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## WASHINGTON STATE CONVENTION & TRADE CENTER

ANNUAL REPORT FISCAL YEAR 2003  
JULY 1, 2002 – JUNE 30, 2003

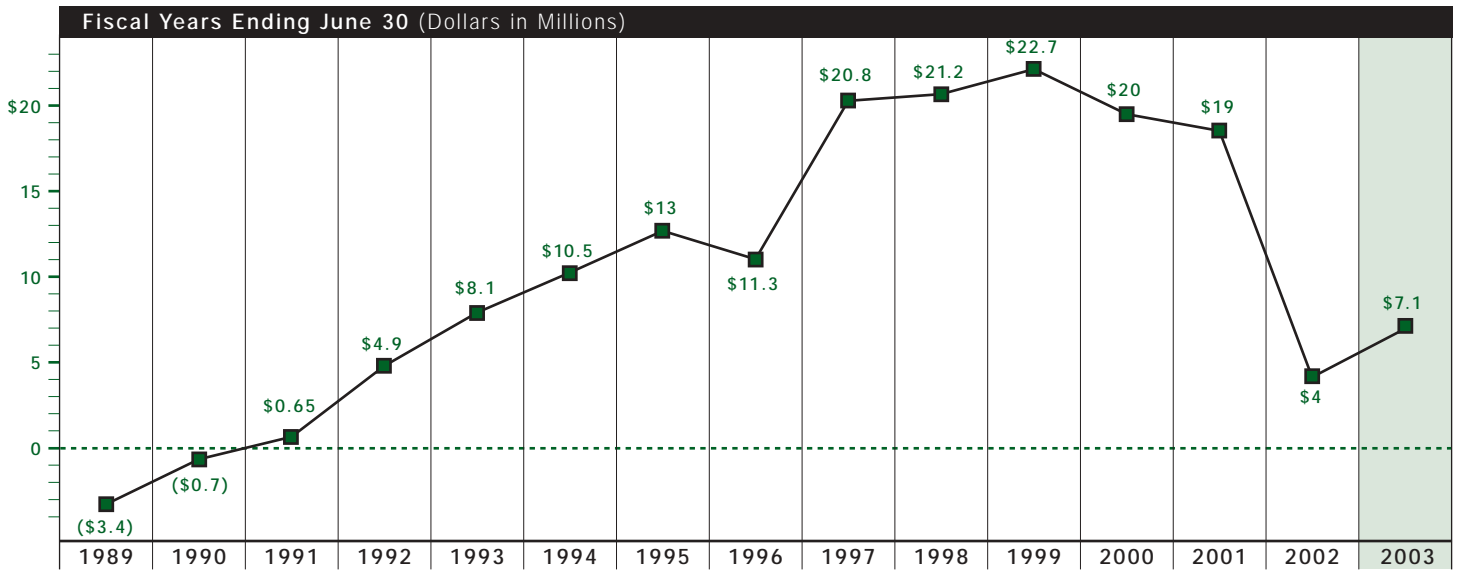
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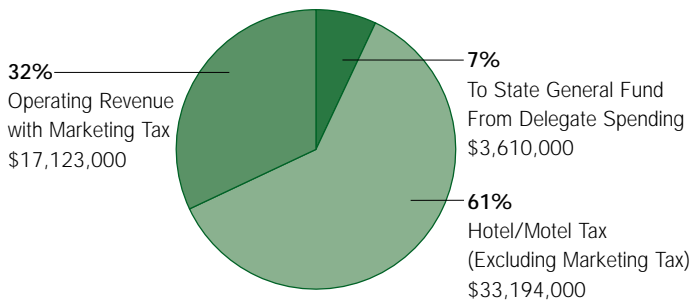
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**NET ANNUAL CASH FLOW TO STATE**

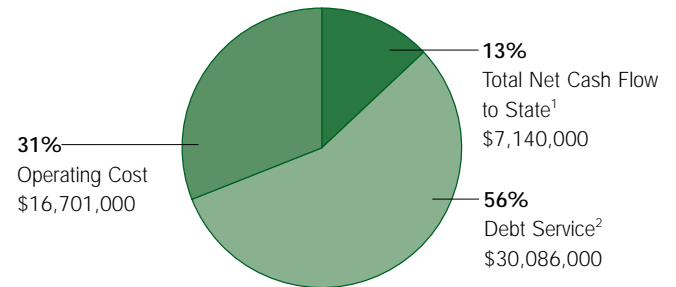


Amounts include net cash contributions to state Convention Center fund and state general fund, after deducting all operating costs and debt service payments.

**SOURCES**



**USES**



<sup>1</sup> Includes state general fund and state Convention Center fund.

<sup>2</sup> Includes bond principal and interest, Certificate of Participation lease payments, and a legislatively-directed payment from the Convention Center account for low-income housing mitigation.

## CONVENTION CENTER CASH FLOW SUMMARY

Fiscal Years Ending June 30 (Dollars in Thousands)

	1999	2000	2001	2002	2003
<b>STATE CONVENTION CENTER FUNDS</b>					
<b>REVENUE SOURCES</b>					
Hotel/Motel Tax <sup>1</sup> (Excluding Marketing Tax and Including City Transient Tax)	\$25,118 <sup>3</sup>	\$27,123 <sup>2,3</sup>	\$36,506 <sup>2,3</sup>	\$32,770 <sup>2</sup>	\$33,194 <sup>2</sup>
Operating Revenue with Marketing Tax	14,380 <sup>3</sup>	14,708 <sup>3</sup>	15,390 <sup>3</sup>	15,732	17,123
Total Revenues	39,498	41,831	51,896	48,502 <sup>2</sup>	50,317
<b>EXPENSES</b>					
Debt Service	15,258	14,793	21,014 <sup>4</sup>	30,279 <sup>4</sup>	30,086 <sup>4,5</sup>
Operating Costs	12,307	13,264	13,964	16,000	16,701
Total Expense	27,565	28,057	34,978	46,279	46,787
Net Cash Flow to Convention Center	11,933	13,774	16,918	2,223	3,530
<b>STATE GENERAL FUND</b>					
Estimated Direct State Sales Tax on Delegate Spending	10,758	8,176	9,731	8,576	10,621
Less Credit for City Transient Tax	0	(1,907)	(7,666)	(6,823)	(7,011)
Net Cash Flow to General Fund	10,758	6,269	2,065	1,753	3,610
<b>TOTAL NET CASH FLOW TO STATE</b>	<b>\$22,691</b>	<b>\$20,043</b>	<b>\$18,983</b>	<b>\$3,976</b>	<b>\$7,140</b>

<sup>1</sup> A hotel/motel excise tax authorized by the state Legislature is imposed on room rates charged for lodgings of 60 units or more in Seattle and King County. This tax is the primary source of payments for Convention Center debt service and Certificate of Participation lease payments.

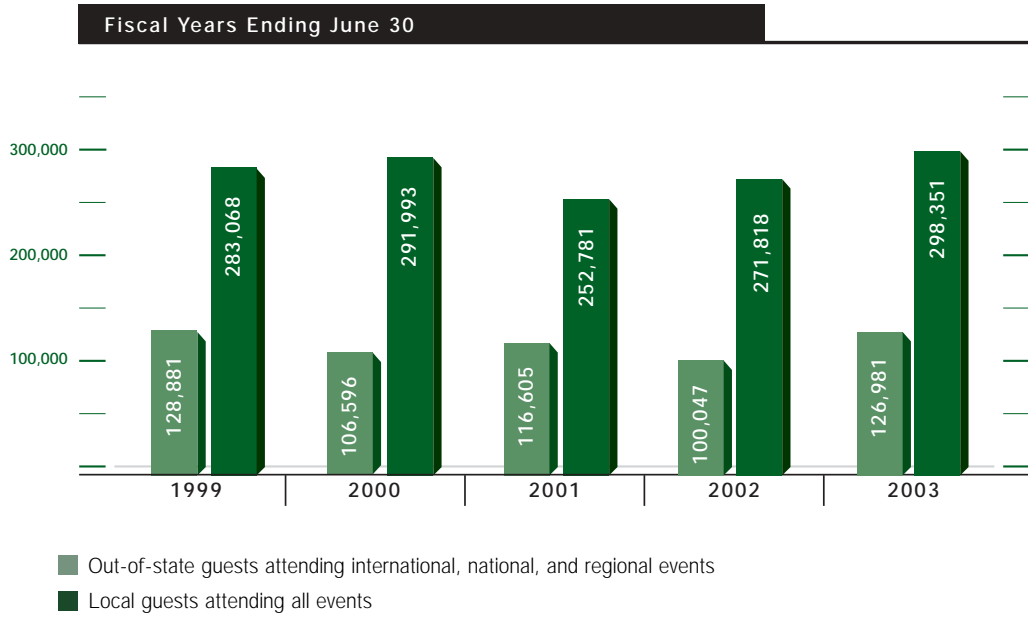
<sup>2</sup> Fiscal 2000 account reflects six months of city transient tax generating \$1.9 million. Fiscal 2001, and each subsequent year, reflect a 12-month collection of city transient tax.

