

**CITY OF AUSTIN
AUDIT AND FINANCE COMMITTEE
APRIL 28, 2021**

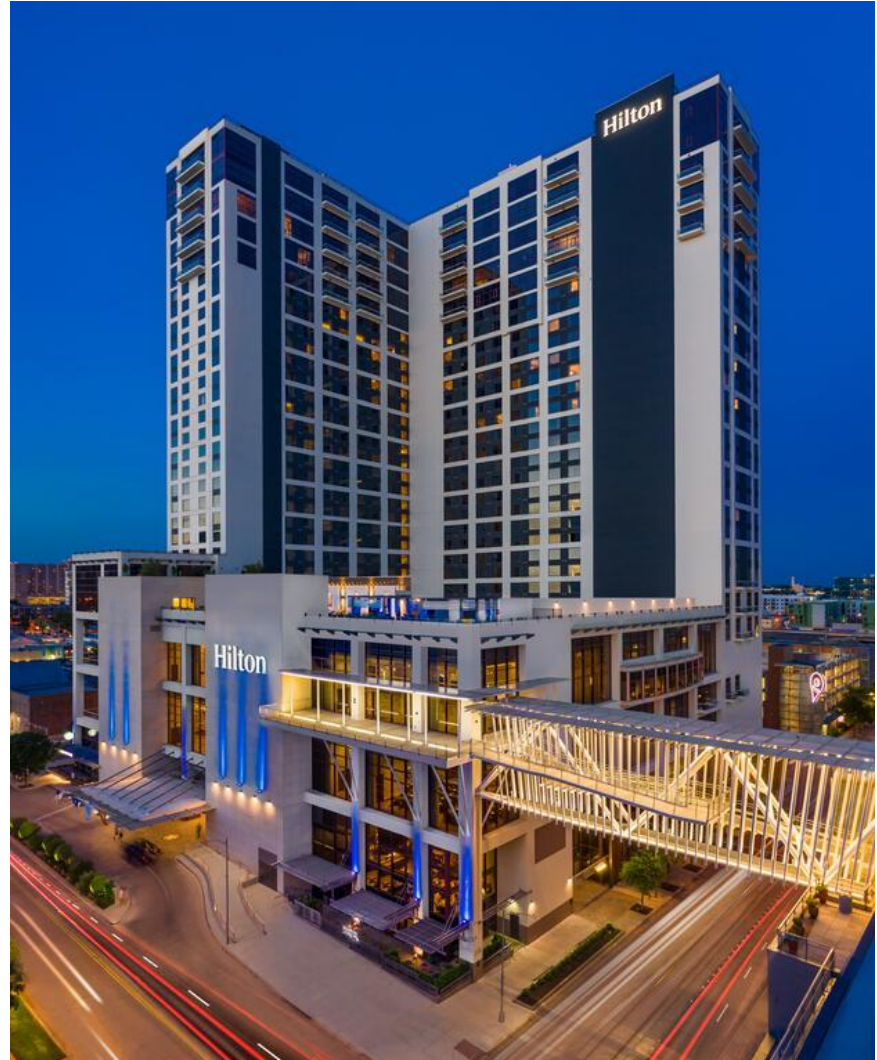
AUSTIN CONVENTION ENTERPRISES, INC.

**Phillip Schmandt, Board Chair
Jolsna Thomas, Board Member
David Dawson, Legal Counsel**



Austin **Convention**
Enterprises, INC.

Austin Convention Center Hotel





Presentation Objectives

- History of Project
- Legal, Financial and Operating Structure
- Condominium Structure
- Financing History
- Operating History
- Current Hotel Market



History

- 1992 Convention Center completed
- 1999 Hotel RFP issued to *“support the promotion and development of convention and tourism business within the City”*
- 2000 Landmark Organization selected as developer
- 2001 Financing closed
- 2002 Convention Center expansion completed
- 2003 Construction completed
- 2006 Bonds refunded (advance)
- 2017 Bonds refunded (current)



Physical Structure

- 801 rooms
- 600 parking spaces
- 633,000 total square feet
- 90,000 square feet of meeting
- 3 food and beverage outlets (Austin Taco Project, Starbucks, Canon and Belle)
- Overhead walkway to Convention Center



ACE Board Members

- **Phillip Schmandt**, Board Chair – Partner, McGinnis Lochridge
- **Jolsna Thomas**, President, Rosendin Foundation
- **Sherri Greenberg**, Professor, LBJ School of Public Affairs

ACE Organization

- 5 member board appointed by City Council
- 3 citizen volunteer board members current serving
- 2 vacancies
- Recently retained president
- ACE third party contracts

Hotel operator – Hilton

Hotel Consultant – CHMWarnick

General Counsel - Winstead PC

Bond Trustee – U.S. Bank

Others - Facilities Consultant, Accountants, Auditors, Rebate Analysts, Insurance, Rating Agency, etc.

