

Minutes
Washington State Convention Center
Public Facilities District
Regular Meeting of the Board of Directors
July 25, 2017

I. CALL TO ORDER

Frank K. Finneran, Board Chairman, convened a regular meeting of the Washington State Convention Center Public Facilities District (WSCC) at 2:00 p.m., in Room 303, of the Convention Center.

MEETING ATTENDANCE

Board Directors in Attendance

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

Officers in Attendance

Jeffrey A. Blosser, President / CEO
Linda Willanger, Vice President of Administration / AGM
Ed Barnes, Vice President of Operations

Consultants / Vendors in Attendance

Brian McFadin, ARAMARK
Becky Bogard, Bogard & Johnson, LLC
Gary Smith, Clark-Lewis
Terry McCann, EA Engineering
Matthew Hendricks, Hendricks - Bennett, PLLC
Chris Eseman, LMN Architects
Lori Naig, LMN Architects
Mark Reddington, LMN Architects
Jane Lewis, Pine Street Group
Matt Rosauer, Pine Street Group
Erika Johnson, Pine Street Group
Stacy Shewell, Pine Street Group
Brenda Baxter Pine Street Group
Aaron Dillon, PSAV
Brock Bradley, PSAV
Tom Norwalk, Visit Seattle
Rob Hampton, Visit Seattle
Patrick Smyton, Visit Seattle

Staff in Attendance

Krista Daniel
Daniel Johnson
Michael McQuade
Michael Murphy
Paul Smith
Lorrie Starkweather
Ron Yorita

Visitors in Attendance

Alec Connan, 350 Seattle

II. APPROVAL OF MINUTES

May 23, 2017 WSCC PFD Regular Board Meeting and June 20, 2017 WSCC PFD Special Board Meeting

Mr. Hillis made a motion to approve the minutes of the May 23, 2017 Regular Board meeting and the June 20, 2017 Special Board meeting as presented. Ms. Gonzalez-Murillo seconded and the motion was carried by the unanimous affirmative vote of all Directors present.

III. PUBLIC COMMENTS

Mr. Finneran advised that anyone wishing to speak before the Board, either as an individual or as a member of a group, may do so at this time. Individuals desiring to speak shall give their name, address, and the group they represent, if any.

Members of the public wishing to address the WSCC PFD Board were:

- 1) Mr. Alec Connan, representing 350 Seattle.

1 Certainly. Thanks very much for the opportunity to address the Board. My name is Alec Connan. My
2 address is 5131 13th Street, Seattle, WA 98118. I am a campaign director and lead organizer with the
3 organization 350 Seattle which is a grass roots organization towards climate justice. We have about
4 11,000 supporters in this town region. And the issue that I, I want to bring to the Board's attention
5 today is that I'm concerned at finding that Wells Fargo is one of the banks considering responding to any
6 RFP request around the banking services and contracts for the Washington State Convention Center
7 Addition. And on behalf of myself and 350 Seattle, but also on behalf of the organization *Mazaska Talks*
8 which was cofounded by Rachel Heaton, a member of the Muckleshoot tribe and Matt Remle, who is a
9 Standing Rock Sioux tribal member who also won the City of Seattle Human Rights leader award in 2014,
10 he was awarded the Human Rights leader award. And I believe there's a letter that's been forwarded to
11 the Board expressing her concerns around about Wells Fargo's bids, and I just wanted to speak to the
12 Board in person to re-escalate some of those concerns. I'm sure you're all aware on February 7th of this
13 year, the City of Seattle passed an ordinance, um, stating that they will no longer do business with Wells
14 Fargo once its current contract expires. And the reasons for this were numerous. They included Wells
15 Fargo's support for the Dakota Access pipeline, and Wells Fargo had that \$3.75 million investment loan

