

Downtown Redevelopment Authority

Thursday, July 18

11:00am

City Hall

Council Chambers

415 W 6th Street

Vancouver, WA 98660

AGENDA

1. **Call to order** – Jan Robertson, President
 - a. Roll Call – Krista Liles, Support Staff
 - b. Excusal of Absence, if needed
2. **Approval: Meeting Minutes (4.18.24)** – Jan Robertson, President
3. **Approval: Claims and Administrative Expenses** – Erin Jacobson
4. **Update: June 2024 Financials** – Erin Jacobson
5. **Approval: Capital Expenses** – Erin Jacobson
6. **Approval: Refunding of ACA Note** – Natasha Ramras
7. **Executive Updates** – Natasha Ramras
 - a. Ankrom Moisan – water mitigation update
 - b. Audit Update – 2023 Audit & Financial Report
 - c. Audit Contract Approval
 - d. O&M Committee
 - e. Other
8. **Asset Manager Report** – Bob Hayward, CHM Warnick
9. **Hotel Managers Report** – Mike Mcleod, Hilton General Manager
10. **IBR Presentation** – Casey Liles, WSDOT/IBR
11. **Executive Session, if needed** – Dan Lloyd

Community Communications: Commentary will be accepted no later than 24 hours prior to the meeting date. Please send all comments to Krista Liles at <mailto:krista.liles@cityofvancouver.us>

Members

Jan Robertson

President

Kathleen Kee

Secretary/Treasurer

Dyann Bernatz

Tom Donovan

Marc Fazio

Brad Hutton

Staff Support

Natasha Ramras

Executive Director

Dan Lloyd

Assistant City Attorney

Krista Liles

Senior Support Specialist

Financial Management Services

Street Address

P.O. Box 1995

Vancouver, WA 98668

360-487-8437

TTY: 711

cityofvancouver.us

Microsoft Teams meeting:

[Click here to join the meeting](#)

Meeting ID: 254 407 080 835

Or call in (audio only)

[+1 347-941-5324](tel:+13479415324),

[695057310#](tel:695057310) United States

Phone Conference ID: 695 057 310#

Meeting Summary/Meeting Minutes

Thursday, April 18

11:00am, City Hall
415 W 6th Street
Vancouver, WA 98660

Board Members Present:

Robertson, Kee, Donovan, Fazio, Ewing, Bernatz, Hutton

Commissioners/Board Members Absent:

N/A

Staff Present: Ramras, Lloyd, Liles, Jacobson

Guests: Mike McLeod (Hilton GM), Andrew Dowie (Hilton), Bob Hayward (CHM Warnick)

AGENDA

2. **Call to order** 11:04am – Jan Robertson, President
 - a. Roll Call – Krista Liles, Support Staff
7. **Approval of Minutes (February 15, 2024)** – Ewing motioned; Kee seconded. *Approved unanimously as presented on page 2 of the packet.*
8. **Update on Financials: March 2024/Q1 Financials** – Jacobson & Ramras provided a combined overview of financials as presented on page 4 of the packet.
9. **Approval of Claims and Admin Expenses** – Ewing motioned; Bernatz seconded. *Approved unanimously as presented on page 11 of the packet.*
10. **Approval on Capital Expenses** – Kee motioned; Bernatz seconded. *Approved unanimously as presented on page 14 of the packet. Discussion: Hutton asked if Use Tax could be capitalized, and Ramras responded that it is billed separately.*

Members

Jan Robertson
President

Kathleen Kee
Secretary/Treasurer

Dyann Bernatz
Tom Donovan
Debi Ewing
Marc Fazio
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Or call in (audio only)

+1 347-941-5324,7483707#

Phone Conference ID: 748 370 7#

11. **Executive Updates –**

- a. **Approval: Convention Center Expansion** – Ramras narrated the Ankrom & Moisan presentation and outlined the process so far. The Board unanimously approved for Ramras to proceed working on the project. Motion by Fazio; seconded by Kee.
- b. **Approval: Ankrom Moisan water mitigation** – Ramras explained the findings and shared anticipated future findings and need for further investigation. Motion to allow Ramras to proceed by Fazio; seconded by Kee. *Approved unanimously.*
- c. **Audit Update** – Final audit should be available for review at the July meeting.
- d. **Other** – N/A

11. **Asset Manager Report** – Bob Hayward, CHM Warnick presented an overview of the report for March.

Discussion: *Kee asked if Group business is improving nationally, and Hayward confirmed it is.*

12. **Hotel Manager Report** – Mike McLeod, Hilton GM

13. **Executive Session, if needed – [pending litigation – RCW 42.30.110(1)(i)(iii)]** – Dan Lloyd

11. **Approval - Resolution 2024-001** – Dan Lloyd requested a motion to approve: Motion by Bernatz; seconded by Hutton. *Unanimous approval.*

Meeting adjourned at 12:14am.

Approval:

Jan Robertson, President

Date

**VANCOUVER DOWNTOWN REDEVELOPMENT AUTHORITY VOUCHER AND
ADMINISTRATIVE EXPENSE APPROVAL**

Ratification of Claims Paid by Trustee

We, the undersigned members of the Board of Directors of the Downtown Redevelopment Authority, do hereby certify that the merchandise or services hereinafter specified have been received and the vouchers listed below are hereby approved in the amounts of **\$5,380,234.59** this 18th day of July 2024.

Approval of New Administrative Expenses

Additionally, we, the undersigned members of the Board of Directors of the Downtown Redevelopment Authority, do hereby approve for payment Administrative Expense Fund expenses in the amount of **\$116,533.25** this 18th day of July 2024.

JAN ROBERTSON, PRESIDENT

KATHLEEN KEE, SECRETARY/TREASURER

NATASHA RAMRAS, EXECUTIVE DIRECTOR

BOARDMEMBER

DOWNTOWN REDEVELOPMENT AUTHORITY

Claims Paid April 2024 - June 2024

Date	Supplier	Amount	Description	
10-Apr-2024	City of Vancouver	10,000.00	Administrative Services, Mar-24	
10-Apr-2024	City of Vancouver	9,755.29	Lot 24 Parking, Mar-24	
10-Apr-2024	CHM Warnick	12,581.06	Asset Mgmt Fees and Travel Expenses, Mar-24	
10-Apr-2024	US Bank	17,706.80	Annual Bank Account Analysis, 2024	
01-Apr-2024	Hilton Hotels	45,847.58	Hilton Base Management Fee (Inv# 11578-1256085), Mar-24	
01-Apr-2024		13,654.62	Hilton Subordinate Management Fee (Inv# 11578-1256085), Mar-24	
05-Apr-2024		79,236.33	OPCA 2396 - AP	
05-Apr-2024		279,882.86	OPCA 2397 - Payroll	
12-Apr-2024		265,375.45	OPCA 2399 - AP	
18-Apr-2024		111,289.08	OPCA 2398 - Intercompany	
22-Apr-2024		329,314.74	OPCA 2400 - Payroll	
22-Apr-2024		94,628.21	OPCA 2401 - AP	
28-Apr-2024		189,545.30	OPCA 2402 - Sales & Use Tax True Up	
28-Apr-2024		63,361.93	OPCA 2403 - AP	
30-Apr-2024		30,276.09	OPCA 2404 - Month End True Up	
14-May-2024		City of Vancouver	10,000.00	Administrative Services, Apr-24
14-May-2024		City of Vancouver	9,755.29	Lot 24 Parking, Apr-24
14-May-2024	CHM Warnick	11,527.02	Asset Mgmt Fees, Apr-24	
14-May-2024	US Bank	1,350.00	Q1 Bank Admin Fees, 1/1 - 3/31/2024	
14-May-2024	TDJ CPA, Inc.	1,158.66	FY23 Financial Statement Review, Apr-24	
01-May-2024	Hilton Hotels	45,847.58	Hilton Base Management Fee (Inv# 11578-1259413), Apr-24	
01-May-2024		13,654.62	Hilton Subordinate Management Fee (Inv# 11578-1259413), Apr-24	
03-May-2024		345,807.14	OPCA 2405 - Payroll	
03-May-2024		101,775.43	OPCA 2406 - AP	
13-May-2024		105,859.10	OPCA 2408 - AP	
17-May-2024		120,381.90	OPCA 2407 - Intercompany	
17-May-2024		219,554.39	OPCA 2409 - AP	
24-May-2024		28,793.35	OPCA 2410 - AP	
29-May-2024		178,333.16	OPCA 2411 - Sales & Use Tax True Up	
31-May-2024		353,550.35	OPCA 2412 - Payroll	
31-May-2024		338,479.25	OPCA 2413 - Payroll	
31-May-2024		96,971.01	OPCA 2414 - AP	
31-May-2024		136,686.75	OPCA 2415 - Month End True Up	
11-Jun-2024	City of Vancouver	10,000.00	Administrative Services, May-24	
11-Jun-2024	City of Vancouver	9,755.29	Lot 24 Parking, May-24	
11-Jun-2024	CHM Warnick	12,317.89	Asset Mgmt Fees and Travel Expenses, May-24	
11-Jun-2024	SAO	625.95	FY23 Audit, Apr-24	
01-Jun-2024	Hilton Hotels	45,847.58	Hilton Base Management Fee (Inv# 11578-12623249/1262962), May-24	
01-Jun-2024		13,654.62	Hilton Subordinate Management Fee (Inv# 11578-12623249/1262962), May-24	
07-Jun-2024		307,306.50	OPCA 2416 - AP	
17-Jun-2024		151,205.73	OPCA 2417 - AP	
17-Jun-2024		274,419.52	OPCA 2418 - Payroll	
24-Jun-2024		47,066.12	OPCA 2419 - AP	
26-Jun-2024		232,325.26	OPCA 2420 - Sales & Use Tax True Up	
28-Jun-2024		346,967.31	OPCA 2422 - Payroll	
28-Jun-2024		57,971.18	OPCA 2423 - AP	
30-Jun-2024		173,532.43	OPCA 2421 - Intercompany	
30-Jun-2024		25,298.87	OPCA 2424 - Month End True Up	
Total		5,380,234.59		

\$ 116,533.25

Highlighted items reflect the total Administrative Expense amount on the Approval Request

FORM OF ADMINISTRATIVE EXPENSE FUND REQUISITION

ADMINISTRATIVE EXPENSE FUND (156002)

(204969002)

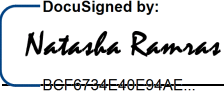
REQUEST NO. **260**

This request is being delivered to U.S. Bank National Association, as trustee (the “Trustee”) under the Amended and Restated Trust Indenture, dated as of June 1, 2013 and effective June 27, 2013, amending and restating the Trust Indenture, dated as of December 1, 2003 (collectively, the “Indenture”), between the Downtown Redevelopment Authority (the “Authority”) and the Trustee pursuant to Section [6(a)] of the Cash Management and Lockbox Agreement (the “Cash Management Agreement”) among the Depository Bank, the Trustee, the Authority and Hilton Management, LLC (the “Manager”). The Trustee is hereby directed to take the action described herein. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Indenture or the Cash Management Agreement.

Pursuant to Section [6(a)] of the Cash Management Agreement and Section 5.15 of the Indenture, you are hereby authorized and directed to disburse from the Administrative Fee Fund the amounts set forth in Exhibit A attached hereto to the persons named therein in payment of administrative expenses and fees related to the administration of Bonds and the Project, including fees and expenses of any Consultant and the expenses of the Authority. The Authority hereby certifies that (1) such amounts are for the purposes set forth in Exhibit A, (2) each such amount constitutes a proper charge against said fund, and (3) no part of any such amounts shall be applied to any item which has been previously paid from said fund. The total amount to be disbursed pursuant to this request is **\$50,043.15**

Date: March 31, 2024

DOWNTOWN REDEVELOPMENT AUTHORITY

By:  _____
BGF6734E40E94AE...

Name: Natasha Ramras

Title: Auditing Officer

FORM OF ADMINISTRATIVE EXPENSE FUND REQUISITION

ADMINISTRATIVE EXPENSE FUND (156002)

(204969002)

REQUEST NO. 261

This request is being delivered to U.S. Bank National Association, as trustee (the “Trustee”) under the Amended and Restated Trust Indenture, dated as of June 1, 2013 and effective June 27, 2013, amending and restating the Trust Indenture, dated as of December 1, 2003 (collectively, the “Indenture”), between the Downtown Redevelopment Authority (the “Authority”) and the Trustee pursuant to Section [6(a)] of the Cash Management and Lockbox Agreement (the “Cash Management Agreement”) among the Depository Bank, the Trustee, the Authority and Hilton Management, LLC (the “Manager”). The Trustee is hereby directed to take the action described herein. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Indenture or the Cash Management Agreement.

Pursuant to Section [6(a)] of the Cash Management Agreement and Section 5.15 of the Indenture, you are hereby authorized and directed to disburse from the Administrative Fee Fund the amounts set forth in Exhibit A attached hereto to the persons named therein in payment of administrative expenses and fees related to the administration of Bonds and the Project, including fees and expenses of any Consultant and the expenses of the Authority. The Authority hereby certifies that (1) such amounts are for the purposes set forth in Exhibit A, (2) each such amount constitutes a proper charge against said fund, and (3) no part of any such amounts shall be applied to any item which has been previously paid from said fund. The total amount to be disbursed pursuant to this request is \$33,790.97

Date: April 30, 2024

DOWNTOWN REDEVELOPMENT AUTHORITY

DocuSigned by:
Natasha Ramras
By: BCE6734E40E94AE...

Name: Natasha Ramras

Title: Auditing Officer

FORM OF ADMINISTRATIVE EXPENSE FUND REQUISITION

ADMINISTRATIVE EXPENSE FUND (156002)

(204969002)

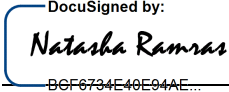
REQUEST NO. 262

This request is being delivered to U.S. Bank National Association, as trustee (the “Trustee”) under the Amended and Restated Trust Indenture, dated as of June 1, 2013 and effective June 27, 2013, amending and restating the Trust Indenture, dated as of December 1, 2003 (collectively, the “Indenture”), between the Downtown Redevelopment Authority (the “Authority”) and the Trustee pursuant to Section [6(a)] of the Cash Management and Lockbox Agreement (the “Cash Management Agreement”) among the Depository Bank, the Trustee, the Authority and Hilton Management, LLC (the “Manager”). The Trustee is hereby directed to take the action described herein. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Indenture or the Cash Management Agreement.