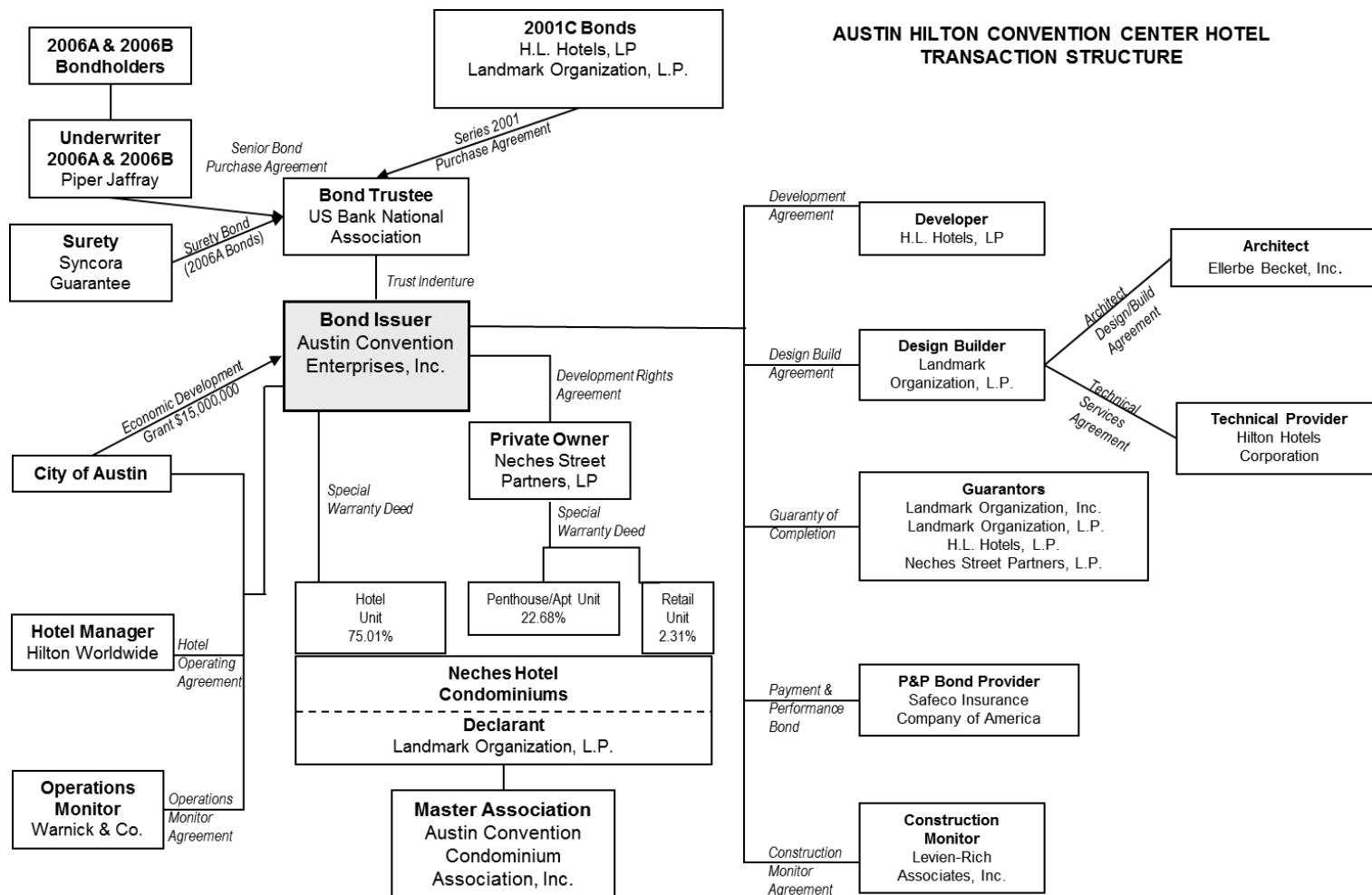


Special Purpose Entity Structure

- ACE is a nonprofit public facility corporation
- It is not a department or commission of the City of Austin
- It was created by City as a “bankruptcy remote entity”