<sup>3</sup> The Department of Revenue reported an error that occurred over a period of four fiscal years (1998-2001) that artificially inflated the Center's hotel/motel revenues funds by \$2,667,372 during this period. Corrective adjustments have been made and are reflected in this table and other financial statements.

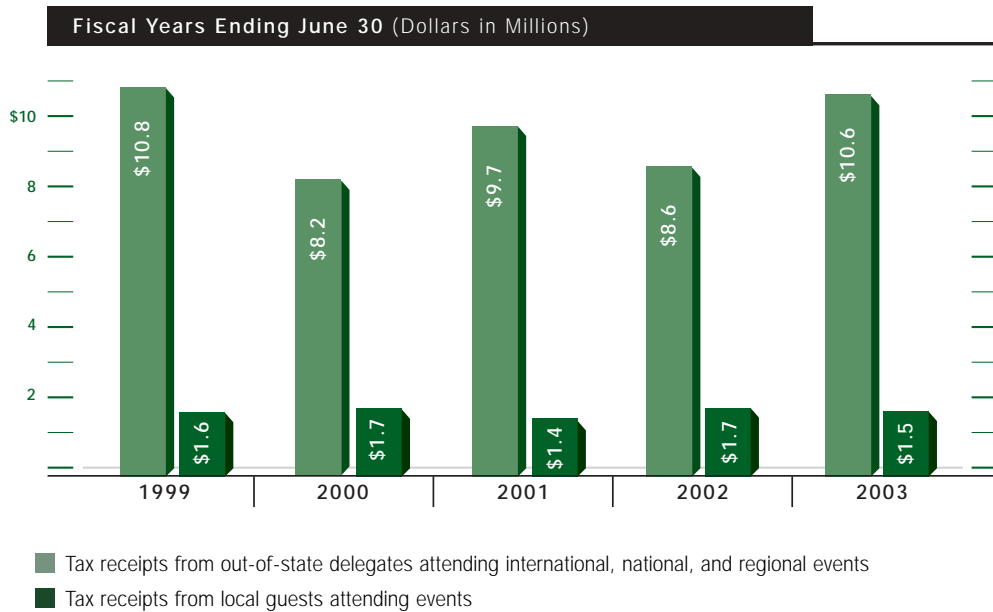
<sup>4</sup> Debt service in fiscal year 2001 and after includes bond principal and interest payments and annual Certificate of Participation lease payments, as well as \$2.3 million (in 2001) and \$2.7 million (in 2002) directly appropriated by the Legislature for low-income housing mitigation projects.

<sup>5</sup> Debt service for fiscal 2003 includes \$2 million appropriated by the Legislature for specific long-lived capital expenditures (e.g. roof replacement and freeway fire protection systems).

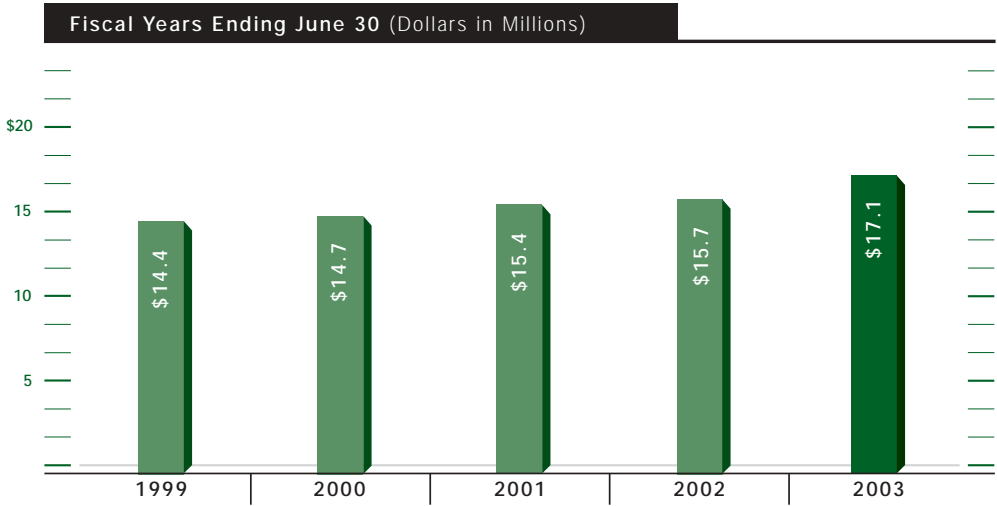
**EVENT ATTENDANCE**



**ESTIMATED STATE SALES TAX RECEIPTS FROM DELEGATE SPENDING**



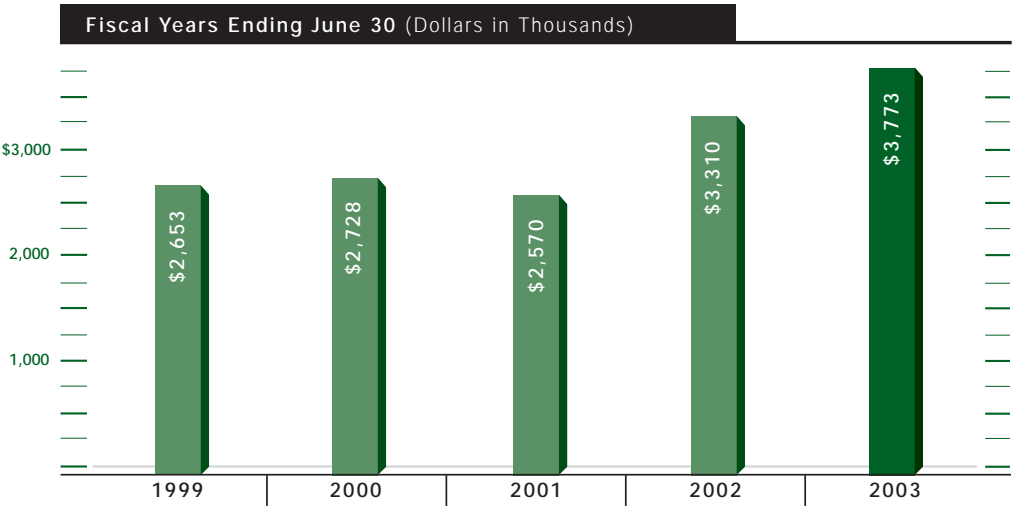
**OPERATING REVENUES**  
**TOTAL OPERATING REVENUE**



This statutory definition of operating revenue includes income from all Convention Center departments plus the 1 percent hotel tax for marketing, but excludes other hotel taxes received by the Center and direct sales taxes paid by delegates.

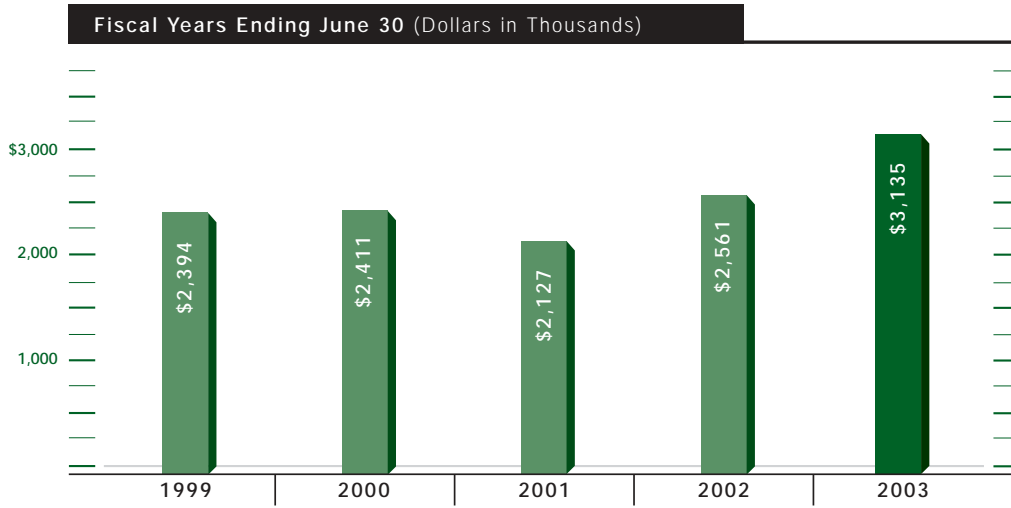
The Department of Revenue reported an error that occurred over a period of four fiscal years (1998-2001) and inflated the Center's hotel/motel revenues by \$2,667,372 during this period. Corrective adjustments have been made and are reflected in this graph and other financial statements.