16 to this pipeline, and which was a clear affront and breach of the Standing Rock Sioux sovereign rights
17 and their rights guaranteed by their treaty. And when we saw unarmed Native Americans and
18 Americans stand up to the building of that pipeline that directly threatened their water source, we saw
19 police militarization that saw that around protests met with rubber bullets, tear gas, fire hoses, attack
20 dogs. And yet in spite of that and in spite of huge public pressure asking Wells Fargo in particular to
21 rescind their loans to energy transfer partners and publicly renounce their support of energy transfer
22 partners, Wells Fargo never did so. And the reasons that the City of Seattle also broke ties with Wells
23 Fargo, or will break ties once its contract expires are greater than the Dakota Access pipeline. Those
24 stated in the ordinance also reference one and a half million, or over one and a half million accounts
25 that were fraudulently opened in Wells Fargo customers names without their permission or knowledge.
26 Therefore I think it's very clear that with the City of Seattle taking such a stance in terms of aligning it's
27 monies with its values and renouncing business with Wells Fargo, that the Washington State Convention
28 Center with being such a presence in the center of Seattle, should do likewise and should also align it's
29 business with the values of the City of Seattle. And it's clear that with Wells Fargo's recent history of
30 corporate crimes and predatory lending practices and support of the Dakota Access pipeline, that Wells
31 Fargo's values are not in line with the City of Seattle, and so I would ask you to take that into
32 consideration when considering responses to any RFP's for the Addition. And additionally, I will be
33 honest, and we will certainly do everything in our power to educate our members, our 11,000
34 supporters in the Puget Sound region, if it turns out that the Washington State Convention Centers
35 values are not aligned with those of the City of Seattle's in terms of who it does business with. So, thank
36 you very much again for the opportunity to speak to you all and for the snacks, and I hope you all have a
37 good day. Thank you. (Mr. Finneran: Thank you.) Oh, and also I do have paper copies of the letter that
38 Mazaska Talks and 350 Seattle have sent to the Board. Will I just give them to Lorrie? (Mr. Finneran:
39 Please.)

Mr. Finneran thanked Mr. Connan for his presentation to the Board and advised that the observations would be referred to the WSCC Board Finance Committee for their information when the time comes to consider new services from financial institutions. Being no further public comments, the meeting was brought back on to the agenda.

IV. CHAIRMAN'S REPORT

A. Consent Agenda

Mr. Finneran presented the Consent Agenda to the Board. The following action items and informational reports had been sent to the Board for review prior to today's meeting:

Action Items:

1. Ratification of Additional Facility Project Contract List
2. Approval of Additional Facility Project Draw Schedule Payments, #31 and #32

Informational Items:

1. WSCC Sales Productivity Report
2. WSCC Monthly Expenditures Auditing Officer Certification
3. Monthly Staff Reports: Parking Report
4. Monthly Staff Reports: Food Service Report

Ms. Brown-Archie made a motion to approve the Consent Agenda as presented. Mr. Flowers seconded and the motion was carried by the unanimous affirmative vote of all Directors present.

VI. PFD COMMITTEE REPORTS

A. Addition Committee

1. Memorandum of Agreement with the U.S. Federal Highway Administration and the Washington State Historic Preservation Officer for the Addition Project, Resolution # 2017-11

Mr. Finneran requested Pine Street Group to describe the document to the Board. Ms. Lewis advised that the Addition Committee is seeking Board approval of Resolution 2017-11, which authorizes the President/CEO to enter into a Memorandum of Agreement (MOA) with the U.S. Federal Highways Administration and the Washington State Historic Preservation Officer. This agreement relates to the building at Boren & Olive Way, the former Honda building which is owned by WSCC. Through the Addition Project's NEPA process, the building had been declared eligible for the National Registry of Historic Places. Because we will be removing that building, we need to provide mitigation in exchange for removal of that building and the MOA outlines four items that we agree to do as mitigation. The MOA is still in process right now and the process should be concluded in the next month. The Addition Committee is seeking the Board's approval of Resolution 2017-11 in order that the President/CEO has the authority to sign this MOA in substantially the form attached as Exhibit "A". In the event that there are material changes to the MOA, the document will be brought back before the Board for further review.

