

**MINUTES – BOARD AND BUSINESS DEVELOPMENT COMMITTEE**

**IRVING CONVENTION CENTER**

**VIA ZOOM**

**Friday, June 12, 2020**

Those in attendance: Committee Chair Debbie Haacke, Committee Vice Chair Bob Bourgeois, Bob Bettis, Beth Bowman, Karen Cooperstein, Herb Gears, Julia Kang, Clem Lear, Rick Lindsey and Joe Philipp – Committee; Maura Gast, Marianne Lauda and Susan Rose – ICVB Staff; Tom Meehan and Matt Tungett – ICC staff; City Chief Financial Officer Jeff Litchfield and Finance Director Bret Starr – Guests.

Haacke called meeting to order at 9:00 a.m.

Haacke asked for any citizen comments and there were none.

City Chief Financial Officer Jeff Litchfield gave an overview of the proposed changes to the Hotel Occupancy Tax Collections.

The travel results from COVID-19 has hit hotels and caused delayed payments for some properties. Litchfield learned from Learned legislature changed in 2013 for penalty and interest fees for delinquent Hotel Occupancy Tax. Our current Ordinance does not match the 2013 changes.

- A proposed change to the current Ordinance is to update with matching requirements to 5% penalty in first delinquent month; additional 5% in the second delinquent month; and a 9% interest per annum in third month. The 9% per annum would be in effect from the first delinquent day and increase to a 15% penalty in the third month. It was discovered that several Dallas municipalities do not follow what the State of Texas has initiated.
- The second change to the Ordinance updates a match to the State records retention of 4 years; currently 2 years.
- Third proposed change is to convert collections from quarterly to monthly. Hotels have asked to go to monthly because they report monthly to the State of Texas. This change would assist with ICVB cash flow.
- These proposed changes are due to go before City Council on June 25<sup>th</sup>.

Gast added next step for the CVB is to communicate to the local hotels the updated version of the Ordinance so they can participate and/or listen to Council in advance of Council any taking action.

Litchfield anticipates Council will adopt the changes and consider reimbursing any overpaid penalties and is waiting on legal advice to that action. Gast requested if the reimbursement to hotels from hotel Occupancy Tax is a dramatic amount, the ICVB would be impacted, and would like to know the anticipated amount as soon as possible. Litchfield replied he did not anticipate it to be a large amount, if any. The City Attorney's Office is researching, but for most part, everyone pays on time.

Board Vice Chair Karen Cooperstein asked that all information be compiled and communicated to hotels in advance in order to be considerate during this unsure time. Litchfield stated with the proposed changes, the penalty is actually smaller. He again reminded the Committee the hotels pay the State of Texas monthly, which is money they have collected from their customer already and is due to the government. Communication and reimbursement of overpayments is the right thing to do. Cooperstein agreed but stated it is unfortunate to be happening right now.

Board member Herb Gears asked if Irving receives funds from taxes being paid monthly to the State hotels currently. Litchfield replied only sales tax is received from the State, the Hotel Occupancy Tax is paid directly to the City. Gears asked if benefits from cash flow perspective will also mean detriment to hotels. Litchfield replied it will help the ICVB and on the City side, debt service payments occur where there is sufficient cash flow. Discussion was held on when to shift to monthly collections. It was agreed Executive Maura Gast will connect with Board Member Greg Malcolm (Texas Hotel Association) for his feedback and change may be more palatable to start with new fiscal year on October 1. Litchfield added all hoteliers he has spoken to individually were all understanding and supportive of the change.

City of Irving Director of Finance Brett Starr gave an update on the progress of short-term rental monitoring and collections. The City is contracting with third party and received four bid responses in March. There are now two in the final bid process. Both bids were under \$50,000 and will not have to be presented to Council for approval. He is hopeful by end of June to have a start date for the project. Gast added their resources will compile short-term rental data available in City of Irving and give the City information by address and assist with neighborhood integrity and code enforcement. Starr reported both vendors look robust in their research resources. The goal is to treat everyone equally and collect revenues from all sources. Gast thanked him for the chance to review the proposals as well. Starr noted the project includes an extraordinary amount of labor, staff and software tools the City does not have. Haacke asked for a line item on the Hotel Occupancy Tax collections reports specific to the short-term rentals. Starr replied that information is available and can add listings tracked by Finance staff.

Discussion was held on any changes the Committee would like to see on the monthly ICVB financial reporting. Gast shared a FY20 Cash Flow chart based on current information. ICVB Accounting Director Marianne Lauda noted the assumption still includes the ICC subsidy that is budgeted, and does not include any consideration of additional funding the ICC may need. Funding for ICC Capital Improvement Fund was kept but not included in the Cash Flow Chart. The \$1.395 million subsidy is only thing included in the Cash Flow projection.

