

# FY15 Budget Oversight Hearing

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 29, 2014



COUNCIL OF THE DISTRICT OF COLUMBIA  
1350 PENNSYLVANIA AVENUE, SUITE 106  
WASHINGTON, DC 20004

**JACK EVANS**  
Councilmember, Ward 2  
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April 15, 2014

Gregory O'Dell  
Chief Executive Officer  
Washington Convention and Sports Authority  
Walter E. Washington Convention Center  
801 Mount Vernon Place, NW  
Washington, DC 20001

Dear Mr. O'Dell:

The annual budget hearing for the Washington Convention and Sports Authority/Events DC has been scheduled for Tuesday, April 29, 2014 beginning at 10:00 AM in Room 412 of the John A. Wilson Building. The Committee on Finance & Revenue invites you to present testimony about your Fiscal Year 2015 budget and financial plan. I would like to request the Chairman of the Convention and Sports Authority attend as well, and I would also welcome any other board members to attend.

In order to prepare for the hearing, I hereby submit to you the following list of questions, and I request that you answer these questions and return your written responses, in hard copy and by electronic mail, to my office on or before April 24, 2014.

If you feel that I could use additional information outside the scope of the attached questions, please feel free to include an additional written statement. If your office requires clarification of any of the attached questions, please contact Ruth Werner, at (202) 724-8058 or [rwerner@dccouncil.us](mailto:rwerner@dccouncil.us). Thank you in advance for your timely and comprehensive response.

Sincerely,

A handwritten signature in black ink, appearing to read "Jack Evans".

Jack Evans, Chairman  
Committee on Finance and Revenue

Enclosures

### FY 2015 Budget and Financial Plan Questions

- 1 Please list all program enhancements, technical adjustments, and reductions included within the FY15 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).
- 2 Please provide a list of all projects for which your agency currently has capital funds available, or for which capitals funds are requested in FY14. 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 affect of the reduction.
- 3 Please provide a list of all space that will be used 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.
- 4 Please provide a list of all events planned/scheduled for all locations for FY2015, including date, expected attendance, and size of event. What are plans for signature/key events in 2015?
- 5 What is new for FY2015? What, if anything, is being discontinued?
- 6 What are the FY2015 plans for the Carnegie Library and grounds? Please provide a breakdown of costs, events scheduled and any revenue anticipated.
- 7 Will the proposed FY15 budget allow you to meet all statutory mandates? If not, please explain.
- 8 What are your scheduled board/executive committee meeting dates for 2015?
- 9 What is the status of a visitors' center in the city? Is a visitors' center a worthwhile investment? Are efforts made to welcome/assist visitors at key points of entry (Union Station? Airports? Metro stations? Nationals Park? RFK?) – please elaborate on any/all efforts to date as well as what is planned for review or implementation in 2015.
- 10 Please discuss the budget shift in special purpose revenue funds to “enterprise and other.” What is the reason for this change? Is it problematic in any way?
- 11 Please provide a copy of your five-year capital project plan. Please also explain the increase of \$3,855,000 in Capital expenditures in Land and Building as referenced in your agency budget submission (page H-29).

- 12 Your agency budget submission (page H-29) referenced an additional \$165,647 in Fixed Costs “due to a projected increased rate for Electricity”. Please explain how this increased rate has come about, what it is attributed to, and also discuss plans (existing or expected) to reduce or minimize electricity uses/costs. As a part of the FY14 budget review process, you referenced a new agreement with Washington Gas Energy Services, negotiating a lower KWH rate with a cost savings. What is the status of this agreement?
  
- 13 Please list and provide a description of program initiatives being supported under the funding allocation for Contractual Services, and please explain the \$754,105 funding increase, as referenced in your agency budget submission (page H-29).



**Question 1**

Please list all program enhancements, technical adjustments, and reductions included within the FY15 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).

The Authority made the following technical adjustments and increases to in the FY 15 budget, increasing funding overall from \$114.6 million in FY14 to \$132.8 million in FY15.

**Personal Services: Increase of \$1.39 million**

- The addition of 6 FTEs for a total cost of \$555,590. Four of the positions are a result of the Authority's acquisition of the Convention Center's Central Plant and the resulting transition of Central Plant staff to our payroll; the remaining two positions are in Human Resources and business development.
- Fringe benefits increased by \$688,517, based on higher health benefit insurance costs and the addition fringes associated with 6 new FTEs.
- An increase in negotiated union COLAs and the reorganization of several internal departments with a net budget impact of \$145,979.

