

## **DRAFT CFA Meeting Minutes of February 27, 2024**

**Members Present:** Lee Czerwonka, Kevin Hardman, Joe Mallory, Dan Unger, Kathleen Eagen, Ashley Bryant-Bailey and Keizayla Fambro.

**Members Absent:** Donna Jones Baker, Bimal Patel, Nidhi Bambino, and Lawrence Hawkins III

**Other Attendees:** Jeff Aluotto, Holly Christmann, John Bruggen, Anson Turley, Michael Friedman, Monica Morton, Andrew Dudas, Ric Booth, Julie Calvert, Andrew Grath, Katie Westbrook, Brad Ruwe, Nick Swartsell and Lisa Anderson.

### **Welcome and Introductions, Chair Czerwonka**

Chair Czerwonka called the meeting of the Convention Facilities Authority to order at approximately 4:08 p.m.

### **Approval of the November 17, 2023, minutes**

Chair Lee Czerwonka accepted a motion to approve minutes from Dan Unger, seconded by Joe Mallory. The minutes were approved by all board members present at that time.

### **Election of Officers**

The slate of Lee Czerwonka for chairperson, Katie Eagen for vice-chairperson, Kevin Hardmann for treasurer was presented. Dan Unger made a motion to approve the slate, seconded by Joe Mallory. The slate was approved unanimously.

### **Resolutions**

Chair Lee Czerwonka asked if the board had read over the resolutions.

### **Appointment of Secretary, Assistant Secretary and Assistant Treasurer**

Kevin Hardman made a motion authorizing the appointment of Holly Christman as secretary, Andrew Dudas as assistant secretary and Monica Morton as assistant treasurer, Joe Mallory seconded it. The resolution was approved unanimously.

### **Appropriating Service Payments and Authorizing the Expenditure of Such Funds**

Kevin Hardman made a motion to approve the resolution, second by Katie Eagen. Dan Unger asked if \$65,000 was consistent with what was appropriated in the past. Monica Morton indicated that \$30,000 is usually expended annually, but \$65,000 is budgeted so that we do not have to come back to the board for approval again. Lee Czerwonka asked if there were any other questions. There were no additional questions. The resolution was approved unanimously.

### **Appropriating Taxes and Authorizing the Expenditure of Such Funds**

Kevin Hardmann made a motion to approve the resolution, second by Dan Unger. Lee Czerwonka asked if there were any questions. Board members did not have any questions. The resolution was approved unanimously.

### **Convention Center Update and Review – Jeff Aluotto**

Jeff Aluotto indicated that at the November meeting Brad Ruwe gave an overview of various agreements for approval to the funding of the Convention Center Project. Since that meeting the City of Cincinnati and the County acted on those agreements. Approval and consent is needed by the CFA for a portion of those agreements, that would be the Cooperative Agreement and the Residual Transient Occupancy Tax Agreement.

Jeff Aluotto gave a presentation that included an overview of the Convention Center project which is the \$200 million renovation of the Duke Energy Convention Center including the new public plaza and the headquarter hotel. He mentioned that the headquarter hotel would cost approximately \$480 million and that a \$160 million fund gap (33% of total costs) exists. This gap was in line with hotel gaps in other cities, from Salt Lake City to Nashville. Those public funding gaps ranged from 31% to 50%.

The funding gap was previously identified at \$160 million. We have taken strides over the past several months to reduce that gap. We received the award of the transformational mixed-use development from the State at \$40 million. We are expecting to hear soon on our \$50 million request from the State Catalytic Fund (the House version included \$22M). We are expecting action from the Senate as this bill processes through the Senate and we are hoping to get an equal match. We also have the Occupancy Tax TIF, the ability to TIF the headquarter hotel, which was approved by State legislation last year, as well as the 1% New Community Authority, all of which will add significant gap closing.

Dan Unger asked Jeff to discuss the 1% New Community Authority. Jeff indicated that would be the 1% tax on the bars and restaurants in the vicinity of that district. Kevin Hardman asked Jeff if he had a ballpark number on the shortfall. Jeff and Katie Westbrook mentioned that the amount of the gap depends on construction costs and interest costs.

