

MINUTES
IRVING CONVENTION AND VISITORS BUREAU
BOARD OF DIRECTORS – EXECUTIVE COMMITTEE MEETING
IRVING CONVENTION CENTER
NOVEMBER 15, 2019

Attendance: Clem Lear – Board Chair; Ron Mathai – Board Vice Chair; David Cole, Rick Lindsey, Greg Malcolm – Committee Members; Bob Bettis, Bob Bourgeois, Jo-Ann Bresowar, Karen Cooperstein – Board members; Tom Meehan – SMG/ICC; Maura Gast, Carol Stoddard, Marianne Lauda, and Susan Rose - ICVB; Councilman Al Zapanta and Crowe, LLC employees, Laura Edwards and Steve Wagner – Guests.

Board Chair Clem Lear called the meeting to order at 9:00 a.m. and inquired if there were any citizens present that would like to make a comment on any subject on the agenda. There were none.

General Manager Tom Meehan introduced Steve Wagner from Crowe, LLP (ICC auditors), and Laura Edwards who will be calling into the meeting. Presenting an overview of the Irving Convention Center Financial Reports for September 2019, Meehan reported that out of a projected net loss of \$1,395,000, the actual loss was \$1,089,719, a variance of \$314,042. Drilling down further, he reported they achieved a higher-than-average Food and Beverage revenue in September of \$309,382, which was \$147,594 above budget. Rent revenue remained even with an overall Adjusted Gross Income of \$147,832 above budget for the month. Expenditures ran over budget slightly by \$93,608, mostly due to general building repairs. In a year-over-year comparison, 2019 rental income exceeded the past three years. Catering revenue this year was down from last year but was still robust, exceeding all four years prior. Revenue has steadily increased over the past five years, but the numbers are starting to even out. As such, it's projected that the annual net loss achieved should top out at around \$1,000,000, although a loss of \$1,395,000 will remain in the budget. He added that the Irving Convention Center offers a very high level of service, and that service comes at a higher cost.

David Cole inquired if a higher concession revenue translates into the ICC hosting a higher number of public events. Meehan explained that the number of public events has increased and as such, income from concessions has increased. However, due to operating costs, opening the concession stands is more of a service to the event and does not generate a significant amount of revenue. Meehan continued they are trying to capitalize on generating more concessions revenue in future years, but they're at the mercy of the events being booked. The budget is based on previous patterns, so the actual revenue achieved every year will set the pace for the next year.

Greg Malcom inquired if the ICC planned to forecast a \$1,395,000 loss in 2020 when only an approximate \$1,000,000 loss was actualized for 2019. Executive Director Maura Gast explained that a conservative approach of forecasting a greater loss is planned for the foreseeable future, although additional revenue

is expected down the road because of the newly opened Westin Convention Center hotel. A five-year stabilization window has been set to determine the Westin's effect on attracting association business to the ICC before there is discussion on the revenue loss gap.

Lear requested a motion to accept the Irving Convention Center Financial Report for September 2019. On a motion from Board member Greg Malcolm and a second from Vice Chair Ron Mathai, the motion was unanimously approved.

Prior to opening the telephone conference with ICC auditor Laura Edwards, Meehan explained the audit is a three-week, in-depth process performed onsite and at the auditor's offices. The process includes examination of a significant amount of event folders, testing all processes and procedures, and testing the safety of these processes. Understanding that the convention center is a niche business, unlike most other businesses, Crowe knows how to perform tests on every procedure.

Edwards then reviewed the Management of the Irving Convention Center and SMG Management audit report letter to management. She reported it is the responsibility of the auditing profession to gather data, look at records and recommend corrections or improvements. Allowance for doubtful accounts and bad debt expense was tested with this audit and none were found. There were no corrected misstatements or uncorrected misstatements, with no difficulties encountered during the audit and no disagreements with management. Highlighting the Financial Statement, Edwards reported there were no receivables greater than 30 days. The debt liability increased due to the center hosting more events, however, it was a non-issue. In conclusion, Edwards reported that Crowe, LLP is pleased to give the ICC their highest opinion of the audit. There being no further questions from the Committee, Edwards thanked General Manager Tom Meehan and Director of Accounting Verenis Pedraza for providing timely responses to their inquiries during the audit.

