

## Minutes

### Washington State Convention Center Public Facilities District

### Regular Meeting of the Board of Directors March 24, 2020

#### I. CALL TO ORDER

Frank K. Finneran, Board Chairman, convened a regular meeting of the Washington State Convention Center Public Facilities District (WSCC) at 2:01 p.m., by video conference and Room 208 of the Convention Center. At the chairman's request, Mrs. Starkweather conducted a roll-call of Board Directors to ensure a quorum in attendance, as well as to identify meeting attendees.

#### MEETING ATTENDANCE

##### Board Directors in Attendance

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

##### Officers in Attendance

Jeffrey A. Blosser, President / CEO (in person)  
Linda Willanger, Vice President of Administration / AGM (in person)  
Chip Firth, Director of Finance and Administration / CFO (in person)  
Jon Houg, Vice President of Operations (in person)

##### Consultants / Vendors in Attendance

David Dolquist, ARAMARK (by teleconference)  
Keith Hedrick, ARAMARK (by teleconference)  
Becky Bogard, Bogard & Johnson, LLC (by teleconference)  
Matthew Hendricks, Hendricks - Bennett, PLLC (by teleconference)  
Jill Hashimoto, LMG (in person)  
Colin Green, LMG (in person)  
Matt Griffin, Pine Street Group (by teleconference)  
Tom Norwalk, Visit Seattle (by teleconference)  
Kelly Saling, Visit Seattle (by teleconference)  
Patrick Smyton, Visit Seattle

##### Staff in Attendance

Krista Daniel, Director of Event Services (by teleconference)  
Shannon Leahy, Director of Security & Public Safety (in person)  
Michael McQuade, Director of Sales (by teleconference)  
Mary Pauly, Director of Human Resources (in person)  
Paul Smith, Director of Information Systems (in person)  
Lorrie Starkweather, Executive Assistant to the President & Board (in person)  
Loni Syltebo, Director of Communications (by teleconference)  
Earl Taylor, Director of Operations (by teleconference)

II. APPROVAL OF MINUTES

January 28, 2020 WSCC PFD Board Regular Meeting

Mr. Hillis made a motion to approve the minutes of the January 28, 2020 Regular Board meeting, as presented. Mr. Flowers seconded and the motion was carried by the unanimous affirmative vote of all Directors present via teleconference.

III. PUBLIC COMMENTS

Mr. Finneran advised that anyone wishing to speak before the Board, either as an individual or as a member of a group, may do so at this time. Individuals desiring to speak shall give their name, address, and the group they represent, if any. There were no public comments.

IV. CHAIRMAN'S REPORT

A. WSCC Board 2020 Strategic Planning Retreat

Mr. Finneran requested Mr. Blosser to provide an update on the Board's 2020 Strategic Planning Retreat. Mr. Blosser reported that we are working to finalize the scenario for having the Board Retreat meeting here at the Convention Center, on Monday, October 26 & Tuesday, October 27. We are checking hotel room availability for October 26<sup>th</sup>, if the Board members wish to stay over, but as we will be holding the meetings here at WSCC with ARAMARK providing all food & beverage, we may be in a scenario where the Board members wish to book their own hotel room. We will get some information out to everybody as the retreat details and retreat agenda start to take shape.

B. Consent Agenda

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

Action Items:

1. Ratification of Additional Facility Project Contract List (February 2020)
2. Ratification of Additional Facility Project Contract List (March 2020)
3. Approval of Additional Facility Project Draw Schedule Payments, #63 (February 2020)
4. Approval of Additional Facility Project Draw Schedule Payments, #64 (March 2020)

Informational Items:

1. WSCC Sales Productivity Report
2. WSCC Monthly Expenditures Auditing Officer Certification
3. Visit Seattle Monthly Sales Report
4. WSCC Monthly Sales Report
5. WSCC Parking Report:
  - a. Monthly Parking Report
  - b. Parking Occupancy Report
  - c. Parking: Revenue Per Stall Report
6. Food Service Report
7. WSCC Social Media Recap – February 2020

Mr. Hillis made a motion to approve the Consent Agenda as presented. Mr. McLaughlin seconded and the motion was carried by the unanimous affirmative vote of all Directors present via teleconference.