Pursuant to Section [6(a)] of the Cash Management Agreement and Section 5.15 of the Indenture, you are hereby authorized and directed to disburse from the Administrative Fee Fund the amounts set forth in Exhibit A attached hereto to the persons named therein in payment of administrative expenses and fees related to the administration of Bonds and the Project, including fees and expenses of any Consultant and the expenses of the Authority. The Authority hereby certifies that (1) such amounts are for the purposes set forth in Exhibit A, (2) each such amount constitutes a proper charge against said fund, and (3) no part of any such amounts shall be applied to any item which has been previously paid from said fund. The total amount to be disbursed pursuant to this request is \$32,699.13

Date: May 31, 2024

DOWNTOWN REDEVELOPMENT AUTHORITY

By:  _____
BGF6734E40E94AE...

Name: Natasha Ramras

Title: Auditing Officer

Downtown Redevelopment Authority

Narrative Overview of June 2024

Financial Statements

STATEMENT OF NET POSITION

- The DRA's net position has increased by approximately \$2.73 million from year end 2023. This is due in large part to the following:
 - Total assets decreased by \$970k largely due to cash outlay to pay for the January 1st bond payments, and the PFD loan payment.
 - Total liabilities have decreased by \$2.55 million from year end reflecting a \$2.53 million reduction in bond principal, and \$727k reduction in the PFD principal.
- As of June 30th, overall debt to the Clark County PFD totals \$964k, representing an increase of \$238k from year end 2023.
 - The Annual Tax Cap was met 6/10/2024; \$18,293.39 in excess revenues was applied toward the Clark County PFD Loan.

STATEMENT OF REVENUES EXPENSES AND CHANGES IN NET POSITION

- Operations in June resulted in cumulative operating income of \$1.59 million, which is \$474k more than the budgeted Operating Income of \$1.11 million.
 - Depreciation, an Operating Expense which has no effect on cash, totaled \$787k in June 2024.
- Year-over-year investment earnings are up \$70k. This increase is attributed to higher cash balances earning interest at increasing rates.

STATEMENT OF CASH FLOWS

- Overall cash reflects an increase of \$234k compared to year end 2023. There were no capital expenditures in the month of June.
 - Notable sources of cash for the year included \$10.8 million from operating activities and \$2.92 million in tax receipts from the City and County PFD.
 - Notable uses of cash included \$9.18 million for goods and services related to operating activities and debt service payments of \$4.26 million.

TAX REVENUE COLLECTIONS

- Through June 2024, tax revenue collections are at 100.6% of the Tax Cap compared to 102.4% for the prior year.
 - The annual tax cap increased \$74k from 2023 to 2024.
- Since the Tax Cap has been met, all future tax revenues will be applied toward the Clark County PFD Loan.
 - Current expectations are that the loan will be fully repaid in Aug/Sep-24.
- Per the Interlocal Agreement, at that point, any excess revenues will be paid to City PFD.
- As of June 2024, overall tax collections are up \$25k compared to June 2023. Receipts of City Lodging Tax, City PFD STC and County PTD STC are flat, up 0.2%, and up 2.3%, respectively.

FLOW OF FUNDS

- On July 1, 2024, \$558.9k of cash was transferred from the Lockbox Fund to the Project Revenue Debt Service Fund. This transfer resulted from cash flows in excess of operating expenses during the month.
- As of June 30th, the DRA had \$1.48 million reserved in the Project Revenue Debt Service Fund.
 - On July 1st, the DRA made an interest-only debt payment of \$763k.
 - Any excess will be applied toward the payment due January 1, 2025 (principal + interest).
- As of June 30th, the DRA had \$2.90 million reserved in the Tax Revenue Debt Service Fund.
 - On July 1st, the DRA made an interest-only debt payment of \$183k.
 - Any excess will be applied toward the payment due January 1, 2025 (principal + interest).

Vancouver Downtown Redevelopment Authority Condensed Report on Financial Activity Through June 2024

Revenue & Expense	Year to Date							
	June 2024 Actual	June 2023 Actual	Actual \$ Change (2023 - 2024)	Actual % Change (2023 - 2024)	Budget through June 2024	Actual-Budget Comparison	2024 Annual Budget	Actual as % of Annual Budget
Total Operating Revenue	\$ 11,138,939	\$ 9,486,842	\$ 1,652,097	17.4%	\$ 10,509,173	\$ 629,766	\$ 23,922,528	46.6%
Total Operating Expense	(9,552,215)	(8,463,318)	(1,088,897)	12.9%	(9,396,227)	(155,988)	(16,618,669)	57.5%
Net Operating Income	1,586,724	1,023,524	563,200	55.0%	1,112,946	473,778	7,303,859	21.7%
Non-Operating/Special/Prior Period Adj (*)	1,147,012	1,032,521	114,491	11.1%	361,691	785,321	1,939,613	59.1%
Change in Net Position	\$ 2,733,736	\$ 2,056,045	\$ 677,691	33.0%	\$ 1,474,637	\$ 1,259,099	\$ 9,243,472	29.6%
Depreciation (In Operating Expense)	\$ 787,041	\$ 734,591	\$ 52,450	7.1%	\$ 1,225,000	\$ (437,959)	\$ 2,520,000	31.2%

1

(*)

Refers to items not directly associated with operations. These items include interest earned, city tax collections, excise tax payments and interest accrued. Items are listed separately under "Non-operating revenues/expenses and special items in the DRA's operating statement."

Dedicated Taxes	Year to Date			
	June 2024 Actual	June 2023 Actual	Actual \$ Change (2023 - 2024)	Actual % Change
City Lodging Tax (2%)	\$ 803,373	\$ 803,070	\$ 303	0.0%
City Sales Tax Credit	1,145,051	1,142,522	2,529	0.2%
County Sales Tax Credit	969,869	947,675	22,194	2.3%
Total Tax Revenue	\$ 2,918,293	\$ 2,893,267	\$ 25,026	0.9%
Annual Tax Revenue Cap	\$ 2,900,000	\$ 2,826,000	\$ 74,000	2.6%
% of Cap	100.6%	102.4%		

Capital Projects	Year to Date	
	June 2024 Actual	2024 Budgeted
Capital Project Expenses	\$ 199,571	\$ 982,940

Cash Balance Reconciliation	Year to Date							
	June 2024 Actual	Flow of Funds 7/1/2024	Cash Balances after Flow of Funds	June 2023 Actual	Actual \$ Change (2023 - 2024)	Actual % Change (2023 - 2024)	Required Amounts (6/30/2024)	% of Required Amounts (6/30/2024)
Operating Petty Cash	\$ 219,741	\$ -	\$ 219,741	\$ 459,340	(239,600)	-52.2%	\$ -	N/A
Lockbox/Available Revenue Fund	1,161,010	(615,162)	545,848	542,922	2,926	0.5%	500,000	109.2%
Taxes & Insurance Fund	280,000	10,000	290,000	110,424	179,576	162.6%	132,491	218.9%
Administrative Expense Fund	50,000	46,282	96,282	131,823	(35,541)	-27.0%	50,000	192.6%
Project Revenue Debt Service Fund	1,476,021	558,880	2,034,900	2,842,537	(807,637)	-28.4%	762,556	266.9%
Tax Revenue Debt Service Fund	2,900,000	-	2,900,000	2,826,000	74,000	2.6%	183,325	1581.9%
Primary R & R Fund	487,113	-	487,113	-	487,113	100.0%	-	N/A
Contingency Fund	1,850,000	-	1,850,000	1,709,512	140,488	8.2%	-	N/A
Management Fee Fund	95,611	-	95,611	-	95,611	100.0%	-	N/A
Subordinate R & R Fund	198,545	-	198,545	-	198,545	100.0%	-	N/A
Cash Trap Fund	2,500,000	-	2,500,000	2,500,000	-	0.0%	-	N/A
Authority Reserve Fund - Excess	4,680,252	-	4,680,252	3,330,593	1,349,659	40.5%	-	N/A
Authority Reserve Fund - Restricted	500,000	-	500,000	500,000	-	0.0%	-	N/A
Total Escrow Fund Cash Balances	\$ 16,398,292	\$ (0)	\$ 16,398,292	\$ 14,953,152	\$ 1,445,140	9.7%	\$ 1,628,372	
County PFD Fund - Loan Balance	(963,950)	**		(2,885,304)	1,921,354	-66.6%		

Comments

- On July 1, 2024, the DRA transferred \$559k of excess cash to the Project Revenue Debt Service Fund. This transfer resulted from better than expected cash inflows during the month.
- On July 1, 2024, the DRA made interest-only debt service payments of \$762,556.25 and \$183,325.00 for the Project Revenue and Sales & Lodging Tax Revenue Bonds, respectively. Even after the July 1, 2024 interest-only payments, the DRA's Tax Revenue Debt Service Funds had sufficient cash to pay the January 1, 2025 debt service payment (principal + interest). The Project Revenue Fund has about 67% of funds needed to pay it's January 1, 2025 debt service payment (principal + interest).
- Excluding depreciation, the DRA has realized an increase of Net Position totaling \$3.52 million which is \$821k more than the cumulative budgeted increase in Net Position of \$2.70 million. *Depreciation has no effect on cash in the current period*
- ** The Annual Tax Cap was met 6/10/2024. \$18,293.39 in excess revenues was applied toward the Clark County PFD loan balance, and is included above.
- All future tax revenue from the Clark County PFD Loan. Current estimates are that the County PFD Loan will be paid in full in Aug/Sep-24.
- Per the Interlocal Agreement, at that point, any excess revenues will be paid to City PFD.

Downtown Redevelopment Authority
(A Component Unit of the City of Vancouver)

Statement of Net Position

Substantially all Disclosures Required by GAAP are omitted.

As of June 30, 2024 and December 31, 2023

	6/30/2024	Un-Audited 12/31/2023	Change from Prior Year-End	% Change
ASSETS				
Current assets				
Cash and cash equivalents	96,117	94,633	1,484	1.6%
Restricted cash with fiscal/escrow agent	16,224,760	15,992,051	232,709	1.5%
Receivables (net)				
Taxes	1,498,934	1,498,934	0	0.0%
Accounts	2,058,776	1,402,691	656,085	46.8%
Interest	63,883	66,513	(2,630)	(4.0%)
Inventory	47,224	49,290	(2,066)	(4.2%)
Prepaid expenses	244,357	324,727	(80,370)	(24.8%)
Total current assets	20,234,051	19,428,839	805,212	4.1%
Noncurrent assets				
Capital assets				
Buildings and equipment	60,543,216	60,343,645	199,571	0.3%
Accumulated depreciation	(30,643,851)	(29,856,810)	(787,041)	2.6%
Total noncurrent assets	29,899,365	30,486,835	(587,470)	(1.9%)
TOTAL ASSETS	50,133,416	49,915,674	217,742	0.4%
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized deferred amount on refunding	660,652	695,423	(34,771)	(5.0%)
LIABILITIES				
Current liabilities				
Accounts payable	267,983	152,737	115,246	75.5%
Accrued interest payable	945,881	1,001,731	(55,850)	(5.6%)
Accrued liabilities	1,163,142	1,777,439	(614,297)	(34.6%)
Subordinate fee amortization	-	-	-	0.0%
Unearned revenue	1,403,353	1,098,155	305,198	27.8%
Bonds, notes and leases payable	2,685,000	2,554,304	130,696	5.1%
Total current liabilities	6,465,359	6,584,366	(119,007)	(1.8%)
Noncurrent liabilities				
Bonds, notes and leases payable from restricted assets	42,317,405	44,987,753	(2,670,348)	(5.9%)
Due to other governments	1,477,535	1,238,946	238,589	19.3%
Total noncurrent liabilities	43,794,940	46,226,699	(2,431,759)	(0.3%)
TOTAL LIABILITIES	50,260,299	52,811,065	(2,550,766)	(4.8%)
NET POSITION				
Net investment in capital assets	(14,442,388)	(16,359,799)	1,917,411	(11.7%)
Restricted for capital purposes	685,658	-	685,658	100.0%
Restricted for debt service	4,376,021	7,007,151	(2,631,130)	(37.5%)
Unrestricted	9,914,479	7,152,680	2,761,799	38.6%
TOTAL NET POSITION	533,769	(2,199,968)	2,733,737	(124.3%)

Downtown Redevelopment Authority
(A Component Unit of the City of Vancouver)

Statement of Revenues Expenses and Changes in Net Position
Substantially all Disclosures Required by GAAP are omitted.
For the months ended June 30, 2024 and 2023

	Actuals				Budget		
	Six months ending June 30, 2024	Six months ending June 30, 2023	\$ Change	% Change	YTD Budget	Variance to Budget Favorable/ (Unfavorable)	%
OPERATING REVENUES							
Charges for services	11,138,939	9,486,842	1,652,097	17.4%	10,509,173	629,766	6.0%
Miscellaneous	-	-	-		-	-	
Total operating revenues	11,138,939	9,486,842	1,652,097	17.4%	10,509,173	629,766	6.0%
OPERATING EXPENSES							
Supplies and contractual services	8,765,174	7,728,727	1,036,447	13.4%	8,171,227	(593,947)	-7.3%
Depreciation	787,041	734,591	52,450	7.1%	1,225,000	437,959	35.8%
Total operating expenses	9,552,215	8,463,318	1,088,897	12.9%	9,396,227	(155,988)	-1.7%
Operating income (loss)	1,586,724	1,023,524	563,200		1,112,946	473,778	-42.6%
NONOPERATING REVENUES (EXPENSES)							
Interest earnings	348,337	278,646	69,691	25.0%	5,000	343,337	6866.7%
Intergovernmental contributions	1,948,425	1,945,593	2,832	0.1%	1,450,000	498,425	34.4%
Excise Tax	(167,438)	(150,003)	(17,435)	11.6%	(153,503)	(13,935)	9.1%
Interest and fiscal charges	(982,312)	(1,095,621)	113,309	10.3%	(939,806)	(42,506)	4.5%
Total nonoperating revenues (expenses)	1,147,012	978,615	168,397	-17.2%	361,691	785,321	-217.1%
SPECIAL ITEMS							
Gain on extinguishment of Debt	-	53,906	(53,906)		-	-	
Claims Settlement	-	-	-		-	-	
Total special items	-	53,906	(53,906)		-	-	
Change in net position	2,733,736	2,056,045	677,691	-33.0%	1,474,637	1,259,099	-85.4%
TOTAL NET ASSETS - BEGINNING	(2,199,968)	(6,199,041)	3,999,073	64.5%			
Prior Period Adjustment		-	-				
TOTAL NET ASSETS - ENDING	533,768	(4,142,996)	4,676,764	112.9%			