Lear asked for a motion to accept the ICC audit results for FY 2018-19. On a motion from Board member Rick Lindsey and a second from Board member Greg Malcolm, the motion was unanimously approved.

Board member Bob Bettis inquired how many years Crowe has performed the ICC audits and if SMG ever considered changing auditors. Meehan explained if a new accounting firm was hired, they would likely take two years just to learn SMG's business. Although the accounting firm performs the annual audit, every year it is a different set of accountants who actually perform the audit. Although convention centers are not an area of specific specialization for Crowe, Gast explained that they are highly experienced in the convention center business. Meehan added that in addition to Crowe, SMG Corporate also hires their own auditors for all aspects of the business, not just a financial audit.

Board member Jo-Ann Bresowar inquired if accounting firms, such as Crowe, are rated with a star rating system. Meehan explained that Crowe is a top firm in their field. Gast added that a lesser known and thus cheaper firm could be hired, but she feels good about Crowe's high level of scrutiny.

After discussing the matter of the ICC subsidy, Lear requested a motion to approve the budget transfer of \$314,042 to the ICVB Capital Improvement Reserve Fund. On a motion from Malcolm and a second from Lindsey, the motion was unanimously approved.

Gast explained the fourth quarter hotel occupancy tax numbers are not yet available and will be postponed to a future date. The City's transfer to a new accounting software (MUNIS) has impacted all reporting timelines. Director of Accounting Marianne Lauda explained they are in the process of closing out last year's financials in the old system, while continuing to work on this year's accounting processes in the new system. Malcolm inquired if the delay in reporting will affect the budget, to which Gast explained this year's budget has already been approved so it will not be affected. Lauda further explained that checks are currently being written, bills paid, and payments received, only the reporting is being affected. Therefore, the September 2019 figures for the ICVB cannot be reported until the year is closed out.

Lear requested a motion to approve the Executive Committee meeting minutes from September 20, 2019. Malcolm made a motion to approve; with a second from Mathai, the motion was unanimously approved.

Gast explained the recommendations for changes to Irving's Hotel Development Ordinance are currently under legal review at the City Attorney's office. The recommendations will be presented to the City Council Planning & Development Committee on December 12.

In a discussion with a former Planning and Zoning committee member, Board member Bob Bettis reported his concern about safety lighting around hotel parking areas and inquired if there was a standard for such. Gast explained that a hotel's lighting requirements likely would not be different than a commercial parking lot.

Gast stated there are currently no height requirements for future hotel construction; if a minimum number of stories are in place, it would in effect dictate the caliber of hotel being built. It was discussed that there should be some type of long-term agreement with franchised hotels, and although the City would have no enforcement over it, there might be some comfort in the Planning and Zoning process that the brand will stay in place for some time. Under this long-term agreement, the owner would be required to notify the City when they change the hotel flag, which at that time the City could address any issues with current code enforcements, etc. Cole inquired if the certificate of occupancy changes when a hotel flag changes. Gast answered that a CO changes only when there is an ownership change.

Regarding establishing two overlay districts, Gast explained there are currently two areas of the city that remain open for large-scale development - the former Texas Stadium site and the Las Colinas Urban Center. Protecting future development in this area, it was recommended that a more stringent building code be implemented.

- Meeting Space - It was recommended that Meeting Space requirements be reduced from the current 5,000 square feet to 500 square feet, except in the above-noted overlay districts where the requirement would be a minimum of 3,500 square feet. There are no other distinctions for these overlay districts, other than the meeting space requirement.
- Sleeping Rooms - the suggested requirement would be reduced from 200 to 125 sleeping rooms. The room size requirement would be reduced from 300 sf to 250 sf. The contiguous meeting space requirement would be reduced from 5,000 sf to 3,500 sf, and it could be divisible into smaller meeting rooms.
- Parking - In light of the airport shuttles, Lyft, Uber, and restaurant pick-up services, hotels are requesting variances in the 25-35% range and their requests are almost always approved. It's the Committee's recommendations to allow the City to grant a variance up to 35% for code-required parking so long as an independent parking study is submitted by the developer which verifies what is being proposed. In addition, any shared parking with a neighboring facility must be noted on the deed. Any requirements for a shuttle would be deleted.
- Restaurants - Recognizing that the quantity of restaurants in Irving has greatly increased and that ride sharing services can now deliver food, it is suggested to eliminate the requirement that a full-service restaurant be required for the property. However, at least a continental breakfast would be required, and that sundries and food items are available for purchase on the property.
- Recreation Areas - Minimums for the hotel's recreation areas stay at 1,000 sf and must be clearly delineated and defined, so as not to be combined with other non-recreation areas.
- Lobby - The lobby requirements stay the same.
- Grandfathering - In the past, recommendations for any project that was already in the queue were grandfathered, but without a deadline on a finish date. It's recommended that the limit is now four years for finalization of the grandfathered project, otherwise it is subject to the current standards.
- Dual Properties - After working their way through dual property requirements, it was recommended that each property separately must meet the standards, and not as a combined effort.