Mr. Hillis made a motion to approve Resolution 2017-11. Ms. Brown-Archie seconded and the motion was carried by the unanimous affirmative vote of all Directors present.

2. Update

Mr. Finneran requested Mr. Rosauer provide the Board with an update on the Addition Project. Mr. Rosauer provided a brief project summary and stated the entitlements and permitting process remain on the critical path, similar to previous months. Resources are also focusing on getting the rest of the pieces in place in order that we can begin once permitting is in place. Ms. Lewis advised that we continue the process of working through the Seattle Design Commission to gain approval of the alley and street vacations, and are also working on the process to provide the public benefits package details at the request of the Design Commission. Ms. Lewis provided an update on the NEPA document, and advised that once the final FHWA comments are received, the document will be out for a 45-day public comment period which is to include a public meeting. All the comments will then be incorporated into the document and the final version will be published.

On the schedule, Mr. Rosauer advised that as result of some of the issues with the Design Commission, we have concluded it to be appropriate to move the project start date. We were holding our January start and are now slipping that to March 2018, and continue to try to maintain that date.

On the land component, Mr. Rosauer advised that the Purchase & Sale Agreement for the Convention Place Station property was fully executed today with the Chairman's signature. We are also working through the last remaining piece of property on the site, the corner owned by the Washington State Department of Transportation (WSDOT) and a draft lease is under review by Foster Pepper.

On the design component, a presentation will be provided by LMN Architects regarding the evolution of the interior finishes. Pine Street Group continues to be pleased with the work performed by LMN Architects, MKA Engineers, the GC/CM Clark-Lewis team, and other contractors.

On the public process & outreach, Mr. Rosauer advised that Pine Street Group is looking to hire an Administrator for the Project Labor Agreement in the coming months, and focus is continuing on the outreach goals in the construction contract. Mr. Rosauer stated that Pine Street Group continues to speak on behalf of the project and continues to update the Washington State Convention Center Addition.com website with project updates weekly.

3. Discussion and Possible Action Regarding WSCC Addition GC/CM Change Orders

Mr. Rosauer advised that the zero-dollar GC/CM agreement was executed in July and with that agreement now in place we'll be change ordering scopes as it relates to early procurement for the construction project. Today, the Addition Committee is seeking the Board's authorization on two change orders:

a) Change Order No. 4, for Enclosure.

Mr. Finneran stated that the Addition Committee has reviewed Change Order No. 4, which is as a result of the enclosure contract that was bid last week, and the need to authorize and potentially award this contract to the apparent low bidder that brings best value to the Convention Center. Mr. Rosauer advised that the pricing came in higher than we would have liked, and the question is whether we'll be able to reach a target budget that's acceptable to the Convention Center. Mr. Finneran stated it was in the order of \$40 million dollars. The Addition Committee is recommending that the full Board approve Change Order No. 4, and authorize the Board Chair to sign the change order in an amount not to exceed \$86 million dollars.

Mr. Hillis made a motion to authorize the Board Chair to execute Change Order No. 4 in substantially the form contained in the Board packet, to the GC/CM contract with Clark-Lewis for building enclosure scope of work for subcontracts that allows for potential additional change orders for alternative bid packages in an amount not to exceed \$86 million dollars. Ms. Grant seconded and the motion was carried by the unanimous affirmative vote of all Directors present.

b) Change Order No. 2, for Shoring.

Mr. Finneran stated that this item is shown as Change Order No. 3 in the Board packets however, it is Change Order No. 2. Mr. Rosauer advised that they had made a misprint on the documents and that Change Order No. 2 is substantially in the form and language as the document in the packets. (Change Order No. 3 was for the vertical transportation and presented to the Board for approval at the Special Meeting on June 20, 2017.) Mr. Rosauer explained the shoring scope was bid last month and is for an amount in the area of \$16 million dollars. It is underneath the budget line in the construction budget. The Addition Committee is recommending that the full Board approve Change Order No. 2, and authorize the Board Chair to sign the change order in an amount not to exceed \$16 million dollars.

