



City of Austin

City Manager's Office

P.O. Box 1088, Austin, TX 78767
(512) 974-2200, Fax (512) 974-2833

Mark Washington, Assistant City Manager
mark.washington@austintexas.gov

April 10, 2017

Dear Mr. Bunch,

Thank you for taking the time to meet with me this morning about your letter regarding the management, direction, and process of the Visitor Impact Task Force. In response to your letter, I have asked Chairman James Russell to forward the document to all Visitor Impact Task Force members and have shared your concerns with Mark Tester, the Austin Convention Center Director, and Tom Noonan, the Austin Convention and Visitors Bureau President and CEO. I have also asked for an item to be placed on the April 11, 2017 Visitor Impact Task Force (VITF) meeting agenda so a public discussion of the matter can take place with the Task Force. I welcome your presence and participation during this discussion.

Although there will be additional discussion during the Task Force meeting, I would like to briefly respond to some of the concerns you have highlighted in your letter.

- I. ***Concern:*** *Failure to provide essential and accurate information and loss of public oversight. City staff has failed to provide essential and accurate information to Task Force members on the points charged to them by the Council Resolution No. 20160818-075.... the Task Force was unaware that the convention center operated at a substantial loss last year (\$24.3 million single year loss), or that, despite these losses from convention center operations, the convention center was sitting on more than \$122 million in cash and cash equivalents as of last September because of the extreme over-allocation of hotel occupancy tax revenues to the convention center. All of these numbers come from page 112 of the City's September 2016 financial statement.*

Response: City Staff has done their best to be responsive to all request for information from the Task Force. Regarding your concerns about the financial reporting related to the Convention Center, I have asked the Convention Center Staff and the Controller from the Finance Department to present on the City's Financials in detail and answer any questions from the Task Force on April 11, 2017. Mark Tester, Austin Convention Center Department Director, has provided a high-level summary of the Austin Convention Center's cash position in addition to his April 6, 2017 memo addressing the role of the Austin Convention Center Department with the Visitor Impact Task Force (See attached).

II. **Concern:** *Instead of providing clear and comprehensive information on all of the points, the task Force Process has consisted of an extended sales pitch for expanding the Convention Center.*

Response: The Task Force's scope of as defined by the resolution include:

1. Study the impact of tourism on City infrastructure, services, and facilities, and investigate opportunities to offset those impacts by using Hotel Occupancy Tax revenues;
2. Review of current uses of Hotel Occupancy Taxes and the impact of those activities and expenditures on tourism in the City;
3. Review of current tourist activity in the City of Austin and what events, venues, or facilities those tourists attend while visiting;
4. Review of State and National best practices for tourism programs;
5. Review of Texas Tax Code Chapter 351 and allowable uses of Hotel Occupancy Taxes under the Tax Code including parks, historic preservation, cultural heritage, music, arts, special events, fee waivers, convention, visitor's bureau, transportation, downtown districts, venues and other facilities and debt defeasance for city-owned hotels and convention facilities;
6. Review the Austin Convention Center expansion, all possible design options and potential funding mechanisms; and

My staff has researched all available agendas, meeting minutes, and backup documents to ensure the Task Force has had opportunities to discuss all items within scope of Council's resolution. See attachment memo regarding *Visitor Impact Task Force Scope of Work* for the occasions in which the items were placed on the agenda for discussion.

III. **Concern:** *There has been no effort to connect the process to community or interested stakeholder groups except for the hotel industry. The goal of "public oversight" has thus far been almost completely lost.*

Response: The Council appointed 18 voting members and two ex-officio staff members to the Task Force and wanted to make sure the diverse industries were represented. The majority of voting members are represented by individuals that are not affiliated with the hotel industry.

In addition to having community representatives on the task force, community stakeholders have been given time to speak, share opinions, and offer advice to the VITF through Citizen Communication and signing up to speak to agenda items at each meeting. The meetings have

complied with the Open Meetings Act and City staff has used all available resources to ensure the Task Force is open and accessible to all residents and stakeholders.

