MINUTES OF THE
DOWNTOWN REDEVELOPMENT AUTHORITY
THURSDAY, JANUARY 17, 2013
COUNCIL CHAMBERS, CITY HALL

MEMBERS PRESENT: Richard Keller, Jack Onder, Dick Pokornowski, Deborah Ewing, Marc Fazio
MEMBERS ABSENT: Ward Cook, Christine Wamsley,
STAFF PRESENT: Lloyd Tyler, Brent Boger

APPROVAL OF MINUTES
MOTION MADE BY DEBORAH EWING, SECONDED BY DICK POKORNOWSKI AND PASSED UNANIMOUSLY TO APPROVE THE MINUTES FOR DECEMBER 20, 2012.

FINANCIAL REPORT

APPROVAL OF CLAIMS
Janet Frank noted no unusual claims for January, 2013.

MOTION MADE BY JACK ONDER SECONDED BY DEBORAH EWING AND PASSED UNANIMOUSLY TO APPROVE CLAIMS AS SUBMITTED FOR NOVEMBER, 2012 ($1,228,893.04).

ASSET MANAGER’S REPORT
Tom Morone, Warnick & Company, reported that Hilton Vancouver and Hilton Hotel Corporation are in full compliance of their obligation with the hotel management agreement. In December the Hilton exceeded all measures of budget, was ahead of prior year by approximately 10%, and profitable. The management team continues to do an exemplary job and is very stable.

RevPAR finished the year at 122%, performing well against the competitive set. An incremental small increase in both revenue and profitability next year but not enough to outrun costs increases particularly as it relates to labor and health care.

GOP exceeded budget by 10% in 2012 and prior year by 15%. Flow-through is over 70%. The first half of 2013 looks great and is expected to hit the budget for the year.

Constraint continues to be in group room demand and group business. Group business goal is 50%, currently at 40% however at 2008 average rate due to market constraints. Group business on the books is 60% definite for 2013 but rate is slightly below budget. Group room nights goal for the year is 25,000, currently under 20,000. Government group business has evaporated on a national scale.

The hotel building is aging and in need of repairs and replacements. Heading in to replacement cycle which the board is aware of what are current position is in our replacement reserve. Costs are going up faster than revenue.

Positives are that there is no new supply until December (Hampton Inn), the bridge construction has become a non-issue and there are no new Hilton directives that are worrying. Grays continues to be fine.
Need to pre-load some IT issues because a fair amount of computer systems are at the end of their useful life. This was in the approved budget.

Richard asked where the new Hampton Inn is going to be located.

Tom answered that the Hampton Inn will be located on the east side of Vancouver.

Jack asked if the repair and replacement issues are typical of a 7-year old building.

Tom stated that these are typical issues. One of the best built buildings he has seen in his career.

**HOTEL MANAGER’S REPORT**

Eric Walters, General Manager, stated that January is at budget in revenues at $925,000 which is up to prior year. GOP is ahead of target. Rooms, restaurant and bar revenue is good. Local area catering revenue is not as strong as would like for January however no reason for concern. First quarter is slightly better than budget and up 10% to prior year. Good bookings from business and leisure travel as well as strong group bookings. Group and catering food and beverage revenues are up for first quarter. All indications show that first quarter will finish at or above planned. First half of the year looks good however the second half of the year doesn’t look as strong. Will continue to strategize against that time.

The sales marketing team finished the year with bookings up 3% to prior year in total combined bookings. Hilton honor business made up 54% of the occupancy and one-third of the hotel revenue. One out of every three dollars spent is from an honors member, substantial and a very good return on investment. Still continue to look at ways to modify to maximize revenues.

Market performance had gain in RevPAR index for December led by strong group business and business and leisure. RevPAR was up 30% for the month and did gain share once again.

The hotel finished 7th with guest satisfaction service scores out of all owned and manage hotels in North America.

Gray’s continues to have good press and team is doing a great job.

Debi asked if there was improvement in restaurant business after the Columbian article.

Eric stated that December was a great month at the restaurant and saw an increase in local area traffic. The private dining room bookings were up 30% for December. Some of that was attributed to the positive press.

Dick asked if we were meeting all the honors program requirements. Are we meeting the honors expectations?

Eric stated that corporate honors requirements are being met. One request that is received by the honors guests is an executive lounge.

Dick asked what it would take to have an executive lounge. Is it possible with the configuration that we have and is it cost effective in the long range?
Eric stated that at this location there are no viable space options at this point. It is expensive to convert guest rooms to a lounge with the addition of a kitchen or to carve out meeting space that is needed.

Richard asked how big of pool of hotels are included in with the service scores.

Eric answered that 100 hotels are included. The team does a great job. The Vancouver Hilton has a score of 80% which means 8 out of every 10 guests rate the services as exceptional.

Eric reported that the Hilton had a revenue conference last week where the focus was on what could be done to capture more revenue for the company and for the hotels. The results were that the focus needs to be on driving revenue and how that can be done differently and better. There are several positives for the long term for this industry. There is very little new supply nationwide and here in the northwest which allows for maximizing rates in 2013. It takes confidence. Also, some great Best Practices were shared between all hotels. The corporate is doing a complete top to bottom brand standard audit and will inform the hotels of their conclusions by the end of April. They are also looking at ways that things can be done simpler such as streamlining contracts and eliminating some unnecessary paperwork that is required of sales staff.

HOUSEKEEPING EQUIPMENT REPLACEMENT CAPITAL REQUEST
Lloyd directed board members to the Housekeeping Equipment Replacement summary dated January 17, 2013 that was delivered to the members before the beginning of the meeting.

Eric provided a brief overview of the request for $11,389.02 for replacement of floor vacuums, large area vacuum and cordless public area cleaners. The approved 2013 budget amount for housekeeping equipment replacement is $15,783.25.

MOTION MADE BY DICK POKORNOWSKI, SECONDED BY JACK ONDER AND PASSED UNANIMOUSLY TO APPROVE THE CAPITAL REQUEST FOR HOUSEKEEPING CLEANING EQUIPMENT ($11,389.02).

MOSS ADAMS ENGAGEMENT LETTER
Lloyd directed board members to the Hilton Audit Requirements staff report dated January 17, 2013 and accompanying engagement letter from Moss Adams dated January 7, 2013. As part of the operating agreement as well as the trust indenture there is a requirement for two audits. One is an audit of the hotel convention center specifically and this audit relates to that requirement. Moss Adams has done that for several years in the past. A request for bids was made to a variety of firms and Moss Adams came in as the low service provided. Their professionalism and expertise relating to the hospitality industry has been very helpful so they are continuing. Their fee reflects a 2.7% increase from prior year. With board approval Lloyd will proceed with his acceptance of the engagement letter.

MOTION MADE BY, DEBORAH EWING SECONDED BY DICK POKORNOWSKI AND PASSED UNANIMOUSLY TO APPROVE LLOYD TO ENGAGE MOSS ADAMS LLP TO PROVIDE AUDIT AND NON-ATTEST SERVICES.

PUBLIC TESTIMONY
Richard Keller opened the floor for public comment and received no comment.
NEXT MEETING
There being no additional business, the meeting adjourned at 12:04 P.M.

The next meeting will be held February 21, 2013 at City Hall, Council Chambers.

Approved: _____________________________

Ward Cook, President