The FY21 Cash Flow chart showed an additional subsidy payment of \$550,000 to the ICC that may/may not be needed. Revenues are cyclical: November/February/May/August and cash flow is based on current quarterly collections. Estimated expenditures from next year's budget are based on history, and the ending cash shows a shortage. Lauda reported there will be a cash flow problem between now and 2021. By July, if everything materializes in the projections, there will be a negative \$3 million amount. In response to a question from Gears, Gast replied none of these projections reflects the ICC debt service. Litchfield added the analysis done projecting the City's cash flow. The debt service over the last 7-8 years had loaned \$7 million to the Hotel Occupancy Tax debt service, and after refunding at the end of September, \$5.8 million is still due. Moving forward, staff will be asking Council for another interfund loan (an ad valorem property taxes) to cover shortfall and be handled inside the City debt service fund. The City is prepared to do a interfund loan to the ICVB to cover the shortfalls. If move to monthly Hotel Occupancy Tax collections, the numbers won't be as high (anticipate \$1.5-\$2m as maximum). The ICVB will repay the loan and record as a liability. Board member Joe Philipp asked for projection terms of the loan to ICVB, and Litchfield replied that has not been determined but will be based on projected cash flow. Gast requested a stabilization point in Hotel Occupancy Tax collections and re-establishment of ICVB reserves simultaneously be considered in repayment terms. The Committee thanked the City in advance for consideration. Gast added she appreciates the recognition that the ICC is a City asset. Starr whatever goes into the budget is the best estimate and presented to Council.

Gast noted there are two challenges: support through the City, and equally important, no reserves and limited funding for additional capital projects at ICC. Gast is continuing to work with ASM Global for a possibility of extending their contract for return of capital investments.

It was agreed to add the Cash flow documents to the monthly financial reports.

- Updates show the monthly source of Revenue versus quarterly and each month add a line for actuals (Revenue and Expenses). Gast added in the last 47 years since inception of ICVB, there has never been a point where the situation has been like this. She has confidence in the ICVB, ICC and City staff during this incredibly different time and staff will do its best to prepare.
- Continue to follow repayment terms as Council takes action.

Board Chair Rick Lindsey thanked Gast and Lauda for the detailed information and easy to explain format. He reminded the committee one of the strategic goals is to be liaisons to City Council.

ICC General Manager Tom Meehan gave an update on the Convention Center re-opening plan.

- Every group is different and working with each client on their events and requirements
- Re-opening plans are a work in progress and ever changing
- ASM Venue Shield program is being adopted into one plan for ICC; still waiting on the Operational piece of Venue Shield from ASM.
- Working on Global BioRisk Advisory Council (GBAC) accreditation
- Glass has been added at front desk in office, all concession stands, front lobby and Café
- Added signage around building: elevator safety, hand sanitizer stations, etc.
- UV lights added in air handler units and adding UV lights on escalator handrails
- Housekeeping staff will be trained on using new sanitizing equipment and daily cleaning program
- Building an inventory of PPE supplies – a challenge in finding and sourcing supplies
- Purchased Clorox 360 misting machines and chemicals
- Implementing a Return to Work Plan for ICC and ICVB staff
- Marketing team will add Venue Shield and GBAC accreditation when completed to websites
- Keeping \$1.395 million subsidy in budget and the key will be in reducing expenses

Cooperstein as we have conversations, it is important to show that spending money on the COVID-19 supplies rather than the capital improvement projects and may be part of the new normal. Meehan noted ASM Global is purchasing supplies in bulk to be able to have a monthly supply coming in that each building can commit to. All inventory is tracked, and this has been a learning experience. Gast added incremental costs for cleaning and sanitizing has been reported at \$130,000 a year for hotels. She added it will be a two-way obligation with clients as things move forward and an ongoing conversation.

Before building opens a schedule will be put into place for daily housekeeping. ICC and ICVB staff will receive basic orientation for return to work guidelines. Gast added it will be a case of habits and remembering to be conscious and respectful and hold each other accountable. Staff will be coming back in shifts and not before we are prepared. When open to public, appointments will be required for in-building visits. Safety discussions and reminders so people don't get too comfortable was suggested.

The Committee discussed ICVB Board transitions. Four voting members and one non-voting member terms expire in the upcoming year and two in the following year. City council has responsibility to appoint board members. Any recommendations for Board members are encouraged to submit an application.

Conversations with Council members to inform them of the Board's support for those nominations. Gears noted it is customary for elected officials to consider feedback of organization. Gears added it is a helpful process to encourage nominations and carefully and humbly let council know. Any Board member recommendation should be presented to Gast.

It was agreed Haacke and Board member Clem Lear will meet to evaluate and review the Board Self Evaluation form. The form will be presented to the Board in July.

#### Legislative planning

Haacke gave a brief legislative planning overview and noted with the attention on this year's budget no hiring of lobbyist representation will be made as there are no major issues on the radar. She encouraged Committee members to read Dr. Ray Perryman's Economic Impact of Nondiscrimination laws document. She noted the Committee should be aware of the sunset of Arts Board contribution in 2026 and address it earlier because of timing of legislative sessions. Gears noted the ICVB Board has great people that can help in Austin with issues rather than hire a lobbyist. Gast added the Texas Hotel Association will be attuned to issues as in the past and ultimately take charge of personal relationships with State officials. The Non-Discrimination Act will move forward and is important, the Texas Restaurant Association will continue to push the Texas Restaurant Survival Plan, and the U.S. Travel Association's continued legislative priorities were included in the meeting packet for review. Gast noted she is holding out hope for CVBs and Chambers to be included in the Payroll Protection Plan.

Haacke noted the Tourism PID initiative is postponed at this time. It can be proposed in next year's budget to hire John Lambeth to pursue the process once again. Gast added when hoteliers understand the ICVB has exhausted the Business Incentive Development Plan and the TPID would have been a resource to supplement BizDIP, it will take on more traction.

Haacke asked for a motion to approve the Board and Business Development Committee minutes from January 3, 2020. On a motion from Cooperstein, and a second from Lindsey, the motion was unanimously approved.

Haacke adjourned the meeting at 11:10 a.m.

Respectfully submitted,



Maura Allen Gast, FCDME  
Executive Director