority bonds. The bonds were issued to refund and defease a portion of the 2018 Priority and Subordinate Lodging Tax Bonds. The transaction resulted in cash flow savings of \$51.4 million, economic gain of \$45.1 million, and a net loss for accounting purposes of \$43.4 million, which is included in deferred outflows of resources and is being amortized over the remaining life of the bonds through July 2058.

2021 A|B Refunding

Par amount	Priority Bonds		Aggregate Issuance
	2021A Priority	2021A Subordinate	
Plus: net original issue premium	\$ 12,455,000	\$ 9,785,000	\$ 22,240,000
Less: underwriters discount	3,306,026	2,332,873	5,638,899
Total purchase price	\$ 15,761,026	\$ 12,117,873	\$ 27,878,899

2021 A|B Refunding - Application of Proceeds

Use of Funds	2021A Priority	2021A Subordinate	Amount
Redemption of bonds	\$ 12,798,234	\$ 10,343,306	\$ 23,141,540
Issuance costs	1,599,354	1,709,767	3,309,121
Total	\$ 14,397,588	\$ 12,053,073	\$ 26,450,661

**NOTE 6 – NOTES AND BONDS PAYABLE (CONTINUED)**

**Notes Payable**

The District and King County Purchase and Sales Agreement for the Convention Place Station (CPS) property was finalized on July 25, 2017. The purchase price was \$161,010,940 and was paid as follows: \$20 million cash at closing; the balance of the Purchase Price was paid by the District at closing with a promissory note; after closing for a period of 5 years interest only payments shall be due to King County in the amount of \$1,410,109 for a total of six payments; year 7 begins payment on a 25-year promissory note with a beginning balance of \$141,010,940; the District paid \$5,000,000 separate from the purchase price at closing to satisfy the District's affordable housing obligation. The note matures June 30, 2049, and has an interest rate of 4.25%.

**Additional Lodging Deficiency Loan**

District has the authority to use Additional Lodging Tax Revenue to meet monthly accrued principal and interest net of BABs subsidy on Priority and Subordinate 2010 BABs, 2018 Priority and Subordinate, and 2021 Priority and Subordinate bonds. In the event Regular and Extended lodging tax are insufficient to pay outstanding debt service the District will incur a deficiency loan to the State of Washington under RCW 36.100.040(5) and (6). The rate of interest on each deficiency loan shall be reset annually for each state fiscal year during which any Deficiency Loan is outstanding. The interest rate on any repayment deficiency loan applicable during a State of Washington fiscal year (which ends on June 30) shall be the average weekly 20 bond general obligation bond buyer index during the immediately preceding state fiscal year plus one percentage point, as determined by the Office of State Treasury. Under the terms of the District's Transfer Agreement with the State of Washington, equal payments are due on June 30 over a ten-year term to repay the loan and are included in the debt service requirements to maturity schedule earlier in this note. The Deficiency Loan represent a variable rate debt obligation.

*Deficiency Loan Note #1 2020*

In June 2020, the District used Additional Lodging Tax Revenue to meet its debt service obligation. The deficiency loan was in the amount of \$14,250,838 at a rate of 3.4952%.

*Deficiency Loan Note #2 2021*

In June 2021, the District used Additional Lodging Tax Revenue to meet its debt service obligation. The deficiency loan was in the amount of \$4,269,013 at a rate of 3.4952%.

*Deficiency Loan Note #3 2022*

In June 2022, the District used Additional Lodging Tax Revenue to meet its debt service obligation. The deficiency loan was in the amount of \$13,186,360 at a rate of 3.4952%.

**NOTE 6 – NOTES AND BONDS PAYABLE (CONTINUED)**

**2021 General Obligation Net Parking Revenues**

In December 2021, the District issued \$20,000,000 general obligation net parking revenues note in a direct placement with JP Morgan. The funds will be used to purchase furnishing, fixtures, and equipment for the Summit Building additions. The term of the note is 10 years with interest between 2.16% to 2.87%.

2021 General Obligation Note (Payable from Net Parking Revenue)	
Use of Funds	Amount
Deposit to project funds	\$ 17,902,500
Deposit to debt service	2,000,000
Cost of issuance	97,500
Total	\$ 20,000,000

**NOTE 7 – EMPLOYEE BENEFITS**

**Defined Contribution Retirement Plans**

The WSCC Retirement Plan was originally established on July 1, 1985, as a compensation deferral profit-sharing plan under the Internal Revenue Code 401. (See Resolution No. 151).

On October 1, 2005, the plan was amended to allow participant direction of the Employer Discretionary and Matching funds. (See Resolution No. 533).

