

CUYAHOGA COUNTY CONVENTION FACILITIES DEVELOPMENT CORPORATION
REGULAR MEETING OF THE BOARD OF DIRECTORS
OCTOBER 21, 2022
CLEVELAND, OHIO

Attendees at the Meeting (attendees attended both remotely via Zoom as well as in person):

Directors: Matt Carroll, Jeff Epstein, Majeed Makhoulf, Trevor McAleer, Michael Obi, Timothy Offtermatt, Roshonda Smith, and Mayor Bradley Sellers.

Staff: George A. Hillow, Executive Director, and Julie Valyn, Financial Analyst.

Guests of the Board: Ron King, General Manager, Mike Campo, Assistant General Manager; Travis Poppell, Director of Sales; Steve Wells, Director of Finance; Dave Johnson, Director of Public Relations and Marketing; Mark Jeckavitch, Director of Strategic Planning, Harold David, Director of Events all employees of ASM Global, Manager of the of the Huntington Convention Center of Cleveland (the “Convention Center”); Trabulsi of CHM Warnick; Dan Gibel of Card, Palmer, Sibbison & Co. (accountant for the CCCFDC); Matt Del Regno, Executive Chef for Levy Restaurants, Chris Bupp, Regional Vice President of Levy Restaurants; Ellis Katz of Project Management Consultants LLC; Jeff Appelbaum and Sam Weir of Thompson Hine LLP; Michael Chambers, Cuyahoga County’s Fiscal Officer; and Bob Franz, Cuyahoga County’s Financial Advisor.

Regular Meeting of the Board of Directors. At 8:32 a.m. on Friday, October 21, 2022, a Regular Meeting (the “October Regular Meeting”) of the Board of Directors (the “Board”) of the Cuyahoga County Convention Facilities Development Corporation (the “CCCFDC”) commenced. Mayor Sellers presided as President of the Board.

Mayor Sellers called the meeting to order, and Ms. Valyn called the roll. Mayor Sellers asked the Board to make a motion to approve the excusal of Mr. Gilbert, which was seconded and unanimously approved. Mayor Sellers declared a quorum of the Board present.

Review and Approval of Minutes.

Mayor Sellers presented the meeting minutes from the Regular Meeting of the Board on July 22, 2022, which were distributed to the Board prior to the October Regular Meeting. Mr. Makhoulf made a motion to approve such minutes. Mr. McAleer seconded. The Board unanimously voted to approve the minutes.

Board Officer Elections.

Mr. Appelbaum discussed the process by which the Board elects a president, vice president, secretary, and treasurer under Article 4 of the code of regulations. The code of regulations state that no individual shall be eligible to serve in the same role following the completion of two years in office. However, the code of regulation also states that it is within the discretion of the Board to extend the individual’s term past the two years.

Mr. Hillow presented the proposed slate of officers. Mr. Hillow stated the organization’s desire to extend the current term of the officers for an additional two years. Mr. Hillow proposed Mayor Sellers to remain as President, Mr. Makhoulf to remain as Vice President, Mr. Offtermatt to remain as Secretary, and Mr. McAleer to remain as Treasurer. The proposed slate of officer’s term would begin in October of 2022 and end October of 2024.

Mayor Sellers asked if there were any questions before a motion was proposed. Mayor Sellers confirmed that this would be the proposed slate of officers’ second term in their respective positions.

Mr. Makhlouf agreed that it makes sense to see the construction project to its conclusion.

Mr. Carroll motions to approve the proposed slate of officers. Mr. Makhlouf seconded. Ms. Valyn called the roll. Motion passed unanimously.

Executive Director Report.

Mr. Hillow presented the Executive Director report. This was the week that the project funding came through. The project received 49 million dollars. The County General Fund contributed 3 million dollars, the ARPA Fund contributed 5 million dollars, the CCCFDC contributed 9 million dollars, the Naming Rights Fund contributed 1.4 million dollars, and county bonds were issued for 33.6 million dollars.

Mr. McAleer acknowledged the work of Bob Franz as the county advisor.

Mayor Sellers acknowledged Mr. Franz and the work of people behind the scenes. Mayor Sellers referenced the recent announcement by the City of Indianapolis about the investment of 1.6 billion dollars to construct a new convention center. Mayor Sellers emphasized the work being done by the Board and the people and communities who support that work. Mayor Sellers reiterated the importance of the work they are doing, and his belief that the Board is on the right track.

Mr. Makhlouf asked Mr. Appelbaum whether there were any additional authorizations needed to begin construction. Mr. Appelbaum stated that the scope of the authorization contains process and procedures for invoicing and related approvals. Mr. Appelbaum stated that what is happening right now is they are authorizing slates of approved subcontractors. Mr. Appelbaum stated the next step is to come back to the Board with the proposal of the guaranteed maximum price.

Convention Center Update.