Mr. Schafer made a motion to authorize the Board Chair to execute Change Order No.2 in substantially the form contained in the Board packet, to the GC/CM contract with Clark-Lewis for shoring scope of work, in an amount not to exceed \$16 million dollars. Mr. Flowers seconded and the motion was carried by the unanimous affirmative vote of all Directors present.

4. Addition Project Interior Design Presentation

Mr. Rosauer introduced Mr. Reddington to provide an update on the Addition Project Interior Design. Mr. Reddington spoke mainly on the interior common areas and concepts. A level-by-level description was presented for the Exhibit Hall, Mixing Zone, Atriums, Flex Hall, Meeting Rooms, Hillclimb and Ballroom. A sampling of the materials was on hand for the Board to view. Mr. Reddington advised that they are looking to use local materials where possible.

B. Government Affairs Committee

1. Consultant Update Report

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

C. Finance Committee

1. Investment Report

Mr. Flowers advised that the Finance Committee met today and reviewed the 2017 second quarter investment update on the WSCC PFD portfolio of investments currently managed by Government Portfolio Advisors. There were no surprises or concerns.

D. Outreach Committee

1. Update

Ms. Gonzalez-Murillo reported that the Outreach Committee has met twice this year with Pine Street Group to review activities and progress on goals for the Addition project. The Addition website continues to attract attention and is following the progression on hiring new subcontractors. At present there are 48 subcontractors of diverse backgrounds, including minorities, small business, veterans, disadvantaged, and women-owned business. Ms. Gonzalez-Murillo had the privilege of being one of the commencement speakers at the recent graduation of participants in the Strategic Partnership Program offered through Clark Construction. This program, launched by Clark Construction in response to a lack of training and development programs for small businesses within the construction industry, is an intensive MBA-style course providing comprehensive construction management and business skills training to local business owners.

2. Outreach Mid-Year Report

Ms. Gonzalez-Murillo advised that the 2017 Report for the 2nd Quarter was prepared by staff. The report provides an important look at the WSCC's outreach to the community, marketplace outreach, staff outreach, and program updates.

E. Marketing Committee

1. Marketing & Sales Mid-Year Report

Mr. Schafer reported that the Marketing Committee met on July 24, 2017 and reviewed several items along with mid-year reports from Visit Seattle and WSCC sales teams. Visit Seattle is at 97% of goal for room night production for 2017 for all future WSCC business; 2017 consumption is at 106% of goal and future years are on pace. All elements of the Visit Seattle 2017 work plan are on track for completion by year end and within the approved budget. Mr. Schafer advised that Visit Seattle introduced a new program, "Event Innovation Forum" to replace the former "Customer Advisory Board". WSCC is at 63% of top line revenue goals, 56% of net revenue goal, and 57% of room night goals.

The WSCC Marketing & Communications 2017 Plan items are on track. Mr. Schafer advised that WSCC has placed significant regional advertisements related to WSCC local meetings and food & beverage market sales efforts to attract new business. WSCC staff prepared client appreciation cookie jars to present to repeat customers as a thank you for their business.

Fall of 2017 will see WSCC staff bringing recommendations to the Marketing Committee and full Board for consideration regarding revisions to the license agreement and proposed new rates for 2023 to 2029. WSCC and Visit Seattle teams are continuing the process of updating the Five-Year Blueprint Plan with new items being populated into the document as the teams prepare to market, promote and sell the additional facility.

The WSCC and Visit Seattle teams provided the Marketing Committee with a review regarding decision timelines for clients wishing to book both facilities for future business.