Downtown Redevelopment Authority
(A Component Unit of the City of Vancouver)
STATEMENT OF CASH FLOWS
For the month ended June 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from operating activities	\$	10,788,052
Cash payments for goods and services		(9,181,789)
Net cash provided (used) by operating activities		1,606,263
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Receipts from other governments		2,918,293
Payments to other governments		(185,731)
Net cash provided (used) by noncapital financing activities		2,732,562
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on capital debt		(3,254,298)
Interest paid on capital debt		(1,001,731)
Purchase of capital assets		(199,571)
Net cash provided (used) by capital and related financing activities		(4,455,600)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Receipt of interest		350,967
Net cash provided (used) by investing activities		350,967
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		 234,192
CASH AND CASH EQUIVALENTS - BEGINNING		16,086,684
CASH AND CASH EQUIVALENTS - ENDING		\$ 16,320,876
 Reconciliation of operating income (loss) to net cash used by operating activities:		
Net operating income (loss)	\$	1,586,724
 Adjustments to reconcile net operating income (loss) to net cash provided by operations:		
Depreciation expense		787,041
(Increase) Decrease in receivables		(656,085)
(Increase) Decrease in inventories		2,066
(Increase) Decrease in prepaid items		80,370
Increase (Decrease) in current payables		(499,051)
Increase (Decrease) in unearned revenue		305,198
Total adjustments		19,539
Net cash provided (used) by operating activities	\$	1,606,263

Flow of Funds and Operating Cash Pursuant to Trust Indenture Financial Statement Period June 2024										
	Account name	Beginning Balances (6/1/2024)	Ending Balances (6/30/2024)	July 1st, flow of funds deposits, use of Cash Trap, and management fee payment	Cash balances after monthly flow of funds	Amounts Required 1/1 through 6/30/2024	Excess/(Deficit) through 6/30/2024	Amounts Required 7/1 through 12/31/2024	Excess / (Deficit) through 12/31/2024	Requirement Description
1	Operating Petty Cash Account	47,301	219,741	-	219,741	-	219,741	-	219,741	Remaining balance intended to cover automatically deducted banking/merchant charges. <u>There is a pending transfer for Intercompany payment = \$173,532.41.</u>
2	Available Revenue Account & Lockbox Account	642,576	1,161,010	(615,162)	545,848	500,000	45,848	500,000	45,848	Must have \$500,000 balance as of 1st business day. <u>Amount in cash balance after flow of funds includes Hilton management fee of \$45,847.58 which is withdrawn the 1st of every month separately.</u>
3	Taxes and Insurance Fund	260,000	280,000	10,000	290,000	132,491	157,509	264,982	25,018	Cash to be moved as needed to meet estimated renewal due in 2024 = \$265k total (2024 budget for 3 policies: Property & Terrorism = \$113k, July; Public Officials = \$21k, Oct; Casualty & Crime = \$131k, December).
4	Administrative Expense Fund	48,841	50,000	46,282	96,282	50,000	46,282	50,000	46,282	Amounts required represent average monthly amount for known and budgeted Administrative Expenses remaining (not yet paid). Any excess balance will be applied to future administrative expenses.
5	Project Revenue Debt Service Fund	1,433,150	1,476,021	558,880	2,034,900	762,556	1,272,344	2,645,113	(610,212)	Amounts required through 6/30/2024 represent debt service payments scheduled for July 1, 2024 (interest only). Any excess will be applied toward payment scheduled for January 1, 2025 (principal + interest).
6	Tax Revenue Debt Service Fund	2,402,009	2,900,000	-	2,900,000	183,325	2,716,675	1,931,650	968,350	Amounts required through 6/30/2024 represent debt service payments scheduled for July 1, 2024 (interest only). Any excess will be applied toward payment scheduled for January 1, 2025 (principal + interest).
7	Renewal and Replacement Fund	487,113	487,113	-	487,113	-	487,113	-	487,113	Monthly calculation of 4% of gross operating revenues. Funds flow annual only to the extent that there is combined excess of Funds in #5 and #6 above. Funds are transferred from Contingency as needed.
8	Contingency Fund	1,850,000	1,850,000	-	1,850,000	-	1,850,000	-	1,850,000	Amounts flow annually into this Fund, up to the requirement only and only to the extent there is excess available beyond the requirements of Funds #5 through #7, above. Once requirement is met amounts flow below this point.
9	Management Fee Fund	109,266	95,611	-	95,611	-	95,611	-	95,611	Beginning in calendar year 2016, pursuant to the Amended and Restated Project Operating agreement, the subordinate component of the management fee becomes due on the first of every month. <u>Excess cash balance is to cover Subordinate Management Fees through 12/31/2024.</u>
10	Subordinate Renewal and Replacement Fund	198,545	198,545	-	198,545	-	198,545	-	198,545	Monthly calculation of 1% of gross operating revenues. Funds flow annual to satisfy the deficit calculation only and only to the extent that there is combined excess in Funds described in #5 through #9, above. Once the requirement is met amounts flow below this point. Funds are transferred from Contingency as needed.
11	Cash Trap Fund	2,500,000	2,500,000	-	2,500,000	-	-	-	-	Funds flow annual only to the extent that there is combined excess in Funds described in #5 through #10, above. Once the requirement is met amounts flow below this point.
12	Authority Revenue Fund	4,680,252	4,680,252	-	4,680,252	-	-	-	-	Funds flow annual only to the extent that there is combined excess in Funds described in #5 through #11, above. Once the requirement is met amounts flow below this point.
13a	Authority Revenue Fund - RESTRICTED	500,000	500,000	-	500,000	-	-	-	-	Funds flow annual only to the extent that there is combined excess in Funds described in #5 through #12, above. Amounts in the Excess Revenue Fund in each calendar year shall be applied as follows: (i) 50% of such amounts shall be deposited in the Authority Reserve Fund; and (ii) 50% of such amounts shall be paid by the Trustee to the County PFD in accordance with the County Interlocal Agreement.
	Totals	15,159,054	16,398,292	(0)	16,398,292	1,628,372	7,089,667	5,391,745	3,326,295	
13b	County PFD Fund	-	-	-	-	-	-	-	-	Funds flow annual only to the extent that there is combined excess in Funds described in #5 through #12, above. Amounts in the Excess Revenue Fund in each calendar year shall be applied as follows: (i) 50% of such amounts shall be deposited in the Authority Reserve Fund; and (ii) 50% of such amounts shall be paid by the Trustee to the County PFD in accordance with the County Interlocal Agreement.
	County PFD Loan, Outstanding Principal Balance	(799,217)	(963,950)	-	(963,950)	-	-	-	-	Represents the outstanding loan balance owed to the Clark County PFD as of month end. <u>The Annual Tax Cap was met in Jun-24; \$18,293.39 was applied toward the loan balance.</u>

Notes to Accompany Bank Balances

<p>1 The Operating Petty Cash Account is the account from which the Project Manager, Hilton, deposits the funds withdrawn from the Lockbox solely for the purpose of paying Operating Expenses, Pursuant to Section 3.07 of the Amended and Restated Operating Agreement.</p>	<p>6 Tax Revenue Debt Service Fund is maintained to meet the debt service requirements of the Conference Center Project Refunding Revenue Bonds Series 2013B, which is the portion of the bond offering secured by the tax revenue flow, without regard to revenue generated by operations of the Hotel and Convention Center Project. Total debt issued \$18,045,000. Full maturity of the debt - January 1, 2034. A complete schedule of interest and principal payments from the Bond offering Official Statement is attached.</p>	<p>11 The Authority Reserve Fund was established pursuant to Appendix A of the Amended and Restated Trust Indenture - the Authority Reserve Fund Requirement is an amount equal to \$500,000. Funds can be used to meet an obligation of the DRA when shortfalls exist in other accounts otherwise designated to pay that obligation but only after the Contingency fund is fully depleted.</p>
<p>2 The Available Revenue Fund was established pursuant to Section 5.03 of the Indenture. The Lockbox accounts is maintained pursuant to Section 5.05 of the Indenture and established pursuant to Section 2 of the Amended and Restated Cash Management and Lockbox agreement. At the beginning of each month the Lockbox is required to have the Operating Cost Set Aside Amount, which Pursuant to Appendix A of the Amended and Restated Trust Indenture - the Operating Cost Set Aside Amount means \$500,000.</p>	<p>7 The Renewal and Replacement Fund is the account for which capital projects are funded. The amount required to be deposited is calculated at 4% of the Monthly Gross Operating Revenue. The deficit is calculated on a cumulative basis from the beginning of the project, less cumulative deposits from the beginning of the project. The ending cash balance represents cumulative deposits from the beginning of the project, less cumulative expenditures from the beginning of the project. The amounts to fund the deficit flow into this account annually. The 4% Subordinate Renewal and Replacement Set Aside Amount requirement is Pursuant to Appendix A of the Amended and Restated Trust Indenture.</p>	<p>12 The Cash Trap Fund was established pursuant to Appendix A of the Amended and Restated Trust Indenture - the Cash Trap Fund Requirement means the amount of \$2,500,000. Funds can be used to meet an obligation of the DRA when shortfalls exist in other accounts otherwise designated to pay that obligation but only after the Contingency fund and Authority Reserve Fund are fully depleted.</p>
<p>3 The Taxes and Insurance Fund is maintained to ensure significant fund for annual insurance premiums when due. There is no requirement to maintain a minimum balance. Established pursuant to Section 5.03 of the Indenture.</p>	<p>8 The Contingency Fund holds an amount Pursuant to Appendix A of the Amended and Restated Trust Indenture - the Contingency Requirement means an amount equal to \$2,000,000. These funds can be used to meet an obligation of the DRA when shortfalls exist in other accounts otherwise designated to pay that obligation.</p>	<p>13a The Authority Revenue Fund - additional holds amounts used to repay ACA Note Payable Pursuant to the Financing Agreement between ACA and the Authority. ACA was the Authority's bond issuer for the 2003 debt series. Principal amount is \$1,430,554.61 with 4.42% interest, bringing the total amount due to \$3,123,161. Maturity Date is January 1, 2044. Principal and Interest Payment are scheduled to commence on January 1, 2033. Funds flow annual only to the extent that there is combined excess in Funds described in #5 through #12, above. Amounts in the Excess Revenue Fund in each calendar year shall be applied as follows: (i) 50% of such amounts shall be deposited in the Authority Reserve Fund; and (ii) 50% of such amounts shall be paid by the Trustee to the County PFD in accordance with the County Interlocal Agreement. In addition, per the Indenture, the DRA may use amounts in the fund for other purposes. Planned uses include payments to the City of Vancouver per the Lot 24 Parking License Agreement and costs related to major renovation projects planned for 2020-2022.</p>
<p>4 The Administrative Expense Fund is maintained to ensure monthly administrative obligations are funded when due. There is no stated minimum amount required to be maintained. Established pursuant to Section 5.03 of the Indenture.</p>	<p>9 The Management Fee Fund is the account that will accumulate the funds that the Authority is obligated to pay, in arrears, subject to the availability of amounts in this fund the subordinate component of the management fee. The obligation to accrue the amount monthly becomes effective in calendar year 2016. The 2021 annual obligation is \$139,055. See Section 8 of the First Amendment to the Management Agreement outlines the on-going obligation.</p>	<p>13b The County PFD Fund holds amounts used to repay liability to County PFD. This balance increases monthly with flow of County Sales Tax Credit Revenue. Established pursuant to Section 5.03 of the Indenture. Amounts are applied to interest first. Interest rate is 5.63%. Amounts in the Excess Revenue Fund in each calendar year shall be applied as follows: (i) 50% of such amounts shall be deposited in the Authority Reserve Fund; and (ii) 50% of such amounts shall be paid by the Trustee to the County PFD in accordance with the County Interlocal Agreement.</p>
<p>5 The Project Debt Service Fund is maintained to meet the debt service requirements of the Conference Center Project Refunding Revenue Bonds Series 2013A, which is the portion of the bond offering secured by the revenue flow of the Hotel and Convention Center Project. Total debt issued - \$41,185,000. Full maturity of the debt - January 1, 2044. A complete schedule of interest and principal payments from the Bond offering Official Statement is attached.</p>	<p>10 The Subordinate Renewal and Replacement Fund is the second available account for which capital projects are funded. The amount required to be deposited is calculated at 1% of Monthly Gross Operating Revenue. The deficit is calculated on a cumulative basis from the beginning of the project, less deposits made into the account less cumulative deposits from the beginning of the project. The ending cash balance represents cumulative deposits from the beginning of the project, less cumulative expenditures from the beginning of the project. The amounts to fund the deficit flow into this account annually. The 1% Subordinate Renewal and Replacement Set Aside Amount requirement is Pursuant to Appendix A of the Amended and Restated Trust Indenture.</p>	
<p>NOTE: City of Vancouver Commitment to Downtown Redevelopment Authority (DRA), with respect to the Vancouver Conference Center: The City signed an agreement on December 1, 2003, to participate in the construction and operation of the Vancouver Conference Center, using tourism funds. In June 2013, the DRA refinanced the debt associated with the construction of the Vancouver Conference Center. As a part of the refinancing, the City agreed that, if, prior to each Interest Payment Date or Principal Payment Date, the amounts on deposit per the Trust Indenture are insufficient to pay the principal and interest due on the 2013 Project Revenue Bonds, upon notice of such deficiency from the Trustee, the City shall pay to the Trustee an amount equal to the deficiency; the maximum obligation on that payment date being the debt service amount of the 2013 Project Revenue Bonds due on such date. Any payment by the City of this conditional payment amount shall constitute a loan by the City to the DRA, with interest payable on such amounts at the rate or rates on the 2013 Project Revenue bonds. If a payment obligation is made and a loan created, the obligation for repayment become subordinate to the obligation of the Authority Revenue Fund and the County PFD Fund.</p>		

HILTON VANCOUVER WASHINGTON CAPITAL EXPENSE SUMMARY

Contractor	Description of Work	Project	Amount	Invoice Date	Invoice Number	R&R#	Project#	Project Type
Ankrom Moisan	Pre-design/Professional Services	Convention Center Conference Expansion	\$ 25,596.00	3/18/2024	90086	327241	231432	Capital
Ankrom Moisan	Professional Services	Water Mitigation	\$ 8,168.50	3/14/2024	89990	327242	231431	Capital
Hilton Guest Supply	Bedside Charging Stations	Capital	\$ 6,023.36	2/29/2024	16761453	329241		Capital - budgeted
Ankrom Moisan	Professional Service Fee - January	Convention Center Conference Expansion	\$ 1,310.00	2/13/2024	89800	401241	231432	Capital
Ankrom Moisan	Professional Service Fee	Convention Center Conference Expansion	\$ 12,094.00	4/12/2024	90234	401242	231432	Capital
Bargreen Ellingson	50% Deposit for Kitchen Equipment	Kitchen Equipment Replacement Items	\$ 93,304.02	4/5/2024	7612-3745	401243	2024-0312	Capital - Budgeted
Hilton Guest Supply	Vacuums for Housekeeping & Banquets	Capital	\$ 8,585.80	2/29/2024	16798542, 1692833	401244	2024-0202	Capital - Budgeted
J.F. Duncan Industries	Scullery Table	Capital	\$ 9,750.33	4/9/2024	INV0900	401245	2024-0103	Capital - Budgeted
		APRIL TOTAL	\$ 164,832.01					
Edward Don & Company	Banquet Items #1	Capital	\$ 4,273.09	2/13/2024, 4/15/2024	31479964, 31770280	401246	2024-0202	Capital - Budgeted
Ankrom Moisan	February Pre-design/Professional Services - corrective adjustment	Convention Center Conference Expansion	\$ 1,000.00	3/18/2024	90086	327241B	231432	Capital
		**Original R&R 032741 for February Fees was submitted \$1,000 short of the invoice total. R&R 0327241B is the corrective payment submittal.						
		MAY TOTAL	\$ 5,273.09					
		TOTAL	\$ 170,105.10					

Notes: There were no capital expenses processed in June

**DOWNTOWN REDEVELOPMENT AUTHORITY
STAFF REPORT NO. 07-18-24-01**

TO: Downtown Redevelopment Authority Board
FROM: Natasha Ramras, Executive Director

DATE: 07-18-2024

Subject: Early Redemption of 2013 ACA Financing Agreement Note

Objective: Approve early redemption of 2013 ACA Financing Agreement Note

Present Situation:

Representatives from ACA contacted the City to see if the Authority was interested in buying back the ACA Note at a discount. After negotiations, ACA agreed to accept the sum of \$1,469,831.06 in full satisfaction of all obligations of the Authority under the Note and Financing Agreement if the Authority closes the transaction in a timely fashion. This price represents a savings of about \$640,000 of accrued interest through August 1, 2024, and \$1,653,330 of interest savings over the life of the Note.