**BUILDING RENT REVENUE**



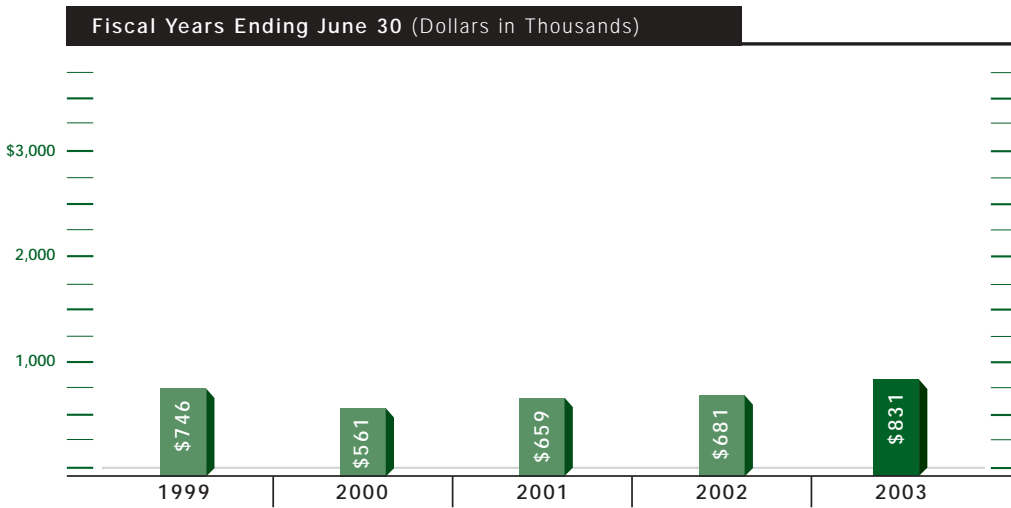
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## FOOD SERVICE REVENUE



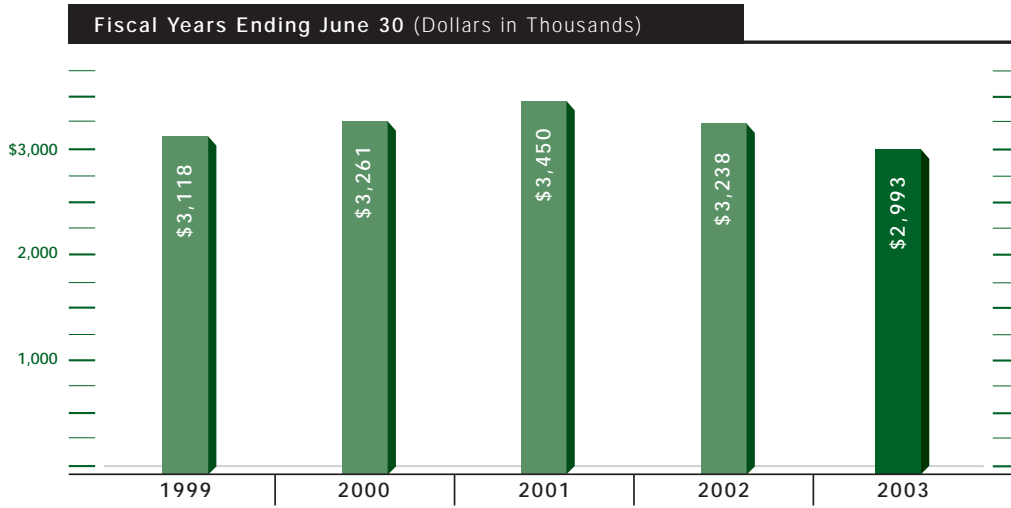
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## RETAIL RENT REVENUE



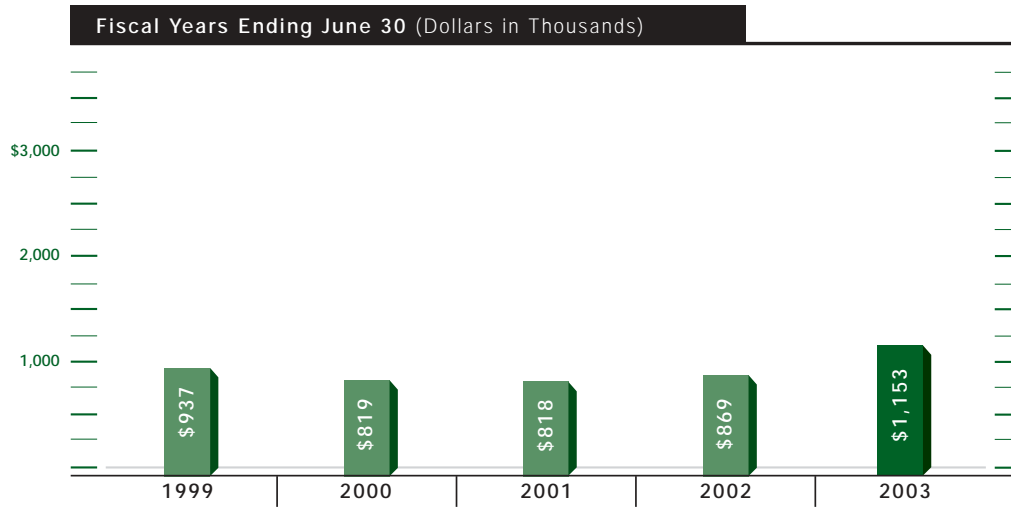
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## PARKING REVENUE



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## FACILITY SERVICES REVENUE



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**CASH FLOW TO LOCAL INSTITUTIONS**

**IMPACT OF THE CONVENTION CENTER (FORECAST)**

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King County (1998-2020)	\$134,776,374
City of Seattle (1998-2020)	76,216,442
Seattle School District (1998-2020)	14,240,118
Regional Transit Authority (1997-2020)	26,279,178
Arts and Culture Organizations (1997-2012)	10,162,473
<b>TOTAL</b>	<b>\$261,674,585</b>

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**IMPACT OF CONVENTION CENTER ON KING COUNTY TAX RECEIPTS**

FISCAL YEARS	ACTUAL	FORECAST AFTER EXPANSION <sup>1</sup>			
	1989-2003	2004-05	2006-10	2011-15	2016-20
<b>GENERAL COUNTY SALES TAX (0.15%)</b>					
Construction - Original (\$114,000,000)	\$171,000				
Construction - Expansion (\$185,300,000)	277,950				
Retail Sales - Delegates	2,147,263	\$376,635	\$1,269,060	\$1,541,171	\$1,786,640
Hotel Rooms - Delegates	1,139,464	226,608	762,311	925,461	1,072,862
<b>KINGDOME TAX (2% ON LODGING)</b>	15,192,848	3,021,440	10,164,144	12,339,473	14,304,832
<b>METRO TRANSIT SALES TAX</b>					
Sales Tax (0.4%)	8,764,605	1,608,647	5,416,989	6,577,684	7,625,339
Sales Tax (0.2%) effective April 2001	710,426	804,323	2,708,494	3,288,842	3,812,669
<b>CRIMINAL JUSTICE SALES TAX (0.3%)</b>	6,573,454	1,206,485	4,062,742	4,933,263	5,719,004
<b>PROPERTY TAX (Expansion Codevelopments and Eagles)<sup>2</sup></b>	700,079	414,609	1,041,136	1,044,211	1,044,211
<b>KING COUNTY TAX RECEIPTS RESULTING FROM CONVENTION CENTER DEVELOPMENT AND OPERATIONS</b>					
	<b>\$35,677,089</b>	<b>\$7,658,747</b>	<b>\$25,424,876</b>	<b>\$30,650,105</b>	<b>\$35,365,557</b>
<b>ESTIMATED CUMULATIVE TAX RECEIPTS TO KING COUNTY, FISCAL 1989-2020</b>					<b>\$134,776,374</b>

<sup>1</sup> Forecast adjusted for expansion and 3 percent annual inflation.

