

Budget Oversight Hearing

FY17

Washington Convention and Sports Authority
t/a Events DC



Council of the District of Columbia
Committee on Finance and Revenue
The Hon. Jack Evans, Chairman

April 25, 2016

Greg O'Dell
President and Chief Executive Officer



Question 1

Please list all program enhancements, technical adjustments, and reductions included within the FY 2017 budget. Please break down these costs by program. In addition, please provide a narrative description and rationale for each, along with associated dollar amounts and FTEs (if applicable). Include in your response an explanation and breakout of items included under contractual services and a list (with a description) of the short and medium-term strategic initiatives.

PERSONAL SERVICES: Increase of \$4.4 million

- **Regular Pay (Continuing Full-Time):** Increased by \$2.8 million
 This increase is due to the addition of 22 FTEs as follows:
 - Added seven positions in the Communications and Marketing Division to support the development of the new Entertainment and Sports Arena on the St. Elizabeths campus and the redevelopment of the RFK campus;
 - Added one position in the Sports and Entertainment Division to develop corporate partnerships;
 - Added three positions in the Strategic Initiatives Department to work on the following short- and medium-term strategic initiatives in FY17:

| FY 17 BUDGETED SHORT TERM INITIATIVES | |
|---|---|
| Initiative | Description |
| Convention Center Renovation | Renovate Convention Center’s interior public spaces and offices |
| Special Events and Major Festivals | Develop new special events (festivals, “screen on the green.” etc.) at the Authority’s venues |
| Signage Program Planning | Explore alternatives for, and possibly installing, new signage at all of the Authority’s venues |
| FY 17 BUDGETED MEDIUM TERM INITIATIVES | |
| Initiative | Description |
| Technology Initiatives | Roll out new technology for customers such as virtual reality meeting planning, new event booking software and on-demand meal service |
| Own and Produce Events | Develop, own and produce revenue-generating events for the Events DC portfolio. |
| Entertainment & Sports Arena | Commence Arena construction |



| | |
|---|---|
| Carnegie Library Capital Plan | Develop long-range capital plan for Library repairs/improvements |
| English Premier League Soccer Match | Assess financial feasibility and probability of hosting event |
| Convention Center Expansion | Examine the potential to expand the L Street Bridge to yield more space for event programming, as well as support citywide conventions and smaller events |
| Upgrade Administrative Systems | Assess requirements for new payroll system and e-procurement system, issue solicitation and award contracts |
| Venue Naming Rights | Assess logistical and financial opportunities for naming Authority's venues |
| Special Events & Major Festivals | Create and execute special event programming as a local community and client offering, as well as overall branding play for Events DC |
| Convention Center Concourse Level Redevelopment | Begin planning for renovation/remodeling of Executive Orders lower-level space |

- Added two positions to support the Conventions and Meetings Department due to a continuing increase in city-wide events;
 - Added four positions for Special Police Officers in the Public Safety Department;
 - Added three positions in the Maintenance and Engineering Department; and
 - Added two positions in the Office of Contracts and Procurement Services.
- **Regular Pay (Other)**
 - Increased by \$152,462 due to the addition of five part-time employees in the Public Safety Department.
 - **Fringe Benefits**
 - Increased by \$1.4 million due to the addition of 22 new FTEs and a projected FY17 increase of 12 percent for health insurance premiums.



NON-PERSONAL SERVICES: Increased by \$7.9 million

- **Contractual Services:** Increased by \$6.7 million, as follows:
 - Contracts associated with the short- and medium-term strategic initiatives account for \$5.3 million;
 - Contractual services budget also increased by \$596,534 for additional property insurance (premiums on the Convention Center to increase the insured value to appraised replacement costs); and
 - Contract escalator clauses and new human resource program offerings (wellness, employee training, etc.) account for \$712,199.

- **Land and Building:** Increased by \$4.5 million
 - \$2.7 million represents spending consistent with the five-year capital plan (FY13-FY17);
 - The RFK redevelopment study accounts for \$750,000; and
 - The administrative systems upgrade initiative accounts for \$1 million.

- **Energy, Communication and Building Rental:** Increased by \$948,022
 - The additional budget of \$938,197 is to fund the DC Water Clean Rivers Impervious Area Charge and stormwater fee.