Background:

In 2013, the Downtown Redevelopment Authority (the "Authority") issued its Conference Center Project Refunding Revenue Bonds and its Conference Center Project Sales and Lodging Tax Refunding Revenue Bonds. In connection with these debt issuances, the Authority entered into a Financing Agreement, dated June 24, 2013, with ACA Financing Guaranty Corporation ("ACA"). Pursuant to the Financing Agreement, ACA contributed \$4,000,000 to assist the Authority with the issuance of the 2013 Bonds which reduced the exposure of ACA connected with a prior transaction with the Authority. In order to evidence the obligations of the Authority under the Financing Agreement, the Authority executed and delivered a Note to ACA. The Note's schedule of principal and interest payments are summarized below.

Date	Principal	Interest	Total
1/1/2033	\$ 21,055.19	\$ 18,157.81	\$ 39,213.00
1/1/2034	93,445.84	84,717.16	178,163.00
1/1/2035	31,596.41	30,041.59	61,638.00
1/1/2036	58,562.17	58,268.83	116,831.00
1/1/2037	83,010.86	86,264.14	169,275.00
1/1/2038	104,157.11	112,842.89	217,000.00
1/1/2039	123,150.07	138,862.93	262,013.00
1/1/2040	137,947.89	161,646.11	299,594.00
1/1/2041	162,766.00	197,922.00	360,688.00
1/1/2042	183,825.61	231,655.39	415,481.00
1/1/2043	205,108.41	267,541.59	472,650.00
1/1/2044	225,929.07	304,685.93	530,615.00
Total	\$ 1,430,554.63	\$ 1,692,606.37	\$ 3,123,161.00

Action Requested: Staff Recommends the DRA Board approve the early redemption of the 2013 ACA Financing Agreement Note to save \$1,653,330 of interest over the life of the Note.

Attachments:

- Satisfaction document
- 2013 ACA Financing Agreement Note

RESOLUTION NO. 07-18-24-01

A RESOLUTION of the Board of Directors of the Downtown Redevelopment Authority (DRA) approving the early redemption of the 2013 ACA Financing Agreement Note.

WHEREAS, the Downtown Redevelopment Authority (DRA) is a public corporation established under the authority of RCW 35.21.730 to promote redevelopment in the downtown area of the City of Vancouver; and,

WHEREAS, the DRA Board has received and considered its 2013 ACA Financing Agreement Note in public session and has invited public comment, all as detailed in the 7-18-24 DRA Board Meeting Agenda.

NOW, THEREFORE, BE IT RESOLVED BY THE DOWNTOWN REDEVELOPMENT AUTHORITY, as follows:

Section 1. A 2013 ACA Financing Agreement Note has been reviewed and approved for early redemption to save \$1,653,330 of interest over the life of the Note by a quorum present at the time.

Section 2. This resolution shall take effect immediately upon its adoption.

ADOPTED by the Board of Directors of the Downtown Redevelopment Authority at a regular meeting held this 18th day of July 2024.

ATTEST:

Board President, Jan Robertson

Kathleen Kee, Secretary-Treasurer

APPROVED AS TO FORM:

Dan Lloyd, Counsel to the Authority

SATISFACTION AND RELEASE

This Satisfaction and Release, dated August 1, 2024, (the “Agreement”) between the DOWNTOWN REDEVELOPMENT AUTHORITY OF THE CITY OF VANCOUVER, a Washington public authority (the “Authority”) and ACA FINANCIAL GUARANTY CORPORATION, a Maryland stock company (“ACA”).

RECITALS

A. In connection with the issuance by the Authority of its Conference Center Project Refunding Revenue Bonds, Series 2013 (the “Series 2013 Project Bonds”) and its Conference Center Project Sales and Lodging Tax Refunding Revenue Bonds, Series 2013 (the “Series 2013 Tax Bonds”) and together with the Series 2013 Project Bonds, the “2013 Bonds”) pursuant to an Amended and Restated Trust Indenture, dated June 1, 2013) between the Authority and U.S. Bank, National Association, now known as U.S. Bank Trust Company, National Association (the “Trustee”), the Authority entered into a Financing Agreement, dated June 24, 2013 (the “Financing Agreement”) with ACA.

B. Pursuant to the Financing Agreement, ACA contributed \$4,000,000 to assist the Authority in connection with the issuance of 2013 Bonds and to eliminate any potential exposure of ACA connected with a prior transaction with the Authority. In order to evidence the obligations of the Authority under the Financing Agreement, the Authority executed and delivered a Note of the Authority to ACA under date of June 24, 2013 (the “Note”).

C. ACA has agreed to accept the sum of \$1,469,831.06 in full satisfaction of all obligations of the Authority under the Note and Financing Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and conditions set forth herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

AGREEMENT

1. Incorporation of Recitals. Each recital set forth above is incorporated into this Agreement as though fully set forth herein. All capitalized terms not otherwise defined herein shall have the same meaning as set forth in the Financing Agreement.

2. Receipt. ACA hereby acknowledges receipt of \$1,469,831.06, being the sum sufficient to satisfy all of the Authority’s obligations under the Financing Agreement and the Note.

3. Cancellation of Note. Accompanying this Release and Satisfaction, is a copy of the Note, marked as “Cancelled.”

4. Release of Authority from any Future Liability. ACA does hereby release the Authority from any future liability under the Financing Agreement that may arise or be asserted after the date of this Agreement.

5. Binding Effect. This Agreement shall be binding upon ACA and its successors and permitted assigns.

6. Governing Law. This Agreement and the rights and obligations of the parties hereunder shall in all respects be governed by, and construed and enforced in accordance with, the laws of the State of Washington.

IN WITNESS WHEREOF, the parties have executed this Satisfaction and Release as of the day and year first above written.

“ACA”

ACA FINANCIAL GUARANTY
CORPORATION, a Maryland stock
company

By _____
Steven Berkowitz
President & Chief Executive Officer

“Authority”

DOWNTOWN REDEVELOPMENT
AUTHORITY, a Washington public
authority

By _____
Natasha Ramras
Executive Director

Financing Agreement

THIS FINANCING AGREEMENT (this "Agreement") is dated June 24, 2013, by and among ACA Financial Guaranty Corporation, a Maryland stock insurance company ("ACA"), and the Downtown Redevelopment Authority of the City of Vancouver, a Washington public authority (the "Authority", and, together with ACA, the "Parties").

WITNESSETH:

WHEREAS, the Authority has heretofore issued its Conference Center Project Senior Revenue Bonds, Series 2003A (the "Series 2003A Bonds"), and its Conference Center Subordinate Revenue Bonds, Series 2003B (the "Series 2003B Bonds" and together with the Series 2003A Bonds, the "2003 Bonds"), pursuant to the Trust Indenture, dated as of December 1, 2003 (the "2003 Indenture"), between the Authority and U.S. Bank, National Association (the "Trustee"), to finance the Project (as defined in the 2003 Indenture), consisting of a conference center, a hotel, and an underground garage; and

WHEREAS, the Authority is issuing its Conference Center Project Refunding Revenue Bonds, Series 2013 (the "Series 2013 Project Bonds"), and its Conference Center Project Sales and Lodging Tax Refunding Revenue Bonds, Series 2013 (the "Series 2013 Tax Bonds", and together with the Series 2013 Project Bonds, the "2013 Bonds"), pursuant to the Amended and Restated Trust Indenture, to be dated as of June 1, 2013 (the "2013 Indenture"), between its Authority and the Trustee, in order to refund the Series 2003A Bonds; and

WHEREAS, the Authority priced and sold the 2013 Bonds on June 19, 2013, and expects to deliver and receive payment for the 2013 Bonds on or about 9 a.m. Pacific Daylight Time on June 27, 2013 (the "Series 2013 Closing"); and

WHEREAS, in order to assist the Authority in its refunding of the Series 2003A Bonds, ACA is proposing to contribute Four Million Dollars (\$4,000,000.00) to the Authority (the "ACA Closing Proceeds"), \$1,430,554.61 of which is in consideration of the execution and delivery of a Note issued by the Authority to ACA in the form attached hereto as Exhibit A (the "Note"), dated as of the date of the Series 2013 Closing, and the balance of which is in consideration for the elimination of any exposure ACA may have with respect to the Series 2003A Bonds;

NOW, THEREFORE, in consideration of the above Recitals and the terms herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby mutually acknowledged, the Parties agree as follows:

1. ACA Agreement to Provide Closing Proceeds; Authority Agreement to Execute the Note. ACA agrees to provide the ACA Closing Proceeds to the Authority at or prior to the Series 2013 Closing, subject in all respects to the terms and conditions of this Agreement, and the Authority agrees to execute and deliver the Note to ACA simultaneously therewith.

2. Representations and Warranties of the Authority. The Authority represents and warrants to and agrees with ACA that:

(a) A draft of the 2013 Indenture was provided to ACA on June 23, 2013 (the "Draft 2013 Indenture"), and no changes have been made thereto except as provided in this Agreement.

(b) A draft of the Amended and Restated Project Operating Agreement between the Authority and Hilton Management, LLC, was provided to ACA on June 11, 2013 (the "Management Agreement"), and no changes have been made thereto except as provided in this Agreement.

(c) The Authority has been duly established and is validly existing as a public authority in good standing under the laws of the State of Washington; and has corporate power and authority, and has all licenses, permits, orders and other governmental and regulatory approvals, to own or lease its properties and conduct its business, including but not limited to the Project.

(d) (i) This Agreement has been duly authorized, executed and delivered on behalf of the Authority and is a valid and legally binding agreement of the Authority in accordance with its terms; (ii) the 2013 Indenture has been duly authorized by the Authority, and, as executed and delivered by the Authority and the 2013 Trustee, will constitute a valid and legally binding agreement of the Authority in accordance with its terms; (iii) the Note has been duly authorized by the Authority, and, as executed and delivered by the Authority, will constitute a valid and legally binding instrument of the Authority in accordance with its terms; except, in each such case, as the same may be limited by bankruptcy, insolvency, reorganization or other similar laws relating to or affecting the enforcement of creditors' rights generally and by general equitable principles, regardless of whether such enforceability is considered in a proceeding in equity or at law.

(e) There is no consent, approval, authorization, order, registration or qualification of or with any court or any regulatory authority or other governmental body having jurisdiction over the Authority or the Project which is required for, and the absence of which would materially affect, the execution, delivery or performance of this Agreement, the 2013 Indenture or the Note.

(f) The balance sheets of the Authority and the Project as at December 31, 2012, and the related statements of income and cash flows for the fiscal year ended on such date, copies of which have heretofore been furnished to ACA, are complete and correct and present fairly the financial condition of the Authority and the Project at such date, and the results of their operations and their cash flows for the fiscal year then ended, subject to any normal year-end adjustments. All such financial statements, including the related schedules and notes thereto, have been prepared in accordance with generally acceptable accounting principles applicable to governmental entities and applied consistently throughout the periods involved (except as disclosed therein). Since the dates thereof, there has been no material adverse change in the business activities or

financial condition of the Authority or the Project. The Authority did not have, at the date of the balance sheets referred to above, any material guarantee obligation, contingent liabilities or liability for taxes, long-term lease or forward or other derivative contract, including, without limitation, any interest rate or swap or exchange transaction, which is not reflected in the foregoing statements or in the notes thereto.

(g) The information contained in the Preliminary Official Statement is and in the Official Statement will be correct in all material respects, and the Preliminary Official Statement did not and the Official Statement will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein contained, in light of the circumstances under which they were made, not misleading; *provided*, that no representation is made as to the information therein provided by PKF Consulting or regarding DTC and its book-entry only system.

(h) The Authority has previously provided to ACA the additional documents listed in Schedule 1 attached hereto on the dates set forth therein (the "Authority Documents"). The resolutions, ordinance and agreements set forth therein are true and correct copies thereof as of the date provided. The Authority believes that the assumptions contained in the PKF Consulting Market Study are reasonable.

3. Mutual Representations and Warranties of the Authority and ACA. The Authority and ACA each represents and warrants to and agrees with the other Party that the payment by ACA of the Closing Amount:

(a) is not being made or created with the intent to give the Authority a preference or to enable the Authority to obtain a greater percentage of any debt than another creditor of the same class; and

(b) is not being accepted by the Authority with reasonable cause to believe that the preference will occur.

4. Covenants of the Authority. The Authority covenants and agrees with ACA that:

(a) The Authority shall not make any changes to the Draft 2013 Indenture prior to having furnished ACA with a copy of the proposed form thereof and having given ACA a reasonable opportunity to review the same and discuss with representatives of the Authority.

(b) The Authority shall not make any changes to Management Agreement prior to having furnished ACA with a copy of the proposed form thereof and having given ACA a reasonable opportunity to review the same and discuss with representatives of the Authority.