<sup>2</sup> 2003 actual and forecasts at 2003 levy rate of \$1.34948 per \$1,000. ACT Theatre received an exemption as a nonprofit performance facility. Eagles Apartments receives a historical preservation tax exemption through 2007.

**NOTE:** All estimated sales tax receipts in this table are based on spending by Convention Center out-of-state delegates only.

**IMPACT OF CONVENTION CENTER ON CITY OF SEATTLE TAX RECEIPTS**

FISCAL YEARS	ACTUAL	FORECAST AFTER EXPANSION <sup>1</sup>			
	1989-2003	2004-05	2006-10	2011-15	2016-20
<b>GENERAL SALES TAX (0.85%)</b>					
Construction - Original (\$114,000,000)	\$969,000				
Construction - Expansion (\$185,300,000)	1,575,050				
Retail Sales - Delegate Spending	18,624,786	\$3,418,375	\$11,511,101	\$13,977,579	\$16,203,845
<b>PROPERTY TAX (\$3.16 PER \$1,000)</b>					
Hotel (\$104,404,181)	1,086,240	626,036	1,565,091	1,565,091	1,565,091
Office Tower (\$72,138,000)	730,260	455,772	1,139,428	1,139,428	1,139,428
Less Taxes Paid on Previous Property Values	(178,707)	(110,972)	(277,431)	(277,431)	(277,431)
Eagles Building <sup>2</sup>	0	0	10,803	18,005	18,005
<b>CITY OF SEATTLE TAX RECEIPTS RESULTING FROM CONVENTION CENTER DEVELOPMENT AND OPERATIONS</b>					
	<b>\$22,806,629</b>	<b>\$4,389,211</b>	<b>\$13,948,992</b>	<b>\$16,422,672</b>	<b>\$18,648,938</b>
<b>ESTIMATED CUMULATIVE TAX RECEIPTS TO CITY OF SEATTLE, FISCAL 1989-2020</b>					<b>\$76,216,442</b>

<sup>1</sup> Forecast adjusted for expansion and 3 percent annual inflation.

<sup>2</sup> ACT Theatre received an exemption as a nonprofit performance facility. Eagles Apartments receives a historical preservation tax exemption through 2007.

**NOTE:** All estimated sales tax receipts in this table are based on spending by Convention Center out-of-state delegates only.

**IMPACT OF CONVENTION CENTER ON SEATTLE SCHOOL DISTRICT TAX RECEIPTS**

FISCAL YEARS	ACTUAL	FORECAST AFTER EXPANSION <sup>1</sup>			
	1989-2003	2004-05	2006-10	2011-15	2016-20
<b>PROPERTY TAX</b> (\$2.39 PER \$1,000)					
Grand Hyatt Hotel (\$104,404,181)	\$784,541	\$474,436	\$1,186,089	\$1,186,089	\$1,186,089
One Convention Place Office Tower (\$72,138,000)	536,530	345,402	863,505	863,505	863,505
Less Taxes Paid on Previous Property Values	(131,275)	(84,099)	(210,249)	(210,249)	(210,249)
Eagles Building <sup>2</sup>	0	0	8,187	13,645	13,645
<b>STATE GENERAL FUND SUPPORT FOR SEATTLE SCHOOLS</b> (1.62%) <sup>3</sup>					
Sales Tax: Delegate Hotel and Retail Spending	2,001,172	325,582	1,096,704	1,331,776	1,543,894
Sales Tax: Construction	315,163				
Property Tax - State School Fund (\$2.90 per \$1,000)	23,533	14,418	36,205	36,312	36,312
<b>SEATTLE SCHOOL DISTRICT TAX RECEIPTS RESULTING FROM CONVENTION CENTER DEVELOPMENT AND OPERATIONS</b>					
	<b>\$3,529,664</b>	<b>\$1,075,739</b>	<b>\$2,980,441</b>	<b>\$3,221,078</b>	<b>\$3,433,196</b>
<b>ESTIMATED CUMULATIVE TAX RECEIPTS TO THE SEATTLE SCHOOL DISTRICT, FISCAL 1989-2020</b>					<b>\$14,240,118</b>

<sup>1</sup> Forecast adjusted for expansion and 3 percent annual inflation.

<sup>2</sup> ACT Theatre received an exemption as a nonprofit performance facility. Eagles Apartments has receives a historical preservation tax exemption through 2007.

<sup>3</sup> Approximately 1.62 percent of the state's general fund is used to support Seattle schools.

**NOTE:** All estimated sales tax receipts in this table are based on spending by Convention Center out-of-state delegates only.

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**IMPACT OF CONVENTION CENTER ON REGIONAL TRANSIT AUTHORITY TAX RECEIPTS**

FISCAL YEARS	ACTUAL	FORECAST AFTER EXPANSION <sup>1</sup>			
	1997-2003	2004-05	2006-10	2011-15	2016-20
<b>SALES TAX (0.4%)</b>					
Expansion Construction (\$185,300,000)	\$741,200				
Retail Sales - Delegate Spending	4,309,319	\$1,608,647	\$5,416,989	\$6,577,684	\$7,625,339
<b>REGIONAL TRANSIT AUTHORITY TAX RECEIPTS RESULTING FROM CONVENTION CENTER DEVELOPMENT AND OPERATIONS</b>					
	<b>\$5,050,519</b>	<b>\$1,608,647</b>	<b>\$5,416,989</b>	<b>\$6,577,684</b>	<b>\$7,625,339</b>
<b>ESTIMATED CUMULATIVE TAX RECEIPTS TO THE REGIONAL TRANSIT AUTHORITY, FISCAL 1997-2020</b>					<b>\$26,279,178</b>

<sup>1</sup> Forecast adjusted for expansion and 3 percent annual inflation.

**NOTE:** All estimated sales tax receipts in this table are based on spending by Convention Center out-of-state delegates only.

**IMPACT OF CONVENTION CENTER ON ARTS AND CULTURE ORGANIZATIONS TAX RECEIPTS**

FISCAL YEARS	ACTUAL	FORECAST AFTER EXPANSION <sup>1</sup>			TOTAL
	1997-2003 <sup>2</sup>	2004-05	2006-10	2011-12	
To Arts and Culture Organizations <sup>3,4</sup>	\$1,938,126	\$640,176	\$2,696,868	\$1,352,781	<b>\$6,627,951</b>
To Arts and Culture Endowment <sup>5</sup>	407,972	426,784	1,797,912	901,854	<b>3,534,522</b>

**ESTIMATED CUMULATIVE TAX RECEIPTS APPLIED BY KING COUNTY TO ARTS AND CULTURE ORGANIZATIONS OUT OF 2% KINGDOME HOTEL TAX, FISCAL 1997-2012<sup>6</sup>** **\$10,162,473**

<sup>1</sup> Forecasts adjusted for expansion, 3 percent annual inflation, and run until 2012 when the present statutory allocation ends.

<sup>5</sup> 40 percent of amounts distributed to arts and cultural organizations from 2001-2012 per RCW 67.28.180 (3)(e).

<sup>2</sup> Revenues accrued prior to 1997 are not included in this table.

<sup>6</sup> Amounts based on projected hotel expenditures by Convention Center out-of-state delegates only.

<sup>3</sup> 75 percent of amounts in excess of a Kingdome debt service base (\$5.3 million) from 1992-2000 per RCW 67.28.180 (3)(a)(i).

<sup>4</sup> 70 percent of amounts in excess of a Kingdome debt service base (\$5.3 million) from 2001-2012 per RCW 67.28.180 (3)(a)(i), less 40 percent used to establish the arts and culture endowment.

**EXCERPT FROM KINGDOME HOTEL TAX LEGISLATION**

**RCW 67.28.180, AS LAST AMENDED IN 1997**

“(3)(a) Taxes collected under this section in any calendar year before 2013 in excess of five million three hundred thousand dollars shall only be used as follows: (i) Seventy-five percent from January 1, 1992, through December 31, 2000, and seventy percent from January 1, 2001, through December 31, 2012, for art museums, cultural museums, heritage museums, the arts, and the performing arts. Moneys spent under this subsection (3)(a)(i) shall be used for the purposes of this subsection (3)(a)(i) in all parts of the county. (e) At least forty percent of the revenues distributed pursuant to (a)(i) of this subsection for the period January 1, 2001, through December 31, 2012, shall be deposited in an account and shall be used to establish an endowment. Principal in the account shall remain permanent and irreducible. The earnings from investments of balances in the account may only be used for the purposes of (a)(i) of this subsection.”