**Non Personal Services: Increase of \$17.07 million**

- Debt Service increased by \$12,656,892 million due to additional payments for the Convention Center Headquarters Hotel debt service. (During construction, a portion of the debt service on the Headquarters Hotel was offset using the capitalized interest from the 2010 bond proceeds; with construction complete and the hotel operating, the Authority will commence making higher debt service payments from TIF revenues, with Dedicated Taxes making up any shortfall.)
- Capital Expenses will increase by \$3,855,000 based on anticipated spending according to the Authority's approved five-year capital plan, as detailed in Question 11.
- Utilities budget will increase by \$165,647 due to a projected increase in the kWh rate for electricity.
- Contractual Services will increase by \$754,105 for business development initiatives (e.g., Spy Museum project, etc.) and contractual escalator provisions in existing service agreements.
- Subsidies and Transfers decreased by \$348,793 based on a decrease in the Marketing Fund dollars resulting from a corresponding decrease in Dedicated Taxes, based on OCFO revenue projections (the direct correlation between the Marketing Fund and Dedicated Taxes is formula-driven).
- Decrease in supplies for the Carnegie Library of \$14,900 resulting from the reduced operating schedule for the venue described in Question 6.



**Question 2**

Please provide a list of all projects for which your agency currently has capital funds available, or for which capital funds are requested in FY15. 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.

The Authority's capital budget for FY15 is \$17.09 million, which includes the following projects:

- Public Safety: \$588,000 for security enhancements and maintenance of equipment and systems in the common areas of the Convention Center.
- Convention Center Building Structure & Infrastructure: \$11,970,000 for overall building updates, including renovations to 68 public restrooms; lighting and canopy upgrades and concrete restoration at the Metro entrance; build-out of retail spaces and replacement of expansion joints.
- Furniture and Equipment: \$1,100,000 for replacement of original office furniture, food services equipment, new tables and chair racks, and other operating equipment.
- Environmental Enhancements: \$585,000 for recycling equipment, LEED certification and energy efficiency improvements.
- Technology: \$1,350,000 for equipment upgrades in A/V and PBX, software, and signage upgrades and enhancements.
- Carnegie Library: \$1,000,000 for exterior improvements and facility leaks.
- RFK Stadium and DC Armory: \$500,000 for interior enhancements.



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**Question 3**

Please provide a list of all space that will be used 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 Walter E. Washington Convention Center, Robert F. Kennedy Memorial Stadium (including the RFK Stadium Festival Grounds and the Maloof Skate Park) and the non-military portions of the DC Armory. The Authority also has administrative control of the Carnegie Library at Mt. Vernon Square via a Memorandum of Agreement with the District Government. The Authority pays no rent at any of these facilities.

In addition, as the successor agency to the District of Columbia Sports and Entertainment Commission, the Authority owns Nationals Park, although the team operates the facility and the Authority serves as landlord.



**Question 4**

Please provide a list of all events planned/scheduled for all locations for FY2015, including date, expected attendance, and size of event. What are plans for signature/key events in 2015?

A chart listing FY15 events that are currently under license, pending the issuance of a license or for which space is being held on a “definite” basis is attached. Please note that this list is not intended for external distribution, as some of the events have not yet been announced to the public.

Our **Conventions and Meetings Division** will host 12 citywide events in FY15 (all but one of which have designated the Marriott Marquis Washington, DC as their headquarters hotel), and 11 smaller conventions that have peak room nights in excess of 1,000. Among the largest and most complex meetings we will host in FY15 are the Society of Neuroscience, the American Academy of Family Physicians, Digestive Disease Week and the Association of the United States Army.

The **Sports and Entertainment Division** is making plans to host the fifth-annual Nation’s Football Classic, along with a weekend of ancillary Classic events, in FY15, while also continuing to host DC United at RFK Stadium (game dates for the 2015 season will be announced by Major League Soccer in January 2015). We also expect to host a number of endurance events and their associated expos on the campus again in FY15, to include the Marine Corps Marathon, the Army Ten-Miler and the Rock n’ Roll Marathon.



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***Question 5***

What is new for FY2015? What, if anything, is being discontinued?

The Authority's FY15 operating budget contemplates continued business development activities, specific to our strategy of creating demand for our venues and services. As part of this effort, we will: continue with the planned relocation of the Spy Museum to Mount Vernon Square; continue to pursue opportunities to either develop or acquire consumer shows designed to create revenue and building occupancy during need periods; and conduct a study to evaluate the potential future uses for the RFK Campus.



**Question 6**

What are the FY2015 plans for the Carnegie Library and grounds? Please provide a breakdown of costs, events scheduled and any revenue anticipated.