Jeff also discussed Convention Center Hotel project milestones. The schematic designs are undergoing from February through June. Construction should be starting late this year and completion occurring in Q3 of 2026.

The Convention Center Development is a \$200 million project. The new plan contemplates a simpler and more efficient structure that reprioritizes all of our obligations flowing into this financial model. Everything from Sharonville debt, the FCC debt with the City, would go into a common plan of finance where all of occupancy taxes streams flow into one model to fund all of these infrastructure models.

Jeff showed several renderings of the design of the new Convention Center.

He also discussed the proposed debt structure including \$200 million in new project funds, payoff original debt, establishing reserve, contingency for the project, predevelopment costs, design costs, legal costs, and costs of issuance for a total issuance amount of \$347 million.

Jeff also discussed Convention Center Development Project Milestones with construction beginning in July and completion by end of 2025.

Next Jeff gave an overview of the Senior Cooperative and the Residual TOT Cooperative agreements before the CFA. The Senior Cooperative Agreement:

- Parties: County, City, Port
- Acknowledgement and Consent by: CFA and Visit Cincy
- Purpose:

- To allocate the various TOT components and contribution of the County and the City to the project
  - County 3.5% TOT to the CFA for Sharonville payments and then to the bond trustee
  - County 1% TOT to the bond trustee
  - City's 1.5% TOT toward FC Cincinnati Bonds and then to the bond trustee
  - City's 1% TOT to the bond trustee
  - \$3 million of the 3% TOT from Visit Cincy to the bond trustee
- Other Considerations:
  - \$650,000 commitment each from the City and County to backstop debt service on Convention Center bonds.
  - Cash Contributions
    - City \$30 million
    - County - \$15 million (\$10 million remaining)
  - Role of CFA
    - CFA to accept County 3.5% TOT and assign to bond trustee.
    - CFA appointed as an advisor and consultant on matters affecting the Convention Center

The Cooperative Agreement talks about how the different tax streams are used to fund the project and all the other senior usages. The Residual TOT Cooperative Agreement talks about what happens if there is money left over. Essentially it talks about how the dollars are allocated to the City and the County, if in fact dollars remaining after debt service.

Next Jeff discussed the Waterfall concept. Broadly speaking, for residual dollars that come out of the model, 65% of residual will be provided to Visit Cincy (63% in Year 1) until any deficit is remedied and then, to a maximum of \$3 million annually. After that the County receives 80% of residual following Visit Cincy payback and the City receives 20%. The allocation is a pro-rata split based on the percentage of taxes revenue coming from each entity into the model. That could change any given year if the City's occupancy taxes produces at a higher level than the County does.

The County Residual TOT usages are:

- 45% to County identified priorities (Black Music Walk of Fame, Visit Cincy Marketing)
  - The initial \$350,000 for maintenance of the Black Music Walk of Fame
  - The next \$350,000 toward marketing efforts of Visit Cincy
  - Then, a 50%/50% split between the Black Music Walk of Fame and marketing efforts of Visit Cincy until each receives \$500,000 taking into account the prior \$350,000 for each respective entity.

In the first year of the model, the 45% is not expected to reach \$700,000. For example, if 45% was \$400,000, \$350,000 would go to the Black Music Walk of Fame and \$50,000 would go to Visit Cincy.

- 38% to capital needs in the Northern Convention District
- 17% to capital needs at the Duck Energy Convention Center
  - First four years (or until \$2.2 million is reached) – funding for the Northern District.

- DECC also benefits direct City operational contribution (1.5% TOT), contribution of City residual, and the allocation of capital reserve funding.

Dan Unger asked if the \$350,000 was accumulative over a period of years until the \$350,000 was reached. Jeff indicated no, the \$350,000 is on an annual basis, every year it would reset.

The City's residual usage is the entirety of pro-rata distribution deposited into a City-held capital maintenance reserve fund for the Duke Energy Center.

The City Council approved the agreements on February 7, 2024, and the Board of County Commissioner approved the agreements on February 22, 2024.