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## EXPANSION PROJECT FUNDING

FUNDING RESOURCES		AMOUNT
State of Washington Certificates of Participation (COPs)		\$133,700,000
Construction Sales Tax Credit		5,750,000
City of Seattle Contribution		7,500,000
Codeveloper: R.C. Hedreen Co. (Sale of Surplus Property)		15,000,000
Codeveloper: Trammell Crow Company (Sale of Surplus Property)		4,176,200
Codeveloper: Museum of History & Industry (Sale of Surplus Property)		8,350,000
Earnest Money Payments Received to Date	\$7,000,000	
Balance of Purchase Price Due at Surplus Property Closing, December 20, 2003	1,350,000	
Interest Earnings on Invested Project Funds		25,650,000
Miscellaneous Revenue		800,000
State of Washington Equipment COPs		4,600,000
Unsold COPs (Appropriated Contingency)		5,500,000
<b>TOTAL</b>		<b>\$211,026,200</b>

EXPENDITURES		AMOUNT
Expansion Property Acquisition		\$59,076,169
Contaminated Material Removal		888,118
Replacement Housing/Residential and Business Relocations		8,092,216
Construction (Including Installed Equipment)		116,558,351
Design, Management and Miscellaneous Costs		18,716,540
Fixtures, Furnishings and Equipment		2,194,806
<b>Subtotal</b>		<b>\$205,526,200</b>
<b>Unspent Appropriated Contingency</b>		<b>5,500,000</b>
<b>TOTAL</b>		<b>\$211,026,200</b>

**CONVENTION CENTER CASH FLOW AND IMPACT TO STATE 1982-2020** (Dollars in Thousands)

CAPITAL PROJECTS					CONVENTION CENTER OPERATIONS & FUND CASH FLOW				
Fiscal Year July 1-June 30	SOURCE OF FUNDS			USE OF FUNDS	SOURCE OF FUNDS		USE OF FUNDS	SOURCE OF FUNDS	USE OF FUNDS
	State Bond and Certificates of Participation Proceeds	Additional Funding Sources (Private, City, Department of Transportation)	Proceeds of Settlement	Capital Development Costs	Hotel/Motel Tax Revenues with Sales Tax and Excluding Marketing Tax	Net Interest Received from Invested Cash	Debt Service Principal and Interest	Gross Operating Revenue Including Marketing Tax and Freeway Park Garage	Operating Costs
Pre-Open									
1982-88	\$101,390	\$15,427	\$29,360	\$148,270	\$34,017	\$24,159	\$41,936	\$0	\$11,938
Act. 1989	24,625			17,212	8,321	46	12,722	3,982	8,412
Act. 1990				7,096	9,679	202	12,668	4,744	8,176
Act. 1991	21,344	912		20,809	10,950		12,648	5,518	9,569
Act. 1992	7,820	758		3,605	11,221		11,346	6,331	9,466
Act. 1993		450		2,500	12,472		11,731	7,398	9,795
Act. 1994				1,264	14,597		12,128	8,122	10,345
Act. 1995	2,700			3,030	16,283		11,988	9,459	12,096
Act. 1996				200	16,897		12,131	10,023	11,193
Act. 1997	111,700	3,450		12,243	21,088		12,683	12,264	11,575
Act. 1998		9,961		14,441	22,513		12,673	13,498	12,412
Act. 1999		7,803		46,621	25,118		14,614	14,380	12,609
Act. 2000	73,040	17,676		93,561	27,123		14,793	14,702	13,264
Act. 2001	4,600	19,851		41,931	36,505		21,014	15,390	13,964
Act. 2002		1,614		23,999	32,770		30,279	15,732	16,000
Prelim.2003		58		11,383	33,194		29,801	17,123	16,701
Est. 2004		3,463		9,037	33,635		30,107	17,750	17,650
Est. 2005					35,353		30,747	18,283	18,091
Est. 2006					36,414		31,541	18,831	18,634
Est. 2007					37,506		32,039	19,396	19,193
Est. 2008					38,631		30,298	20,172	19,769
Est. 2009					39,790		29,619	20,979	20,362
Est. 2010					41,780		29,593	21,818	20,973
Est. 2011					43,869		28,580	22,690	21,812
Est. 2012					46,062		28,516	23,598	22,466
Est. 2013					48,365		28,452	24,542	23,365
Est. 2014					50,783		29,290	25,524	24,299
Est. 2015					53,323		29,343	26,545	25,271
Est. 2016					55,989		29,413	27,606	26,282
Est. 2017					58,788		29,452	28,711	27,333
Est. 2018					61,728		16,265	29,859	28,427
Est. 2019					64,814		16,265	31,053	29,564
Est. 2020					68,055		16,260	32,296	30,746
	\$347,219	\$81,423	\$29,360	\$457,202	\$1,147,633	\$24,407	\$740,935	\$568,319	\$581,752
	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>			<b>E</b>		<b>F</b>

- A This column includes the issuance of General Obligation Bonds, Certificates of Participation (COPs) and state financing contracts used to construct and expand the building.
- B The pre-1988 figure varies from pre-1996 annual reports due to an audit adjustment for previously unrecognized receipts. Anticipated for the current expansion: city of Seattle \$7,500,000; sales tax appropriation from Legislature \$5,750,000; private developers \$26,926,200 (R.C. Hedreen \$15,000,000, Trammell Crow \$3,576,200 and Museum of History & Industry \$8,350,000) and an estimated \$22,900,000 of interest on financing proceeds along with \$800,000 in construction site rents.
- C Cash received from the Industrial Indemnity Corporation (IIC).
- D Includes the original settlement budget of \$156,909,070; the budget for the 1989 conversion and expansion of the facility of \$26,300,000; interest earned on proceeds of conversion/expansion bonds of \$1,050,000; settlement cost related to construction litigation of \$2,260,000; \$3,000,000 authorized and appropriated to develop low income housing; \$2,300,000 to supplement parking revenue note payments to IIC for three years; and \$253,216,200 for the current expansion, including \$26,926,200 in local private participation; \$5,750,000 in sales tax on construction authorized and appropriated by the Legislature; \$7,500,000 from the city of Seattle; \$189,340,000 in COP proceeds, \$800,000 in rents and estimated \$22,900,000 in anticipated interest earning on proceeds of expansion financing and the net cost of the McKay parcel of \$9,000,000.
- E Debt service schedule reflects all refunding of callable bonds accomplished by the state treasurer and includes the estimated annual lease payments on the financing contracts which are being used to finance the current expansion of the facility. Debt service entries include \$2.3 million (fiscal year 2001) and \$2.7 million (fiscal year 2002) directed by appropriation from the Legislature to be paid directly out of capital fund O1V for low-income housing mitigation.

**CASH INFLOWS TO STATE GENERAL FUND FROM THE CONVENTION CENTER**

Convention Center Annual Cash Flow	CASH INFLOWS TO STATE GENERAL FUND FROM THE CONVENTION CENTER							CONVENTION CENTER NET CASH CONTRIBUTIONS TO GENERAL FUND	
	Borrowed from the State	Repayment to General Fund Including Interest	Direct Sales Tax Revenues From Construction	Direct Sales Tax Revenues From Delegate/Exhibition Spending	Directed Transfer to State General Fund	General Fund Credit For City Transient Tax	Interest Earnings Retained By State	Convention Center Net Annual Cash Contribution To State General Fund	Convention Center Cumulative Cash Contribution To State General Fund
\$4,302	(\$2,889)		\$6,741				\$673	\$4,525	\$4,525
(8,785)	(8,785)		145	\$6,678				(1,962)	2,563
(6,219)	(6,219)		355	3,238				(2,626)	(63)
(5,749)	(5,749)		1,353	8,608				4,212	4,149
(3,260)	(3,260)		234	7,614				4,588	8,737
(1,656)	(1,656)		163	6,963				5,470	14,207
246		\$246	82	7,371				7,699	21,906
1,658		1,658	21	9,336				11,015	32,921
3,596		3,596	13	7,696				11,305	44,226
9,094		4,500		11,755				16,255	60,481
10,926		5,700		10,111				15,811	76,292
12,275		11,000		10,758				21,758	98,050
13,768		9,458		8,176		\$(1,907)	540	16,267	114,317
16,917				9,731		(7,666)	902	2,967	117,284
2,223				8,576		(6,823)	526	2,279	119,563
3,815				10,621		(7,011)	432	4,042	123,605
3,628				11,038	\$5,000	(7,075)	449	9,412	133,017
4,798				12,081	5,000	(7,463)	571	10,189	143,206
5,070				13,172		(7,687)	587	6,072	149,278
5,670				14,317		(7,917)	603	7,003	156,281
8,736				16,297		(8,155)	620	8,762	165,043
10,788				16,786		(8,400)	429	8,815	173,858
13,032				17,290		(8,820)	448	8,918	182,776
16,167				17,809		(9,261)	468	9,016	191,792
18,678				18,343		(9,724)	489	9,108	200,900
21,090				18,893		(10,210)	511	9,194	210,094
22,718				19,460		(10,720)	525	9,265	219,359
25,254				20,044		(11,256)	549	9,337	228,696
27,900				20,645		(11,819)	574	9,400	238,096
30,714				21,264		(12,410)	600	9,454	247,550
46,895				21,902		(13,031)	628	9,499	257,049
50,038				22,559		(13,682)	648	9,525	266,574
53,345				23,236		(14,366)	676	9,546	276,120
\$417,672	(\$28,558)	\$36,158	\$9,107	\$432,368	\$10,000	\$(195,403)	\$12,448	\$276,120	
				<b>G</b>		<b>H</b>			
								GENERAL FUND TOTAL END OF 2020	\$276,120
								CONVENTION CENTER ACCOUNT TOTAL END OF 2020	391,785
								<u>TOTAL STATE FUNDS AT END OF 2020</u>	<u>\$667,905</u>