(c) The Authority shall not amend or supplement any of the Authority Documents prior to having furnished ACA with a copy of the proposed form thereof and

having given ACA a reasonable opportunity to review the same and discuss with representatives of the Authority.

(d) The final principal amount of the Note is equal to the present value, using a discount rate equal to the weighted average yield on the 2013 Bonds, of the excess project revenues expected to be available to pay debt service on the Note as set forth in Item 10 in Schedule 1 hereto.

(e) The Authority has prepared a final Official Statement (the "Official Statement") in the form of the Preliminary Official Statement, with additional information completed which was determined in connection with the pricing of the 2013 Bonds. Other than as set forth in the preceding sentence, the Authority shall not make any changes to the form of the Official Statement without previously having furnished ACA with a copy of the proposed form thereof and having given ACA a reasonable opportunity to review and discuss the same with representatives of the Authority.

(f) If any time prior to the delivery by ACA of the ACA Closing Proceeds any event shall occur or condition shall exist as a result of which (i) the Official Statement would include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances, not misleading, or (ii) it is necessary to amend or supplement the Official Statement to comply with applicable law, then the Authority shall immediately notify ACA thereof and forthwith prepare and furnish to ACA such amendments or supplements to the Official Statement as may be necessary so that the statements in the Official Statement as so amended or supplemented, will not, in the light of the circumstances, be misleading or so that the Official Statement will comply with applicable law.

(g) The Authority shall cause the 2013 Trustee to apply Available Revenues and Aggregate Tax-Related Revenues as required by the 2013 Indenture, including the provisions of Section 5.06 thereof.

(h) The Authority shall apply amounts in the Excess Revenue Fund which are deposited in the Available Revenue Fund and are in excess of the Authority Reserve Fund Requirement pursuant to Section 5.18 of the 2013 Indenture to make interest and principal payments on the Note in accordance with its terms.

5. Covenants of ACA. ACA agrees with the Authority that, as a condition to the Authority's obligations hereunder, it shall deliver a certificate, in the form attached to the Note as Exhibit A, to the Authority on the Closing Date.

6. Conditions Precedent. The obligation of ACA to deliver the Closing Proceeds to the Authority is subject to the condition that all representations and warranties of the Authority herein are, as of such time, true and correct, the further condition that the Authority shall have performed all of its obligations hereunder theretofore to be performed, and to the following additional conditions:

(a) The 2013 Bonds shall have been issued and delivered, and the proceeds thereof used, together with the Closing Proceeds and other available moneys, to defease all of the outstanding Series 2003A Bonds pursuant to the Indenture.

(b) The Authority shall have executed and delivered the Management Agreement with such changes thereto as provided herein, and shall have provided ACA with a copy thereof.

(c) The Agreement shall have been duly authorized, executed and delivered by, and constitute a valid and binding instrument of, the Authority.

(d) The Note shall have been duly authorized, executed and delivered by, and constitute a valid and binding instrument of, the Authority.

(e) Bond Counsel shall have furnished their written opinion upon which ACA may rely, dated as of the date of the Series 2013 Closing, in form reasonably satisfactory to ACA, to the effect that:

- i. Each of the Agreement and the Note has been duly authorized, executed and delivered by, and constitutes a valid and binding agreement of, the Authority;
- ii. The Note is subordinate only to (A) the Series 2013 Project Bonds and the 2013 Tax Revenue Bonds and any bonds issued on a parity therewith pursuant to the Indenture and in accordance with this Agreement, and (B) the Series 2003B Bonds, payments on which will be made pursuant to the Indenture only if and to the extent such payments would have been made if periodic deposits were made into the Debt Service Fund sufficient to pay scheduled principal of and interest on the Series 2003A Bonds as and when due;

(f) Bond Counsel shall have furnished to ACA a reliance letter with respect to the Bond Counsel final bond and defeasance opinions with respect to the 2013 Bonds.

(g) The Authority shall have furnished a certificate to ACA, dated as of the date of the Series 2013 Closing, in form reasonably satisfactory to ACA, to the effect that:

- i. The entry into this Agreement and the Note, and the compliance by the Authority with all provisions of this Agreement and the Note, will not conflict with or result in a breach of any of the terms or provisions of, or

constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any of the property or assets of the Authority, or the Project pursuant to the terms of, any indenture, mortgage, deed of trust, loan agreement, guarantee, lease financing agreement or other similar agreement or instrument under which the Authority is a debtor or a guarantor, nor will such action result in any violation of the provisions of the organizational documents or the By-Laws of the Authority;

ii. The Authority does not know of any legal or governmental proceedings pending to which the Authority is a party or of which any property of the Authority, including the Project, is the subject, and no such proceedings are known by the Authority to be threatened by governmental authorities or others; and

(h) The Authority shall have delivered to the Trustee a continuing Request of the Authority pursuant to Section 5.18 of the 2013 Indenture to release amounts from the Authority Reserve Fund from time to time in accordance with the terms of Section 4(h) hereof and with the Note in order for the Authority to make the payments required thereunder.

(i) The City shall have executed and delivered a mutual waiver and release of claims with ACA containing the provisions set forth in Section 7 of this Agreement.

(j) At the time of the Series 2013 Closing, the Official Statement does not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; *provided*, that no representation will be made as to the information therein provided by PKF Consulting or regarding DTC and its book-entry only system.

(k) Since the date of the Official Statement, there shall not have occurred any material adverse change, or any development involving a prospective material adverse change, in or affecting particularly the business or assets of the Authority, including the Project, or any material adverse change in the financial position or results of operations of the Authority or the Project, otherwise than as set forth or contemplated in the Official Statement, which in any such case makes it impracticable or inadvisable in the reasonable judgment of ACA to proceed with the financing contemplated by this Agreement.

(l) Since the time of execution of this Agreement, the United States shall not have become engaged in hostilities which have resulted in the declaration of a national emergency or a declaration of war, which makes it impracticable or inadvisable in the reasonable judgment of ACA to proceed with the financing contemplated by this Agreement.

7. Waivers and Releases. Effective as of the date hereof, the Authority, on behalf of itself and on behalf of its successors and assigns, hereby releases (i) ACA and all of the

affiliates of ACA, and each of their respective successors and assigns, and (ii) all of the shareholders, directors, officers, employees, attorneys, agents and representatives of ACA and such affiliates, and their respective heirs, executors, successors and assigns (collectively, the "ACA Released Persons"), from any and all claims, demands, liabilities, actions and causes of action of any nature whatsoever, whether liquidated or unliquidated, known or unknown, matured or unmatured, fixed or contingent which the Authority had, has or may have had against any of ACA Released Persons, including those arising out of or in any way relating to the any of the 2003 Bonds, any document, dealing or other matter in connection with any of the 2003 Bonds or any of the other agreements or documents executed in connection therewith. The Authority acknowledges and agrees that the release of ACA Released Persons set forth herein, including in respect of the 2003 Bonds or as of the documents relating thereto, may be pleaded as a full and complete defense and may be used as a basis for an injunction against any action, suit or other proceeding which may be instituted, prosecuted or attempted in breach of the provisions of such release and no fact, event, circumstance, evidence or transaction which could now be asserted or which may hereafter be discovered shall affect in any manner the final and unconditional nature of such releases.

Effective as of the date hereof, ACA, on behalf of itself and on behalf of its successors and assigns, hereby releases (i) the Authority and all of the affiliates thereof, and its successors and assigns, and (ii) all of the shareholders, directors, officers, employees, attorneys, agents and representatives of each of the Authority and such affiliates, and their respective heirs, executors, successors and assigns (collectively, the "Authority Released Persons"), from any and all claims, demands, liabilities, actions and causes of action of any nature whatsoever, whether liquidated or unliquidated, known or unknown, matured or unmatured, fixed or contingent which ACA had, has or may have had against any of the Authority Released Persons, including those arising out of or in any way relating to the any of the 2003 Bonds, any document, dealing or other matter in connection with any of the 2003 Bonds or any of the other agreements or documents executed in connection therewith; *provided*, that the Authority Released Persons are not released from any claims relating to performance of obligations under or related to this Agreement or the Note. ACA acknowledges and agrees that the release of the Authority Released Persons set forth herein, including in respect of the 2003 Bonds or as of the documents relating thereto, may be pleaded as a full and complete defense and may be used as a basis for an injunction against any action, suit or other proceeding which may be instituted, prosecuted or attempted in breach of the provisions of such release and no fact, event, circumstance, evidence or transaction which could now be asserted or which may hereafter be discovered shall affect in any manner the final and unconditional nature of such releases.

8. Notices. All statements, requests, notices and agreements hereunder shall be in writing by post, or by email if promptly confirmed telephonically, and if to ACA: ACA Financial Guaranty Corporation, 600 Fifth Avenue, 2nd Floor, New York, NY 10020 Attn: General Counsel; and if to Authority: Downtown Redevelopment Authority, 415 West 6th Street, P.O. Box 1995, Vancouver, WA 98668-1995, Attention: Executive Director.

9. Successors and Assigns. This Agreement is binding upon, and inures to the benefit of, the Parties and their respective successors and permitted assigns. This Agreement may not be assigned by either Party without the other Party's written consent.

10. Amendments; Cumulative Remedies. This Agreement may not be modified, amended or supplemented, and the terms and conditions of this Agreement may not be waived, except by a written agreement executed by each Party. No failure to exercise and no delay in exercising on the part of either Party of any right, remedy, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege preclude any other or further exercise of any right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges under the Note or provided by law.

11. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Washington.

12. Counterparts. This Agreement may be executed by each of the Parties in any number of counterparts, and by each of the Parties on separate counterparts, each of which counterparts, when so executed and delivered, shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, this Agreement has been duly executed by the Parties as of the date first above written.

ACA FINANCIAL GUARANTY CORPORATION

By: Susan L. Hoke
Title: Managing Director

DOWNTOWN REDEVELOPMENT AUTHORITY

By: _____
Title: _____

10. Amendments; Cumulative Remedies. This Agreement may not be modified, amended or supplemented, and the terms and conditions of this Agreement may not be waived, except by a written agreement executed by each Party. No failure to exercise and no delay in exercising on the part of either Party of any right, remedy, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege preclude any other or further exercise of any right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges under the Note or provided by law.

11. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Washington.

12. Counterparts. This Agreement may be executed by each of the Parties in any number of counterparts, and by each of the Parties on separate counterparts, each of which counterparts, when so executed and delivered, shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, this Agreement has been duly executed by the Parties as of the date first above written.

ACA FINANCIAL GUARANTY CORPORATION

By: _____
Title: _____

DOWNTOWN REDEVELOPMENT AUTHORITY

By: R. Lloyd Tyler
Title: Executive Director, DRA

EXHIBIT A – FORM OF NOTE

OHSUSA:754009865.2

A-1

REGISTERED

No. SRN-1

CITY OF VANCOUVER, WASHINGTON
DOWNTOWN REDEVELOPMENT AUTHORITY
CONFERENCE CENTER PROJECT
SUBORDINATE PROJECT REVENUE NOTE, 2013

THIS SUBORDINATE NOTE MAY BE SOLD OR TRANSFERRED ONLY TO QUALIFIED INSTITUTIONAL BUYERS WITHIN THE MEANING SET FORTH IN RULE 144A PROMULGATED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. A TRANSFER OF THIS SUBORDINATE NOTE MAY NOT BE MADE UNLESS THE TRANSFEREE EXECUTES A TRANSFEREE LETTER IN THE FORM ATTACHED HERETO AS EXHIBIT A. ANY TRANSFER MADE IN VIOLATION OF THIS PROVISION SHALL BE VOID AND OF NO EFFECT.

THE OBLIGATIONS OF THE AUTHORITY WITH RESPECT TO THIS SUBORDINATE NOTE SHALL BE AND REMAIN LIMITED RECOURSE OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY AND ONLY FROM THE AMOUNTS ON DEPOSIT IN THE AUTHORITY RESERVE FUND ESTABLISHED PURSUANT TO THE AMENDED AND RESTATED TRUST INDENTURE DATED AS OF JUNE 1, 2013 (THE "INDENTURE") BETWEEN THE AUTHORITY AND U.S. BANK NATIONAL ASSOCIATION (THE "TRUSTEE"). EXCEPT AS PROVIDED IN THE PRECEDING SENTENCE, IN NO EVENT SHALL SUCH OBLIGATIONS BE PAYABLE FROM ANY PROPERTIES, ASSETS OR REVENUES OF THE AUTHORITY, NOR SHALL SUCH OBLIGATIONS BE PAYABLE FROM ANY PROPERTIES, ASSETS OR REVENUES OF THE CITY, THE STATE OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE. NO PERSON TO WHOM SUCH OBLIGATIONS ARE OWED SHALL HAVE ANY RECOURSE OR RIGHT OF ACTION AGAINST THE AUTHORITY, THE CITY, THE STATE OR ANY OTHER POLITICAL SUBDIVISION THEREOF ON ACCOUNT OF SUCH OBLIGATIONS OR ANY LIABILITIES, OF WHATSOEVER NATURE, ARISING IN CONNECTION THEREWITH EXCEPT TO ENFORCE FOR THE PAYMENT THEREOF OUT OF THE AVAILABLE REVENUE FUND.

THIS SUBORDINATE NOTE IS NOT AN OBLIGATION OF THE VANCOUVER PUBLIC FACILITIES DISTRICT, THE CLARK COUNTY PUBLIC FACILITIES DISTRICT, THE CITY OF VANCOUVER, CLARK COUNTY, THE STATE OF WASHINGTON OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OF WASHINGTON OTHER THAN THE AUTHORITY. THIS SUBORDINATE NOTE SHALL BE PAYABLE SOLELY FROM AND SECURED SOLELY BY THE AMOUNTS IN THE AUTHORITY RESERVE FUND, AND IS NOT PAYABLE FROM OR SECURED BY THE REVENUES, CREDIT OR ASSETS OF THE VANCOUVER PUBLIC FACILITIES DISTRICT, THE CLARK COUNTY PUBLIC FACILITIES DISTRICT, THE CITY OF VANCOUVER, THE STATE OF WASHINGTON, OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OF WASHINGTON, OTHER THAN THE AMOUNTS PAYABLE BY THE CITY OF VANCOUVER PURSUANT TO THE CITY PAYMENT AGREEMENT, BY THE VANCOUVER PUBLIC FACILITIES DISTRICT PURSUANT TO THE CITY PFD PAYMENT AGREEMENT, AND BY THE CLARK COUNTY PUBLIC FACILITIES DISTRICT PURSUANT TO THE COUNTY PFD PAYMENT AGREEMENT (AS EACH OF SUCH TERMS IS DEFINED IN THE INDENTURE).

