

A G E N D A



Recommendation for Council Action

Austin City Council	Item ID	7545	Agenda Number	21.
Meeting Date:	6/23/2011		Department:	Economic Growth and Redevelopment
Subject				
<p>Approve a resolution authorizing the CIRCUIT EVENTS LOCAL ORGANIZING COMMITTEE to act on the City's behalf and authorizing the City Manager to negotiate and execute an Agreement with the CIRCUIT EVENTS LOCAL ORGANIZING COMMITTEE to (1) establish the parties' authority, rights, and responsibilities with respect to an application to the Texas Comptroller of Public Accounts for creation of a Major Events Trust Fund in support of the Formula 1 U.S. Grand Prix and (2) establish the parties' authority, rights, and responsibilities with respect to payments to and from the Fund.</p>				
Amount and Source of Funding				
<p>Under the terms of this agreement, the City is not required to contribute funds to the State's Major Events Trust Fund for the Formula 1 event. Tax revenue related to the event will be paid to the City in accordance with customary, applicable remittance practices and the revenue will be deposited into the appropriate City accounts as received. Costs incurred by the City to support the race each year will be billed to the event promoter in accordance with city standard practices.</p>				
Fiscal Note				
<p>No additional spending authority is needed; therefore, a fiscal note is not required.</p>				
Purchasing Language:				
Prior Council Action:				
For More Information:	Kevin Johns, Director, EGRSO / 974-7802 Rodney Gonzales, Deputy Director, EGRSO / 974-2313			
Boards and Commission Action:				
MBE / WBE:				
Related Items:				
Additional Backup Information				

On June 1, 2011, the Mayor's Office received a letter from Formula One Management, Ltd. (FOM) confirming the selection of Austin as the location for the annual Formula 1 U.S. Grand Prix from 2012 to 2021. The first event is scheduled for June 17, 2012 at the Circuit of the Americas facility, which is a multipurpose facility being constructed two (2) miles southeast of the Austin Bergstrom International Airport. FOM's selection of Austin is the result of a recruitment effort by Full Throttle Productions, Inc., including a commitment to pay FOM a service fee for each year of the Formula 1 U.S. Grand Prix by July 31st of the preceding year.

On June 9, 2011, the City received a letter from the Circuit Events Local Organizing Committee (CELOC), which is a Texas non-profit established to help facilitate and support the Formula 1 U.S. Grand Prix. CELOC is requesting the City of Austin act as the "Endorsing Municipality" for purposes of an application and qualification of the Formula 1 U.S. Grand Prix as an "Event" as defined in Article 5190.14 of Vernon's Texas Civil Statutes Section 5A, the "Major Events Trust Fund".

CELOC is requesting it be appointed by the City, by Agreement, to serve as the "Local Organizing Committee" in order to assume certain duties, responsibilities, and financial obligations on the City's behalf, including the following:

- Submitting a letter to the Texas Comptroller requesting an economic impact assessment for the Formula 1 U.S. Grand Prix; and
- Submitting economic impact studies for the Formula 1 U.S. Grand Prix to the Texas Comptroller; and
- Submitting an annual \$4 million contribution to the Texas Comptroller, on behalf of the City, for deposit into the Major Events Trust Fund established for the Formula 1 U.S. Grand Prix; and
- Submitting annual financial reports as required by the Texas Comptroller; and
- Securing financial assurances.

As part of the application process to the Major Events Trust Fund, CELOC has commissioned an economic impact study. The City has retained Jon Hockenyos of Texas Perspectives to perform an outside review of the economic impact study as part of the City's due diligence related to the Formula 1 event. Mr. Hockenyos will provide his observations and comments, in writing, after the completion of his review, which is scheduled for Friday, June 17, 2011.

The Texas Comptroller will review the economic impact study and perform its own review to determine the hotel occupancy tax, sales tax, mixed beverage tax, beer and wine tax, and motor vehicle rental tax to the State as a result of the Formula 1 U.S. Grand Prix. If the Texas Comptroller determines that the State's annual tax revenues will exceed \$25 million, the State will be able to make an initial contribution of \$25 million into the Major Events Trust Fund.

The State's initial \$25 million contribution will come from a 2009 State appropriation. Combined with the CELOC initial contribution of \$4 million, the total initial contribution to the Major Events Trust Fund will be \$29 million. The initial FOM service fee of up to \$25 million will be paid from the Major Events Trust Fund, leaving a balance in the Major Events Trust Fund that can be reimbursed to the CELOC for eligible expenses as defined in Article 5190.14 Section 5A. Costs incurred by the City to support the race each year will be billed to the event promoter in accordance with city standard practices.

For race years 2012 through 2021, CELOC will annually contribute up to \$4 million into the Major Events Trust Fund. The State will then contribute a 6.25 times match equaling up to \$25 million into the Major Events Trust Fund, resulting in a combined total of about \$29 million deposited each year into the Major Events Trust Fund. The State's contribution for race years 2012 through 2021 may be comprised from hotel occupancy tax, sales tax, mixed beverage tax, beer and wine tax, and motor vehicle rental tax.

Annually for race years 2012 through 2020, the FOM service fee of up to \$25 million will be paid from the Major

Events Trust Fund for the following year's race, and the remaining balance in the fund will be used to reimburse CELOC for eligible expenses to support hosting the event for years 2012 through 2021.

From the final year's contribution into the Major Events Trust Fund, \$25 million will be paid from the Major Events Trust Fund to reimburse the State for its initial contribution, and the remaining balance in the fund can be used to reimburse CELOC for eligible expenses to support hosting the event.

The Agreement between the City and CELOC will be performance-based, meaning that the City can terminate the Agreement at any time CELOC has not met performance criteria. These performance criteria include an annual event as defined at Section 5A(s).