F A one-time expenditure of \$766,000 for the preliminary expansion study incurred in 1995.

G Appropriated by the 2003 Legislature as a directed cash transfer from Convention Center capital fund (O1V) to the state general fund of \$5,000,000 in each fiscal years 2004 and 2005.

H This column show annual reductions in the amount of state sales tax deposited in the state general fund from the sale of hotel rooms in the city of Seattle, effective January 1, 2000, to pay costs of the expansion project.

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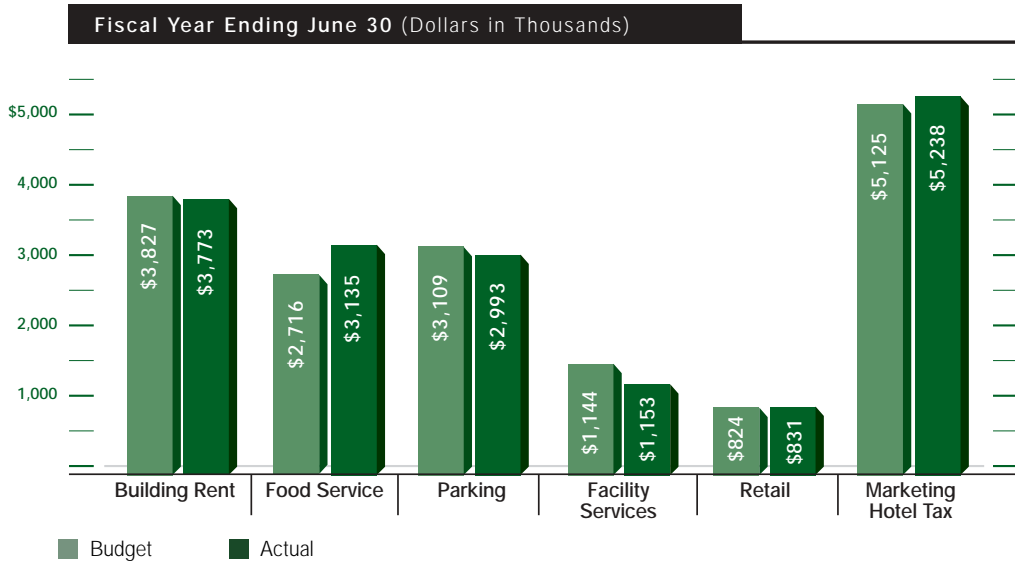
**OPERATING FUND (537) REPORT**

Fiscal year ended June 30, 2003

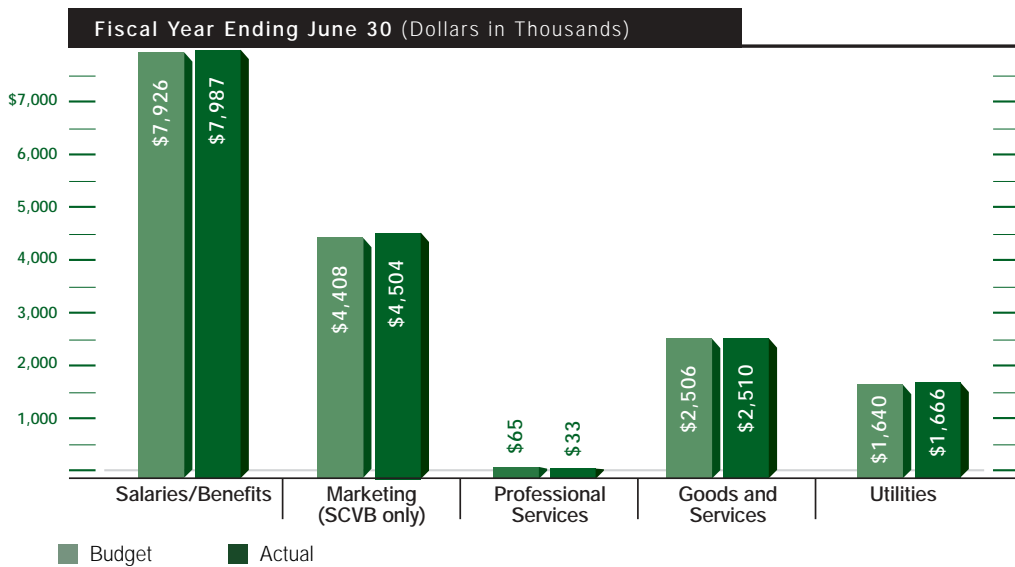
CATEGORY	2003 BUDGET	ACTUAL	VARIANCE
<b>REVENUE</b>			
Building Rent	\$3,826,941	\$3,773,408	\$(53,533)
Food Service	2,716,130	3,134,537	418,407
Parking	3,108,913	2,993,386	(115,527)
Facility Services	1,143,655	1,153,054	9,399
Retail	824,385	831,052	6,667
Marketing Hotel/Motel Tax	5,125,000	5,237,796	112,796
<b>TOTAL</b>	<b>\$16,745,024</b>	<b>\$17,123,233</b>	<b>\$378,209</b>
<b>EXPENDITURE<sup>1</sup></b>			
Salaries	\$5,591,764	\$5,608,762	\$16,998
Benefits	2,333,903	2,378,120	44,217
Marketing (SCVB only)	4,407,500	4,504,413	96,913
Professional Services	65,281	32,874	(32,407)
Goods and Services	2,506,253	2,510,380	4,127
Utilities	1,640,323	1,666,421	26,098
<b>TOTAL</b>	<b>\$16,545,024</b>	<b>\$16,700,970</b>	<b>\$155,946</b>
<b>BUDGET GAIN</b>	<b>\$200,000</b>		
<b>ACTUAL GAIN</b>		<b>\$422,263</b>	

<sup>1</sup> Sales and marketing activities for the Convention Center are provided through a contract with Seattle's Convention and Visitors Bureau (SCVB) and through internal Convention Center sales staff. Annual expenditures from Marketing Hotel/Motel Tax revenues paid to SCVB for their services are reflected in the expenditure item. Expenditures by Center sales staff are included in various items such as Salaries, Benefits, Professional Services, and Goods and Services.

**ANNUAL OPERATING REVENUES - BUDGET VS ACTUAL**



**ANNUAL OPERATING EXPENDITURES<sup>1</sup> - BUDGET VS ACTUAL**



<sup>1</sup> Sales and marketing activities for the Convention Center are provided through a contract with Seattle's Convention and Visitors Bureau (SCVB) and through internal Convention Center sales staff. Annual expenditures from Marketing Hotel/Motel Tax revenues are reflected in the Marketing expenditure item. Expenditures by Center sales staff are included in various items such as Salaries/Benefits, Professional Services, and Goods and Services.

**FISCAL BUDGET NOTE:** The Convention Center operates within an overall biennial budget as approved by the state Legislature and a detailed annual budget approved by the board of directors.