Jeff said he was happy to answer any questions and thanked Brad Ruwe for attending the meeting to assist with the legal interpretation of the agreements. Jeff indicated that if there were any legal questions Brad would be willing to answer them, if there were any operational questions Katie Westbrook from 3CDC would be willing to answer those questions. He also mentioned that Julie Calvert was present from Visit Cincy.

Chair Czerwonka asked the board if they had any questions. Joe Mallory asked if a PLA was going to be in place for this Convention Center project. Joe Mallory asked if it is just in discussion mode right now. Keizayla Fambro said correct.

Keizayla Fambro commented that this project is very vital for the region, the Convention Center District as a whole. She stated that the City of Cincinnati really appreciates this board and understands what this vote is. She also said that Sheryl Long, City Manager, said that Jeff is a great partner, so thank you for that. The County has been a collaborative partner in this and the City is really appreciative of the board. Jeff said it was a pleasure. Chair Czerwonka said to tell the Mayor thank you.

Joe Mallory asked since equity goals were mentioned are there any percentage goals. Katie Westbrook indicated that inclusion goals are set, MBE goal is 20% with a reach of 5%, so 25% and WBE is 10% with a 5% reach, so 15%. Jeff Aluotto indicated that the total was 40% for MBE and WBE.

Kevin Hardmann commented that there was a lot of work going into a good project that is very beneficial to our entire region and continuing a plan that has worked very successfully for over a decade that has not only helped the downtown portion of the convention district but also the work that is going on in the north. He appreciates the work that the County does and that this board continues to do and the City does to make this effort happen. Lee Czerwonka mentioned that there has been a lot of effort at this point.

Dan Unger mentioned that Brent Spence Bridget construction project is going to happen. He imagines that project plus the other projects that is going to put a lot of demand on concrete suppliers and everyone else. He asked have we considered that there is going to be another big project going on during this construction a few blocks away and how this is going to tie into the all the new access to the bridge.

Jeff indicated that was a great point, as that project happens what does it mean to the land directly west of there and freeing up land, that has major implications for, we are doing what we need to do to get the center renovated so that it clears away for that project and then for the hotel and then to improve the occupancy taxes more.

Dan asked if there are any other big projects going over in Covington or something we are not thinking about, because he could see where folks would say they are not going downtown because it is a mess down there. Keizayla Fambro said that she thinks right now the Convention Center and the Brent Spence Bridge. She thinks that Newport is getting Margaritaville and Covington will be working on the IRS site. There will be a lot going on and the city will be working to figure out a strategy to best communicate what is safe to attend and go to, but the city will be still focusing on pushing the downtown area.

Julie Calvert thanked the board for all their work that has gone into this project. It has been a huge labor of love. She also said she believes it started in 2006, when they cut the ribbon on the initial expansion of the center. She indicated that her board (Visit Cincy) has not taken any action yet, but they intend to on March 11<sup>th</sup>. They have been working closely with their legal counsel at KMK. She thinks that there is a very good comfort level with the financing of the project and the \$3M that is coming from their portion of bed tax to support this project. Their organization has said for years that we made great improvements at the Sharonville Convention Center and now to make the improvements at the downtown convention center to unlock the potential of tourism in this region. Looking at the pictures, it really creates the most attractive and functional convention center in the Midwest. There was a group in town yesterday that signed their contract for July 2026, it will bring 20,000 people downtown. All the annual conventions that they had to move for 2025 have all agreed to come back. They are already seeing the growth potential.

Dan Unger also made a comment that the other big project is the Western Hills Viaduct, if that project along with the Brent Spence Bridge will result in demands for material which may drive up the costs to a different level than we anticipate. Jeff Aluotto asked Katie Westbrook if she had any thoughts on contractual capacity as it relates to these two projects and the convention center. She said a positive for us is that on the 29<sup>th</sup> the next set of drawings are coming out, Messer is starting their effort to secure a GMP, we will hopefully have that locked in by May 1<sup>st</sup>. She thinks that there is a 60-day window on some risk on that front. She indicated that they are different type of projects in terms of what types of material we will be buying for the convention center versus the bridge.