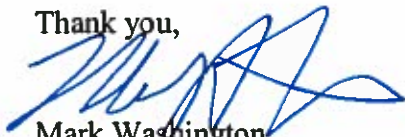
Audio recordings, meeting minutes and all presentation materials can be found on the Visitor Information Task Force website. I understand your desire for video recordings of the VITF meetings. However, ATXN does not have the staff capacity to broadcast, webcast, or record video all task force meetings in addition to their responsibilities for recording other board, commission, and scheduled City Council meetings.

IV. *Concern: Location of Meetings: Task Force meetings have been tucked away in "obscure meeting rooms, difficult to access by the public, and with no video of live streaming capabilities."*

Response: With a membership of eighteen voting members, 2 ex-officio members, City support staff, and seating for more than 50 members of the public, finding a meeting location at 2:00 PM or 3:00 PM for three to four hours presents a challenge. To date, the VITF has met in four different locations; Pan American, the Palmer Events Center, Hyatt Regency Hotel, and the Austin Convention Center. The City has complied with all protocols for posting public meeting notices, has updated the online commission website with new meeting locations, reserved time for citizen communication at every meeting, and has provided audio recordings and minutes of each meeting. The Task Force has previously discussed their meeting locations and has indicated a preference where there is sufficient meeting space and adequate parking.

Please let me know if you have additional questions.

Thank you,



Mark Washington,
Assistant City Manager



Attachments: Austin Convention Center Financial Position Summary
April 6, 2017 Memo from Mark Tester, Director of the Austin Convention
April 10, 2017 Memo on Visitor Impact Task Force Scope of Work Analysis

CC: Elaine Hart, Interim City Manager
James Russell, Chair, Visitor Impact Task Force
MariBen Ramsey, Vice-Chair, Visitor Impact Task Force
Visitor Impact Task Force

Financial Position Summary

Analyzing the financial position of any entity, including a City Department, can be complex. Just as with a personal bank account, a reported cash balance on any given day does not always provide an accurate picture of an entity's available resources. Outstanding commitments (i.e. checks written but not yet cleared) or near-term scheduled payments/commitments (i.e. scheduled auto payment set to clear bank account in 2 days) impact the amount cash that is really "available" for other purposes.

The financial position of the Austin Convention Center Department is impacted by: reserve requirements set by Council-approved financial policies, legal restrictions of Venue funds, both for the Austin Convention Center/Waller Creek Tunnel venue and the Palmer Events Center/Town Lake Park venue, and cash commitments with regards to capital improvement projects. Developing a holistic understanding of a City Department's financial position requires review of the City's Comprehensive Financial Annual Report (CAFR), Approved Budgets, and CIP plans. All of these sources of information are available on the *Austin Financial Online* website.

One key difference of the Austin Convention Center Department (ACCD) compared to the majority of other City Departments is the approach to financing capital improvement projects. While most departments largely fund capital improvement projects with debt financing, the ACCD funds over 90% of its capital improvement projects with cash. The pledge of the ACCD's main source of funds, hotel occupancy tax, to its outstanding debt does not allow for further leveraging of that funding for additional debt issuances.

Additionally, the ACCD's business model, which seeks to maximize hotel occupancy tax over its internally generated facility revenue, does not provide for additional funding sources available to back debt financing. The ACCD has, on rare occasions, been part of the City's annual issuance of Certificates of Obligations to fund capital needs when cash flows were limited. The last year the ACCD participated in the annual debt issuance was 2010. Given that the ACCD's business is selling its facility, deferred maintenance and delayed capital improvement projects are not feasible. Therefore, significant cash funding is required for the ACCD's ongoing capital improvement needs.