## COMPARATIVE BALANCE SHEET

Fiscal Year Ended June 30, 2003

Assets as of June 30, 2003	2003	2002
<b>CURRENT ASSETS</b>		
Petty Cash	\$18,600	\$18,600
Cash and Cash Equivalents	35,351,303	28,560,328
Total Cash and Cash Equivalents	35,369,903	28,578,928
Accounts Receivable	3,594,833	5,373,814
Other Current Assets	2,379,927	2,974,712
Total Current Assets	41,344,663	36,927,454
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Land	77,355,416	18,279,247
Furnishings and Equipment	7,156,687	7,196,317
Less Accumulated Depreciation	(3,278,379)	(2,852,140)
Net Furnishings and Equipment	3,878,308	4,344,177
Building	381,561,036	197,015,978
Less Accumulated Depreciation	(56,719,962)	(52,779,648)
Net Building	324,841,074	144,236,330
Construction In-Process	0	181,666,056
<b>TOTAL ASSETS</b>	<b>\$447,419,461</b>	<b>\$385,453,264</b>
<b>Liabilities and Retained Earnings as of June 30, 2003</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$632,369	\$16,218
Interest Payable	1,479,348	1,554,995
Other Accrued Expenses	17,610,012	15,210,949
Operating Deposits Payable	2,032,165	2,240,038
Total Current Liabilities	21,753,894	19,022,200
<b>LONG-TERM LIABILITIES</b>		
General Obligation Bonds	95,879,390	106,379,390
Other Long-Term Liabilities	193,401,205	195,756,355
Deferred Refunding Gain	439,021	487,212
Total Long-Term Liabilities	289,719,616	302,622,957
Total Liabilities	311,473,510	321,645,157
<b>RETAINED EARNINGS</b>		
Retained Earnings, Prior	63,808,107	53,531,494
Retained Earnings, Adjustment	0	4,200
Retained Earnings, Current	72,137,844	10,272,413
Total Retained Earnings	135,945,951	63,808,107
<b>TOTAL LIABILITIES AND RETAINED EARNINGS</b>	<b>\$447,419,461</b>	<b>\$385,453,264</b>

## INCOME STATEMENT

Fiscal Year Ended June 30, 2003

Comparative as of June 30, 2003	2003	2002
<b>TOTAL OPERATING INCOME</b>	\$11,885,436	\$10,659,951
<b>NON-OPERATING INCOME</b>		
Hotel/Motel Tax	31,420,759	30,366,742
Transient Rental Tax	7,011,338	6,823,160
Total Non-Operating Income	38,432,097	37,189,902
Total Income	50,317,533	47,849,853
<b>OPERATING EXPENSES</b>		
Personnel Costs	7,986,882	7,359,091
Marketing (SCVB only)	4,504,413	4,361,661
Professional Services	32,874	95,807
Non-Capital Equipment	23,444	41,361
Goods and Services	4,138,312	4,133,572
Travel	15,045	8,421
Total Operating Expenses	16,700,970	15,999,913
<b>NON-OPERATING EXPENSES</b>		
Interest Expense	29,439	1,934
Depreciation Expense	4,899,599	4,229,006
Total Non-Operating Expenses	4,929,038	4,230,940
<b>BOND INTEREST EXPENSE</b>	16,889,612	17,346,587
<b>TOTAL EXPENSES</b>	<b>38,519,620</b>	<b>37,577,440</b>
<b>NET INCOME</b>	<b>11,797,913</b>	<b>10,272,413</b>
<b>CONTRIBUTION OF CAPITAL</b>	<b>\$60,339,930</b>	<b>\$0</b>

Budget to Actual as of June 30, 2003	BUDGET	ACTUAL	VARIANCE
<b>TOTAL OPERATING INCOME</b>	\$11,620,024	\$11,885,436	\$265,412
<b>NON-OPERATING INCOME</b>			
Hotel/Motel Tax	31,418,705	31,420,759	2,054
Transient Rental Tax	7,116,848	7,011,338	(105,510)
Total Non-Operating Income	38,535,553	38,432,097	(103,456)
Total Income	50,155,577	50,317,533	161,956
<b>OPERATING EXPENSES</b>			
Personnel Costs	7,925,667	7,986,882	61,215
Marketing (SCVB only)	4,407,500	4,504,413	96,913
Professional Services	65,281	32,874	(32,407)
Non-Capital Equipment	23,500	23,444	(56)
Goods and Services	4,107,576	4,138,312	30,736
Travel	15,500	15,045	(455)
Total Operating Expenses	16,545,024	16,700,970	155,946
<b>NON-OPERATING EXPENSES</b>			
Interest Expense	30,655	29,439	(1,216)
Depreciation Expense	4,920,000	4,899,599	(20,401)
Total Non-Operating Expenses	4,950,655	4,929,038	(21,617)
<b>BOND INTEREST EXPENSE</b>	17,900,000	16,889,612	(1,010,388)
<b>TOTAL EXPENSES</b>	<b>39,395,679</b>	<b>38,519,620</b>	<b>(876,059)</b>
<b>NET INCOME</b>	<b>10,759,898</b>	<b>11,797,913</b>	<b>1,038,015</b>
<b>CONTRIBUTION OF CAPITAL</b>	<b>\$60,339,930</b>	<b>\$60,339,930</b>	<b>\$0</b>

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**SOURCES AND USES OF FUNDS**

Fiscal Year Ended June 30, 2003

	<b>OPERATIONS</b>	<b>CAPITAL</b>
<b>BEGINNING CASH BALANCE JULY 1, 2002</b>	\$3,351,825	\$25,208,503
Fund Revenue	422,263	33,194,300
<b>BALANCE SHEET ITEMS AFFECTING CASH AND NET INCOME</b>		
Other Assets	726,435	1,647,327
Land	0	(67,172,202)
Buildings	0	(176,449,024)
Furnishings and Equipment	(26,369)	66,000
Construction In-Process	0	181,666,056
Accounts Payable	531,941	84,210
Other Short-Term Liabilities	(46,284)	2,445,348
Operating Deposits Payable	(207,874)	0
Long-Term Liabilities	(29,439)	2,795,194
Bonds Payable	0	(10,500,000)
Deferred Refunding Gain (Loss)	0	(48,190)
Expansion Financing	0	(5,150,343)
Bond Debt Interest	0	(17,498,304)
Contributed Capital	0	60,339,930
Total	948,410	(27,773,998)
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>1,370,673</b>	<b>5,420,302</b>
<b>CASH BALANCE AS OF JUNE 30, 2003</b>	<b>\$4,722,498</b>	<b>\$30,628,805</b>

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**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1: DESCRIPTION OF BUSINESS AND ACCOUNTING POLICIES**

These financial statements reflect a summary of transactions affecting the combined Convention Center capital fund and Convention Center operating fund for the capital development and operation of the Washington State Convention & Trade Center (the Center).

Legislation enacted in 1982 authorized the formation of a public nonprofit corporation, an instrumentality of the state, to construct and operate a convention and trade center in the city of Seattle.

An excise tax is imposed on room rates charged by lodgings of 60 units or more in Seattle and King County. This tax is the primary source of payment for debt service, and for marketing expenses. The current rates are 7 percent within Seattle and 2.8 percent for the balance of King County.

As of January 1, 2000, 2 percent of the existing state sales tax on such larger lodgings of 60 units or more inside the Seattle city limits is being collected on behalf of the Convention Center to pay for debt service of the expansion project. The transient lodging tax will remain in effect until 2020, when the Convention Center debt is eliminated.

The Office of the State Treasurer acts on behalf of the Center in all activities involving management of cash and investments, including debt service on outstanding bonds.

The Center received private contributions for promotional hosting. These amounts are deposited in a Convention Center hosting account, under control of the board of directors, and are not included in these statements.

The Center has been designated as an enterprise fund. Such state funds are used to account for operations financed and operated in a manner similar to private business. As an enterprise fund, the Convention Center uses the accrual method of accounting, recognizes fixed assets, and prepares a balance sheet and income statement. To accomplish this accounting task, the Center utilizes an internal accounting system from which these statements are produced. This is in addition to the state-mandated accounting and payroll systems. The state auditor does not render an opinion on the results of operations reflected in our independent financial statements. The state does, however, audit

the Center in conjunction with all other state agencies and renders an opinion, under separate cover, based on the operation as reflected in the state accounting system.

The Center does not apply accounting standards issued by the Financial Accounting Standards Board after November 30, 1989.