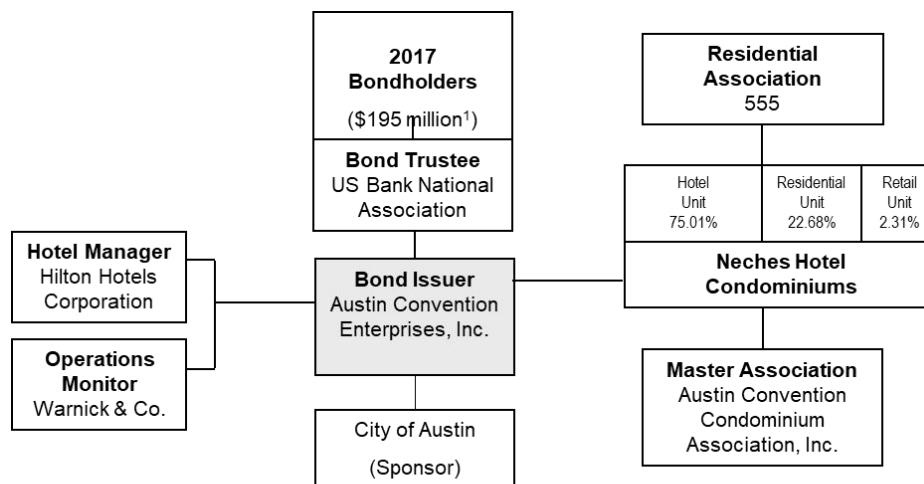


Initial Transaction Structure





AUSTIN CONVENTION ENTERPRISES, INC. ORGANIZATIONAL STRUCTURE (Reflecting 2017 Bond Refunding Transaction)



¹ Original principal amount of refunding bonds issued by ACE in 2017.



Condominium Structure

- One of three members of a condominium association
 - Master condominium association
 - 98 private residences
 - Small amount of retail
 - Hotel accounts for 75% of building
 - Complex master declaration and related agreements
 - Four master condominium board members
 - ACE appoints three members
 - Private residents and retail appoint fourth member
 - Separate condominium financials, legal counsel, staff



Disclosure Language

THE SERIES 2017 BONDS WILL NEVER CONSTITUTE AN INDEBTEDNESS OR GENERAL OBLIGATION OF THE CITY. . . THE SERIES 2017 BONDS WILL BE LIMITED OR SPECIAL OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM THE FUNDS PROVIDED THEREFOR AS PROVIDED IN THE INDENTURE.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY . . . IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF THE SERIES 2017 BONDS OR THE INTEREST OR ANY PREMIUM THEREON . . .



Tax-exempt Financing

- \$135mm Series A Bonds (S&P “BB+” rating*)
- \$59mm Series B Bonds (S&P “B” rating*)
- \$2.1mm PPP Loan @ 1.00% annual rate

* Ratings as of March 29, 2021



**Austin Convention
Enterprises, INC.**

Series 2017A Bonds

**AUSTIN CONVENTION ENTERPRISES, INC.
CONVENTION CENTER HOTEL FIRST TIER REVENUE REFUNDING BONDS,
SERIES 2017A
\$135,340,000 Serial Bonds**

Maturity (January 1)	Principal Amount	Interest Rate	Yield
2018	\$1,615,000	5.000%	1.330%
2019	4,795,000	5.000	1.500
2020	5,175,000	5.000	1.670
2021	5,560,000	5.000	1.860
2022	5,975,000	5.000	2.060
2023	6,405,000	5.000	2.270
2024	6,860,000	5.000	2.470
2025	7,340,000	5.000	2.700
2026	7,850,000	5.000	2.900
2027	8,380,000	5.000	3.060
2028	8,945,000	5.000	3.210
2029	9,535,000	5.000	3.290
2030	10,155,000	5.000	3.380
2031	10,805,000	5.000	3.450
2032	11,505,000	5.000	3.510
2033	12,235,000	5.000	3.560
2034	12,205,000	5.000	3.630



Series 2017B Bonds

**AUSTIN CONVENTION ENTERPRISES, INC.
CONVENTION CENTER HOTEL SECOND TIER REVENUE REFUNDING BONDS,
SERIES 2017B
\$43,285,000 Serial Bonds**

Maturity (January 1)	Principal Amount	Interest Rate	Yield
2018	\$1,155,000	5.000%	1.680%
2019	3,315,000	5.000	1.850
2020	3,345,000	5.000	2.020
2021	3,380,000	5.000	2.200
2022	3,415,000	5.000	2.410
2023	3,455,000	5.000	2.660
2024	3,490,000	5.000	2.860
2025	3,530,000	5.000	3.080
2026	3,565,000	5.000	3.300
2027	3,600,000	5.000	3.460
2028	3,640,000	5.000	3.660
2029	3,675,000	5.000	3.740
2030	3,720,000	5.000	3.830

\$16,030,000 Term Bonds

\$7,550,000 5.000% Term Bond maturing January 1, 2032 priced at 108.850% to yield 3.890%.