Therefore, a high-level reconciliation of the ACCD's reported cash position at 9/30/16 to the available funding for future projects/uses, is as follows:

Description	Amount	Source
Total Pooled Investment and Cash	122	FY2016 CAFR
Less:		
Pooled Cash and Investments- Restricted	(10)	FY2016 CAFR
Reserve Ending Balance	(20)	FY2017 Approved Budget*
Cash Committed to Active/Planned CIP	(37)	FY2016 CIP Plan
Remaining Cash Related to Venues:		
Convention Center/Waller Creek	(14)	ACCD Financial Records
Palmer/Town Lake	(6)	ACCD Financial Records
Net Available Funds for Future Projects/ Use	35	

*Due to timing on budget development, FY2016 Ending Balance is found in the FY17 Approved Budget

As ACCD has communicated during each of the last three years' budget cycles, ACCD has been strategically planning for dollar-intensive endeavors, such as the proposed expansion, and the increasing capital improvement needs of aging facilities. Should Council approve a Convention Center expansion, it is anticipated that significant funding will be required for land acquisition and development, agreements, and/or debt retirement. The ACCD would be remiss if funds were not being strategically managed.

ACCD staff will be presenting a detailed-overview of its cash, financial position, capital improvement project financing, and debt at the request of the Visitor Impact Task Force at its next meeting, Tuesday, April 11, 2017.



AUSTIN
CONVENTION CENTER

To: Mark Washington, Assistant City Manager
From: Mark Tester, Director, Austin Convention Center Department (ACCD) MT
Date: April 6, 2017
Re: Letter to City Manager and Visitor Impact Task Force (VITF) Chairperson from Mr. Bill Bunch, dated March 30, 2017

The Austin Convention Center Department (ACCD) staff is assisting Corporate Public Information Office staff in facilitating all VITF meetings, and believes it is important to provide specific details regarding the responsiveness and involvement of ACCD staff to the Visitor Information Task Force (VITF) members and interested stakeholders.

An ACCD staff member was named as staff liaison to the VITF. To date, staff members have facilitated seven meetings, scheduled every other week since the first of the year, with meetings planned for two more months. Facilitating these meetings requires a significant time commitment from ACCD staff in between meetings, and includes posting agendas, coordinating all meeting logistics, and ongoing, routine communication to VITF members.

The ACCD has been open and transparent regarding our operating philosophy, finances, and challenges in competing in a free and competitive marketplace. ACCD staff has formally presented at three VITF meetings, with one more presentation scheduled, regarding ACCD's financial position and outstanding debt, answered questions from the VITF, both during the meetings and through the written Q&A process, and provided additional resources and educational information. A summary ACCD's financial position, which will be presented in more detail next Tuesday, April 11, 2017, is attached.

A breakdown on the amount and types of information ACCD staff has provided over the last 13 weeks is as follows; 3 formal presentations; 17 responses to VITF written questions, 12 links to resources and educational information, and six additional pieces of relevant information. This information, including audio of the meetings, can be found at:

http://www.austintexas.gov/cityclerk/boards_commissions/meetings/146_1.htm.

Expansion of the Austin Convention Center has been discussed for more than a year now, since the draft Long-Range Master Plan was presented to Council in late 2015, followed by extensive work responding to Council's subsequent resolution on the topic, and now the work of the VITF. Evaluating the proposed expansion is part of the scope of the VITF, and as such, the magnitude of the project and investment, has been discussed at length by the VITF.

It is my belief that the VITF's work has been thoughtful and balanced. Task force members have heard from representatives of each group that currently receives a portion of the Hotel Occupancy Tax collections, including the Austin Convention and Visitor's Bureau, the City's Economic Development Department, and most recently from the City's Parks and Recreation Department. Additionally, interested stakeholders have been able to speak to the VITF during Citizen Communication and share their opinions and advice.

The ACCD is committed to continue supporting the efforts of the VITF and looks forward to their recommendations.

Please let me know if you have questions or need additional information.

cc: Elaine Hart, Interim City Manager





MEMORANDUM

TO: Mark Washington, Assistant City Manager

FROM: Trinh Bartlett, Executive Assistant and Ginger Yachinich, Management Fellow

DATE: April 10, 2017

SUBJECT: Visitor Impact Task Force Scope of Work Analysis

The following is our analysis of Visitor Impact Task Force (VITF) scope of work. The following outline contains information pulled from the agendas of each VITF meeting, and is organized by the seven points of responsibility outlined in Council Resolution No. 0160818-075. For complete agendas, meeting minutes, and backup documents, please visit the VITF website at:

<https://www.austintexas.gov/content/visitor-impact-task-force>

- 1. The Study the impact of tourism on City infrastructure, services, and facilities, and investigate opportunities to offset those impacts by using Hotel Occupancy Tax revenues.**
 - a. **February 14, 2017-** Briefing on impacts of tourism on City of Austin Departments (Austin Transportation Division, Austin Convention Center, Aviation, Austin Police Department, Public Works, Austin Center for Events, Parks and Recreation Department)
 - b. **February 14, 2017-** Review Council Resolution No. 20170209-033 directing City Manager to provide information and options to fund and complete work on landmarks and projects in the eastern area of downtown Austin
 - c. **February 28, 2017-** Briefing on Impacts of Tourism on City of Austin Departments (Austin Transportation Division, Austin Center for Events, Austin Resource Recovery)
- 2. Review current uses of Hotel Occupancy Taxes and the impact of those activities and expenditures on tourism in the City of Austin**
 - a. **January 17, 2017 -** Discussion and possible action on Austin Convention and Visitor's Bureau use of Hotel Occupancy Tax for heritage tourism grants
 - b. **January 17, 2017-** Discussion and possible action on the use of Hotel Occupancy Tax for grants to cultural arts programming and organizations

- c. **January 31, 2017-** Discussion and follow-up questions on Convention and Visitors Bureau use of Hotel Occupancy Tax
 - d. **January 31, 2017-** Discussion and follow-up questions on Cultural Arts Division use of Hotel Occupancy Tax funding for grants
 - e. **March 14, 2017-** Discussion from the Austin Convention Center Department regarding visitor's contributions to the general funds
 - f. **March 14, 2017-** Discussion on the impact of tourism on the Hotel Industry in Austin
3. Review current tourist activity in the City of Austin and what events, venues, and facilities, those tourists attend while visiting
- a. **January 17, 2017 -** Discussion and possible action on Austin Convention and Visitor's Bureau use of Hotel Occupancy Tax for heritage tourism grants
 - b. **January 17, 2017-** Discussion and possible action on the use of Hotel Occupancy Tax for grants to cultural arts programming and organizations
 - c. **March 14, 2017-** Discussion from the Parks and Recreation Department on their relationship with tourism, particularly heritage/historic tourism
 - d. **March 28, 2017-** Discussion with PARD about their role in tourism/heritage/historic preservation-based tourism
4. Review State and National best practices for tourism programs
- a. **Jan 3, 2017 -** Overview of the Hotel Occupancy Tax- The law governing the use of the hotel Occupancy Tax; the allowable uses of the Hotel Occupancy Tax
 - b. **March 28, 2017-** El Paso/ San Antonio panel discussion about best practices in other cities
5. Review Texas Tax Code Chapter 351 and allowable uses of Hotel Occupancy Taxes under the Tax Code including parks, historic preservation, cultural heritage, music, arts, special, fee waivers, convention, visitors' bureau, transportation, downtown districts, venues and other facilities, and debt-defeasance for city-owned hotels and convention facilities
- a. **January 3, 2017-** Overview of the Hotel Occupancy Tax- The law governing the use of the hotel Occupancy Tax; The allowable uses of the Hotel Occupancy Tax
 - b. **January 17, 2017-** Discussion and possible action on use of hotel occupancy venue tax-policy and legal issues