Interest Rate

4.42%

Maturity Date

January 1, 2044

Dated Date

June 27, 2013

REGISTERED OWNER: ACA FINANCIAL GUARANTY CORPORATION

PRINCIPAL AMOUNT: One Million Four Hundred Thirty Thousand Five Hundred Fifty-Four Dollars and Sixty-One Cents (\$1,430,554.61)

The Downtown Redevelopment Authority (the "Authority"), for value received, hereby promises to pay upon surrender hereof at the principal office of the Trustee, as paying agent, solely from the sources and as herein provided and permitted, to the Owner hereof, or the registered assigns or legal representatives, the Principal Amount stated above, subject to prior redemption as herein provided, and to pay, solely from such sources, simple interest on the Principal Amount hereof from the Dated Date at the Interest Rate set forth above, without compounding, on the dates and in the amounts set forth in Schedule 1 hereto (each, a "Payment Date") commencing on January 1, 2014. Interest is payable on each Payment Date (1) by check or draft mailed on such date to the Owner hereof at such Owner's address as it appears on the records maintained by the Trustee as of the close of business on the 15th day of the calendar month (whether or not a Business Day) preceding such Payment Date (the "Record Date"), or (2) by wire transfer in accordance with a written notice and completed wire instructions for a wire transfer address in the United States provided by the Owner hereof to the Trustee not less than 15 days prior to such Payment Date (which notice may provide that it will remain in effect with respect to subsequent Payment Dates unless and until changed or revoked by subsequent notice). This Subordinate Note shall be payable as to principal and redemption price and interest in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts based on a 360-day year consisting of twelve months each of 30 days.

The Authority hereby covenants and agrees to observe and perform its covenants and agreements set forth in the Indenture, which covenants and agreements are incorporated herein by this reference for the benefit of the Owner of this Subordinate Note for so long as any obligations shall remain outstanding thereunder and hereunder. Terms used but not defined herein shall have the meanings set forth in the Indenture. The Authority further covenants and agrees as follows: (a) it will not amend or supplement the Indenture in any way which adversely affects the rights of Owner hereunder without the prior written consent of the Owner; (b) it will not issue or incur any indebtedness payable or secured from Available Revenues (as defined in the Indenture) if such indebtedness would reduce the amounts available in the Authority Reserve Fund to make payments hereunder without the prior written consent of the Owner; (c) it will use commercially reasonable efforts to maintain Administrative Expenses (including payments to the City) as low as reasonably practicable consistent with its obligations under the Indenture; (d) it will not optionally redeem 2013 Project Revenue Bonds if such redemption would reduce the amounts available in the Authority Reserve Fund to make payments hereunder without the prior written consent of the Owner; (e) it will promptly deliver to the Owner all notices, documents and reports required to be provided by or to the Trustee pursuant to the Indenture; and (f) for so long as any principal of or interest on this Subordinate Note shall remain unpaid, no payments of principal of or interest on the Series 2003B Subordinate Bonds (as defined in the Indenture) shall be made by the Authority.

This Subordinate Note shall be subject to redemption at the option of the Authority, in whole or in part on any date, from any legally available funds, at a redemption price equal to the principal amount of this Subordinate Note called for redemption, without premium, plus accrued interest with respect thereto to the date fixed for redemption in integral multiples of \$5,000.

This Subordinate Note is subject to mandatory redemption, at a redemption price equal to the principal amount of this Subordinate Note being redeemed, together with accrued interest thereon to the redemption date on January 1 of each year, in integral multiples of \$5,000, if and to the extent that amounts are available therefor in the Authority Reserve Fund as further provided herein.

Principal of and interest on this Subordinate Note shall be payable on each Payment Date, mandatory redemption date and the maturity date hereof only if and to the extent that there are amounts available therefor in the Authority Reserve Fund established pursuant to the Indenture over and above the Authority Reserve Fund Requirement of \$500,000, transferred therein from the Excess Revenue Fund pursuant to the Indenture.

FAILURE TO PAY PRINCIPAL OF OR INTEREST ON THIS SUBORDINATE NOTE WHEN DUE SHALL NOT CONSTITUTE A DEFAULT HEREUNDER IF AND TO THE EXTENT THERE ARE NOT AMOUNTS AVAILABLE IN THE AUTHORITY RESERVE FUND AS PROVIDED HEREIN SUFFICIENT TO MAKE SUCH PAYMENT; PROVIDED, THAT ANY UNPAID PRINCIPAL OF THIS SUBORDINATE NOTE SHALL CONTINUE TO BEAR SIMPLE INTEREST AT THE RATE SET FORTH ABOVE; AND PROVIDED FURTHER, THAT ANY UNPAID PRINCIPAL SHALL BEAR INTEREST AT THE RATE SET FORTH ABOVE PLUS 2% (THE "DEFAULT RATE").

The Trustee may deem and treat the person in whose name this Subordinate Note shall be registered as the absolute owner of this Subordinate Note, whether this Subordinate Note shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal amount or redemption price of and interest on this Subordinate Note and for all other purposes, and all such payments so made to any such Owner or upon the Owner's order shall be valid and effectual to satisfy and discharge the liability upon this Subordinate Note to the extent of the sum or sums so paid, and the Trustee shall not be affected by any notice to the contrary.

This Subordinate Note may not be purchased or transferred except upon receipt by the Trustee of an Investor Representation Letter in the form attached hereto as Exhibit A executed and delivered by the purchaser hereof.

All acts, conditions and things required to happen, exist or be performed precedent to and in the issuance of this Subordinate Note have happened, exist and have been performed.

This Subordinate Note shall be governed by, and construed in accordance with, the laws of the State of Washington.

This Subordinate Note shall not be valid or entitled to any security or benefit under the Indenture until the Trustee shall have executed the Certificate of Authentication appearing hereon and inserted the date of authentication hereon.

IN WITNESS WHEREOF, the Downtown Redevelopment Authority has caused this Subordinate Note to be signed by the manual or facsimile signature of its President and attested to by the manual or facsimile signature of its Secretary on this 27th day of June, 2013.

DOWNTOWN REDEVELOPMENT AUTHORITY

By: W. Neal
President

Attest:

By: R. Lloyd Tyler
Executive Director

CERTIFICATE OF AUTHENTICATION

Date of Authentication: June 27, 2013

This Subordinate Note is the Subordinate Note described in the within-mentioned Indenture.

U.S. BANK NATIONAL ASSOCIATION,
as Paying Agent

By *Linda A. McConkey*
Authorized Officer

ASSIGNMENT

For value received the undersigned do(es) hereby sell, assign and transfer unto _____ this Subordinate Note and hereby irrevocably constitute(s) and appoint(s) _____ attorney to transfer the same on the registration books maintained by the Trustee with full power of substitution in the premises.

Dated: _____

Note: The signature(s) to this Assignment must correspond with the Owner of this Subordinate Note in every particular, without alteration or enlargement or any change whatsoever.

Signature Guaranteed:

Social Security Number, Taxpayer Identification Number or Other Identifying Number of Assignee:

NOTICE: Signature must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

SCHEDULE 1

SCHEDULED PAYMENTS OF PRINCIPAL AND INTEREST

<u>DATE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
January 1, 2033	\$ 21,055.19	\$ 18,157.81	\$ 39,213.00
January 1, 2034	93,445.84	84,717.16	178,163.00
January 1, 2035	31,596.41	30,041.59	61,638.00
January 1, 2036	58,562.17	58,268.83	116,831.00
January 1, 2037	83,010.86	86,264.14	169,275.00
January 1, 2038	104,157.11	112,842.89	217,000.00
January 1, 2039	123,150.07	138,862.93	262,013.00
January 1, 2040	137,947.89	161,646.11	299,594.00
January 1, 2041	162,766.00	197,922.00	360,688.00
January 1, 2042	183,825.61	231,655.39	415,481.00
January 1, 2043	205,108.41	267,541.59	472,650.00
January 1, 2044	225,929.07	304,685.93	530,615.00

SCHEDULE 1 – SCHEDULED PAYMENTS OF PRINCIPAL AND INTEREST

EXHIBIT A

INVESTOR REPRESENTATION LETTER
FOR SUBORDINATE NOTE
(RULE 144A TRANSFER)

[Date]

Downtown Redevelopment Authority
Vancouver, Washington

Re: City of Vancouver, Washington, Downtown Redevelopment Authority
Conference Center Project Subordinate Revenue Note, 2013

Ladies and Gentlemen:

The undersigned, purchaser of the above-captioned bonds (the "Note"), hereby represents to, and acknowledges and agrees with you, as follows:

1. The undersigned is the [Title] of [Name of Purchaser] (the "Purchaser").
2. The Purchaser has duly authorized, by all necessary action, the purchase of the Note. The Purchaser is a "qualified institutional buyer" as defined in Rule 144A promulgated by the Securities and Exchange Commission in accordance with the Securities Act of 1933, as amended. The undersigned is duly authorized to execute and deliver this letter on behalf of the Purchaser.
3. The Purchaser sufficient knowledge and experience in financial and business matters, including the purchase and ownership of municipal and other tax-exempt obligations, to be able to evaluate the risks and merits of the investment represented by the purchase of the Note.
4. We are able to bear the economic risk of such investment.
5. We understand that the Note is a special, limited revenue obligation payable from and secured by the revenues, moneys and assets as provided therein. We further understand that the Note is subject to optional redemption by the Authority as set forth therein.
6. We have received material information with respect to the Note from the Authority but, in due diligence, we have made our own inquiry and analysis with respect to the Note and the security therefor and the other material factors affecting the security and payment of the Note.
7. We acknowledge that we have either been supplied with or have access to information, including financial statements and other financial information, to which we or a reasonable investor would attach significance in making investment decisions, and we have had the opportunity to ask all of our questions and receive answers from knowledgeable individuals concerning the Note and the security therefor. In making our investment decision, except as set forth herein, we have not relied on the Authority in making such analysis. We acknowledge that the Authority has not (1) evaluated nor approved the creditworthiness of the Project, or (2) made any representations or recommendations with respect thereto.

EXHIBIT A-1 – INVESTOR REPRESENTATION LETTER

8. We understand that the Note (1) has not been and is not being registered or otherwise qualified for sale under any state securities or "blue sky" laws or other regulations of any state, (2) will not be listed on any stock or other securities exchange, (3) will not carry a rating from any rating service and (4) will be delivered in a form which may not be readily marketable.

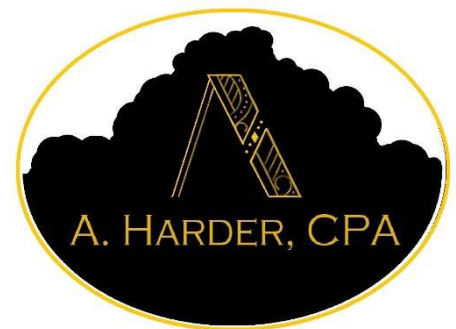
9. We understand that the Note has not been registered under the Securities Act of 1933, as amended, and that such registration is not legally required. We represent to you that we are purchasing the Note for investment for our own account and not with a present view toward resale or the distribution thereof, in that we do not now intend to resell or otherwise dispose of all or any part of the Note.

10. We understand and acknowledge that the Note is subordinate to the Authority's Project Revenue Bonds and Tax Revenue Bonds. Furthermore, we understand and acknowledge that so long as any of the Project Revenue Bonds and Tax Revenue Bonds are outstanding, no event of default may be declared to exist with respect to the Note.

VANCOUVER HOTEL & CONVENTION CENTER PROJECT

Financial Statements and Supplementary Information
For the Years Ended December 31, 2023 and 2022

And Independent Auditor's Report



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Independent Auditor's Report

To the Vancouver Downtown Redevelopment Authority
Vancouver Hotel and Convention Center Project
Vancouver, WA 98660

June 18, 2024

Report on the Audit of the Financial Statements

We have audited the accompanying financial statements of the Vancouver Hotel and Convention Center Project, which comprise comparative statements, including the balance sheet as of the years ended December 31, 2023 and 2022, the statements of operation, changes in owner's equity for the years ended 2023 and 2022, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Project as of December 31, 2023 and 2022, and the results of operations and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for our Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Project and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the project's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibility for the Financial Statements

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the project's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing opinions on the effectiveness of management's internal control. Accordingly, we express no such opinions. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of significant or material misstatement of the financial statements.
- Evaluate the appropriateness of accounting policies and the reasonableness of any significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, the conditions or events considered in the aggregate raise substantial doubt about the Project's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those in charge of governance regarding significant audit findings and certain internal control matters that we identified during the audit.

Internal Controls Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the Project's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control. Accordingly, we do not express an opinion on the effectiveness of the Project's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Project's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

However, we identified certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Responses as Finding 2023-01 that we consider to be a material weakness.

Unmodified Opinions

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. In our opinions, the financial statements referred to above present fairly, in all material respects, the respective financial position of the project as of December 31, 2023 and 2022, and the respective changes in financial position, for the year then ended in accordance with the basis of accounting described in Note 1 of the notes to the financial statements.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describe the basis of accounting. The financial statements are prepared on an accrual basis, in accordance with accounting principles generally accepted in the United States of America. We conducted our audit in accordance with GAAS, with the auditor responsibilities described above. Our opinions are not modified with respect to the statements.

Emphasis of a Matter

We draw attention to Note 1 of the financial statements, which disclose the statement present only the Vancouver hotel and convention center project and do not present the financial position of the Vancouver Downtown Redevelopment Authority, a component unit of the City of Vancouver, Washington. They present the results of its operations and cash flows as of December 31, 2023 and 2022 in conformity with generally accepted accounting principles in the United States.

Report on Supplemental and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the project's basic financial statements. The accompanying supplementary information is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinions, the information is fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.



Rebecca Harder
A. Harder CPA
June 17, 2024

Independent Auditor's Report Schedule of Audit Findings and Responses

2023-01

The entity did not have adequate controls ensuring accurate and reliable reporting of the cash balances, resulting in a material misstatement.

Background

Entities should perform bank reconciliations in a timely manner and address variances identified. Bank reconciliations should identify reconciling items and explain differences between bank records and accounting records. These differences could be due to timing differences, such as deposits in transit, or bank activity that is not recorded, or identify transactions that need to be recorded in accounting records.

Description of Issue

Our audit identified internal control deficiencies that, when taken together, represent a material weakness. Specifically, the entity did not complete either adequate or timely bank reconciliations to the general ledger to address all variances. The central Hilton accounting team has been identified as the team responsible for bank reconciliations.