\$8,480,000 5.000% Term Bond maturing January 1, 2034 priced at 107.683% to yield 4.030.

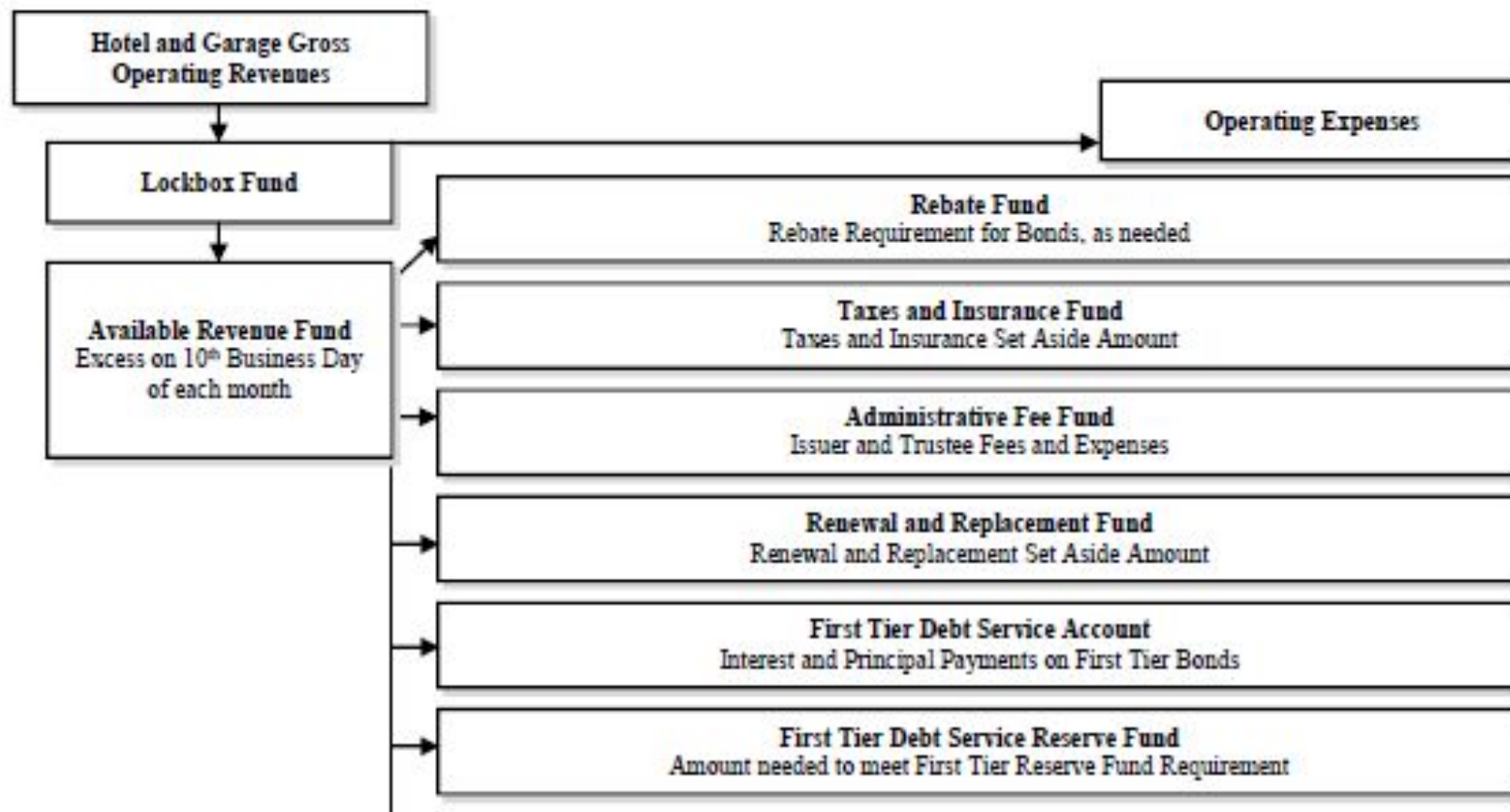
Reserve Fund Balances*

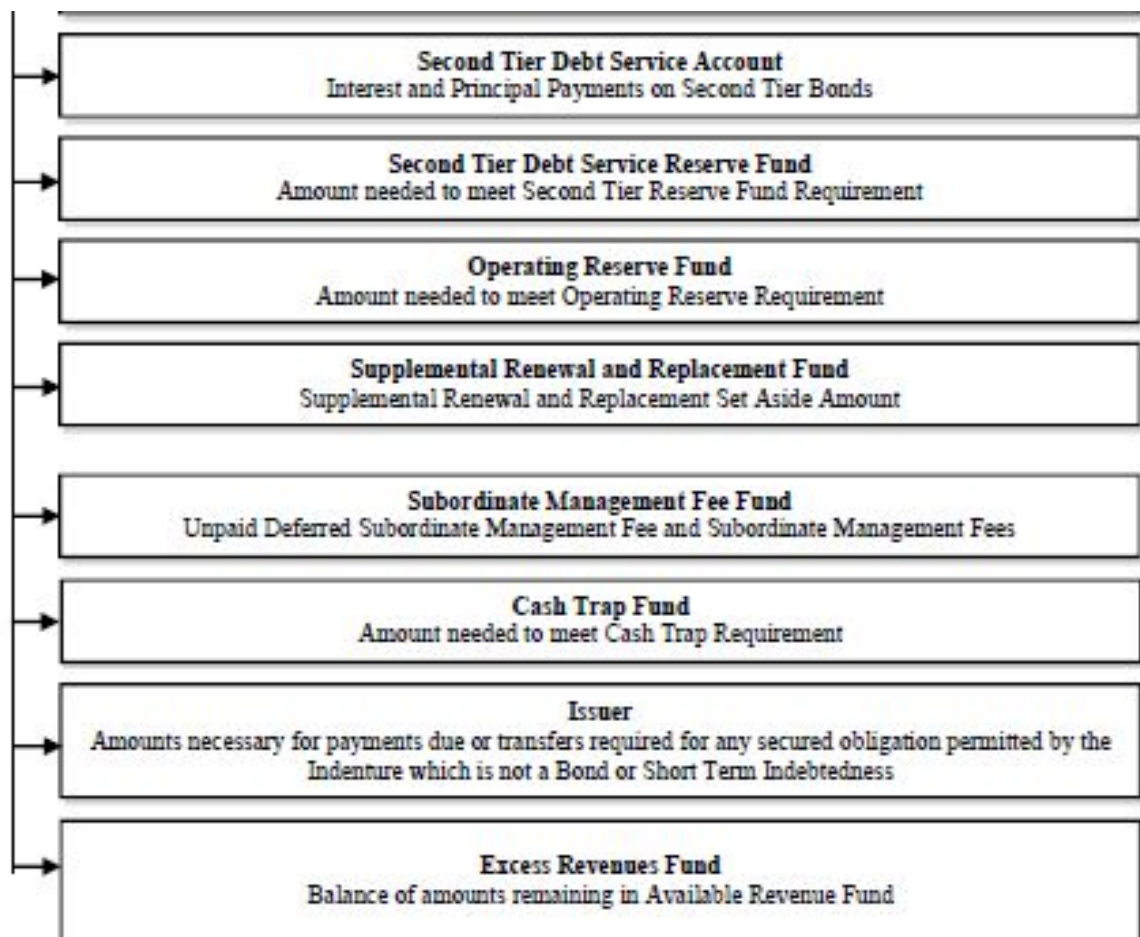
- \$13.5mm Series A debt service reserve fund
- \$6.2mm Series B debt service reserve fund
- \$3.0mm Operating reserve fund
- \$2.2mm Senior renewal and replacement reserve fund
- \$4.0mm Suppl. renewal and replacement reserve fund
- \$0.2mm Bond prepayment fund (reserve expended in January, 2021 for debt service payments)

* As of April 27, 2021.