Mr. King presented an update on the Convention Center. Mr. King stated that the Convention Center had a great third quarter. Short-term sales and events outperformed expectations and have led to a successful third quarter. Some of the events included the National Homeland Security Conference, Blacks in Government Conference, National Hardwood Lumber Conference, the American Trucking Conference, United Way of Cleveland, and others. Mr. King emphasized the Best Western Conference coming up will be a great, profitable event for them.

Mr. King discussed the financials for the upcoming quarter. Last year they budgeted a 3.8 million dollar deficit. They are projecting coming in around a 1.5 million dollar deficit, beating the budgeted deficit by 2.3 million dollars.

Mayor Sellers discussed the event for Congresswoman Brown. Mayor Sellers discussed potential opportunity moving forward with respect to sound and lighting presentation. Mayor Sellers discussed the need to be a one-stop shop for organizations coming here, and the Convention Centers ability to provide high-quality lighting and sound within customers' budget. Mr. King mentioned there was a budget restriction that may have been a factor in the lighting and sound areas.

Mr. Hillow discussed the focus on making the local community aware of the convention center and the opportunity it presents.

Mr. Makhlouf emphasized the importance of investment in IT in order to follow larger trends in the convention center industry. Mr. Makhlouf discussed the need to focus on the IT systems and offering options to record, live-stream, and make recordings available after the event.

2023 Annual Plan & Budget.

Mr. King presented the annual plan and budget for 2023. Mr. King noted that there is not a big signature event currently planned for 2023. Those large, signature events are typically booked three to five years ahead of time, so any events that would have occurred this year would have been booked in the middle of the pandemic. Also, coming out of the pandemic, things have been a little softy in the wider industry.

Mr. King stated there are 107 events projected, 63 of which are confirmed and 54 are planned. There are a couple gaps in scheduled that will allow for construction. Mr. King stated that there will be a focus on the short-term, locally based events, which have increased in the past year. Mr. King thinks there is going to be a lot of opportunity in the 14 to 18 month booking range.

Mr. King presented the 2023 budget. The expected 2023 fiscal year gross revenue is budgeted at \$14,385,631. The direct expenses are budgeted at \$17,720,649. The resulting net income is budgeted at a \$3,335,018 deficit.

Mr. King mentioned they have an aggressive reach number of 54 events. If they don't hit that reach number, they will manage their expenses to the bottom line. Mr. King addressed questions asked during the last meeting with respect to the Sales and Marketing Plan, and presented a high-level overview of the plan. The plan includes a focus on promoting the construction project within the industry and a focus on the short-term, local business. The plan includes seven objectives with respect to daily business work, a Cleveland market SWOT analysis, a competition analysis, and a pricing analysis. The plan identifies the Convention Center's target audience, the primary lead sources, the current market segments, updated past, current, and future metrics, the travel schedule, and marketing material.

Mr. Makhoulf discussed the importance of timing, and the fact that this may be a good year to engage in construction. Mr. Makhoulf emphasized that this is a long-term game, and the construction will support that long-term view.

Mr. Obi asked how this budget compares to the 2019 budget. Mr. King discussed the fact that 2019 was by all accounts a record year. The budgeted 2019 number was somewhere around 2 million dollars. Mr. King will provide the exact number to the Board.

Mr. McAleer asked how many employees they have projected for the 2023 budget. Mr. Wells said they are projecting around 75 full-time employees. Mr. McAleer asked how that compared to 2019. Mr. King stated that they had just over 100 employees in 2019. Mr. King stated that although they are increasing headcount a bit this year, they will likely not return to 2019 numbers.

Mayor Sellers asked how that hiring will look after the completion of the facilities. Mr. King believes they already have great economies of scale. They may have to add people in operations and setup, and perhaps a sales and events role.

Mr. Epstein asked how inflation is reflected in the budget. Mr. King stated one area where inflation is reflected is in utilities, which they budgeted for a 30% increase. The budget also contains a modest salary increase. Mr. King stated that there are still some unknowns and have built it in as much as possible. Mr. Epstein asked about inflationary issues around food sales.

Mr. Del Regno discussed that food costs are volatile, but they have not seen a whole lot of pushbacks on the global scale in terms of cost increases. Chris Bupp introduced himself as the Regional Vice President with Levy. Mr. Bupp discussed Levy's strategy to lock in long-term pricing and their focus on maintaining margins. Levy is also emphasizing flexibility and customization in their pricing and menus to accommodate customers.

Mayor Sellers requested an update on the Audit. Mr. Hillow introduced Dan Gibel, the CCCFDC's outside CPA. Mr. Gibel discussed the audit and that it was a clean opinion without audit adjustments.

Mr. Wells clarified that that the employment numbers did not include other contractors, and only included the full-time ASM employees.

Mr. McAleer requested clarification on the incentive fee in the budget this year. Mr. King stated that there may be a couple things that the Board needs to address and adjust for on the metrics side because, as they stand, the metrics are aggressive. Mr. Wells discussed that the metrics may need to be updated to account for the effect of the pandemic. Mr. Appelbaum acknowledged that the underlying assumptions are going to shift during and after the convention center construction project. Mr. Appelbaum stated that it may be a good idea to adjust the metrics to account for time during the construction and post-construction.

