



City of Austin

City Manager's Office

P. O. Box 1088, Austin, TX 78767
(512) 974-2200, Fax (512) 974-2833

Marc A. Ott, *City Manager*
Marc.Ott@ci.austin.tx.us

February 19, 2016

Office of the Governor
Texas Economic Development Bank
Economic Development & Tourism
Post Office Box 12428
Austin, Texas 78711

Attention: Director

Dear Director:

The City of Austin requests participation in the Major Events Reimbursement Program (MERP) program pursuant to TEX. REV. CIV. STAT. ART. 5190.14 Section 5A (Act) as authorized by Austin City Council action on December 10, 2015 in support of the FIM Road Racing World Championship Grand Prix, commonly known as "MotoGP" and for the April 8 – 10, 2016 event marketed as the "2016 Red Bull Grand Prix of the Americas", a motorcycling championship (the "Event"). This action satisfies the requirements of 10 TAC, Part 5, Section 184.102(a)(1) and documents that Austin is the endorsing municipality in accordance with the Act.

Enclosed is correspondence from DORNA SPORTS, S.L. (DORNA) confirming the selection of Austin, Texas as the location for this event in April of 2016 as well as for 2017. The correspondence from DORNA satisfies the requirements found at 10 TAC Section 184.102(a)(2).

The correspondence from DORNA states that the selection of Austin as the location for the Event was completed after substantial competition in their process of reviewing a number of venues interested in hosting their series. Further, DORNA does not anticipate holding any other similar Event in Texas or its contiguous states during any year that the Event is held at the Circuit of the Americas in Austin. We believe that this supports a finding that Austin was selected as the site for this event consistent with the requirements of 10 TAC Section 184.101.

The Circuit Events Local Organizing Committee is the City's designee to make application to the Office of the Governor, Texas Economic Development Bank, for participation of the MotoGP Event in the MERP under the Act, to submit the MERP economic analysis, to fund the City's contribution to the MERP, and to receive funds for eligible expenses from the MERP.

Sincerely,



Marc A. Ott, City Manager
City of Austin, Texas.

EVENTS TRUST FUND

Application

Office of the Governor
Economic Development and Tourism (EDT)

APPLICANT NAME: Circuit Events Local Organizing Committee

**EVENT NAME: FIM Road Racing World Championship Grand Prix
(also known as MotoGP™ marketed and advertised as the
2016 Red Bull Grand Prix of the Americas)**

DATE APPLICATION SUBMITTED: February 18, 2016

DATE(S) OF EVENT: April 8 through 10, 2016

EVENT LOCATION: Circuit of The Americas, Austin, Texas

Events Trust Fund Application

Event Trust Fund (ETF), Major Events Reimbursement Program (MERP) or Motor Sports Racing Trust Fund (MSRTF)

Please review the Events Fund Process document and statute before submitting this application. Links can be found at <https://texaswideopenforbusiness.com/services/event-trust-funds>.

An application will not be complete until all documents are submitted, with the exception of the Events Support Contract. See checklist at the end of the application for required documents. Deadlines for submission are as follows:

MERP: 45 days prior to the event, but no more than 1 year before the event.

ETF & MSRTF: at least 120 days prior to the event.

Please submit all documents to eventsfund@gov.texas.gov.

SECTION 1: ENDORSING MUNICIPALITY OR COUNTY

Name of Endorsing Municipality or County:	City of Austin
Municipality or County Contact Name:	Leela Fireside
Contact Title:	Assistant City Attorney
Contact Email:	Leela.Fireside@austintexas.gov
Contact Phone Number:	(512) 974-2163

1. Has the endorsing municipality or county reviewed the event and found that it meets all eligibility requirements as listed in Vernon's Texas Civil Statutes (VTCS) 5190.14?
Yes No
2. Has the endorsing municipality or county determined that it will contribute local funding ("local match") to the Event Trust Fund, if established?
Yes No *Circuit Events Local Organizing Committee has contractually agreed to provide this funding.

SECTION 2: LOCAL ORGANIZING COMMITTEE

1. Has the municipality or county authorized a nonprofit Local Organizing Committee (LOC) to enter into an agreement with the Site Selection Organization to host the event on behalf of the municipality or county?
Yes No
2. If Question 1 is selected as "No," the municipality or county must directly enter into an Event Hosting Agreement with the site selection organization.

