

CUYAHOGA COUNTY CONVENTION FACILITIES DEVELOPMENT CORPORATION
REGULAR MEETING OF THE BOARD OF DIRECTORS
July 22, 2022
CLEVELAND, OHIO

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

Directors: Matt Carroll, Jeff Epstein, Majeed Makhoul, Trevor McAleer, Timothy Offtermatt, 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, 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”); Larry Trabulsi of CHM Warnick; Jeff Appelbaum and Sam Weir of Thompson Hine LLP; and Michael Chambers, Cuyahoga County’s Fiscal Officer.

Regular Meeting of the Board of Directors. At 8:32 a.m. on Friday, July 22, 2022, a Regular Meeting (the “July 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 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 of April 29, 2022, which were distributed to the Board prior to the July Regular Meeting. Mr. McAleer made a motion to approve such minutes. Mr. Offtermatt seconded. The Board unanimously voted to approve the minutes.

Mr. Hillow provided the Board with a general update. The report included the following:

Bollards Funding.

Mr. Hillow discussed the need for the construction of Bollards in front of the lakeside entrance to the Convention Center. The Department of Homeland Security recommended the installation of bollards to increase the security of the Center and prevent vehicles from driving through the windows. The panel applied for a grant and was awarded \$400,000 for construction. The Convention Center solicited bids and secured a bid to construct the bollards for \$1,300,000. Mr. Hillow stated they would require \$900,000 in additional funding to complete construction. An estimate from an Architect believed it would cost \$2,000,000, and Mr. Hillow believed the \$1,300,000 was fair. Mr. McAleer explained that the County will be the recipient of the grant, and County will have to complete the procurement process to distribute funds to the Convention Center. Mr. McAleer stated that the request before the Board will not include the \$400,000 grant award.

Mr. Makhoul joined the meeting.

Mr. Epstein inquired as to where the balance of the construction cost will come from. Mr. Hillow confirmed that the balance will be coming from the CCCFDC balance sheet. Mr. McAleer stated that this amount will be coming out the CCCFDC’s capital reserves. Mr. Epstein inquired as to when the construction of the bollards will be complete. Mr. Campo confirmed that the bollards will be installed the first quarter of 2023.

Mayor Sellers called for a vote to approve to the additional funding. Mr. Makhoul motioned to approve funding and move forward with the construction of the bollards. Mr. Offtermatt seconded. A roll call vote was taken to approve the motion. The Board unanimously voted to approve the motion.

Employee Retention Tax Credits.

Mr. Hillow reported ASM had applied for an employee-retention tax credit on behalf of the Convention Center. Mr. Hillow reported that the application was approved, and the Convention Center is going to receive \$200,000 in tax credit from the federal government.

Incentive Compensation.

Mr. Hillow discussed the options available for incentive compensation for employees retained during the government shutdown in order to maintain facility operations. Mr. Hillow engaged ASM to complete research concerning what other organizations have done with respect to incentive compensation. Mayor Sellers requested the research be disseminated to the group before the October Regular Meeting.

Convention Center Update.

Mr. King provided the Board with a general update and financial report through the first half of 2022. The report included the following:

Hiring Report.

Mr. King updated the Board regarding Convention Center staffing. Mr. King reported two new hires. Mr. King introduced Mark Jeckavitch as the new Director of Strategic Planning. Mr. King stated that Mr. Jeckavitch has more than ten years of experience with ASM Global and over twelve years of experience in the Convention Center industry. Mr. King introduced Harold David as the new Director of Events. Mr. King stated that Mr. Davis has been instrumental in managing the relationship with the Cuyahoga Court of Common Pleas. Mr. King introduced Dunk, a replica of the state fossil fish of Ohio. It was provided by the Cleveland Natural History Museum and is on display in the Convention Center.

Financial Report and Outlook.

Mr. King provided an overview of the financial performance of the Convention Center. Mr. King stated that in the first half of 2022 the Convention Center has held 54 events with over 110,000 attendees, including 19 conventions and tradeshow with over 20,600 attendees. Mr. King reported an operating loss of \$302,000 versus a budgeted operating loss of \$2,100,000 for the first six months of the 2022 fiscal year, which is a \$1,800,000 surplus compared to budget. Mr. King stated that for the year-end projection, he anticipates being at the \$1,800,000 surplus, but there are potential sales opportunities that may impact that number.

Mr. King described some of the events the Convention Center hosted in the first half of 2022. Those events included the Best Western Conference, the Independent Jeweler's Association, National Homeland Security Association, and the Association for Higher Education and Disability. Mr. King described some of the events the Convention Center will be hosting in the coming months, including the FBI National Academy Annual Conference, the Marketing Artificial Intelligence Annual Conference, the Blacks in Government conference, the American Massage Therapy Association, and the Ceramics Expo.