F. Operating Goals Committee

1. Operating Goals Mid-Year Report

Mr. McLaughlin advised that the Operating Goals Committee met today and were provided a mid-year progress report on the 2017 WSCC Operating Goals. The 2017 Operating Goals were approved

by the Board on November 22, 2016 by Resolution # 2016-25. Ten of the eleven goals are on track and doing well.

Goal #11; *“Staff, working with the Facilities and Marketing Committees, will manage the activities of the re-naming and branding work with the new contractor so as to create the new Convention Center brand, potential new name, building names, new logo with appropriate roll-out process for all necessary marketing and promotion avenues to properly market, message, sell and engage with customers and stakeholders of the new Convention Center product by end of 2017”*; was put on hold earlier this year so as not to impact or interfere with the timing of other important issues, such as the purchase of property from King County or work on legislative efforts at the State legislature. Mr. Finneran advised that an Ad Hoc Taskforce was being assembled to consider the ramifications of a name change, what those ramifications might be, and when the name change should occur. This meeting will take place in early August, and the recommendations will be brought back to the full Board for review, discussion, and next steps. Mr. Finneran noted that this item is of special concern to the sales teams that are endeavoring to sell the building to our customers.

Mr. McLaughlin requested Mr. Blosser to comment on the highlights of the mid-year report. Mr. Blosser updated the Board on key components of the WSCC 2017 Operating Goals, and reminded the group that there are two Board Goals and nine Staff Goals for 2017. Goal #1 and #2 are Board Goals and are on track for year-end; Goal #1 is related to activities of the Addition Committee and Pine Street Group; Goal #2 has involved conversations with the Outreach & Government Affairs Committees regarding the safety, security, and homelessness issues. We will continue to monitor how WSCC might be able to support these projects and the impacts to the facility. Overall, staff is on target to meet or exceed this year’s operating goals by end of fiscal year 2017.

Discussion was held regarding the duplication of reporting efforts by staff as reports are presented to the specific committee and then a full in-depth report is brought before the Operating Goals Committee for their review. Mr. McLaughlin, on behalf of the Operating Goals Committee, requested that a review be conducted of the WSCC Board Committees structure as they currently exist. The Committees have been in place for almost thirty years, from the time the Washington State Convention & Trade Center state agency was created. Mr. Finneran, with Board consensus, requested this item be placed on the agenda for review and discussion at the WSCC Board 2017 Strategic Planning Retreat meeting at the end of October.

G. Art Committee

1. Update

Ms. Gonzalez-Murillo reported that the Art Committee met on July 24, 2017 regarding the Addition Art Project. Attendees from the Addition Art Project were Ms. Lewis, Ms. Aronson, and Ms. McClure. Ms. Lewis provided an overview of three areas being focused on by Pine Street Group, and discussion occurred on the process under development for vision, artwork acquisition and selection process, procedure and total matrix for art locations in the Addition project; Public Benefit 3 art projects; DBR / Urban Design Merit; WSCC potential programs and potential locations. Ms. Gonzalez-Murillo advised that the art program for public benefit is on a faster track. WSCC Art Advisors will receive an orientation on the project in the near future and will be asked to provide comment on best practices for acquisition.

2. Discussion and Potential Action Regarding Naming of the WSCC Art Galleries

Ms. Gonzalez-Murillo advised that the Art Committee had discussed honoring the legacy of emeritus WSCC Board member, Ms. Phyllis Lamphere, for her leadership in establishing the public art program, the WSCC Art Advisors, and also establishing the WSCC Art Foundation with her own funds over 20 years ago. The Art Committee would like to propose honoring Ms. Lamphere’s legacy to the WSCC and the public art galleries by naming the WSCC public art gallery after Ms. Lamphere. Ms. Willanger and the WSCC Art Foundation are currently working on a video interview with Ms. Lamphere to capture the history of Ms. Lamphere’s long-term involvement with the WSCC and the story of the

WSCC's existing art galleries. This will assist with maintaining the history of the galleries, the WSCC Art Foundation, and will further the marketing and community relations of WSCC's civic benefits within the neighborhood.