As a result, clearing accounts in the ledger were not adjusted per movement in the bank. There was a material overstatement of the cash reported in the ledger that was not supported by the bank statements or reconciling items.

Cause of Issue

There has been some internal reorganization of the central accounting team around November 2023 which may be the cause of the delay in reconciling and maintaining cash clearing journal entries. The local Vancouver Hilton accounting team has not been involved in the reconciliations but has previously identified this issue and requested follow-up from their central accounting team, but it had not been resolved.

Effect of the Condition

The entity's financial information contained errors that were not corrected before the audit. We identified the following misstatements for the December 31, 2023 information:

- The cash balance was overstated by \$2.8 million, or 61% of the recorded cash balance

Recommendation

We recommend the entity strengthen internal controls over financial reporting, specifically dedicate the necessary time and resources to complete bank reconciliations and adjust the general ledger accordingly on a timely basis and address variances.

Hilton Vancouver's Response

In November of 2023 our central accounting team went through an internal reorganization that resulted in a transition of tools for the posting of banking items. This transition resulted in the confusion as to what group was responsible for the posting of zero balance transfers to the GL, which was the primary reason for the overstatement of cash reported to the ledger. The property has since worked with the central accounting team and its regional support to develop controls to meet Hiltons corporate standard, which is to have no deposits in transit older than 5 days and to analyze and provide supporting documentation for all amounts that are older than 5 days.

Auditor's Remarks

We appreciate the entity's commitment to resolving the condition.

Vancouver Hotel and Convention Center Project

Vancouver, WA

Basic Financial Statements
December 31, 2023 and 2022

Vancouver Hotel and Convention Center Project

Balance Sheet

As of December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,771,475	\$ 1,057,738
Accounts receivable, net	1,402,691	1,386,951
Inventories	49,293	43,408
Other current assets	73,057	66,595
Total current assets	<u>3,296,516</u>	<u>2,554,692</u>
OTHER ASSETS	<u>27,950</u>	<u>28,450</u>
Total Assets	<u>3,324,466</u>	<u>2,583,142</u>
LIABILITIES AND OWNER'S EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable	59,541	32,702
Accrued expenses	2,951,392	2,428,842
Total current liabilities	<u>3,010,933</u>	<u>2,461,544</u>
OWNER'S EQUITY (DEFICIT)	<u>313,533</u>	<u>121,598</u>
Total liabilities and owner's equity (deficit)	<u>3,324,466</u>	<u>2,583,142</u>

The notes to the financial statements are an integral part of this statement.

Vancouver Hotel and Convention Center Project

Statement of Operations

For the Years Ended December 31, 2023 and 2022

	2023	2022
REVENUE		
Rooms	\$ 11,636,570	\$ 11,341,511
Food and beverage	7,263,260	7,057,398
Other operating departments	949,913	990,802
Telephone	4,731	7,104
Total revenue	19,854,473	19,396,815
 DIRECT OPERATING EXPENSES		
Rooms	3,124,220	2,810,063
Food and beverage	5,310,774	4,645,097
Other operating departments	4,700	2,152
Telephone	8,965	8,177
Total direct operating expenses	8,448,659	7,465,489
 INDIRECT OPERATING EXPENSES		
General and administrative expenses	2,656,044	2,390,220
Sales and marketing expenses	1,594,484	1,509,087
Utilities expense	664,646	617,668
Property operations	997,417	820,553
Management fees	668,471	648,978
Total indirect operating expenses	6,581,063	5,986,506
 Net income (loss) from operations	4,824,751	5,944,820
 NON-OPERATING (EXPENSES)	(344,014)	(327,345)
NON-OPERATING REVENUES	8,126	-
Total Non-operating	(335,888)	(327,345)
 Net income (loss)	4,488,863	5,617,475
 BEGINNING FINANCIAL POSITION	-	-
ENDING FINANCIAL POSITION	-	-

The notes to the financial statements are an integral part of this statement.

Vancouver Hotel and Convention Center Project

Statement of Changes in Owner's Equity (Deficit)
For the Years Ended December 31, 2023 and 2022

BALANCE AS OF JANUARY 1, 2022	(37,698)
Distributions to owner	(5,458,179)
Net income	5,617,475
BALANCE AS OF DECEMBER 31, 2022	<u>121,598</u>
Distributions to owner	(4,296,928)
Net income	4,488,863
BALANCE AS OF DECEMBER 31, 2023	<u>313,533</u>

The notes to the financial statements are an integral part of this statement.

Vancouver Hotel and Convention Center Project

Statement of Cash Flows

For the Years Ended December 31, 2023 and 2022

	2023	2022
CASH FLOW FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 19,835,012	\$ 19,291,011
Cash paid to suppliers	(5,821,045)	(5,600,946)
Cash paid for employee payroll	(9,003,302)	(8,005,955)
Net cash provided by (used for) operating activities	5,010,665	5,684,110
 CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES		
Distributions to owner	(4,296,928)	(5,458,179)
Net cash provided by (used for) noncapital activities	(4,296,928)	(5,458,179)
 Net increase (decrease) in cash	713,737	225,931
 Beginning cash balance	1,057,738	831,807
Total ending cash balance	1,771,475	1,057,738
 Reconciliation of operating income (loss) to net cash provided by (used for) operating activities		
Operating income (loss)	4,488,863	5,617,475
Adjustments to reconcile:		
Accounts receivable, net	(15,740)	(97,442)
Inventories	(5,885)	(203)
Other assets	(5,962)	(8,159)
Accounts payable	26,839	(55,354)
Accrued expenses	522,550	227,793
Net cash provided by (used for) operating activities	5,010,665	5,684,110

The notes to the financial statements are an integral part of this statement.

Vancouver Hotel and Convention Center Project

Notes to the Financial Statements
For the Years Ended December 31, 2023 and 2022

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The Vancouver Downtown Redevelopment Authority (the Authority) was established in 1997 as a special purpose government entity in accordance with Sections 35.21.730 through 757 of the Revised Code of Washington (RCW). The Authority is a component unit of the City of Vancouver, Washington (the City). In December 2003, the City, operating as the Authority, and Hilton Hotels Corporation (Manager), entered into an agreement (the Management Agreement) naming them as the hotel manager of the Vancouver Hotel and Convention Center Project (Hilton Vancouver Washington or the Project). The Authority financed the acquisition, construction, and furnishing of the Hilton Vancouver Washington. Commencement of operations of the Hilton Vancouver Washington occurred on June 15, 2005. The Manager operates the hotel on behalf of the Authority. The Hilton Vancouver Washington's operations include a 29,000 square foot conference center, a full-service hotel with approximately 226 hotel guest rooms, a full-service restaurant, and an underground garage with approximately 160 parking spaces.

The accompanying financial statements do not purport to be the full financial statements of the Authority or the City.

Basis of Presentation - The accompanying financial statements have been prepared to comply with the Management Agreement. The basic financial statements for the Hilton Vancouver Washington, prepared in conformity with the accounting principles generally accepted in the United States of America (GAAP).

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable - The Hilton Vancouver Washington provides for uncollectible accounts receivable using the allowance method of accounting for bad debts. Under this method of accounting, a provision for uncollectible accounts is charged to earnings. The allowance account is increased or decreased based on past collection history and management's evaluation of accounts receivable. All amounts considered uncollectible are charged against the allowance amount, and recoveries of previously charged off accounts reduce the allowance. The balance of the allowance for doubtful accounts was \$3,723 and \$18,269 as of December 31, 2023 and 2022, respectively.

Inventories - Inventories consist primarily of beverages used in the operations of the Hilton Vancouver Washington and are stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out method.

Compensated Absences - Employees of Hilton Vancouver Washington earn vacation leave on a bi-weekly basis. Each employee will start to accrue paid time off (PTO) on their 1st day of employment and are eligible to use accrued time on their 91st day of employment. An employee is entitled to a portion of accrued and earned PTO upon termination of employment based on their length of service. The liability was \$333,231 and \$332,932 at December 31, 2023 and 2022, respectively, which is reported as part of accrued expenses in the accompanying balance sheets.

Concentrations:

Cash - The Federal Deposit Insurance Corporation (FDIC) insures the Hilton Vancouver Washington's deposits and investments up to \$250,000. All deposits and bank and investment pools not covered by FDIC are covered under the State of Washington Public Deposit Protection Commission Act of 1969. Total public deposits may not exceed one and one-half times its net worth or 30% of the total public funds on deposit statewide in each qualified public depository. If public deposits exceed either of these limitations, it must collateralize the excess at 100%.

Labor Risk - For the years ended December 31, 2023 and 2022, approximately 68% and 66%, respectively of the Hilton Vancouver Washington's payroll related costs consisted of employees who are employed in: (i) the preparation, handling, and serving of food and/or drink, (ii) housekeeping/laundry departments, and (iii) valets, bells, and doorpersons who are subject to collective bargaining agreements through the HERE Local #8, the Hotel Employees and Restaurant Employees Union. The contract for the Hilton Vancouver Washington employees was negotiated and approved in fiscal year 2023 and expires on June 30, 2026. The contract will renew each year on June 30th until a new contract is in place.

Management does not anticipate negative outcomes resulting from these concentrations.

Gross Operating Revenues - The Project recognizes revenue in accordance with Financial Accounting Standard Board (FASB) Accounting Standards Codification (ASC), *Revenue from Contract with Customers (Topic 606)*. The core principle of Topic 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to be entitled to in exchange for those goods or services. To determine revenue recognition for the arrangements that the Project determines are within the scope of the guidance, the Project performs the following five steps: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation.

All revenue and income of any kind derived directly or indirectly from operations at the Hilton Vancouver Washington, whether or not arranged by, for, or on behalf of another person or at another location, are properly attributable to the period under consideration in accordance with GAAP and the uniform system of accounts for hotels (except that in determining the amount deposited into the lockbox fund, such determination shall be made on a cash basis), except that the following shall not be included in determining gross operating revenues:

- a. Excluded taxes and other charges.
- b. Receipts from the financing, sale, or other disposition of capital assets and other items not in the ordinary course of the Hilton Vancouver Washington's operations and income derived from securities and other property acquired and held for investment.
- c. Receipts from awards or sales in connection with any taking, from other transfers in lieu of and under the threat of any taking, and other receipts in connection with any taking, but only to the extent that such amounts are specifically identified as compensation for alterations or physical damage to the Hilton Vancouver Washington.
- d. Proceeds of any insurance, including the proceeds of any business interruption insurance and any payments pursuant to the performance and payment bonds. Rebates, discounts, or credits of a similar nature (not including charge or credit card discounts, which shall not constitute a deduction from revenues in determining gross operating revenues, but shall constitute an operating expense).

- e. Consideration received at the Hilton Vancouver Washington for hotel accommodations, goods, and services to be provided at other hotels although arranged by, for, or on behalf of the Manager.
- f. Notwithstanding any contrary requirements of GAAP, all gratuities collected (or to be collected) for the benefit of and paid to the Hilton Vancouver Washington personnel.
- g. Proceeds of any financing.
- h. The initial operating funds and working capital loans and any other funds provided by the Authority to the Manager whether for operating expenses or otherwise.
- i. Other income or proceeds derived from operations outside of the Hilton Vancouver Washington and resulting other than from the use or occupancy of the Hilton Vancouver Washington, or any part thereof, or other than the sale of goods, services, or other items sold on or provided from the Hilton Vancouver Washington in the ordinary course of business.
- j. Interest earned on funds held in any account.
- k. The value of any complimentary rooms, goods, or services.
- l. Refunds to guests of any sums or credits to any Hilton Vancouver Washington customers for lost or damaged items.
- m. Refunds to parking customers of any sums or credits to any parking customers for lost or damaged items.

Nearly all of the Project's sales contracts reflect market pricing at the time the contract is executed and generally provide for performance within 60 days after the price has been agreed upon with the customer.

The Project recognizes revenue based on contractually stated selling prices and quantities sold, net of sales tax. The Project experiences very few sales returns and, therefore, no material provisions for returns have been made when sales are recognized.

The Project has elected the following practical expedients in accordance with Topic 606:

- a. *Measurement of transaction price* – The Project has elected to exclude from the measurement of transaction price all taxes assessed by governmental authority that are both imposed on, and concurrent with, a specific revenue-producing transaction and collected by the Project from a customer for sales tax.
- b. *Contract costs* – The Project has elected to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period is less than one year.
- c. *Portfolio approach* – The Project has elected to apply the guidance to a portfolio of contracts with similar characteristics which the Project reasonably expects that the effects on the financial statements of applying this guidance to the portfolio would not differ significantly from applying this guidance to the individual contracts within the portfolio.

In all cases, the Project recognizes revenue upon delivery to customers as it has determined that this is the point at which control is transferred, the performance obligation is complete, and the Project is entitled to consideration. In accordance with Topic 606, the Project disaggregates net sales from contracts with customers based on the characteristics of the product sold. The Project believes these categories most appropriately depict the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Project has determined that performance obligations related to customer contracts are satisfied at a point in time, as opposed to over time, and, accordingly, revenue is recognized at a point in time across all revenue streams.

Cash received from customers prior to the customer completing their stay or event is reflected as unearned revenue, a contract liability. Substantially all unearned revenue liabilities at year end are recognized as revenue in the subsequent year. Contract liabilities totaled \$1,098,155 and \$742,623 at December 31, 2023 and 2022, respectively, and are included in accrued expenses in the accompanying balance sheets.

Operating Expenses - Operating expenses are defined as all ordinary and necessary expenses including, without limitation, reimbursable expenses and the management fees (see Note 2) incurred in the operation of the Project (including any management fee or other payment to a third-party payable in respect of the operation of the garage) in accordance with and to the extent provided in the Management Agreement, including but not limited to all initial food and beverage supply costs as contemplated by Section 2 (f) of the Pre-Opening Services Agreement, project personnel costs, the cost of maintenance and utilities, administrative expenses, the costs of advertising, marketing, and business promotion, lease payments for equipment to be installed and utilized at the Project, and any amounts payable to the Manager as its management fees, all as determined in accordance with GAAP.