Chair Lee Czerwonka asked if there were any other questions. There were no additional questions.

**Resolution Authorizing the Convention Facilities Authority to Accept the Pledge and Contribution of the County 3.50% Hotel Lodging Excise Tax as well as to Further Pledge and Assign the County 3.50% Hotel Lodging Tax and to Execute Certain Documentation to Effectuate the Refunding of Certain Prior Bonds and the Financing of the Convention Center Renovation Project**

Dan Unger made a motion to approve the legislation as described by the chairman, seconded by Kevin Hardman. Mike Friedman called the roll on the resolution offered by Mr. Unger and second by Mr. Hardmann. The resolution was approved seven to zero.

**4<sup>th</sup> Quarter Financial Update – Monica Morton**

Monica Morton indicated that the City's collections for 2023 were up by 23%, ending at \$4,504,488 and the County was up 15%, at \$10,827,982 from last year. Overall collections pre-pandemic, the City had a 6.5% in 2023 from 2019 and the County was a little bit less than 8%. We ended the year with \$28,769 in expenses. In 2022, expenses were \$24K and in 2021 they were \$25K. We are normally less than \$30K, so

that we don't have to come back to the board we set it at \$65K. Lastly, the disposition of funds ended at \$1.76 M and the balance in the debt service payment account was \$14,280.

### **CFA Audit – Morton**

Monica indicated that last year's audit was good. There was only one concern about the fraud risk questionnaire. The audit indicated that six board members indicated a lack of understanding of the risk of fraud at the Authority; lack of awareness of monitoring procedures at the Authority with access to assets or that process accounting transaction; and a lack of understanding of how Authority programs, policies or controls mitigate fraud risks. Additionally, eight board members did not provide a timely response to their questionnaire.

The Auditors no longer take responses to the audit; however, Monica Morton did submit a response. Monica read the response below to the board members. In addition, Monica promised the Auditors that she would read this to the board annually.

The Convention Facilities Authority (CFA) is a voluntary board that was created to monitor joint debt services payment on behalf of the City of Cincinnati and Hamilton County, made by the Trustee and all CFA debt service activity is overseen by the trustee per the trust agreement. The CFA has no employees, no direct access to banking accounts, bank statements and no board member is authorized to process any financial transactions for the board. All financial transactions are processed the CFA Assistant Treasurer, who is not a CFA board member and is employed by the City of Cincinnati and the trustee. The Assistant Treasurer prepares monthly payments to the trustee and the trustee in turn pays the debt service payments on behalf of the CFA Board. The CFA Board approves the annual expenditures budget for the CFA and the Assistant Treasurer is authorized to make these payments on behalf of the CFA Board. The Board is provided with quarterly reports of both city and county hotel/motel tax collections, an expense status report and disposition of funds held with the Trustee.

As the CFA Board has no employees, no financial transactions, no access to bank accounts, and no financial reporting responsibilities, the CFA board has minimal to no risk for fraud. The CFA Board was updated on 4/28/2023 on the minimal fraud risks and the fact that the fraud controls for the Assistant Treasurer are based on the fraud controls with the City of Cincinnati. Moving forward, the Assistant Treasurer will provide the information annually to the Board members, outlining the roles of both board and non-board members in relation to internal controls and fraud.

This is the first year that the fraud questionnaire was required to be filled out by all board members. The Assistant Treasurer and the Secretary of the board will annually ensure that all board members are informed of the purpose of the fraud questionnaire and provided a time frame for when a response is expected.

Monica indicated if she receives notice that there will be a questionnaire she will let everyone know and due in two weeks. She and Holly Christmann will work together to get all the responses back within the two-week timeframe. Also, if you have any questions and get an email from the State Auditors, or if you have any questions or concerns, please send her or Holly an email and we will be happy to answer any questions for the Board.

Chair Lee Czerwonka asked if there were any other questions. There were no additional questions. He also asked if there was any other business from the floor. There was none.

## **Meeting Adjourn**

Kevin Hardman made a motion to adjourn the meeting. Dan Unger seconded the motion. The motion passed seven to zero. The meeting was adjourned at 5:00 p.m.