If "Yes," provide the following information for the LOC:

Complete Business Name of LOC:	Circuit Events Local Organizing Committee
LOC Contact Name:	Wayne S. Hollingsworth
LOC Contact Title:	Board Member, Secretary
Contact Email:	whollingsworth@abaustin.com
Contact Phone Number:	(512) 435-2306
LOC Tax Payer ID#:	45-2727397

Is the LOC designated in the official request letter submitted with the application?

Yes No

SECTION 3: SITE SELECTION ORGANIZATION

Full Name of Site Selection Organization:	Dorna Sports, S.L.
Site Selection Contact Name:	Enrique Aldama
Site Selection Contact Title:	Chief Operating Officer and Chief Financial Officer
Site Selection Contact Email:	enriquealdama@dorna.com
Contact Phone Number:	34-91-782-02-20

*EDT reserves the right to contact the Site Selection Organization or any other organization directly related to this event.

SECTION 4: EVENT INFORMATION

Official Event Name:	MotoGP™ World Championship
Event Fund/Program being applied for: (ETF, MERP, MSRTF)	MERP
Venue(s) of Event:	Circuit of The Americas, Austin, Texas
Event Website:	www.circuitoftheamericas.com
Date(s) of the Primary Event:	4/8-10/2016
Day set-up/load-in for the event will begin:	March 15, 2016
Day strike/load-out of the event will end:	April 18, 2016
Location of Event for the Previous 5 Years: (List most recent year first)	<ol style="list-style-type: none"> 1. See Attached Exhibit A 2. 3. 4.

	5.
Source of Information for Previous Events:	Dorna Press Releases
Other locations outside of Texas considered to host the event:	MotoGP is a worldwide event and many locations apply for site selection.
Was the site selected as a part of a multi-year agreement? If yes, what years (past and future)?	2014 through 2017
Anticipated Total Attendance at Primary Event:	44,422
Anticipated Out of State Attendance at Primary Event:	21,410
Desired Market Area:	Travis and contiguous counties
Additional Information:	Circuit of The Americas ("COTA") tracks tickets sold and distributed, media credentials and team and sponsor attendees and tabulates figures during each day of the event, including for the primary event day. COTA also conducts various surveys of attendees both during and after the event with the intent to determine an accurate calculation of out-of-state attendees for each day of the event.

Upon conclusion of the event, verifiable attendance figures must be provided to EDT. The following methods will be accepted: ticket sales count, turnstile count, ticket scan count, convention attendee count, or participant totals (must be accompanied by ticket or turnstile count for MERP & MSRTF). Other methods will be accepted upon approval by EDT. Please explain which of these methods or another method, subject to approval, that will be used: See above under "Additional Information".

SECTION 5: CHECKLIST

EDT must receive the following documents before it can issue an estimate of incremental taxes.

Per statute, EDT is required to make a determination within 30 days after receiving a complete application. If an application is incomplete, the requestor will be asked to withdraw the application until a complete application can be submitted.

- Events Trust Fund Application** completed and signed.
- Selection Letter** clearly indicating a highly competitive selection process, and that the selection was based on an application by the endorsing municipality, county or LOC. This selection letter must clearly indicate the selected LOC, the selected municipality and the event date. The event date indicated in the letter must match the requested event date. The selection letter must be signed by the site selection organization.
- Request Letter** clearly indicating the municipality or county's endorsement of the event and states the LOC (if applicable) along with the municipality or county's contact. The information in the letter should coincide with the Selection Letter.
- Economic Impact Analysis** or data sufficient for EDT to determine the incremental increase in tax revenue

associated with hosting the event. The data must include an estimate of the number of attendees from out-of-state, details on the direct expenditures and direct impact data for the endorsing municipality or county hosting the event for the requested market area, and the source of the information included.