- **Equipment & Equipment Rental:** Increased by \$36,000
 - The additional \$36,000 is to fund additional equipment for new employees in the Public Safety Department.

- **Debt Service:** Decreased by \$35,759 in accordance with our debt service schedule.

- **Subsidies and Transfers:** Decreased by \$4.2 million
 - \$5M one-time payment in FY16 on behalf of the District to Destination DC eliminated in FY17, and
 - The Marketing Fund budget will increase by \$750,053 to fund program enhancements such as website development, virtual reality and full venue 360 photography needed to advance our competitive position within the industry.



Question 2

Please provide a list of all projects for which your agency currently has capital funds available, or planned for in FY 2017. Please include in this list a description of each project, the amount of capital funds available for each project, a status report on each project, and planned remaining spending on the project. If capital funds have been reduced for a given project, please state the effect of the reduction. Please also describe the plans for the \$4,512,000 increase to support a 5-year Capital Budget Plan and new strategic initiatives, as referenced on page H-27 of your agency budget chapter.

The Authority's capital budget for FY17, which is part of a previously approved five-year plan, is \$13 million and includes the following projects:

- **Public Safety:** \$2.3 million
 - Perimeter enhancements at the Convention Center, specifically at Mt. Vernon Place NW and L Street NW;
 - Fiber optic upgrades; and
 - Entry access system and equipment.

- **Convention Center Building Structure And Infrastructure:** \$6.4 million
 - Window shade/screen enhancement,
 - Installation of back-up power for HVAC and kitchen equipment;
 - Waterproofing facades and expansion joint replacement;
 - Concrete repairs in exhibit halls and loading docks;
 - Installation and repairs of high speed doors in Exhibit Halls and loading dock entrances;
 - Electrical testing and repair of high-and low-voltage electrical systems;
 - Upgrade of elevator doors for all elevators; and
 - Other building structure and infrastructure upgrades to include mechanical, plumbing, structural, security access, and lighting systems.

- **Furniture and Equipment:** \$500,000 for replacement of office furniture, food services equipment and new table and chair racks and equipment.

- **Environmental Enhancements:** \$385,000
 - Recycling equipment;
 - Installation of system to monitor water and utilities usage; and
 - Replacement of incandescent light fixtures with LED fixtures.

- **Technology:** \$425,000
 - Software upgrades;



- PC replacements; and
- Replacement of damaged electronic signs and digital displays.
- **Carnegie Library**: \$750,000
 - Enhancements to fire alarm and safety systems;
 - Replacing incandescent light fixtures with LED fixtures;
 - Metering utilities to monitor usage;
 - Installation of irrigation system and landscape improvements; and
 - Waterproofing skylights and windows.
- **Sports & Entertainment Division**: \$500,000
 - Interior enhancements, and
 - Building structure and infrastructure upgrades to include mechanical, plumbing, structural, security access, and lighting systems at RFK Stadium and the DC Armory.
- **Strategic Initiatives**: \$750,000 for the RFK Redevelopment Study and \$1 million for administrative system upgrades.
- **5-year Capital Budget Increase**: \$4,512,000

| Description | in \$000 | | |
|-------------------------------------|--------------|---------------|--------------|
| | 2016 | 2017 | |
| | | | |
| Public Safety | 430 | 2,272 | |
| Building Structure & Infrastructure | 3,375 | 6,425 | |
| Events services & Furniture Related | 2,600 | 500 | |
| Environmental Enhancements | 625 | 385 | |
| Technology | 565 | 425 | |
| Carnegie Library | 400 | 750 | |
| RFK | 500 | 500 | |
| Strategic Initiatives | - | 1,750 | |
| Total | 8,495 | 13,007 | 4,512 |



Question 3

Please provide a list of all space that will be used or is managed by the WCSA, including: facility name, location, square footage, description, leased/owned designation, rent, and other fixed costs that are included in the cost of rent (utilities, security, etc.). Please note any space changes.

