Georgia World Congress Center Authority

BOARD OF GOVERNORS MEETING

June 26, 2018

Authority

Financial

Facility
ACTION ITEM

Approval of Minutes

May 22, 2018
MAY FINANCIAL UPDATE

Janet Arsenault
Sr. Director of Finance
# Financial Snapshot – May 2018

## Profit/Loss

<table>
<thead>
<tr>
<th></th>
<th>Actual</th>
<th>Budgeted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual</td>
<td>$2,999,141</td>
<td>$1,174,366</td>
</tr>
<tr>
<td>Budgeted</td>
<td>$8,244,118</td>
<td>$1,445,674</td>
</tr>
</tbody>
</table>

## H/M Tax

<table>
<thead>
<tr>
<th></th>
<th>FY17</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>H/M Tax</td>
<td>$4.0M</td>
<td>$5.9M</td>
</tr>
</tbody>
</table>

## Economic Impact

<table>
<thead>
<tr>
<th></th>
<th>(Estimated)</th>
<th>$163M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers</td>
<td>349,837</td>
<td></td>
</tr>
</tbody>
</table>
Food & Beverage Contract Update

Frank Poe, Executive Director
Strategic Vision

Our food and beverage professionals will advance our goal to be the #1 convention, sports, and entertainment destination in the world by efficiently delivering a seamless, world-class customer experience.
Identified Areas of Opportunity

- Operational Excellence
- Overall Customer Experience
- F&B Quality/Variety
- Communication
Driving Factors for Levy Selection

- E15 Analytics Team – data focus
- Curiology – retail/restaurant concepts across GWCCA campus
- Dream Feed- staffing app/model- pool of talent for the GWCC by leveraging other venues they operate in ATL
- Strength of several existing leaders and focus on structure over past 6-12 months– successes w/key accounts
- $2.5M additional capital investment
- Familiarity with customers and demonstrated commitment to our values and vision
Key Business Terms of New Contract/Agreement

- Service Recovery Model
- Sales Team Synergy/Staff Location
- Reshape Financial Incentives (revenue, expense controls, equipment maintenance, survey results: experience/quality/variety)
- Leadership Turnover/Plan
- Model to Incentivize Both Parties
Where We Landed

- Levy/GWCCA profit split: GWCCA share is now 97% vs 96% previously.
- 10-Year Term, Early No-Fault Cancellation Clause, 120 Days.
- Contingent on budget achievement, incentive sliding scale on new profit share split.
- New agreement also ties available incentives and profit share split to F&B Overall Satisfaction Score (OSAT) performance. On 1-5 Scale: Below a 4.0 = zero incentive available; 4.0 or higher = tiered structure.
Where We Landed (cont’d.)

- Investment of $2.5M for infrastructure improvement
- **KPI’s (Key Performance Indicators)** will be set up annually and managed through the E15 and Leadership teams to drive premium results
- Service Recovery Account
# New Profit / Incentive Scales

## PROFIT SHARE

<table>
<thead>
<tr>
<th></th>
<th>GWCCA</th>
<th>LEVY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to Budget Achievement</td>
<td>97%</td>
<td>3%</td>
</tr>
<tr>
<td>On First $1.5M Over Budget</td>
<td>88%</td>
<td>12%</td>
</tr>
<tr>
<td>On Next $1M Over Budget</td>
<td>86.5%</td>
<td>13.5%</td>
</tr>
<tr>
<td>If Profits Exceed Budget by $2.5M</td>
<td>85%</td>
<td>15%</td>
</tr>
</tbody>
</table>

## QUALIFICATION OF F&B OSAT SCORES

<table>
<thead>
<tr>
<th></th>
<th>LEVY RECEIVES (% of Profit Share Scale)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 4.0</td>
<td>No payment</td>
</tr>
<tr>
<td>Between 4.0 – 4.5</td>
<td>100%</td>
</tr>
<tr>
<td>Between 4.51 – 4.75</td>
<td>125%</td>
</tr>
<tr>
<td>Between 4.76 – 4.99</td>
<td>150%</td>
</tr>
</tbody>
</table>

## INCENTIVE BASED ON OSAT SCORES

<table>
<thead>
<tr>
<th></th>
<th>LEVY INCENTIVE PAYMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 4.0</td>
<td>No payment</td>
</tr>
<tr>
<td>Between 4.0 – 4.25</td>
<td>$60,000</td>
</tr>
<tr>
<td>Between 4.26 – 4.5</td>
<td>$90,000</td>
</tr>
<tr>
<td>Greater than 4.5</td>
<td>$120,000</td>
</tr>
</tbody>
</table>
Example: New Profit/Incentive