V. PFD COMMITTEE REPORTS

A. Addition Committee

1. Update Report

Mr. Finneran advised that we have concerns surrounding the Governor's Executive Order that construction be halted on all projects deemed non-essential by the Governor's definition, and this was a

topic of discussion at the Addition Committee earlier today. Mr. Finneran requested Mr. Griffin to provide the Board with a brief presentation of the current status of the Addition Project items.

Mr. Griffin advised, as was discussed at the Addition committee this morning, there are basically 3 big issues now facing the project:

i. The delays in the steel erection schedule and American Bridge not being able to keep up the pace with our critical path schedule. PSG have the attention of the senior people at CL and at AB, and we're hoping they will finish Zone 1 in the next couple of weeks, and then have a new schedule for Zone 2 that shows better productivity. The good news is that we think our CL team is doing a good job with trying to get AB to perform.

ii. The Governor's comments last night concerning legislation stopping work on several projects deemed to be non-essential by the Governor. We are trying to ascertain if the Addition project qualifies for exemption from the Governor for the project to keep moving, or if there is a method to appeal this decision.

iii. As was discussed at the Finance Committee this morning, there are currently 2 issues happening at the same time with project financing: the Hotel/Motel Lodging tax revenues are significantly lower than expected and it is not know when this revenue stream will pick back up; and, as of this week the municipal bond market is, for purchasers, very thin. Rates have gone up a couple hundred bases points in the last 2 weeks, and while this not expected to last forever, at this point it makes it difficult to do any type of bond financing.

#### B. Finance Committee

##### 1. Update

Mr. Flowers advised, as Mr. Griffin had indicated, one of the first items discussed at today's Finance Committee meeting was the project financing recommendations from Mr. Griffin and Mr. Eoff. There are some real challenges facing WSCC and the Addition Project going forward. Mr. Flowers asked Mr. Griffin to briefly highlight some of the items currently under review. Mr. Griffin advised that the Financing Team (Mr. Eoff, Goldman-Sachs & Co. LLC, Citigroup Global Markets LLC, Mr. Blosser, Mr. Griffin) have made a couple recommendations:

i. While it is understood that the financing markets are not normal today, it is recommended that WSCC move ahead and prepare for another bond offering. Mr. Griffin advised that as WSCC has received the tax revenue on the 12 months that ended in January or February 2020, that WSCC should be able to finance \$160 to \$170 Million in the normal financing market. It is the Financing Teams' belief that documents should be prepared for going to market this summer. This will require Mr. Eoff (PFM Financial Advisors LLC) working with Goldman Sachs and Citigroup as well as Pacifica Law Group, to determine the necessary timing for funding requirements for the spring of 2021, and prepare for a bond offering during an available window of time to go out for an normal bond offering of approximately \$160 Million.

ii. Mr. Eoff to lead efforts to research other "back-up" methods as it relates to financing, whether it be bullet financing 4 or 5 years out, or other types of financing vehicles.

Mr. Flowers reiterated that one of the key items discussed was that while we will be going out to the marketplace in July for an estimated \$160 Million, it will most likely be necessary to go back out at some point to get another \$140 to \$150 Million, for a total of approximately \$300 Million necessary to complete the project.

##### 2. Approval of WSCC Investment Policy, Resolution # 2020-02

A RESOLUTION Adopting an Investment Policy and Authorizing the President/CEO or His Designate to Deposit Funds into the Local Government Investment Pool, Superseding Resolution 2010-15.

Mr. Flowers advised that the Finance Committee is recommending the Board's approval of Resolution 2020-02 which is the Investment Policy update. The Investment Policy has been discussed and reviewed at past Board meetings, and it is now coming to the Board in its final form.

Mr. Flowers made a motion to approve Resolution 2020-02, the WSCC Investment Policy. Mr. McLaughlin seconded and the motion was carried by the unanimous affirmative vote of all Directors present via teleconference (9 to 0).

3. WSCC Financial Audit Update

Mr. Flowers advised that the Finance Committee received an update from Mr. Firth on the WSCC Financial Audit which is going smoothly and should be completed shortly.

C. Government Affairs Committee

1. Update

Ms. Brown-Archie reported that the Government Affairs Committee met earlier today and received an update from Ms. Bogard on WSCC's legislative efforts regarding SHB2032, the state sales tax deferral on construction for WSCC. While the bill did receive support from the House, the Senate leadership chose not to act on SHB2032 as written and a repayment schedule, favorable to both the Senate and WSCC could not be agreed upon, due in part to the uncertainty of the economic impact to the tourism industry over the next year resulting from the coronavirus situation. Under the threat of further spread of the coronavirus, the 2020 legislature adjourned *sine die* at 8:15 p.m. on Thursday, March 12, 2020.