Event Support Contract executed between a LOC, an endorsing municipality, or an endorsing county and a site selection organization that outlines the responsibilities of each party, and signed by each party. *Due no later than the date of the event; early submission will provide EDT with the opportunity to review the contract and address any issues prior to the event.*

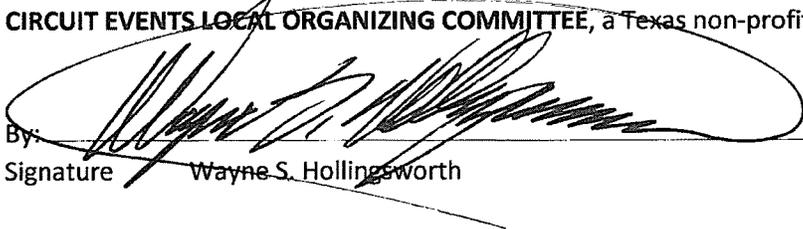
Affidavit of Endorsing Entity signed by each endorsing municipality, county and/or LOC.

Affidavit for Economic Impact signed by party(ies) providing economic impact analysis to support the request.

Note: All documents submitted to the Office of the Governor (OOG), including, but not limited to the application and disbursement documentation submitted after the event, are subject to the Texas Public Information Act, Chapter 552 of the Texas Government Code. In the event of a public information request submitted to the OOG related to an applicant, the OOG will notify the applicant of the request and take appropriate actions with the Attorney General of Texas.

I, the authorized representative of the applicant, certify that the representations made, the facts stated in this application and all supplemental documents are true and correct, and that no relevant facts have been intentionally omitted, as evidenced by my signature below. I hereby agree, on behalf of the applicant, to comply with the reporting requirements and will provide other documentation as requested.

CIRCUIT EVENTS LOCAL ORGANIZING COMMITTEE, a Texas non-profit corporation

By: 
Signature Wayne S. Hollingsworth

Director and Secretary
Title

February 10, 2016
Date



FÉDÉRATION INTERNATIONALE
DE MOTOCYCLISME

EXHIBIT A TO 2016 MOTOGP ETF APPLICATION

PRESS RELEASE

MIES, 11/02/2015
FOR MORE INFORMATION:

ISABELLE LARIVIÈRE
COMMUNICATIONS MANAGER
isabelle.lariviere@fim.ch
TEL +41 22 950 95 68

FIM Road Racing World Championship Grand Prix

2015 provisional calendar, updated 11 February

The British Grand Prix, initially scheduled to take place on 30 August at Donington Park Circuit shall be finally hosted on same dates at the Silverstone Circuit.

The 2015 FIM Road Racing World Championship Grand Prix calendar has been amended as follows (change in bold).

Date	Grand Prix	Venue
29 March	Qatar*	Losail International Circuit
12 April	Americas	Circuit of The Americas
19 April	República Argentina	Termas de Río Hondo
03 May	Spain	Circuito de Jerez
17 May	France	Le Mans
31 May	Italy	Autodromo del Mugello
14 June	Catalunya	Barcelona - Catalunya
27 June	TT-Asse****	TT Circuit Assen
12 July	Germany	Sachsenring
09 August	Indianapolis	Indianapolis Motor Speedway
16 August	Czech Republic	Automotodrom Brno
30 August	Great Britain	Silverstone Circuit
13 September	San Marino e della Riviera di Rimini	Misano World Circuit Marco Simoncelli
27 September	Aragón	MotorLand Aragón
11 October	Japan	Twin Ring Motegi
18 October	Australia	Phillip Island
25 October	Malaysia	Sepang International Circuit
08 November	Comunitat Valenciana	Comunitat Valenciana - Ricardo Tormo

* Evening Race

** Saturday Race

About the FIM (www.fim-live.com)

The FIM (Fédération Internationale de Motocyclisme) founded in 1904, is the governing body for motorcycle sport and the global advocate for motorcycling. The FIM is an independent association formed by 112 National Federations throughout the world. It is recognised as the sole competent authority in motorcycle sport by the International Olympic Committee (IOC). Among its 50 FIM World Championships the main events are MotoGP, Superbike, Endurance, Motocross, Supercross, Trial, Enduro, Cross-Country Rallies and Speedway. Furthermore, the FIM is also active and involved in the following areas: public affairs, road safety, touring and protection of the environment. The FIM was the first international sports federation to impose an Environmental Code in 1994.