Ms. Gonzalez-Murillo made a motion to approve the naming of the WSCC Public Art Gallery as the Phyllis Lamphere Gallery, the space to be defined, in honor of Ms. Phyllis Lamphere, and to authorize the President/CEO and the Chair of the Art Committee to contact Ms. Lamphere and obtain her acceptance to develop a proposed name and appropriate celebratory activities. Ms. Grant seconded the motion. Discussion occurred and by consensus the idea was met with the full support of the Board. However, the Board requested the Art Committee provide more definite details regarding the location of the gallery to be named the Phyllis Lamphere Gallery, the timing of the celebratory event, and the budget required for this proposal and provide this information to the Board for their review/approval prior to the September 26, 2017 Board meeting. Mr. Hillis made a motion to table this discussion to the September 26, 2017 WSCC Board regular meeting. Ms. Brown-Archie seconded, and the motion to table the discussion was carried by the unanimous affirmative vote of all Directors present.

H. Facility Committee

1. Update

Mr. Hillis reported the Facility Committee met on July 20 and staff provided an update:

- Status update on Room 206 / Sales Studio Conversion: The Board was reminded of approving Room 206 to be converted into a Sales Studio for the purpose of creating an elevated level of amenity for future clients to meet with Sales Staff as part of the sales process related to both the existing and future facility. The project is in final permit review with the City of Seattle and bid process is underway for contractors. The budget is on track and the project is expected to be completed in December 2017.

- Concept Design Drawings for the renovation of two vacant retail spaces on Level 1: The vacant hair salon will be renovated into a flexible use space for the Sales and Events teams. Proposed use of this renovated space will be for receptions, public foods, attendee lounges, registration and coat check types of activities. The Facility Committee reviewed the concept drawings and requested further refinement before presentation to the full Board. Updates will include new wall/ceiling/flooring/lighting treatments. The vacant Moby's Restaurant space is currently being used for public foods/beer gardens for events as well as for ad hoc spaces for Microsoft crew meals and staff lounges. Updates will include refinishing the existing bar, new flooring, lighting and ceiling treatments.

Staff will present revised drawings and material selection for Committee approval and Board recommendation within the next 60 days. There are no anticipated budgetary issues at this time.

2. Revised 2017 Capital Budget

Mr. Hillis advised that the 2017 Capital Budget was adopted in November 2016, and periodically adjustments are required to that Capital Budget. The Facility Committee is proposing two revisions to the budget at this time:

- a. Pike Street Improvement Carry-over from 2016: There was some carry-over from 2016 where we expected to complete the Pike Street Improvements, and the project was actually completed this year. The budget will require adjustment to show the amended line items.

- b. New Project -- Freight Elevator Door Sensor Replacement: Mr. Barnes reported that this additional project replaces the door sensors of all floors of our main freight elevator. The sensors on one floor became disabled and the recommendation is to replace all floor sensors with new equipment. This freight elevator is integral to operating the facility and there are greater financial risks of event shut-down than if replacement of all floor sensor parts were done at one time.

Mr. Barnes reviewed the 2017 Capital Budget with the Board and verified there are sufficient funds in the budget to undertake the new project.

Mr. Hillis called for a motion to revise the 2017 Capital Budget to cover these 2 items. Ms. Grant made a motion to revise the 2017 Capital Budget to cover the described items; line item change for the

Pike Street Improvement Carry-Over from 2016 and the Freight Elevator Door Sensor Replacement Project. Ms. Brown-Archie seconded and the motion was carried by the unanimous affirmative vote of all Directors present.