The Government Affairs Committee also discussed the possibility of a special legislative session to gain an understanding and possibly assist with the impact on the hospitality community. Ms. Brown-Archie advised that if a special session is convened, we may have some opportunities to seek relief through that mechanism. The Committee also received an update on WSCC's LID assessment. The Convention Center is still listed in the category of "hospitality" for the purposes of assigning the assessed rate the City hopes to collect from the convention center. From information received at the meeting, it was felt that at this point in time, there are more important issues for the City to address, and that in light of what is happening in Seattle at the present time, that the LID assessments may be reevaluated at a later date.

2. Government Relations Consultant Report

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

D. Art Committee

1. Update on Addition Art Projects

Ms. Gonzalez-Murillo reported that the Art Committee met on March 19, 2020 via teleconference. Discussion occurred regarding the current economic situation and how that could affect the budget for art and the art pieces that have already been engaged, and a reminder was given that the Art Committee's projects could potentially feel the financial impact like the other WSCC projects and other entities. Mr. Blosser advised that the Committee also reviewed diagrams of the proposed Artist-In-Residence space and discussed how this may or may not work alongside potential uses of the space. The "Entry" artists are in the process of developing their conceptual designs for their work. All the artwork for the Entry will be by Northwest Native American artists. The "Party Soffit" artists are continuing to develop their design and elements for this artwork which will be brought back to the Art Committee for review. Mr. Blosser advised that we are close to finalizing the use of image contract with Chihuly Studios for the marketing art piece. Ms. Gonzalez-Murillo concluded her report by saying that while it is not business as usual for anyone now, we hope to continue with the current engagements and we will keep everybody updated as best we can.

VI. VISIT SEATTLE & WSCC Sales Reports

A. Visit Seattle Destination Overview

Mr. Norwalk reported on a high level, specifically focused on COVID-19 and what the industry, our partners, the Center and Visit Seattle's organization are experiencing during this global situation. He

provided a recap of the Smith Travel Research (STR) February results, which shows Downtown Seattle leading the competitive set with a 15% RevPar growth, which is an incredible start to the year versus the last few years which were challenging and not this strong. February YTD results indicated a growth across all categories for Downtown Seattle against the same period last year: Occupancy up 4.5%; RevPar up 6.2%; Rooms Sold Change up 5.9%; Rooms Supply Change up 1.3% and, Revenue Change up 7.6%. Over the last week of February to March 1<sup>st</sup>, Seattle has experienced everything that the rest of nation did, but it hit the Seattle area first – fast and suddenly. Mr. Norwalk showed a graph from STR which tracked the infection rate against the occupancy declines based on the severity of the program going back to the first week of March, looking at it all the way back to January in China through to Italy, and what is happening now as China and Japan are slowly coming out of the issue but are still far below normal levels. Mr. Norwalk reported that, of our top 25 markets in North America, Seattle has been in the #1 negative position for RevPar change year over year, week to week, and that for the past 2 weeks Seattle has led the nation. This should not come as a surprise to any of us following the news since early February.

Visit Seattle is monitoring very closely the lodging tax/lodging revenue performance in multiple sub-markets around the region, from the broader King County market which is critically important to not only the Center but also to Visit Seattle with the marketing tax; to Downtown and Convention Core, to Seattle Center/South Lake Union, and the east side (Bellevue/Redmond/Kirkland), and the SeaTac Airport. There is a 50% variance on a month to date basis from King County, and as high as 63% in the Seattle Center/South Lake Union area. This drop speaks to the evaporation of everything relative to travel, business travel, tourism, international/domestic travel, and it could be said that Seattle fell off a cliff March 1<sup>st</sup>. The Convention Center has experienced cancellations: all March events; all April events, and now most of May events are cancelling. Along with the cancellations, there have been some postponements, and one significant May program (Microsoft) is trying to reimagine how they can actually utilize a much smaller footprint and try to do business virtually which will be a very large loss for the month of May for the city and for the Center. Mr. Norwalk believes the continued good news is that all these groups are strong customers and, in one way or another, are endeavoring to find future dates as they want to be in Seattle. However, in many cases it will be years away before we can accommodate them due to our future demand and the specific dates they want to look at.