11, rue de la Gare
1201 Genève
FOUNDED 1904

11, rue de la Gare
1201 Genève
info@fim.ch
WWW.FIM-LIVE.COM

EXHIBIT A TO 2016 MOTOGP ETF APPLICATION



FEDERATION INTERNATIONALE
DE MOTOCYCLISME

PRESS RELEASE

MIES, 24/02/2014

FOR MORE INFORMATION:

ISABELLE LARIVIÈRE

PRESS OFFICER

isabelle.lariviere@fim.ch

TEL +41 22 950 95 68

FIM MotoGP™ World Championship

2014 final Calendar, 24 February (Change in bold)

Date	Grand Prix	Circuit
23 March	Qatar*	Doha/Losail
13 April	Americas	Austin
27 April	Argentina	Termas de Rio Hondo
04 May	Spain	Jerez de la Frontera
18 May	France	Le Mans
1 June	Italy	Mugello
15 June	Catalunya	Barcelona- Catalunya
28 June	Netherlands**	TT Assen
13 July	Germany	Sachsenring
10 August	Indianapolis GP	Indianapolis
17 August	Czech Republic	Brno
31 August	Great Britain	Silverstone
14 September	San Marino & Riviera di Rimini	Marco Simoncelli Misano
28 September	Aragon	MotorLand Aragon
12 October	Japan	Motegi
19 October	Australia	Phillip Island
26 October	Malaysia	Sepang
09 November	Valencia	Ricardo Tormo-Valencia

* Evening Race

** Saturday Race

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100001000000
CH-1025 Aarau

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TEL: +41 22 950 95 68
FAX: +41 22 950 95 67
info@fim.ch
WWW.FIM-LIVE.COM

EXHIBIT A TO 2016 MOTOGP ETF APPLICATION



FÉDÉRATION INTERNATIONALE
DE MOTOCYCLISME

PRESS RELEASE
MIES, 11/12/2012
FOR MORE INFORMATION:

ISABELLE LARVIÈRE
PRESS OFFICER
isabelle.larviere@fim.ch
TEL +41 22 950 95 68

FIM Road Racing World Championship Grand Prix

2013 calendar, update 11 December (Changes in bold)

Date	Grand Prix	Location
07 April	Qatar*	Doha/Losail
21 April	Americas	Austin
05 May	Spain	Jerez de la Frontera
19 May	France	Le Mans
2 June	Italy	Mugello
16 June	Catalunya	Circuit de Catalunya
29 June	Netherlands**	TT Assen
14 July	Germany	Sachsenring
21 July	United States***	Laguna Seca
18 August	Indianapolis	Indianapolis
25 August	Czech Republic	Brno
01 September	Great Britain	Silverstone
15 September	San Marino & Riviera di Rimini	Marco Simoncelli Misano
29 September	Aragón	MotorLand Aragón
13 October	Malaysia	Sepang
20 October	Australia	Phillip Island
27 October	Japan	Motegi
10 November	Valencia	Ricardo Tormo-Valencia

* Evening Race

** Saturday Race

*** Only MotoGP class

About the FIM (www.fim-live.com)

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11 ROUTE DE SUISSE
CH - 1295 MIES
FOUNDED 1904

TEL +41 22 950 95 00
FAX +41 22 950 95 01
info@fim.ch
WWW.FIM-LIVE.COM

EXHIBIT A TO 2016 MOTOGP ETF APPLICATION



FÉDÉRATION INTERNATIONALE
DE MOTOCYCLISME

PRESS RELEASE

MIES, 15/02/12

FOR MORE INFORMATION:

ISABELLE LARIVIÈRE
PRESS OFFICER
Isabelle.lariviere@fim.ch
TEL +41 22 950 95 68

**FIM Road Racing World Championship Grand Prix
2012 Calendar, (Change in bold)**

8 April	Qatar*	Doha/Losail
29 April	Spain	Jerez de la Frontera
6 May	Portugal	Estoril
20 May	France	Le Mans
3 June	Catalunya	Catalunya
17 June	Great Britain	Silverstone
30 June	Netherlands**	Assen
8 July	Germany	Sechsenring
15 July	Italy	Mugello
29 July	United States***	Laguna Seca
19 August	Indianapolis	Indianapolis
26 August	Czech Rep.	Brno
16 September	San Marino & Riviera di Rimini	Misano
30 September	Aragon	Motorland
14 October	Japan	Motegi
21 October	Malaysia	Sepang
28 October	Australia	Phillip Island
11 November	Valencia	Ricardo Tormo - Valencia