VI. VISIT SEATTLE & WSCC Sales Reports

A. Visit Seattle Destination Overview

Mr. Norwalk reported that Smith Travel Research report for June 2017 YTD provides comparisons for revenue per available room (RevPAR), average daily room rate (ADR) and occupancy variances for hotels in Seattle Downtown, San Francisco Market Street, Denver Downtown, Portland Central City, Austin CBD, San Diego CBD, Boston CBD/Airport, Nashville CBD and Los Angeles CBD. Downtown Seattle finished June with an occupancy rate of 93.2%, up 3.2% from the same period in 2016; RevPAR saw an increase of 8.7% and ADR had an increase of 12.2% as compared to the same period last year. In June 2017, Boston CBD/Airport topped the competitive set for the month with an ADR of \$283. Downtown Seattle ADR's (\$276) finished the month in the second spot. Year to-date, Boston CBD/Airport is in the lead in the category of Average Room Rate, San Francisco in the lead with RevPar, and Seattle Downtown leading in the Occupancy category. Seattle numbers continued to track strongly with the eight other cities in the group.

B. Visit Seattle Sales Report

Mr. Hampton reported that Visit Seattle WSCC sales production combined for the months of May and June 2017 was 71.09% of goal and Hotel Production was 123.62% of goal. Year-to-date 2017 definite room night production for WSCC is at 96.36% of goal, and at 108.09% for Hotel Production.

Mr. Hampton reviewed year-to-date WSCC lost and waived room nights. Year-to-date, 357,049 room nights were lost (business bid on, but was not awarded) primarily because of WSCC size, hotel rates, and date availability. Year-to-date, 336,683 room nights were waived (business that wanted Seattle to bid, but we were unable to bid for various reasons) primarily because of date availability and WSCC size.

C. WSCC Sales Report

Mr. McQuade reported that for June 2017, WSCC & Visit Seattle Sales staff combined top-line rent totaled \$583,444 for Convention Center contracted bookings. Groups hosted June YTD realized 8,492 in hotel room night bookings, with 111,291 delegates, and an estimated \$4,537,268 in top-line revenues.

During June, WSCC Sales staff booked 19 new events into the Center to infill around convention business booked by Visit Seattle. Cumulatively, these 19 WSCC booked events represent over 18,882 in estimated attendance, 380 associated room nights, and combined topline revenues of over \$259,512 for rent, food & beverage, parking and subcontractor services.

VII. PRESIDENT'S REPORT

A. Approval of Labor Agreement, Resolution # 2017-12

A RESOLUTION by the Board for Ratification of the Collective Bargaining Agreement by and between the Washington State Convention Center Public Facilities District ("District") and the Washington State Convention Center Public Facilities District Labor Council ("WSCCLC")

The most recent agreement expired July 31, 2016 and representatives of the WSCC Labor Council and WSCC staff began negotiations on the WSCC / WSCCLC Labor in August 2016. On July 18, 2017, the WSCCLC notified WSCC that the negotiated Collective Bargaining Agreement and appendices had been accepted. It was recommended by WSCC staff that the Board ratify the Collective Bargaining Agreement as contained in the Board packets provided to them for review prior to today's meeting.

Ms. Grant made a motion to approve Resolution 2017-12, ratifying the WSCC / WSCCLC Labor Agreement and authorizing the WSCC President / CEO to sign the Agreement dated August 1, 2016 through July 31, 2020. Ms. Gonzalez-Murillo seconded and the motion was carried by the unanimous affirmative vote of all Directors present.

B. 2016 Annual Report

Mr. Blosser advised that the 2016 WSCC Annual Report was finalized and released at the end of June 2017 after the audited financial statements were concluded and reported to the Board. The annual report was distributed electronically to our major stakeholder groups and is available on the WSCC website. Hard copies of the report have been provided to the Directors at today's meeting.