Mr. Norwalk spoke to the adjusted and updated pace and business on the books. He thanked Ms. Saling and Mr. Smyton for making the real time adjustments and pointed out that cancellations are now being categorized. For 2020 business on the books, 64,922 reflects the decrease in room nights as of March 23, 2020 due to ten programs that were either cancelled, postponed or will be done virtually for 2020. Visit Seattle continues to monitor the pace, the impact to the city and the Center, and Mr. Norwalk advised that good news is we are continuing to book some business during this very challenging couple of weeks. The pace for future years does not seem to be challenged currently but that certainly could change with some conversations around construction, but the overall strong demand for our city makes us optimistic about when we can rebound, and when we can come back on recovery.

Mr. Norwalk provided a brief overview of how Visit Seattle is reorganizing to see them through this difficult time. As the Board is aware, Visit Seattle is 90% dependent on some form of the lodging tax and hotel occupancy performance, and are preparing for what that reality will look like in late April and May. Visit Seattle unfortunately has started a combination of staff layoffs, stand-by layoffs, and all remaining staff on reduced work schedules, reduced salaries, forced unpaid days off and PTO usage to help the organization get through the next 4 to 6 months. Mr. Norwalk advised that Visit Seattle has reduced expenses where possible, however are keeping the critical optics of convention sales and the future pipelines for Arch and Summit at the forefront and are keeping their team ready to sell as the customers become ready. Discussions are underway with King County Executive Constantine and the King County Council to look at potential emergency tourism funding that could become available from the Stadium Tax stream, and talking with the Port of Seattle about the same type of thing for when the market is ready to resume, whether that's cruise business, international business, helping airlines reestablish

service, new services that have been postponed, etc. Those conversations are being held to assist with leading that recovery for our city, convention center, region and county.

Mr. Flowers asked about the situation in China and Italy with single digit occupancy and is that something that is being projected for our area market. Mr. Norwalk answered that there are local hotels that are currently running 10% occupancy or less, and the area market could be, at a guess, anywhere from 20 to 30%. Mr. Norwalk added that it is frightening to note that there are now approximately 18 downtown hotels that have closed their doors for various lengths of time, and if we take those hotel rooms out of the market, we are easily in the low teens in terms of occupancy. In general, travel as we know it and promote it has evaporated around the region. Further discussion ensued, and Mr. Schafer advised that it would be easy to say that occupancy on a combined basis downtown with all the supply is probably running between 2 – 3%. Mr. Smyton advised that he has been in contact with Smith Travel Research, as have a number of other groups, to receive verification of how they are reporting hotels that are closed to provide a true idea of occupancy and to get an idea of what' happening in the US on this trendline. An STR webinar showed that the US decline is not as severe as China and Italy, and that last week the markets like Tampa, Miami and other market in the south did not run nearly to the degree that Seattle did. For instance, last week Tampa ran 75% occupancy, whereby Seattle ran 33%, which indicates how it is affecting markets. Every month will be a little different, but Seattle is the worst and we'll be keeping a close eye on the situation.

## VII. PRESIDENT'S REPORT

### A. COVID-19 Discussion

Mr. Blosser echoed what Mr. Norwalk reported relative to the current state of the business at WSCC, and advised that the Center has no revenue coming in other than a small amount of parking revenue and lease income as a result of the cancellation/postponement of events for the months of April and May. There is one piece of business on the books in May that Mr. Blosser says will most likely not take place. Mr. Blosser reports that we are taking a hard look at similar types of cuts as Visit Seattle has had to undertake, and will discuss this with the Board in Executive Session. Per the Governor's proclamation, we are preparing to close up the building by end of business tomorrow, Wednesday March 25, to include the main garage the day after (Thursday March 26) to help us to secure the facility and shut down the building to save as much energy as we possibly can. With the Governor's announcement last night putting the Stay Home / Stay Healthy requirements into place, it is important for us to be able to put these actions into play. Mr. Blosser advised that discussion was to occur in Executive Session regarding the remainder of the proposed changes for the Board to understand and approve.