GWCCA Budgets a net profit of $6M

In the course of the FY, if our net profit increases $1 above budgeted AND we obtain a 4.23 F&B OSAT score

<table>
<thead>
<tr>
<th>Profit Share</th>
<th>Levy Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>3% base mgmt. fee</td>
<td>$180,000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OSAT Score</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>4.23</td>
<td>100% of Profit Share only applied to the net profit above the budget</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fee and Incentive Payout</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>4.23 (Between 4.0 – 4.25)</td>
<td>$60,000</td>
</tr>
<tr>
<td><strong>12% of $1</strong></td>
<td>$.12</td>
</tr>
<tr>
<td>(GWCCA keeps remaining $.88)</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$240,000.12</strong></td>
</tr>
</tbody>
</table>
With today’s Resolution, the Board essentially would authorize the Executive Director to execute a Food & Beverage Services Agreement with Levy Restaurants essentially in the form attached to the Resolution.

Staff recommends approval.
QUESTIONS?
HOTEL UPDATE
Theonie Alicandro, Drew Company, Inc.
Robert Fischel, Gensler
Agenda

- Site Massing Review
- RFP Update
- Next Steps
REQUEST FOR PROPOSAL UPDATE
Brand Presentations: June 11 - 13

- Fairmont
- Hilton
- Hyatt
- IHG
- Marriott
- MGM
Submission Requirements

- General company information and related experience
- Hotel market and project understanding
- Operations plan
- Hotel product and program
- Operating projections
- Financial proposal
- Proposed key business terms
Key Business Terms

- Qualified Management Agreement (QMA)
- FF&E replacement reserve
- Capital replacement reserve
- Working capital reserve
- Termination provisions
- No violation of geographic restriction
- Approval of operating and capital budgets
- Employer of hotel employees
- Approval over department leaders
- Room block agreement
Brand Shortlist

- Hilton
- Hyatt
- IHG
- Marriott
Next Steps

- Focused questions for each brand
- Development budget refinement based upon site massing
- Analysis of financial program to determine best approach
QUESTIONS?
Intercreditor Agreement

Resolution 2018

Pargen Robertson, GWCCA Legal Counsel
Recall that Invest Atlanta issued revenue bonds in an amount necessary to generate $200,000,000 in available proceeds for construction and development of Mercedes-Benz Stadium. See IA Rights and Funding Agreement, Section 2.1.
That Invest Atlanta Mercedes-Benz Stadium-related bond issue was to be secured by Hotel/Motel Tax proceeds. However, before that MBS-related H/MT security interest was to attach, another earlier revenue bond issue from 2011 (which had been used to refinance the obligations incurred to pay for development of the Georgia Dome) first had to be paid in full (or the pre-existing H/MT proceeds lien otherwise had to be released by the Georgia Dome bond holder). See IA Rights and Funding Agreement, Sections 2.1 and 2.2.
Once the Georgia Dome Bonds were, in fact, paid in full back in 2016 and that lien over the Hotel/Motel Tax proceeds was released, then a new lien attached to those H/MT proceeds as a pledge of security for the recent Invest Atlanta MBS-related bond issue. See IA Rights and Funding Agreement, Sections 2.1 and 2.2.
In connection with the construction and development of Mercedes-Benz Stadium, the Falcons guaranteed certain obligations (financial and otherwise) owing to the Georgia World Congress Center Authority (and others). See Transaction Agreement; see also Project Development and Funding Agreement; see also PSL Agreement; see also Stadium License and Management Agreement; see also Non-Relocation Agreement.
SunTrust Bank has provided to the Falcons a revolving credit facility and, in turn as security for that credit revolver the Falcons essentially have executed a security agreement conveying to SunTrust a security interest in the Falcons’ assets.
The Falcons have requested that the Authority and Invest Atlanta agree to amend their Intercreditor Agreement to revise the terms and conditions defining the priorities of the Falcons secured creditors, essentially for the purpose of allowing the Falcons to raise the cap on funds they are allowed to borrow under their SunTrust credit revolver.
The Resolution before the Board today simply would allow the Executive Director to execute an amended and restated Intercreditor Agreement for that purpose.
QUESTIONS?
NEXT MEETING

Tuesday, July 31, 2018