The Authority owns, operates, and/or manages the following properties:

- **Walter E. Washington Convention Center** (801 Mount Vernon Place NW; square footage: 2.3 million) The Authority owns this facility.
- **Robert F. Kennedy Memorial Stadium** (including the Festival Grounds and the Maloof Skate Park at 2400 East Capital Street SE; 190 acres) The Authority operates the Stadium and the grounds; the District of Columbia owns the stadium and leases the land from the National Park Service through 2038.
- **District of Columbia Armory** (2001 East Capital Street SE; square footage: 70,000) The Authority operates the non-military functions of the Armory, which is owned by the U.S. Government
- **Carnegie Library** (801 K Street NW; square footage: 63,000) The Authority acquired administrative control of the Library through a 2011 Memorandum of Understanding with the District.
- **Gateway DC** (2700 Martin Luther King, Jr Ave., SE; 40,400 non-contiguous sq. ft.) The Authority executed a partnership with the Office of the Deputy Mayor for Planning and Economic Development to manage and operate the facility.

In addition, as the successor agency to the District of Columbia Sports and Entertainment Commission, the Authority serves as landlord for Nationals Park, which is owned by the District and operated by the team.

The Authority pays no rent at any of these facilities. There are no changes to Authority owned, operated or managed space in FY17.



Question 5

Please provide a chart with your current reserves for FY 2016 and projected reserves for FY 2017. Please also indicate the amount of reserves required for specific obligations or commitments and the amount that is not currently obligated.

The core mission of Events DC is to attract, promote and host an extensive variety of events and activities that position Washington, DC as a destination primed to create the premier event experience with world-class venues, capable of hosting conventions and meetings, sports and entertainment events, as well as special events that create economic and community benefits for residents and businesses of the District of Columbia. The key element in carrying out this mission is to ensure that the assets we own and /or manage remain in pristine and in excellent condition to attract event planners and promoters to our venues.

Currently the District's Office of the Chief Financial Officer, in conjunction with the Authority's Board, is developing a long-range asset and facility management plan similar to the program for the District to identify the long-range financial requirements to ensure reserve levels are adequate to maintain high-quality facilities and minimize long-term capital costs.

Given the significant number and size of assets managed by the Authority, reserves are critical to maintain the facilities at a high-quality level. In addition, bond indentures or bond requirements dictate a minimum level of reserves as long as the bonds are outstanding. Levels above these minimum requirements will be used for asset maintenance and for projects recommended by the Board within its mission. The two primary reserves are the Capital Renewal and Replacement Reserve and the Operating and Marketing Reserve. These reserves will be used to maintain the following facilities at a high level now and into the future:

- Walter E. Washington Convention Center;
- Carnegie Library at Mt. Vernon Square;
- Washington National's Baseball Park;
- Robert F. Kennedy Memorial Stadium (RFK);
- Non-military portions of the DC Armory;
- RFK Festival Grounds;
- Maloof Skate Park at RFK Stadium;
- GATEWAY DC; and
- Entertainment & Sports Arena, scheduled to open in the fall of 2018.

In addition, through the study the Authority commenced in FY16, we are exploring short- and long-term redevelopment concepts for the RFK Stadium-Armory Campus site. The Authority will be instrumental in making a recommendation to the residents and the District and in carrying out the recommendation once a final decision is made. The Authority's ability to



manage its programs and assets to sustain its reserves will ensure that all obligations and commitments are fulfilled.

| <i>Estimated Reserves for FY 2016 as of September 30, 2016</i> | | | | |
|--|--|----------------------------------|---------------------------|--|
| Reserves | Projected Balance as of 9/30/16 | Required minimum Reserves | Restricted Reserve | Capital Improvements/ Asset Maintenance & Board Approved Projects |
| Debt Service Reserve | 60,971,660 | 60,971,660 | - | - |
| Capital Renewal and Replacement Reserve | 50,608,657 | 18,608,657 | 32,000,000 | - |
| Operating and Marketing | 145,587,516 | 35,571,553 | 4,080,941 | 105,935,022 |
| Hotel Bonds - Debt Service Reserve | 35,555,095 | 35,555,095 | - | - |
| Loan Proceeds to redeem bonds | 25,682,928 | 25,682,928 | - | - |
| TIF - Revenue Debt Service | 14,807,997 | 14,807,997 | - | - |
| Total | 333,213,853 | 191,197,890 | 36,080,941 | 105,935,022 |
| <i>Projected as of September 30, 2017</i> | | | | |
| Reserves | Projected Balance as of 9/30/17 | Required minimum Reserves | Restricted Reserve | Capital Improvements/ Asset Maintenance & Board Approved Projects |
| Debt Service Reserve | 63,409,185 | 63,409,185 | - | - |
| Capital Renewal and Replacement Reserve | 18,850,570 | 18,850,570 | - | - |
| Operating and Marketing | 163,211,982 | 39,672,172 | 4,089,623 | 119,450,187 |
| Hotel Bonds - Debt Service Reserve | 40,598,522 | 40,598,522 | - | - |
| Loan Proceeds to redeem bonds | - | - | - | - |
| TIF - Revenue Debt Service | 19,019,790 | 19,019,790 | - | - |
| Total | 305,090,049 | 181,550,239 | 4,089,623 | 119,450,187 |