On October 19, 2010, during the transition of the Washington State Convention Center nonprofit corporation to a public facilities district, the Board authorized the creation and operation of a 401(k) and 457 retirement savings plan for the benefit of employees. This created the successor plans: 1) the Washington State Convention Center Profit Sharing Plan (“the 401(a) Plan”), and 2) Washington State Convention Center 457 Government Deferred Compensation Plan (the “457 Plan”). These plans eventually became to be known as the WSCC Retirement Savings Plan and the WSCC Employee Retirement Contribution Plan. (See Resolution No. 2010-9).

***401(a) – Compensation Deferral Plan***

All full-time employees are eligible for this plan after a year of service, except for 1) leased employees, 2) union employees, 3) non-resident aliens with no U.S. source income and 4) individuals not eligible based on written agreement. The entry date is the first day of any month. Each employee directs how contributions are to be invested and receives an individual monthly statement of activity.

**NOTE 7 – EMPLOYEE BENEFITS (CONTINUED)**

***401(a) – Compensation Deferral Plan (Continued)***

The District contributed \$236,379 and \$186,628 to the employee 401(a) plan during the years ended December 31, 2022 and 2021, respectively. The District contributes 5% based on the employee's compensation and may match \$0.50 for each dollar an employee contributes to the employee retirement contribution plan up to 6% of the employee's wages. Vesting in the employer contributions occurs in accordance with the following schedule:

<u>Years of Service</u>	<u>Vested Percentage</u>
Less than 2	0%
2	20%
3	40%
4	60%
5	80%
6 or more	100%

***457 (b) Employee Retirement Contribution Plan***

All full-time employees are eligible for this plan upon hire, except for 1) leased employees, 2) union employees, 3) non-resident aliens with no US source income and 4) individuals not eligible based on written agreement. The entry date is the first day of any month. Each eligible employee determines the pre-tax or post-tax (Roth) contribution to be withheld from gross wages, with a minimum participation of 1% of compensation and a maximum of \$20,500 or 100% of includible compensation, whichever is less. Employees ages 50 or older, or those within three years of retirement, may contribute an additional \$6,500. Each employee directs how contributions are to be invested in either a pre-tax or post-tax (Roth) account and receives an individual monthly statement of activity.

Employees vest in the program from inception, and they may receive benefits upon retirement, termination, or death. The employee may make a pre-tax contribution to the contribution plan. All full-time non-represented employees are eligible, and 100% vested.

**Health and Welfare**

The District is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents, and other beneficiaries through a designated account within the Trust.

**NOTE 7 – EMPLOYEE BENEFITS (CONTINUED)**

**Health and Welfare (Continued)**

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members. The AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run out for all current members. The AWC Trust HCP includes medical, dental, life and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the State of Washington. Non-City Entities (public agency, public corporation, intergovernmental agency, or political subdivision within the State of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims.

Participating employers contract to remain in the AWC Trust HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the AWC Trust HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the HCP. Similarly, the terminating member forfeits all rights and interest to the AWC Trust HCP Account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

The accounting records of the AWC Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The Trust HCP also follows applicable accounting standards established by the GASB. In 2018, the retiree medical plan subsidy was eliminated. Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

**NOTE 8 – LEASES**

**Lessee Agreements**

Effective January 1, 2021, the District adopted GASB Statement No. 87, *Leases*, as discussed in Note 1. The District, as a lessee, leases office equipment under multi year lease agreements, generally no longer than five-year cancellable leases. The leases include provisions for cancellation and no right to purchase at the end of the lease. The District's right-of-use assets are included as capital assets and current liabilities on the statement of net position. Lease amortization expense was \$31,986 and \$31,402 for the years ended December 31, 2022 and 2021, respectively.

The amount of the leases by class of asset and related liabilities as of December 31, 2022, is:

Lease assets	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Copy machine	\$ 98,905	\$ -	\$ (13,655)	\$ 85,250	
Computer	-	25,406	-	25,406	
Equipment	-	47,628	-	47,628	
	<u>98,905</u>	<u>73,034</u>	<u>(13,655)</u>	<u>158,284</u>	
<b>Less: accumulated amortization</b>					
Copy machine	(31,402)	(25,667)	13,655	(43,414)	
Computer	-	(5,042)	-	(5,042)	
Equipment	-	(794)	-	(794)	
	<u>(31,402)</u>	<u>(31,503)</u>	<u>13,655</u>	<u>(49,250)</u>	
<b>Total lease assets, net</b>	<u>67,503</u>	<u>41,531</u>	<u>-</u>	<u>109,034</u>	
<b>Lease liabilities</b>	<u>\$ 43,385</u>	<u>\$ 25,406</u>	<u>\$ (62,193)</u>	<u>\$ 6,597</u>	<u>\$ 6,597</u>

Future lease payments for the leases are \$6,597 in principal and \$8 of interest, due for the year ending December 31, 2023.