FLOW OF FUNDS





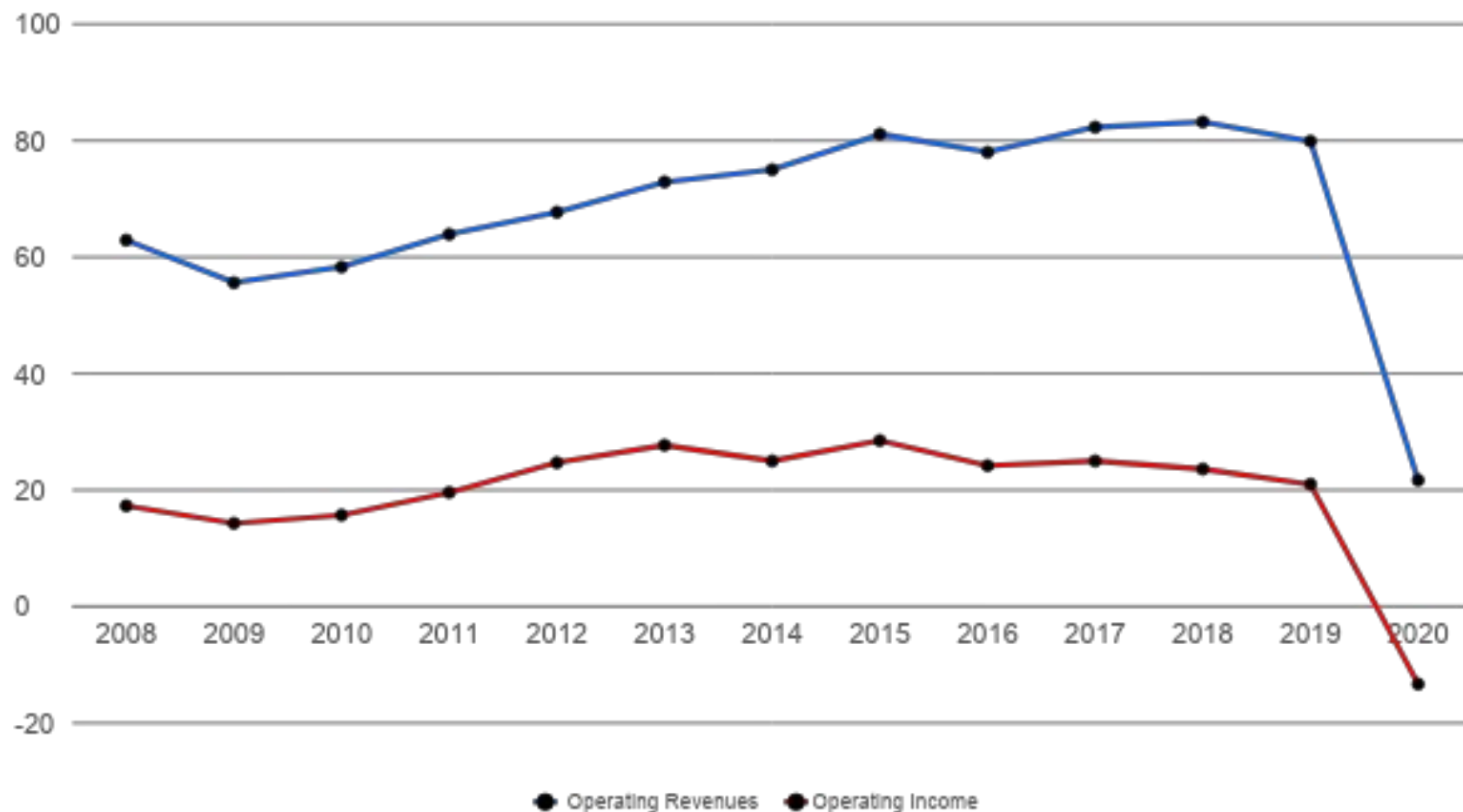


Hotel Operating Agreement

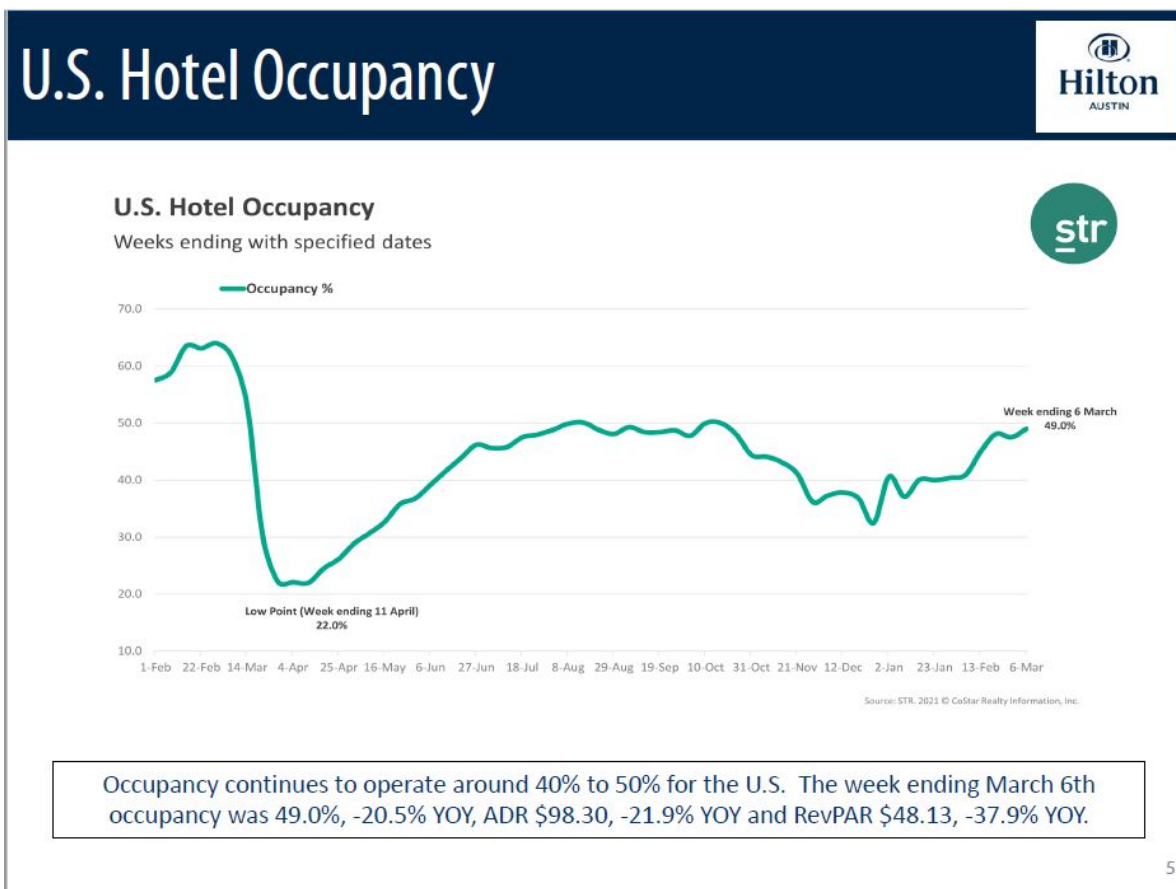
- 10 year term originally
- Extended to 15 year term with 2006 refunding
- Extended for additional 20 year term in 2020
- \$4.9 million in “key money” contributed by Hilton in connection with 2020 extension
- Qualified management contract for tax purposes
- Room block commitment agreement



Historical Revenue and Operating Income (\$ millions)