* Evening Race

** Saturday Race

*** Only MotoGP class

About the FIM (www.fim-five.com)

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HEADQUARTERS 13 ROUTE DE SUISSE TEL +41 22 950 95 00
CH - 1205 MIES FAX +41 22 950 95 01
SWITZERLAND INFO@FIM.CH
WWW.FIM-FIVE.COM

FOUNDED 1904

EXHIBIT A TO 2016 MOTOGP ETF APPLICATION



FÉDÉRATION INTERNATIONALE
DE MOTOCYCLISME

PRESS RELEASE
MIES, 30/09/10
FOR MORE INFORMATION:

ISABELLE LARIVIÈRE
PRESS OFFICER
isabelle.lariviere@fim.ch
TEL +41 22 950 95 68

FIM Road Racing World Championship Grand Prix
2011 provisional calendar

March 26	Qatar*	Doha/Losail
April 3	Spain	Jerez de la Frontera
April 24	Japan	Motegi
May 1	Portugal	Estoril
May 15	France	Le Mans
June 5	Catalunya	Catalunya
June 12	Great Britain	Silverstone
June 25	Netherlands**	Assen
July 3	Italy	Mugello
July 17	Germany	Sachsenring
July 24	United States***	Laguna Seca
August 14	Czech Rep.	Brno
August 28	Indianapolis	Indianapolis
September 4	San Marino & Riviera di Rimini	Misano
September 18	Aragon	Motorland Aragon
October 16	Australia	Phillip Island
October 23	Malaysia	Sepang
November 6	Valencia	Ricardo Tormo - Valencia

- * Evening Race
- ** Saturday Race
- *** Only MotoGP class

About the FIM (www.fim-live.com)

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HEADQUARTERS 11 ROUTE DE
SASSE
CH - 1289 MIES
SWITZERLAND

TEL +41 22 950 95 00
FAX +41 22 950 93 01
INFO@FIM.CH
WWW.FIM-LIVE.COM

FOUNDED 1904

DORNA

Mr. Marc Ott
City Manager
City of Austin
Austin, Texas 78701
via email: marc.ott@austintexas.gov

Madrid, December 10th, 2013

Dear Mr. Ott,

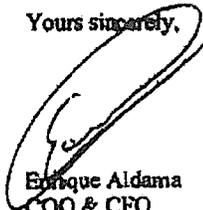
We have received and appreciate the confirmation of application, dated December 5th, 2013, from Circuit Events Local organizing Committee ("CELOC"), as designee and on behalf of the City of Austin, to host an event of the FIM Road Racing World Racing Championship Grand Prix (commonly known as MotoGP™) in Austin from 2014 to 2017 at the new raceway facilities in Austin, Texas, USA, known as Circuit of the Americas.

As we emphasized in our previous letters to you, there was substantial competition in our process of reviewing a number of venues interested in hosting our series. Our prior selection of Austin, Texas as the site for the 2014 through 2017 MotoGP™ Events is hereby made and confirmed. Congratulations!

The MotoGP™ series features the world's best riders and teams that appeal to a diverse audience. We race at venues in many countries, including Spain, France, Italy, Great Britain, Australia, Malaysia and the United States. MotoGP™ brings a substantial number of tourists to each region where we race, and we anticipate that our upcoming races during 2014 through 2017 in Austin will generate significant interest as well as major economic benefit to the community.

We look forward to receiving and working with CELOC to finalize an Event Support Contract related to the local and State support available for the events.

Yours sincerely,



Enrique Aldama
COO & CFO
DORNA SPORTS S.L.

DORNA

Circuit Events Local Organizing Committee
Attention: Mr. Wayne S. Hollingsworth
100 Congress Avenue, Suite 1300
Austin Texas 78701-2744
via email: whollingsworth@abaustin.com

Madrid, December 10th, 2013

Dear Mr. Hollingsworth:

We appreciate the confirmation of the application by Circuit Events Local Organizing Committee, dated December 5, 2013 submitted as designee on behalf of the City of Austin, to host an event of the FIM Road Racing World Racing Championship Grand Prix (commonly known as MotoGP™) for 2013 and beyond in Austin, Texas at the raceway facilities known as Circuit of the Americas. We understand that your application is submitted in confirmation of and supplemental to your prior application to us dated December 17, 2012.