- Standards - These would be the new standards and no variances (other than parking) would be allowed.

Cole inquired, regarding the overlay district, if the hotels would be required to change to a 30/70% RAB (Restaurant with Alcoholic Beverage) ordinance. He recommends that it should match current RAB ordinance [30% food/70% alcoholic beverage total sales] covering the existing Toyota Music Factory. Gast explained that if a full-service hotel goes in on the TX Stadium site, it would be under the 50/50 ordinance. Cole recommended the entire overlay should be under the 30/70 RAB ordinance. Gast suggested the discussion of an RAB ordinance change be tabled until next the meeting.

Councilman Al Zapanta explained that the Texas Stadium site is designated as a PUD (Public Utility District) 6. Although the City owns most of the land, it's under contract with TXDOT for four more years. He agreed that because the future private ownership and usage has not yet been determined, the topic should be discussed at a future date. Gast agrees that Planning and Development can make recommendations to the City Council at a future date.

For purposes of this meeting, the recommendations for changes to Irving's Hotel Development Ordinances are informational only, therefore no motions on the subject were made. After attending the previous committee meeting on these hotel development ordinances, Lindsey commented on the important impact of everyone's input into the matter. Lear recommended that everyone attend any committee meeting they can because they are rich in information and discussions.

Performance priorities and weightings for the ICVB Executive Director were discussed next. As a result of the recommendations and comments that were made, Gast presented a revised set of evaluation criteria for 2020. As everyone knows, the evaluation criteria priorities change each year with changing City goals and agendas. Gast explained she has rephrased some of the language and revised various points and has made the following recommendations, based on the discussions during her review.

- Strategic Planning increases from 30 to 35.
- Increase ICVB Initiatives and Convention Center Initiatives up to 25 points each, with varying point ranges in the subcategories.
- Under Category Two, remove the Event Solicitation Planning and Implementation item, which initially addressed business recruitment in the first few years of the center's opening, which is no longer necessary.
- Because the ICVB staff covers all marketing efforts for both the ICVB and ICC, add in the Destination Marketing Initiative a phrase to include the ICC and increase its weight.

- Place additional weight on the revenue and subsidy performance under Convention Center Initiatives, taking it from 5 to 7.5.
- Partnerships and alliances were previously focused on working various associations, appointed officials, City departments and partnerships needed to get the TPID work done. The top priority now is focused more on working with the Board.

Gast offered she is open to any priority changes. She feels items 2 & 3 are tactical, while the other items are strategic. Most of her time is spent on strategizing, while she oversees the staff who perform the more tactical work.

Bresowar inquired if changes were made in the definition to the strategic planning initiative, to which Gast explained there were no changes to the definition of the initiative, only the phrasing has changed from last year. Gast suggested she report to the Board on strategic planning more frequently than twice a year. Cooperstein suggested pinpointing the narrative under each category under strategic planning to better scrutinize the Executive Director's performance and therefore hold a more robust discussion on her performance in each area.

Gast is to clarify the Executive Director Performance Priorities and Weightings report further and distribute an updated copy to the Board prior to the regular Board meeting on Monday.

In closing, Lear announced there are four employees receiving awards at the Irving Employee Awards Ceremony, and past Mayor Herb Gears has been appointed to serve on the ICVB Board, replacing outgoing Board member Joe Marshall.

Lear adjourned the meeting at 10:22 a.m.

Respectfully submitted,



Maura Allen Gast, FCDME
Executive Director