Mr. King discussed recent sales and potential sales opportunities, including securing the International Elastomers Conference for the years 2023, 2025, 2027, and 2029, and the opportunity to host the VA Convention in November of 2022. Mr. McAleer asked about the current status of the VA event. Mr. Poppell stated the VA is going through the internal processes required to approve funding for the event, but the VA has indicated the Convention Center is their preferred venue.

Project Update.

Mayor Sellers introduced Mr. Appelbaum to speak about the design project update. Mr. Appelbaum said the design and construction teams are in the process of reconciling the scope and budget of the project. Mr. Appelbaum said the reconciliation process is being led by Ellis Katz of PMC. Mr. Appelbaum discussed the impact of inflation on the original budget projection and stated that the team has managed and accounted for it well. Mr. McAleer stated that the issuance of the debt for the project was referred to the council's committee of the whole, and approval is expected within the next week or two.

Hilton Hotel Report.

Mr. Trabulsi gave a presentation to the Board discussing national and local hotel industry market trends. Mr. Trabulsi discussed that industry-wide, revenue per available room ("RevPAR") metrics exceed 2019 levels, but recovery of business travel is likely slowed due to rising costs of air travel and vacant office space. Mr. Trabulsi discussed an increase in near- and short-term bookings for group business and suggested that these types of bookings will be critical as we move into 2023.

Mr. Trabulsi gave an overview of the Cleveland market and showed growth in RevPAR of the overall Cleveland market is near 46%, which slightly lags the US average of 49%. For the downtown set of hotels, RevPAR is trailing 2019 levels and year-to-date is 85% of 2019 levels.

Mr. Makhlof inquired whether leisure travel is driving up costs and affecting business travel. Mr. Trabulsi stated that although leisure travel is driving up costs, the driving factor is the rising cost of flights.

Mr. Offtermatt requested more color on Mr. Trabulsi's view of performance in 2023. Mr. Trabulsi stated that 2023 does not have a major event that drives bookings. Mr. Trabulsi noted that pre-COVID, it was expected that 2023 would be a slower year because a big event had not yet been scheduled.

New Business.

Mayor Sellers asked for any new business of the Board. Mayor Sellers requested Mr. King provide additional detail on Convention Center business outlook. Mr. King stated that the Cleveland market has always been able to book short-term, meaning bookings within a year to year and a half. That is not standard in the group industry, in which bookings three to five years out are more common. Mr. King stated that they are starting to see the three to five year bookings begin to increase. Mr. King stated that site visits are increasing and is expecting 2024 and 2025 to be rebound years for the business. Mr. King acknowledged that 2023 was going to be a challenging year because COVID slowed down booking and a lot of the events scheduled for 2020 were re-booked past 2023.

Mr. Makhlof stated that, based on research from Destination Cleveland, we know that a big hurdle is getting people to come Cleveland, but once they do come, they are more willing to come back. Mr. Makhlof inquired as to whether incentives are being offered to increase travel and bookings in 2023. Mr. Poppell stated that they are working with hotel partners to offer incentives and they are being aggressive in booking 2023 business.

Mr. Poppell stated that business from dance and cheer events has tripled since COVID. They reached out to the Junior Volleyball Association ("JVA"), and the JVA extended their annual MLK volleyball tournament into a two week event. Mr. Makhlof inquired where the people who come to these events are from. Mr. Poppell stated that it is a national and international event, and teams will travel from across the country to come here.

Mayor Sellers suggested there are local event organizers that the Convention Center could reach out to about potential business opportunities. Specifically, Mayor Sellers identified a national girls basketball event called the Run 4 Roses Classic which takes place in Louisville each year. The organizer of the event

is a Cleveland area resident. Mayor Sellers suggested the Center reach out to the organizer about potential business.

Mr. Hillow requested input on how to make the citizens of Cleveland more aware of Convention Center activity. Mr. Hillow requested the Board share ideas for how to inform Cleveland citizens and make them aware of the activities and events taking place. Mayor Sellers thanked the Board for their time and effort put in to making this a better facility. Mr. McAleer suggested for the October meeting, that a larger presentation be given about the business outlook for 2023 and the effect construction will have on operations. Mr. King stated they will also have a review of the annual plan and budget for the October meeting.

Mr. Makhoul suggested that a sub-committee be formed to determine how to best inform local Cleveland residents about the work being done by the Convention Center, and how it impacts their lives. Mayor Sellers agreed and acknowledged the impact the business at the Convention Center has on the local business community. Mr. Epstein inquired whether an economic impact report is performed every year in addition to the work done by Destination Cleveland. Mayor Sellers confirmed that they do, and the importance of advertising the flow of funds from the convention center to the average citizen.

Mr. Carroll requested information regarding how competition is managed be included in the October meeting. Mr. Johnson confirmed that they will have additional information on the Convention Center's marketing as well as how they manage and adjust for competition.

Adjournment.

There being no other items of business, a motion was made to adjourn the July Regular Meeting, which was seconded. At 9:17 a.m., the July Regular Meeting was adjourned.