- c. **January 17, 2017-** Discussion and possible action on City historic grant program- history and legal framework under the City Code and State law
 - d. **February 14, 2017-** Briefing on Process for Collection of Hotel Occupancy Tax
 - e. **February 14, 2017-** Legal framework of Chapter 334 Texas Local Government Code for funding venue projects
 - f. **April 11, 2017-** Presentation and Discussion on pending legislation before the Texas Legislature related to Hotel Occupancy Tax
6. Review of Austin Convention Center expansion, all possible design options and potential funding mechanisms
- a. **January 31, 2017-** Discussion on Austin Convention Center Long Range Plan and proposed plans for expansion
 - b. **April 11, 2017-** Presentation and discussion of the City's Financial reporting and the Austin Convention Center Department Cash, Financial Position, Capital Project Financing, and Debt
7. Make recommendations to City Council about how to best utilize all hotel occupancy revenue to impact tourism by April 1, 2017.
- a. **February 14, 2017-** Discussion and possible action on request for Task Force reporting deadline extension to City Council
 - b. **February 28, 2017-** Discussion of initial ideas from each Task Force member on recommendations to deliver to City Council in future report
 - c. **February 28, 2017-** Discussion and possible action to create within the Task Force members for recommendations to City Council about how to best utilize Hotel Occupancy Taxes
 - d. **March 14, 2017-** Discussion and possible action to make recommendations from initial ideas (post-it notes exercise) from each Task Force member on recommendations to deliver to City Council in future report
 - e. **March 28, 2017-** Discussion and possible action to make recommendations from initial ideas (post-it notes exercise) from each Task Force member on recommendations to deliver to City Council in future report
 - f. **April 11, 2017-** Discussion and possible action to make recommendations from initial ideas (post-it notes exercise) from each Task Force member on recommendations to deliver to City Council in future report



Visitor Impact Task Force

April 11, 2017

3:00pm

Austin Convention Center

Meeting Room 5abc

500 E. Cesar Chavez

Austin, TX 78701

CURRENT BOARD MEMBERS:

Gavin Garcia - Music Industry Representative
Catlin Whittington - Music Industry Representative
Lulu Flores - Arts Community Representative
MariBen Ramsey - Arts Community Representative
James Russell - Special Events Industry Representative
Julie Nichoff - Special Events Industry Representative
Tom Noonan - Austin Convention & Visitors Bureau Representative
Shelly Schadegg - Hotel Industry Representative
Bill Worsham - Public Safety Community Representative
Alyson McGee - Preservation Community Representative
Dan Keshet - Parks Community Representative
Mark Tester - Convention Center Representative
Dewitt Peart - Downtown Commission Representative
Ashwin Ghatalia - Tourism Workforce Representative
Stephen Sternschein - Tourism Workforce Representative
Jonathan Mahone - Community Member Representative
Pam Thompson - Environmental Community Representative
Skeeter Miller - Restaurant Industry Representative
Richard Mendoza - Public Works Department Representative (ex-officio)
Gordon Derr - Transportation Department Representative (ex-officio)

AGENDA

1. CALL TO ORDER: 3:00pm

2. APPROVAL OF MINUTES

a. From the March 28, 2017 meeting

3. STAFF BRIEFINGS

- a. Discussion and possible action in response to concerns expressed to the Task Force related to the scope of the task force, process in which the task force has undertaken matters and information that has been shared with the Task Force by City staff.
- b. Presentation and discussion of the City's Financial reporting and the Austin Convention Center Department Cash, Financial Position, Capital Project Financing and Debt (Diana Thomas, City Controller and Carla Steffen).
- c. Presentation and discussion on pending legislation before the Texas Legislature related to Hotel Occupancy Tax (Brie Franco, Government Affairs).

4. OLD BUSINESS

- a. Discussion and possible action to make recommendations from initial ideas (post-it notes exercise) from each Task Force member on recommendations to deliver to City Council in future report.

5. CITIZEN COMMUNICATION: GENERAL

- a. Citizens wishing to speak will need to sign up ten minutes before the meeting calls for Citizen Communications at 5:30pm. Citizen communications will be limited to the first ten speakers and each citizen communicator will be given three minutes to speak.

6. FUTURE AGENDA ITEMS

- a. Discussion and possible action to make recommendations on items for future agendas

7. ADJOURNMENT

The City of Austin is committed to compliance with the American with Disabilities Act. Reasonable modifications and equal access to communications will be provided upon request. Meeting locations are planned with wheelchair access. If requiring Sign Language Interpreters or alternative formats, please give notice at least 2 days (48 hours) before the meeting date. Please call Larry Schooler at Communication and Public Information Office Department, at 512.974.6004, larry.schooler@austintexas.gov for additional information; TTY users route through Relay Texas at 711.

For more information on the Visitor Impact Task Force, please contact Felicia Ojeda at 512.404.4022, felicia.ojeda@austintexas.gov.