As we emphasized in our previous letters to you and City officials, there has been and remains substantial competition in our process of reviewing a number of venues interested in hosting our series. Please consider this letter as confirmation of our selection of Austin, Texas, and the Circuit of the Americas to host the MotoGP™ event each year of the upcoming series from 2014 through 2017. Congratulations!

As noted in your December 5th letter, we do not anticipate sanctioning or holding any other similar MotoGP™ Event in Texas or its contiguous states during 2014 or any other year that the MotoGP™ at the Circuit of the Americas is held in Austin.

The MotoGP™ series features the world's best riders and teams that appeal to a diverse audience. We race at venues in many countries, including Spain, France, Italy, Great Britain, Australia, and Malaysia. MotoGP™ brings a substantial number of tourists to each region where we race, and we anticipate that a race in Austin will generate significant interest as well as major economic benefit to the community.

We look forward to receiving and working with you to finalize and Event Support Contract related to the local and State support available through CELOC and the Circuit of the Americas.

Yours, sincerely,



Enrique Aldama
COO & CFO
DORNA SPORTS S.L.

CIRCUIT EVENTS LOCAL ORGANIZING COMMITTEE,
a Texas non-profit corporation

**100 Congress Avenue, Suite 1300
Austin, Texas 78701-2744**

February 18, 2016

VIA EMAIL

Office of the Governor
Economic Development & Tourism
Post Office Box 12428
Austin, Texas 78711

Attention: Executive Director

Office of the Governor
Texas Economic Development Bank
Economic Development & Tourism
Post Office Box 12428
Austin, Texas 78711

Attention: Director

Re: ***Withdrawal of Application for Participation in the Texas Events Trust
Fund (MotoGP)***

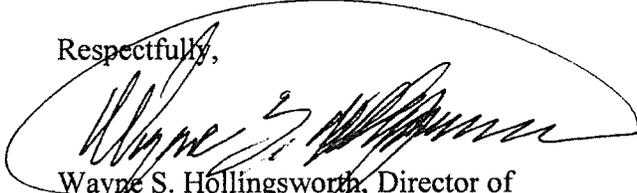
Dear Directors:

Circuit Events Local Organizing Committee previously applied for participation by the “FIM Road Racing World Championship Grand Prix” and commonly known as “MotoGP” event scheduled for April 8 - 10, 2016 (the “MotoGP Event”) in the Event Trust Fund (ETF) program pursuant to **TEX. REV. CIV. STAT. ART. 5190.14 Section 5C**, as authorized by Austin City Council action contained in resolution dated December 13, 2012.

As you know, new legislation (SB 633) has been enacted by the 84th Texas Legislature and signed by the Governor that adds: (i) the Moto Grand Prix of the United States as an “event” at Section 5A(a)(4) of the Major Events Reimbursement Program (MERP) and (ii) Dorna Sports, S.L., a Spanish company (Dorna) as a “site selection organization” at Section 5A(a)(5) of MERP pursuant to **TEX. REV. CIV. STAT. ART. 5190.14 Section 5A**, thus qualifying the “MotoGP” as an eligible Event under the MERP. In addition to that enactment, the Austin City Council, on December 10, 2015, approved a resolution authorizing the City of Austin to act as “endorsing municipality” and Circuit Events Local Organizing Committee (CELOC) to act as “local organizing committee” for the MotoGP Event scheduled for April 8 – 10, 2016 to apply for participation under the MERP.

Therefore, to facilitate the MERP application by the City of Austin and CELOC for the MotoGP Event, Circuit Events Local Organizing Committee respectfully withdraws its previously submitted ETF application for the MotoGP Event. The City of Austin and CELOC intend to submit its application for participation in the MERP for the 2016 MotoGP Event immediately after your receipt and acceptance of this withdrawal request.

Respectfully,

A handwritten signature in black ink, enclosed within a hand-drawn oval. The signature is cursive and appears to read "Wayne S. Hollingsworth".