C. Retail Mid-Year Report

There are 17 retail spaces within the Convention Center. Currently, 13 of these spaces are rented. Mr. Blosser provided some highlights from the report provided to the Directors. WSCC staff has done a good job in re-negotiating those leases that were coming due, as well as negotiating with three new tenants (Noodle Library, in the vacant 9th Avenue space; GoNetYourself, in the Level 1 space formerly occupied by the Seattle Shirt Shop; Citrus Thai, for a potential tenancy in the former Goldberg Deli space on Level 1). As well, the retail space next to the alley on Pike Street between 8th and 9th Avenues was vacated by MidMountain Contractors after completion of the Pike Street renovation project. Pine Street Group has tentatively reserved the space for use by the General Contractor for the office space for the Addition program. Ms. Brown-Archie asked if staff had utilized the services of a broker in these negotiations. Mr. Blosser advised that the negotiations were conducted inhouse by WSCC staff. Under direction by the Facility Committee, all of the new lease agreements contain relocation clauses in order that WSCC has the ability to move these tenants into different spaces or to cancel contracts where necessary once the Facility Committee and the Board give staff the go ahead on the Level 1 renovation project. Mr. Blosser stated that this language will be contained in any lease renewals going forward.

Mr. Blosser advised that goals for the next six months include:

- Completion of ongoing negotiations for the currently vacant retail spaces; ensuring that all tenancies are compatible with the potential redevelopment of Level 1 and with the likely retail mix for the Addition facility.
- Pending the Level 1 project outcomes, prepare the new streetfront retail spaces adjacent to the WSCC administrative offices on Pike Street between 8th and 9th Avenues for leasing. These are currently undeveloped spaces.
- Renew leases for current retail tenants, including modifications to the leases to incorporate the now-standard WSCC relocation provision.

VIII. FINANCIAL REPORT

Mr. Firth reported June 2017 total operating revenues were down 12.9% compared to the same period in 2016, and ahead of budget by 18.9%. For the month of June 2017, Food Service revenues were ahead of budget by 22.8%. Retail revenue was down 28.9%, Building Rent revenue was up 0.9%, Parking revenue was down 0.4%, and Facility Services revenue was ahead of budget by 43.3%. Year-to-date Operating Revenues were 7.5% ahead of budget at \$20,775,042, and above prior year by 11.8%.

Operating expenses for June 2017 were above budget for the month by 22.5%; and the corresponding sales were up 18.9%. Staff continue to conservatively manage expenses in FY2017. Operating loss for June 2017 was \$236,677, an increase of 99% over budget due to Employee Benefits, Professional Services, and Food Service costs. Year-to-date the operating surplus through June totaled \$1,923,869.

For the month of June 2017, marketing revenues were ahead of budget by 5.7%; and the monthly marketing expenses totaled \$972,373, over budget by 4.9%. Year-to-date June 2017 total Marketing revenues were up 14.3% compared to the same period in 2016, and ahead of budget by 2.6%. Marketing expenses for year-to-date 2017 totaled \$5,007,734, above budget by 1.4%. Marketing surplus for June was \$44,870, a decrease of 29.6% over the same period in 2016. Year-to-date the marketing surplus through June totaled \$166,972, up from budget by 59.6%.

In 2013, the Board authorized a funding mechanism to support efforts necessary to explore expansion feasibility, now called Addition Budget. Addition Project Fund expenditures for June 2017 were \$3,957,217.

Non-Operating Revenues for the month of June was \$6,735,704, above budget by 8.7%. Non-Operating Revenues year-to-date through June 2017, for regular and additional lodging taxes, totaled \$33,665,941. Non-Operating Expenses during the month for transfer of additional lodging tax, debt service, capital improvement projects, and addition budget totaled \$9,124,579, over budget by 31%. Non-Operating Expenses year-to-date through June 2017, which includes transfer of additional lodging tax, debt service, capital improvement projects and the addition budget, totaled \$42,662,697, below budget by 5.8%.

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

XI. ADJOURNMENT

Ms. Brown-Archie moved to adjourn the July 25, 2017 Board meeting at 4:32 p.m. Mr. Hillis seconded and the motion was carried by the unanimous affirmative vote of all Directors present.