Question 6

What are the FY 2017 plans for the Carnegie Library and grounds? Please provide a breakdown of costs, events scheduled and any revenue anticipated. What are long term plans, if any, for the Library?

For FY17, we anticipate that the Library will continue to be a popular venue for weddings, high-end corporate and trade/professional association events, as well as for ancillary events for shows, meetings and conventions held at the Walter E. Washington Convention Center.

The FY17 budget includes \$1.2 million in operating revenue for Carnegie, and \$1.22 million in operating expenses.

At present we continue to field inquiries from external parties who have an interest in making extensive enhancements to the Library to support more robust event planning.



Question 7

What are the FY 2017 plans for the RFK site and grounds?

Unlike the Convention and Meetings Division and because of the nature of its venues, the Sports and Entertainment Division does not book events on a long-term basis at the RFK Stadium Campus or the DC Armory. Presently scheduled FY17 events are therefore only DC United games. However, consistent with the Division's current practice, we will continue to book the RFK Campus with short-term programming (12-18 months) with events such as concerts, endurance races and festivals until DC United leaves for its new stadium.

As to the future use of the campus, in FY17 the Authority will continue to refine the short-range and long-range design concepts that have been developed in the RFK Study. We will also continue our dialogue with DC residents and begin to undertake financial feasibility analyses for the proposed concepts and programming elements, and continue engaging the regulatory agencies. However, we will also focus on possible programmatic elements that can be activated in the short term – within two to five years – such as community fields, including soccer fields; a market concept that people from the surrounding neighborhoods, the rest of the city, and tourists and visitors alike will be able to use to buy fresh fruit, vegetables and other food products; a community and family sports and entertainment complex; further activation of Kingman Island; and pedestrian bridges linking areas east of the Anacostia River so that those communities can have access to the features under consideration. Importantly, these are elements, among others, that we heard from our four community meetings. We will continue, as we have done, to work with the Mayor's Office, the Council of the District of Columbia, the community and others as we continue down this path.



Question 8

What is new for FY 2017? What, if anything, is being discontinued?

New activities for FY17 are the Strategic Initiatives listed in the chart included in the answer to Question 1.

The new programmatic changes to the FY17 budget are the following Strategic Initiatives as outlined in Question 1:

- Own and Produce Events
- Carnegie Library Capital Plan
- English Premier League Soccer Match
- Convention Center Expansion
- Venue Naming Rights
- Convention Center Concourse Level Redevelopment

A short-term Strategic Initiative to lease up the Convention Center's perimeter retail bays has been completed and therefore will not continue in FY17. No other programs will be discontinued.



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Question 9

Will the proposed FY 2017 budget allow you to meet all statutory mandates? If not, please explain.

Yes



Question 10

What are your scheduled board meeting dates for 2017? Please provide a list, by month and date.

The Authority's Board of Directors meets on the second Thursday of each month and has published its meeting dates through the end of CY16 (and therefore through the first quarter of FY17) in the *District of Columbia Register* as follows:

| <u>Date</u> | <u>Time</u> |
|-------------------|-------------|
| October 13, 2016 | 10:00 a.m. |
| November 10, 2016 | 10:00 a.m. |
| December 8, 2016 | 10:00 a.m. |



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Question 11

You previously provided a 5-year capital plan that provided information through FY 2017. What is the timeline for completion and publication of your next 5-year capital plan? Please also discuss any capital strategic initiatives associated with this new plan.

The Authority's five-year capital plan, inclusive of Strategic Initiatives, is currently under development. The plan will be ready for review and approval by the Authority's Board of Directors in September 2016.