Under a specific provision of the Management Agreement, the following shall not constitute operating expenses:

- a. Taxes, excluded taxes and other charges (save and except for payroll taxes included in excluded taxes and other charges).
- b. Insurance costs.
- c. Rentals of real property (unless approved in writing by the Authority).
- d. Depreciation and amortization on any capital assets.
- e. Administrative expenses and other expenses of the Trustee, Authority, or Authority's personnel, such as entertainment expenses, salaries, wages, and employee benefits of the Trustee's or Authority's employees to attend board meetings.
- f. Costs and professional fees, including the fees of attorneys, accountants, and appraisers incurred directly or indirectly in connection with any category of expense that would not otherwise be an operating expense, unless otherwise expressly provided in the Management Agreement.
- g. Payments of principal and interest related to any financing of the Authority.
- h. Costs covered by and of the Manager's indemnity, hold harmless and defense agreements contained in the Management Agreement, all of which shall be funded out of the Manager's own funds (from whatever source, including insurance proceeds).
- i. Costs incurred by the Manager to perform obligations, duties, covenants, agreements, and responsibilities, which under the express terms of the Management Agreement are to be funded from the Manager's own funds.
- j. Capital expenses, including, without limitation, construction costs of the Authority.
- k. Payments made and amounts required to be paid pursuant to the Design-Build Agreement.
- l. Authority expenses or Authority costs.

Sales and Other Taxes - Revenues are presented net of sales and other taxes collected from customers. Accordingly, such costs are not included in revenues. The related obligation is included in accrued expenses until the taxes are remitted to the proper taxing authorities.

Advertising - Advertising costs are expensed as incurred and are included in sales and marketing expense. Local advertising expenses were \$39,302 and \$31,468 for 2023 and 2022. Shared hotel chain national advertising costs were \$227,007 and \$220,335 for 2023 and 2022.

Income Taxes - The Hilton Vancouver Washington has been organized as a public facility corporation. Therefore, pursuant to *Internal Revenue Code 115*, the Hilton Vancouver Washington is a tax-exempt entity.

Subsequent Events - The Project has performed an evaluation of subsequent events through June 15, 2024, which is the date these financial statements were available to be issued. The following subsequent event was identified:

- One customer with about \$44,000 reported in yearend receivables, entered into bankruptcy in 2024 and the balance was written off that year.

NOTE 2 – COMMITMENTS AND CONTINGENCIES

Base Management Fee - In consideration for the Manager performing all its management, administrative, oversight, cooperation, and coordination services under the Management Agreement, as amended, the Hilton Vancouver Washington paid \$515,063 and \$500,050 in base management fees during the years ended December 31, 2023 and 2022, respectively. The base management fee increases or decreases annually by the Consumer Price Index through the agreement's expiration date of December 31, 2038.

Subordinate Management Fee - In accordance with the Management Agreement, as amended, the Hilton Vancouver Washington shall pay in arrears, subject to availability of amounts in the management fee fund, Manager's earned monthly subordinate management fee for its services. The Hilton Vancouver Washington paid \$153,408 and \$148,928 in subordinate management fees during the years ended December 31, 2023 and 2022, respectively. The subordinate management fee increases or decreases annually by the Consumer Price Index through the agreement's expiration date of December 31, 2038.

Contingencies - The Hilton Vancouver Washington is involved in various claims arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Hilton Vancouver Washington's financial position, change in financial position, or liquidity.

NOTE 3 – RETIREMENT PLANS

The Hilton Vancouver Washington maintains a deferred compensation retirement plan for nonunion employees, which covers employees with greater than 90 days of service. Under the terms of the plan, participating employees may defer a portion of their gross wages. The employees are immediately 100% vested in the plan. The Hilton Vancouver Washington matches a maximum of 4% of the total contributions by the employees and contributed \$90,431 and \$85,621 to the deferred compensation retirement plan for nonunion employees for the years ended December 31, 2023 and 2022, respectively.

The Project also contributes to a multiemployer pension plan under the collective bargaining agreement covering union-represented employees. Approximately 55% of the Project’s total current employees are participants in the multiemployer plan. This plan generally provides retirement benefits to participants based on their service to contributing employers. The Project does not administer this multiemployer plan.

Based on the information available, the Project believes that the multiemployer plan to which the Project contributes to is “critical” as those terms are defined in the Pension Protection Act enacted in 2006 (the “PPA”). The PPA requires underfunded pension plans to improve their funding ratios within prescribed intervals based on the level of their underfunding. In 2013, a rehabilitation plan was adopted whereby participating employers make additional contributions to the plan. The contribution increases do not translate to additional benefit accruals but instead are directed solely to improving the plan’s funded status.

Furthermore, under current law regarding multiemployer benefit plans, a plan’s termination, the Project’s voluntary withdrawal (which the Project may consider from time to time), or the mass withdrawal of all contributing employers from any under-funded, multiemployer pension plan would require the Project to make payments to the plan for the Project’s proportionate share of the multi-employer plan’s unfunded vested liabilities. It is possible that there may be a mass withdrawal of employers contributing to these plans or plans may terminate in the near future. The Project could have adjustments to its estimates for these matters in the near term that could have a material effect on its consolidated financial condition, results of operations, or cash flows.

For union employees employed by the Hilton Vancouver Washington who have completed a minimum of one year of service, the collective bargaining agreement requires the Hilton Vancouver Washington to contribute \$0.59 and \$0.59 per compensable hour into the Hotel Employees & Restaurant Employees Union Local 8 Pension Trust for the years ended December 31, 2023 and 2022.

The most recent information the Project was able to obtain regarding the plan is as follows for the year and period ended December 31, respectively:

Pension Fund	EIN/Pension Plan No.	Pension Zone Status		FIP/RP Status Pending/Implemented	Company Contributions		Surcharge Imposed	Expiration Date Collective Bargaining Agreement
		2023	2022		2023	2022		
UNITE HERE Northwest Pension Trust Fund	91-6145131/001	Red	Red	Implemented	68,697	63,121	No	6/30/2026

NOTE 4 – ACCRUED EXPENSES

Accrued expenses consist of the following at December 31:

	2023	2022
Accrued payroll	\$ 741,660	\$ 709,224
Accrued utilities	31,701	70,924
Contract liabilities	1,098,155	742,623
Due to Hilton Corporate	406,543	378,863
Sales tax payable	127,017	150,966
Other accrued expenses	546,316	376,242
	2,951,392	2,428,842

NOTE 5 – RISKS AND UNCERTAINTIES

In March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. Citizens and economics of the United States of America and other countries were been negatively impacted by the pandemic.

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions which impacted operations and revenues in the 2021 and 2022 presented years. In September 2022, the Governor of the state of Washington announced the end of the remaining COVID-19 emergency orders and state of emergency by October 31, 2022.

The information reported in these financial statements does not consider all the potential financial implications of the pandemic; however, the Project does take into account the facts and circumstances in cases where the impact of the pandemic are apparent.

Vancouver Hotel and Convention Center Project

Vancouver, WA

Supplementary Information

December 31, 2023 and 2022

Vancouver Hotel and Convention Center Project

Bonds Payable
Downtown Redevelopment Authority
December 31, 2023 and 2022

In 2003, the DRA issued bonds in which it pledged income derived from the acquired or constructed assets and taxes pledged to it by other governments to pay debt service. The revenue bonds were authorized by resolution adopted by the DRA Board, and financed from operating revenues. The revenue bonds were issued to finance construction of the Conference Center Hotel project. In June 2013, the remaining outstanding balance of \$63.12 million of the 2003 DRA revenue bonds were refunded by issuing two series of revenue refunding bonds.

The first series of bonds, \$41.19 million Conference Center Project Refunding Revenue Bonds, were authorized by Resolution No. 2013-05-14-1 by the DRA Board. The Project Revenue Bonds are payable primarily from project revenues received by the DRA. In addition, the City of Vancouver has agreed pursuant to the Amended and Restated Payment Agreement, dated June 1, 2013, between the City and the DRA to make payments to the trustee from any available funds if and to the extent necessary to pay debt service on the 2013 Project Revenue Bonds. The 2013 Amended and Restated Payment Agreement provides that if on the 10th business day prior to each interest payment date or principal payment date, if there is not sufficient money on deposit with the Trustee in the Project Revenue Bonds Debt Service Account as required by the Indenture, the City shall pay to the trustee, in immediately available funds, on or prior to the 5th business day prior to the debt service date, the amount of any such deficiency; provided that the aggregate amount of such payments by the City to the trustee in any calendar year shall not exceed the annual debt service payments on the Project Revenue Bonds. Any payment by the City to pay interest and/or principal on the 2013 Project Revenue Bonds will constitute a loan by the City to the DRA, with interest payable on such amounts at the rate or rates on such 2013 Project Revenue Bonds and the City shall have full rights of subrogation.

The City shall take such action as may be necessary under the Amended and Restated Payment Agreement to include all payments due in its operating budget for each fiscal year commencing on and after the date of execution, and to make all appropriations for such payments at such time and in such manner and amounts as may be necessary in order to make all debt service payments when due.

The second series of bonds, \$18.05 million Conference Center Project Sales and Lodging Tax Refunding Revenue Bonds, were also issued in June 2013. These bonds were authorized by Resolution No. 2013-05-14-1 by the DRA Board. The Tax Revenue Bonds are payable primarily from 1) certain proceeds of special sales and use taxes imposed by the Vancouver Public Facilities District (the "City PFD") and the Clark County Public Facilities District (the "County PFD"); 2) certain proceeds of a special lodging tax levied by the City (the "Lodging Tax Revenues"); and 3) certain amounts of certain funds and accounts established under the Indenture. The agreements in place for the Sales Taxes imposed by the City PFD will expire March 2026 and the Sales Tax imposed by the County PFD will expire March 202. Lodging Tax Revenues will continue to be pledged for payment of principal and interest on the Tax Revenue Bonds until the final maturity of this bond series.

If an event of default occurs and is continuing with respect the Project Revenue or Tax Revenue bonds, the Trustee shall, upon the request of the owners of a majority in aggregate principal amounts of the bonds, take up to and including the following actions:

For the Project Revenue Bonds:

- Prohibit the DRA from withdrawing funds from any account, with few exceptions, without the Trustee's written consent.
- Commence foreclosure of the Leasehold Mortgage by private sale or judicial foreclosure.
- Accelerate the bonds, whereupon all principal and interest on such bonds shall immediately become due.

For the Tax Revenue Bonds

- Prohibit the DRA from withdrawing funds from any account, with few exceptions, without the Trustee's written consent.
- Take legal action to protect and secure tax revenues pledged for the benefit of bondholders.
- Accelerate the bonds, whereupon all principal and interest on such bonds shall immediately become due.

DRA Revenue Refunding bonds outstanding at yearends are as follows:

December 31, 2022

Name of issuance	Original Debt	Issuance Date	Maturity Date	Interest Rate	Debt
2013 DRA Conference Center Project Refunding Revenue Bonds	\$ 37,810,000	6/27/2013	1/1/2044	4.38%	\$ 36,845,000
2013 DRA Conference Center Project Sales & Lodging Tax Refund Revenue Bonds	12,550,000	6/27/2013	1/1/2034	4.05%	11,320,000
Total Revenue Bonds	50,360,000				48,165,000

December 31, 2023

Name of Issuance	Original Debt	Issuance Date	Maturity Date	Interest Rate	Debt Outstanding
2013 DRA Conference Center Project Refunding Revenue Bonds	\$ 41,185,000	6/27/2013	1/1/2044	4.38%	35,830,000
2013 DRA Conference Center Project Sales & Lodging Tax Refund Revenue Bonds	\$ 18,045,000	6/27/2013	1/1/2034	4.05%	9,980,000
Total Revenue Bonds	\$ 59,230,000				\$ 45,810,000

DRA 2013 Project Revenue Bonds and the DRA 2013 Tax Revenue Bonds debt service requirements to maturity are as follows:

December 31, 2022

	2013 Project Revenue Refunding Bonds			2013 Tax Revenue Refunding Bonds		
	Principal	Interest	Total Requirements	Principal	Interest	Total Requirements
2023	1,015,000	1,603,988	2,618,988	1,340,000	458,350	1,798,350
2024	1,070,000	1,551,863	2,621,863	1,455,000	395,750	1,850,750
2025	1,120,000	1,497,113	2,617,113	1,565,000	335,350	1,900,350
2026	1,175,000	1,439,738	2,614,738	1,675,000	270,550	1,945,550
2027	1,235,000	1,379,488	2,614,488	1,260,000	211,850	1,471,850
2028-2032	7,035,000	6,060,613	13,095,613	2,930,000	565,988	3,495,988
2033-2037	8,595,000	4,452,619	13,047,619	1,095,000	53,838	1,148,838
2038-2042	10,640,000	2,355,300	12,995,300	-	-	-
2043-2044	4,960,000	225,675	5,185,675	-	-	-
Total	\$ 36,845,000	\$ 20,566,394	\$ 57,411,394	\$ 11,320,000	\$ 2,291,675	\$ 13,611,675

December 31, 2023

	2013 Project Revenue Refunding Bonds			2013 Tax Revenue Refunding Bonds		
	Principal	Interest	Total Requirements	Principal	Interest	Total Requirements
2024	\$ 1,070,000	\$ 1,551,863	\$ 2,621,863	\$ 1,455,000	\$ 395,750	\$ 1,850,750
2025	1,120,000	1,497,113	2,617,113	1,565,000	335,350	1,900,350
2026	1,175,000	1,439,738	2,614,738	1,675,000	270,550	1,945,550
2027	1,235,000	1,379,488	2,614,488	1,260,000	211,850	1,471,850
2028	1,300,000	1,322,613	2,622,613	960,000	167,450	1,127,450
2029-2033	7,315,000	5,770,725	13,085,725	2,500,000	438,700	2,938,700
2034-2038	8,960,000	4,078,131	13,038,131	565,000	13,675	578,675
2039-2043	11,120,000	1,865,700	12,985,700	-	-	-
2044	2,535,000	57,038	2,592,038	-	-	-
Total	\$ 35,830,000	\$ 18,962,406	\$ 54,792,406	\$ 9,980,000	\$ 1,833,325	\$ 11,813,325

The 2013 Project Revenue Bonds require a debt service coverage ratio of 1.05 to 1. The DRA remains in compliance with that provision with a 2023 ratio of 1.26 to 1 coverage, and a 2022 ratio of 1.53 to 1. There are several limitations and restrictions contained in the bond indentures. The DRA is in compliance with these requirements.

Corrective Action Plan For Findings

VANCOUVER HOTEL & CONVENTION CENTER PROJECT

January 1, 2023 through December 31 ,2023

This schedule presents the corrective action planned by the Project for findings reported in this report.

Finding ref number: 2023-01

Finding caption: The entity did not have adequate controls ensuring accurate and reliable reporting of the cash balances, resulting in a material misstatement.

Corrective action the auditee plans to take in response to the finding:

The operations manager, Hilton Vancouver Washington, will continue work with their central accounting team re-implement timely bank reconciliations and necessary adjustments to the ledger. The property has started the process with the central accounting team and its regional support to develop controls to meet Hiltons corporate standard, which is to have no deposits in transit older than five days and to analyze and provide supporting documentation for all amounts that are older than five days.