Depreciation is recorded using the straight-line method, as prescribed by the state Office of Financial Management (OFM), employing the following standards for useful lives:

Asset	Useful Life
Building and Improvements	600 months
Air Conditioning Equipment	156 months
Vehicular Equipment	120 months
Furniture and Fixtures	120 months
Communications Equipment	84 months
Data Processing Equipment	72 months
Vehicles, All Other Equipment	60 months

To date, depreciation has been based on the \$197 million capitalized to the building through June 30, 1997. This includes original construction, and a conversion/expansion completed in 1993. As of June 30, 2003, the Center capitalized construction-to-date on the current expansion, which was fundamentally complete as of September 2002. Future depreciation will be based on the new capitalized building amount of \$382 million.

**Changes in Property, Plant and Equipment for Fiscal 2003**

	FISCAL 2002	ADDITIONS	DELETIONS	FISCAL 2003
Furnishings and Equipment	\$7,196,317	\$0	\$39,631	\$7,156,686
Construction In-Process	\$181,666,056	\$71,191,611	\$252,857,667	\$0

**NOTE 2: CASH AND INVESTMENTS**

The Office of the State Treasurer manages Convention Center cash and investments. Interest earned on cash in Convention Center funds not held by U S Bank Trust (the Trustee) remains under the jurisdiction of the state treasurer and is not available to the Convention Center to expend. Remaining project funds are held by the Trustee and are invested in a manner that anticipates construction drawdowns, presently expected through December 2004.

**NOTE 3: TENANT LEASING AGREEMENTS**

The Center leases building space to various retail tenants. A total of 19 retail leases provided revenue of \$831,052 in fiscal 2003. Original lease contract terms will expire within one to three fiscal years for many of the retail tenants. It is not known if options to extend terms will be exercised. Additional retail leases are in negotiations. Based on 19 current retail leases, future minimum rental payments required for four succeeding fiscal years are:

2004	\$923,900
2005	962,405
2006	1,000,521
2007	1,019,560
<b>TOTAL</b>	<b>\$3,906,386</b>

**NOTE 4: REFUNDED LONG-TERM DEBT**

To date, the following Convention Center debt has been defeased through the issuance of the following advance refunding bonds:

Proprietary Bond Type	Bond Issue Refunded	Amount Refunded	Refunding Bond Debt	Refunded Debt Outstanding
G.O.	AT-6	\$910,000	\$970,000	\$960,000
G.O.	R-89C-AT-1	70,770,000	78,375,000	43,895,000
Zero-Coupon	AT-5	15,346,428	25,026,467	25,026,467
G.O.	R-90A, AT-3	4,910,000	4,935,000	3,120,000
G.O.	R-92A	19,565,000	19,030,000	18,055,000
G.O.	AT-6	1,075,000	1,080,000	815,000
G.O.	R-92C	6,255,000	6,195,000	6,105,000
<b>TOTAL</b>		<b>\$118,831,428</b>	<b>\$135,611,467</b>	<b>\$97,976,467</b>

**NOTE 5: LONG-TERM DEBT AUTHORIZATION**

Convention Center long-term debt outstanding at June 30, 2003 consisted of the following:

Long-Term Debt Issue	Interest Rates (Percent)	Maturity Dates	Original Principal Balances	Balance Outstanding as of FYE 2003
AT-8	4.8 -7.0	7/96-7/15	\$2,835,000	\$2,165,000
AT-6	3.75-6.375	9/93-9/11	5,520,000	1,805,000
AT-5	6.55-7.1	8/97-8/12	21,343,610	4,232,924
R-98A (AT-6 Refunding)	4.25-5.0	1/98-7/12	970,000	960,000
R-93A (R-89C and AT-1 Refunding)	3.5-5.75	9/93-9/07	78,375,000	43,895,000
R-97A (AT-5 Refunding)	5.825-5.875	7/15-7/19	25,026,467	25,026,467
R-2000A (R-90A and AT-3 Refunding)	4.625-5.5	1/00-1/08	4,935,000	3,120,000
R-2001A (R-92A)	4.5-9.0	9/01-9/12	19,030,000	\$18,255,000
R-2002A (AT-6 Refunding)	3.0-5.0	9/02-9/05	1,080,000	815,000
R-2002A (R-92C Refunding)	3.0-5.0	9/02-9/06	6,195,000	6,105,000
<b>TOTAL</b>				<b>\$106,379,391</b>

Certificates of Participation	4.125-5.625	7/02-7/17	\$188,479,594	\$181,579,655
Accreted Interest, 0-Coupon Bonds	n/a	n/a	n/a	17,843,138
<b>TOTAL</b>				<b>\$199,422,793</b>

Long-term debt service requirements, payable by the Center, for the next five fiscal years and to maturity are as follows:

	Principal	Interest	Total
2004	\$16,534,830	\$13,155,403	\$29,690,233
2005	17,370,043	12,310,452	29,680,495
2006	18,254,555	11,412,334	29,666,889
2007	18,942,699	10,457,844	29,400,543
2008	19,877,447	9,420,489	29,297,936
Thereafter	196,979,473	112,017,173	308,996,646
<b>TOTAL</b>	<b>\$287,959,047</b>	<b>\$168,773,695</b>	<b>\$456,732,742</b>

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**NOTE 6: LEASE COMMITMENTS**

In February 1997, the Center entered into a 30-year lease agreement with the city of Seattle for the 665-stall Freeway Park garage. Under this agreement, the Center paid debt service on the outstanding \$1.3 million of city bonds, funds a capital reserve account of \$500,000 with annual maximum payments of \$20,000, and is responsible for repairs and maintenance. The final debt service payment was made in June 2002. The capital reserve account payment for fiscal 2003 was \$20,000. Future expected capital reserve account payments required for four succeeding fiscal years are:

2004	\$20,000
2005	20,000
2006	20,000
2007	20,000
<b>TOTAL</b>	<b>\$80,000</b>

**NOTE 7: RISK MANAGEMENT**

As a state agency, the Convention Center is self-insured through a state risk management pool. This pool's actuarial base is independently calculated from the state's experience rates and permanent assets. The state, as required by GASB10, defines its actuarial methods and calculations in the state CAFR for all agencies and does not provide this information by agency. The Convention Center has first dollar coverage up to a maximum of \$5 million for general liability and \$2 million for vehicle liability. The Convention Center also purchases insurance policies outside the risk management pool to provide coverage for art collections, an umbrella policy for liability coverage above \$5 million, and liability coverage for the board of directors.

**NOTE 8: EMPLOYEE PENSION PLANS**

In December 1985, the board of directors adopted an Employee Pension Plan. This plan is offered to employees not covered under the Washington State Department of Retirement Systems Plan or the Convention Center Labor Council Agreement. Effective participation began with the August 10, 1986 payroll and has two elements:

1. A Convention Center basic contribution of 5 percent based on compensation; and
2. A 401(k) plan, permitting employees to defer up to 12 percent of their salary, with a 50 percent match by the Center of up to 6 percent of salary.

The Center's contributions to the plan amounted to approximately \$158,838 for fiscal 2003.

Pension plans within the Convention Center Labor Council Agreement vary with each member union. Contributions are made in accordance with negotiated labor contracts and generally are based on the number of actual or compensated hours worked, depending on job classification. The Center's contributions to the various plans for the benefit of represented staff amounted to approximately \$528,291 for fiscal 2003.

**NOTE 9: COMMITMENTS AND PLANNED EXPANSION**

The 1995 Legislature approved the Center's expansion project and a financing authorization of \$189 million was subsequently approved by the state Finance Committee. COPs finance the Center and state portion of the project.

The expansion project added 105,700 square feet of new contiguous heavy-load exhibit space north of the Center, across Pike Street, that opened for events in August 2001. In addition, the McKay parcel on the northwest corner of the Center was developed into a new entrance. The project included three codevelopers: the R.C. Hedreen Co., which constructed a hotel, retail, and parking facility on the Northwest Block of the expansion site that opened June 2001; the Trammell Crow Company, which constructed an office tower over and a parking garage under the new Convention Center entrance that opened December 2000; and the Museum of History & Industry (MOHAI), which will construct a museum facility on the Northeast Block of the expansion site. MOHAI will make the final purchase of their property on December 20, 2003

Out of the total construction budget of \$197 million, \$10 million, including \$2.5 million yet to be received from MOHAI, remains to be expended by December 31, 2004. To date, the project has been done on budget and without expending any of the additional \$5.5 million of budgeted COP contingency. Claims originally filed by the contractor, Tower@801, and a former property owner have been settled.

In fiscal 2003, the state legislature appropriated \$5 million for the state's general fund in each of fiscal years 2004 and 2005 to be paid out of WSCTC's capital fund (O1V).