Mr. McAleer requested from Mr. King a history of the incentive metrics. Mr. King agreed to provide.

Mr. McAleer motions to adopt the 2023 Annual Plan and Budget. Mr. Makhlof seconded. Ms. Valyn called the roll. Motion passed unanimously.

Convention Center and Bollard Projects Update.

Convention Center Project Update.

Mr. Katz presented an update on the Convention Center construction project. The design remains the same and they have completed the design and approval process. TVS, the procured architect, has completed the 100% design and development, and those drawing are with Turner, the design-builder, for the guaranteed maximum pricing process. The price will come in at the end of the month, followed by a reconciliation. The price will not change because a guaranteed maximum price has been established.

Mr. Katz mentioned that ASM and the design team have worked intensely to make sure that the IT systems are designed with both the user and the operator in mind. A draw process has been established and the first draw will occur at the beginning of November. Mr. Katz stated that the construction will begin the first quarter of 2023, and the current project schedule targets completion in the beginning of June in 2024. The next step is to begin the city approval process because there will an expansion of the premises and permits are needed. Following that, early procurement will begin with respect to steel and escalators to stay ahead of the game.

Bollard Project Update.

Mr. Campo presented an update on the bollards project. Mr. Campo stated they pursued a federal grant and were awarded significant funds. The funds are not going to be released until early 2023, and therefore they are in a holding pattern. Timing is okay, though because construction could not begin in the middle of winter. Mr. Campo stated they are expecting to being in the spring of 2023.

Mayor Sellers requested the timeline for the project. Mr. Campo stated the contractor is anticipating a timeline of about three months with the project being finished by July of 2023. Mr. Johnson mentioned that this is contingent on the funds being released in time, and there is a chance that those funds will not be released until later in 2023. Mayor Sellers stated that they should make sure that the City of Cleveland is aware of this construction so that events can take the construction into account.

Mr. Appelbaum noted that there will likely be a lane closing for construction for both the bollard and the convention center construction projects.

Hilton Hotel Report.

Mr. Trabulsi presented a report on the Hilton Hotel's performance. Nationally, the 2022 numbers have surpassed the 2021 numbers. Mr. Trabulsi mentioned that the industry is predicting that business travel will return to 2020 levels in 2025, but there are some current headwinds encouraging it. Interest rates may have an effect on demand as well. Mr. Trabulsi discussed that downtown hotels are doing well, and the August and September numbers surpassed 2019 levels. Mr. Trabulsi mentioned that there is some concern with the 2023 numbers due to the lack of the signature event. However, short-term bookings have recently picked up because of the local sport events.

Mr. Hillow mentioned the new hotel opening in Columbus. Mr. Makhlof emphasized that the convention center in Cleveland is a different center than the one in Columbus, and the need to be careful when comparing the two markets.

Mayor Sellers asked about the effect Browns' games have on the hotel performance. Mr. Trabulsi stated that the Browns games are big events for the hotel.

Mr. Hillow stated that they would provide an article on the Columbus opening, and that it provides good insight on the industry.

Old Business.

Employee Incentive Program.

Mr. Hillow presented findings on the employee incentive proposal discussed during the April and July Regular Meetings. The proposal is to give \$1,200 to full-time and \$600 to part-time employees. The total amount paid will be \$55,000.

Mr. McAleer asked whether this was for ASM employees only and what is considered part-time. Mr. King verified it was only ASM employees, and Mr. Wells stated that part-time employees are those working 28 hours or less per week.

Mayor Sellers thanked the group for the hard work in putting these numbers together. Mr. Makhlof thanked Mr. Offtermatt for bringing this to the Board's attention and emphasized the importance of this act.

Mr. McAleer asked for confirmation on whether other convention centers have done this. Mr. King stated that the Tulsa has done this.

Mr. Epstein asked if this program will be separate from the incentive program. Mr. King confirmed that this is a separate program.

Mr. Obi motioned to approve the program. Mr. McAleer seconded. Ms. Valyn called the roll. The motion passed.

New Business.

Mayor Sellers requested new business. Mr. Appelbaum mentioned that there may need to be a special meeting to approve the GMP. Mr. McAleer suggested holding the GMP meeting in-person. Mr. Appelbaum agreed that the presentation should be in-person. Mr. Makhlof asked if there is going to be an equitable adjustment clause. Mr. Appelbaum confirmed that there is language about that in the contract. Mr. Appelbaum stated that the shorter construction timeframe will control the risk and account for inflation as well. Mr. Katz mentioned they've had early success with subcontractors as well. Mr. Appelbaum confirmed that they are requesting quotes ahead of a large number of construction projects that will be commencing soon.

Adjournment.

There being no other items of business, a motion was made to adjourn the October Regular Meeting, which was seconded. At 9:46 a.m., the October Regular Meeting was adjourned.