**Lessor Agreements – Tenant Leasing Contracts**

The District leases building space to various retail tenants. Lease contract terms will expire within one to five years for many of these tenants. It is not known whether options to extend terms will be exercised, but negotiations are ongoing with some retail tenants.

Total inflow of resources recognized in the year ended December 31, 2022, was:

<b>Lease-related Revenue</b>	<b>Year Ending December 31, 2022</b>
Lease revenue	
Office space	\$ 89,809
Land	27,143
Retail space	265,617
Equipment	20,766
Total lease revenue	<u>403,335</u>
Interest revenue	8,626
Variable & other revenue	115,366
<b>Total</b>	<u><u>\$ 527,327</u></u>

**NOTE 8 – LEASES (CONTINUED)**

**Lessor Agreements – Tenant Leasing Contracts (Continued)**

As of December 31, 2022, future lease receivable principal and interest payments are as follows:

		<u>Principal</u>		<u>Interest</u>		<u>Total Receipts</u>
2023	\$	277,796	\$	4,234	\$	282,030
2024		133,800		2,075		135,875
2025		79,205		922		80,127
2026		40,975		159		41,134
Total Future Receipts	\$	531,776	\$	7,390	\$	539,166

**NOTE 9 – RISK MANAGEMENT**

The District has a comprehensive risk management program which primarily utilizes commercial insurance, with certain self-insurance, to provide protection from losses involving property, liability, injuries to personnel and errors and omissions, with various deductibles and self-insured retentions. Claims, litigation, and other settlements have not exceeded the limits of available insurance coverage in any of the past three years, when insurance was applicable.

**NOTE 10 – CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS**

The District has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved, but were based on available information, management believes it is probable that the District will be assessed a liability. In the opinion of management, the District's insurance policies are adequate to pay all known or pending claims.

**Expansion Related Commitments**

In connection with the Summit Building addition, the District has entered into various contracts for the property development, project management, architectural, engineering, and construction activities. The total commitments under these agreements total approximately \$96.7 million as of December 31, 2022.

In addition, on December 31, 2022, the District had remaining commitments with vendors to purchase furniture and fixtures for the Summit Building for approximately \$7.3 million dollars.

**WSDOT Agreements**

On February 4, 1986, WSCC entered into a 66-year lease agreement with the Washington State Department of Transportation (WSDOT). WSDOT has assigned the remainder of the lease from WSCC to the District. Under this agreement, the WSCC leases airspace and other real property. In 1984, Shorett & Riely appraised the leased airspace and determined its value was \$12,869,000. Additionally, it was determined qualifying site penalties were valued at \$10,722,983 and qualifying rent credits were valued at \$5,631,358. The payment of rent by the District may be satisfied by payments in cash or by rental credits. After the first 15 years of the lease and every 10 years thereafter, the lease shall be reviewed. In fiscal 2013, the lease payments came up for review, and with an updated appraisal in fiscal 2014, the Department of Transportation and the District agreed that the value of the rent credits more than offset annual rent. The rent cannot increase by more than 30% for any review period. For the first 25 years, the qualifying site penalties and the qualifying rent credits have offset annual rent. The agreement doesn't meet the definition of a lease under GASB 87 and therefore a right-of-use lease asset and lease liability is not recorded.



**NOTE 10 – CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS (CONTINUED)**

**WSDOT Agreements (Continued)**

In July 2018, the District entered into a 66-year lease agreement with the WSDOT which expires June 30, 2084. The agreement allowed the District to build the southeast corner of the Summit Building adjacent to Boren Avenue and Pike Street over the I-5 freeway express lane ramp. It is anticipated WSDOT rent credits will off-set lease payments through 2024. Annual lease payments are \$475,000. Annual increases are based on CPI. Every fifteen years the payments are adjusted to reflect the current market rate. The agreement doesn't meet the definition of a lease under GASB 87 and therefore a right-of-use lease asset and lease liability is not recorded.

**NOTE 11 – SUBSEQUENT EVENTS**

In January 2023, the District received legislative aid from the State of Washington as part of Senate Bill 5693 in the amount of \$19,900,000. This amount was to replace lost revenue during the pandemic and does not need to be repaid. The funds were received from the Washington State Department of Commerce as part of the American Rescue Plan (ARP) authorized by the federal government.

Also in January 2023, the District received the temporary certificate of occupancy for the new Summit building and held the first official event.