The Conventions and Meetings Division's sales team is currently booking the Carnegie Library through June 2015, when we anticipate the start of construction for the relocation of the Spy Museum and renovation of the Mt. Vernon Square grounds.

The Library's FY15 operating budget, which has been previously submitted to the Council's budget office, anticipates revenues of \$900,000 and operating expenses of \$966,220 (reduced amounts from FY14 due to the fact that the Library will only be in our sales inventory for nine months).



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***Question 7***

Will the proposed FY15 budget allow you to meet all statutory mandates? If not, please explain.

Yes.



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***Question 8***

What are your scheduled board/executive committee meeting dates for 2015?

The Authority's Board of Directors meets on the second Thursday of each month.

The Authority's Board does not have an Executive Committee.



***Question 9***

What is the status of a visitors' center in the city? Is a visitors' center a worthwhile investment? Are efforts made to welcome/assist visitors at key points of entry (Union Station? Airports? Metro stations? Nationals Park? RFK?) – please elaborate on any/all efforts to date as well as what is planned for review or implementation in 2015.

The Authority has proposed to build and operate of a state-of-the-art visitors' center as a main component of the redevelopment of the Carnegie Library at Mt. Vernon Square. While there are currently a number of privately operated visitors' centers operating around the city, our plan is for a centralized, world-class facility with interactive technologies, digitized mapping, mobile tourist apps and a unified system for hotel and event reservations, as well as ticketing for events throughout the District.

At present, we are in the agency review phase, with ground-breaking anticipated in FY15.



**Question 10**

Please discuss the budget shift in special purpose revenue funds to “enterprise and other.” What is the reason for this change? Is it problematic in any way?

In previous years, the District’s Chief Financial Officer has categorized the Authority’s operating budget as a Special Purpose Revenue Fund, while the Comprehensive Annual Financial Report (CAFR) listed the Authority as an Enterprise Fund. To ensure compliance with the CAFR, OCFO’s Office of Budget and Planning determined that the Authority would be categorized as an Enterprise Fund beginning with the FY15 budget.

This change does not present any challenges for the Authority.



**Question 11**

Please provide a copy of your five-year capital project plan. Please also explain the increase of \$3,855,000 in Capital expenditures in Land and Building as referenced in your agency budget submission (page H-29).

The Authority's five-year capital plan is attached. The \$3,855,000 increase in FY15 represents planned projects that will occur during the year, including the following:

- Overall facility renovation and updating to include renovation of all 68 public bathrooms. (\$2,000,000)
- Renovate and upgrade lighting and canopy systems at the Metro entrance (\$900,000)
- Restore street crossings around the Convention Center, as original concrete stain has deteriorated. (\$250,000)
- Update exterior lighting systems to increase energy efficiency. (\$800,000)



**Question 12**

Your agency budget submission (page H-29) referenced an additional \$165,647 in Fixed Costs “due to a projected increased rate for Electricity”. Please explain how this increased rate has come about, what it is attributed to, and also discuss plans (existing or expected) to reduce or minimize electricity uses/costs. As a part of the FY14 budget review process, you referenced a new agreement with Washington Gas Energy Services, negotiating a lower KWH rate with a cost savings. What is the status of this agreement?

The Authority participates in the DC Government’s contract with Washington Gas Energy Services, which will expire December 31, 2014. Although we anticipate participating in the DC Government’s contract again in CY15, given the general upward trend in rates, we projected an increase in the kWh rate for the fiscal year as a prudent budgeting measure.

Even with the lower rates we get from the DC Government contract, we still work to reduce our overall utility usage and increase the energy efficiency within the 2.3-million-square-foot Convention Center. For example, in FY14 we converted approximately 3,000 light fixtures to high-efficiency LED bulbs, bringing the total number of fixtures upgraded to about 10,000. Also in FY14, we completed the conversion of all roll-up doors in the facility’s exhibit halls and loading docks to a high-speed variety, which is especially helpful with climate control during the colder months. Finally, in FY15 we will begin the upgrade of the computer control systems in our central plant, creating greater efficiencies in the automated control systems for the entire building, a measure that should generate additional utility savings.



**Question 13**

Please list and provide a description of program initiatives being supported under the funding allocation for Contractual Services, and please explain the \$754,105 funding increase, as referenced in your agency budget submission (page H-29).

The increase for Contractual Services includes \$172,027 for price escalator clauses in existing contracts, as well as \$582,079 for Non-Personal Services associated with our business development program in FY15, which we anticipate would include the redevelopment of the Carnegie Library at Mt. Vernon Square, the development or acquisition of owned-and-operated shows and other initiatives, and the study of new uses for the RFK Campus.