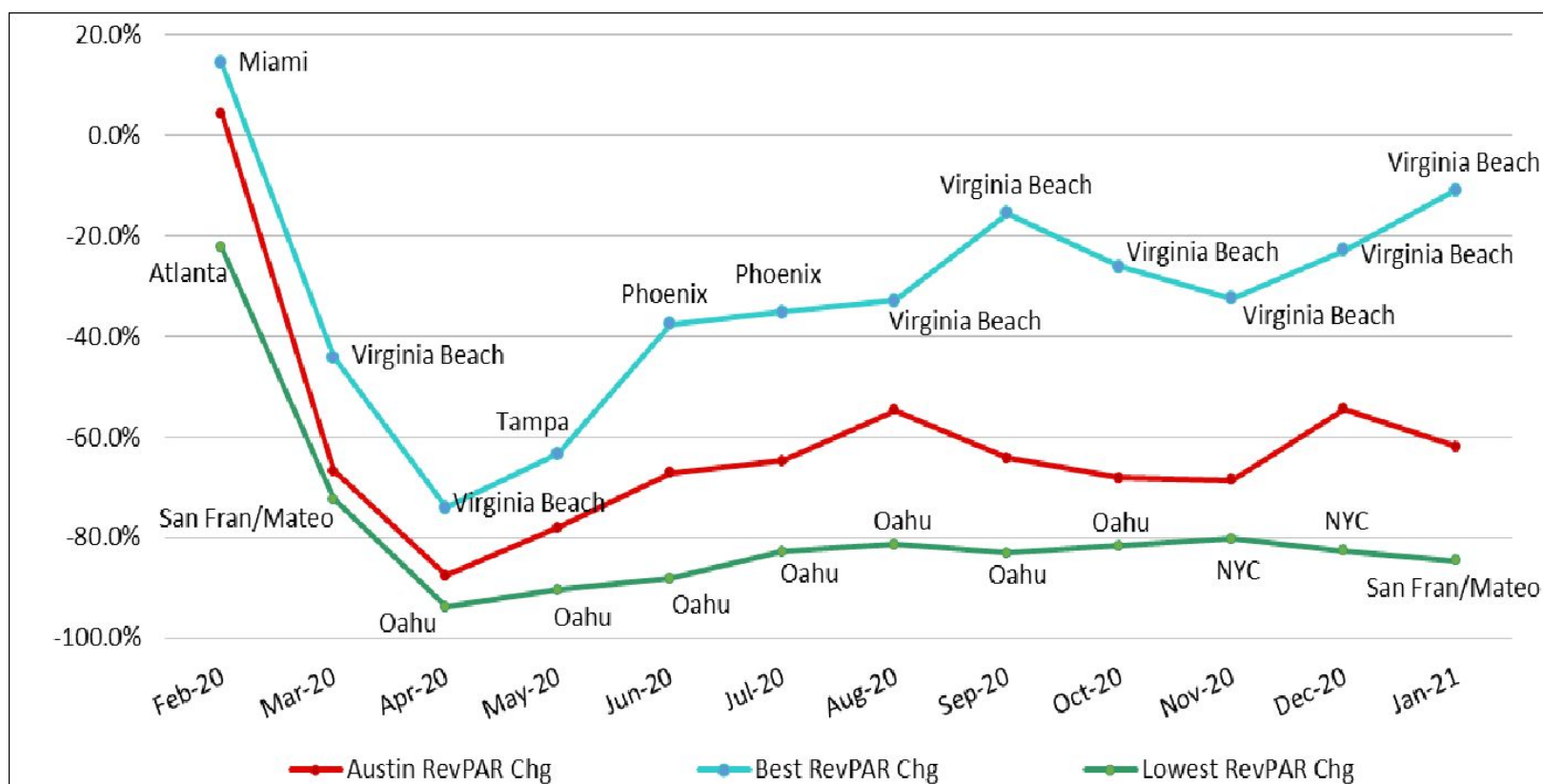


Impact of Pandemic on Industry





Historical 12-Month Hotel RevPAR Growth





Pandemic Impact on Performance

Hilton Austin	FY 2020	FY 2019
Occupancy Rate	23%	74%
Average Daily Room Rate	\$190	\$324
RevPAR	\$43	\$174

FY2020	Hilton Austin	Competitive Set
Occupancy Rate	23%	27%
Average Daily Rate	\$190	\$169
RevPAR	\$43	\$46



Recent Events

- 2016 Lobby and restaurant renovation completed
- *2017 Debt refunded for interest rate savings
- *2018 Overhead walkway completed
- *2020 Citizen volunteer board appointed
- *2020 Amended operating agreement negotiated
- 2020 ACCA lawsuit filed alleging conflicts of interest
- *2020 Bylaws amended to authorize hiring of president
- 2021 ACCA lawsuit primary claims dismissed
- *2021 Indenture amendments approved
- *2021 \$2.1 million PPP loan obtained

* Approved by City Council

Transparency

- Monthly board meetings open to public in compliance with TPIA
- Public comment session at every meeting
- Regular communications to Council
- Regular bondholder calls
- MSRB website – continuing disclosure
- City website
- ACE website
- Responded to or are currently working on 15 public information requests in 2021



Transparency

ACE website www.austinconventionenterprises.com

- Meeting notices, minutes, and backup
- Financial statements
- Bond documents and continuing disclosure filings
- Council communications and resolutions
- Foundational documents
- Ratings reports
- Message board



Convention Center Hotel versus Airport Hilton

	Convention Center Hotel	Airport Hotel
Room Count	801	262
Bond Amount	\$195 million	\$46 million
Board Composition	3 private citizens	3 City employees 2 private citizens
City Debt Backstop	Stand-a-lone credit	Yes – Airport Revenues
Condominium Structure	Yes	No



Austin **Convention**
Enterprises, INC.

For More Information Contact:

- Phillip Schmandt, Board Chair – phillip.schmandt@austince.org
- Jolsna Thomas, Secretary/Treasurer – jolsna.thomas@austince.org
- Sherri Greenberg, Board Member – sherri.greenberg@austince.org
- Jimmy Flannigan, President – jimmy.flannigan@austince.org