## VIII. FINANCIAL REPORT

Mr. Firth advised that the Financial Report for February 2020 had been reviewed by the Finance Committee earlier today and had been sent to the Board for review prior to today's meeting. Mr. Firth stated that WSCC has two management reports, the Operating and Pre-Opening Budget. The Pre-Opening budget has one employee - Director of Communications - hired in January 2020, with salary and benefits allocated like the Operations budget with 25% allocated to operations and 75% allocated to In-house marketing. No other Pre-Opening expenses were incurred during February. Operating revenues were 3% under budget, with over \$3.6MM in food revenue, due in part to the cancellation of Chick-fil-A \$100,000, American Association for Advancement of Science \$91,145, North West Children's Foundation \$4,370, and Microsoft "Ready" & Tableau. Operating expenses were under budget by 3%. Operating Surplus is \$1,123,562, with YTD surplus at \$698,976. Marketing revenues came in 23% over last year's collections and 1.6% over budget. As a result, Marketing Surplus is \$9,725 compared to budget of \$(22,275). Operating and Marketing Surplus is \$1,133,287 rather than a budgeted surplus of \$1,116,521. Capital Improvements for February were \$357,555. WSCC also paid out \$550,182 for 2019 improvements. Addition Project expenditures for February were \$30,977,010. Mr. Firth reported that February Lodging Revenue is down 7% compared to last year. Additional Lodging was up 25% from last year's collections. With regards to the Cash Flow Report, cash activity in February dropped \$54.4MM due to a combination

of Lodging tax collections, Capital Improvements and Project expenditures. Mr. Firth spoke to the Use of Funds graph, advising that 73% of the funds are Project investments (bond funds), and that 81% of the funds are invested in Agencies/US Treasuries. Mr. Firth reported that the Operating revenue forecast contained in the Board packets has been slashed since this was submitted on Tuesday. A new forecast will be updated.

#### IX. EXECUTIVE SESSION

The Chairman announced that the Board of Directors would hold an Executive Session consistent with RCW.42.30.110 (1) (c) to consider a real estate transaction when public knowledge regarding such consideration would cause a likelihood of decreased price; and, RCW 42.30.110 (1) (i) to discuss with legal counsel the legal risks of a proposed action when public discussion of the legal risks is likely to result in an adverse legal or financial consequence to the agency, as permitted by the Open Public Meetings Act for thirty (30) minutes. The Executive Session commenced at 2:45 p.m. In addition to the Board members present (by teleconference: Finneran, Brown-Archie, Flowers, Gonzalez-Murillo, Grant, Hillis, McLaughlin, Moriguchi, Schafer), attendance at the Executive Session included (in person) Mr. Blosser, Ms. Willanger, Mr. Firth, Mr. Houg, Ms. Pauly, and (by teleconference) Mr. Hendricks, Ms. Bogard, Mr. Griffin. At 3:15 p.m., the Executive Session was extended by five (5) minutes. The regular open meeting reconvened at 3:21 p.m. with attendance by the Board of Directors and Mr. Hendricks by teleconference and Mr. Blosser, Mrs. Starkweather and Mr. Green (LMG) physically in the room.

#### X. DISCUSSION AND POTENTIAL APPROVAL OF WSCC FACILITY CLOSURE POLICY, RESOLUTION #2020-3

A RESOLUTION establishing a Facility Closure Policy for the Washington State Convention Center Public Facilities District.

Resolution #2020-03, provides the President / CEO, or designee, the authority to suspend the operation of all or any part of the District operations whenever the President/CEO, or designee, determines that public health, people, safety or property is jeopardized due to an identified emergency situation and that it is essential that the Board of Directors supports the President/CEO in establishing the prudent decisions for an emergency event. Board Policy #25 - Facility Closure Policy are incorporated into this Resolution as Exhibit "A".

Ms. Brown-Archie made a motion to approve Resolution #2020-3 concerning the WSCC Facility Closure Policy. Ms. Gonzalez-Murillo seconded and the motion was carried by the affirmative vote of eight (8) Directors present via teleconference (Finneran, Brown-Archie, Flowers, Gonzalez-Murillo, Hillis, McLaughlin, Moriguchi, Schafer, with one (1) opposing vote via teleconference (Grant).

#### XI. ADJOURNMENT

Mr. McLaughlin made a motion to adjourn the March 24, 2020 Board meeting at 3:26 p.m. Ms. Gonzalez-Murillo seconded and the motion was carried by the unanimous affirmative vote of all Directors present via teleconference.