Wayne S. Hollingsworth, Director of
Circuit Events Local Organizing Committee

CIRCUIT EVENTS LOCAL ORGANIZING COMMITTEE,
a Texas non-profit corporation

**100 Congress Avenue, Suite 1300
Austin, Texas 78701-2744**

February 18, 2016

VIA EMAIL

Office of the Governor
Economic Development & Tourism
Post Office Box 12428
Austin, Texas 78711

Attention: Executive Director

Office of the Governor
Texas Economic Development Bank
Economic Development & Tourism
Post Office Box 12428
Austin, Texas 78711

Attention: Director

***RE: Application for Participation in the Major Events Reimbursement Program (2016
MotoGP Event)***

Dear Directors:

Circuit Events Local Organizing Committee, is organized as a Texas non-profit corporation (the "**Committee**") with the purpose to help facilitate and support a motor race, with Dorna Sports, S.L., a Spanish company, as the site selection organization under the name "FIM Road Racing World Championship Grand Prix" and commonly known as "MotoGP" (the "**Race Events**") that is tentatively set to be held in Austin, Texas during the Spring of 2016 and 2017 with the next event scheduled for April 8 - 10, 2016. The upcoming event in Austin, Texas is marketed and advertised as the "2016 Red Bull Grand Prix of the Americas" (the "**Event**"). Further, as an integral part of this support, the Committee and the City of Austin, as approved by City Council resolution passed on December 10, 2015, entered into an "Agreement", dated February, 2016, whereby the City of Austin agreed to be the "endorsing municipality" for the Race Events, and in the capacity of endorsing municipality (i) authorized the Committee to act as the "local organizing committee" for purposes of securing and promoting the Race Events for the Austin area, as well as the application for and qualification of the 2016 Event as an "event" under TEX. REV. CIV. STAT. ART. 5190.14 (the "**Act**") and Section 5.A. thereof, the Major Events Reimbursement Program (the "**MERP**") and (ii) authorized and appointed the Committee as the City of Austin's sole and exclusive designee, for and on behalf of the City of Austin to submit, pursuant to TAC Title 10, Part 5 Chapter 184 Subchapter A, Rule 184.102, a request to the Office of the Governor, Texas, Economic Development Bank for participation in the MERP program and a request to the Texas, Economic Development Bank to determine the incremental increase in the receipts of various taxes (e.g. sales and use taxes, mixed beverage taxes, hotel occupancy taxes), by the City of Austin, as the endorsing municipality, for the one (1) year period that begins two (2) months prior to the date of the first event, (scheduled for the weekend of April 8 - 10, 2016), in accordance with the Office of the Governor, Texas Economic Development Bank's procedures and in accordance with the Act, and the rules promulgated thereunder (the "**Rules**").

{W0671342.1}

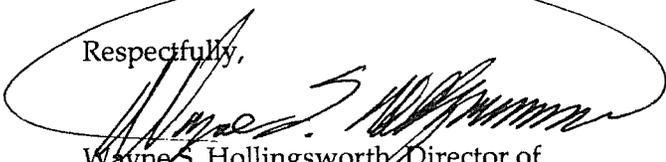
It is my honor and great pleasure to submit this application from the Committee, as the City of Austin's duly appointed and authorized designee for and on behalf of and binding upon the City of Austin, as the formal request, pursuant to Rule 184.102, for participation in the MERP program and a request to the Office of the Governor, Texas Economic Development Bank to determine the incremental increase in the applicable taxes for the City of Austin for the April 8 - 10, 2016 Event.

Further, as required by Rule 184.102(a)-(d), enclosed with this letter are (i) Attachment 1, a letter dated December 10, 2013 from the site selection committee for the Race Events confirming selection of the Circuit of the Americas' facilities in Austin, Texas; (ii) Attachment 2, the economic impact study and other data from Don Hoyt, Ph.d. with detailed information on the direct expenditures and direct impact data for the endorsing municipality hosting the Event and for the requested market area (the "*Economic Study*"); (iii) Attachment 3, a description of the requested market area and information to support the requested market area, which is included in the Economic Study; (iv) Attachment 4, a list of all related events and activities proposed to be included in the trust fund estimate, with data for each such activity, including projected attendance figures, ticket sales and relevant production and expenditure information related to the activity, included in the Economic Study; (v) Attachment 5, Affidavits for Economic Impact Documentation from Don Hoyte, Ph.D., the City of Austin and the Committee as to the accuracy of the Economic Study; (vi) Attachment 6, a completed and signed Events Trust Fund Application to Establish an MERP for the 2016 Event; (vii) Attachment 7, a letter from Mr. Marc Ott, City Manager for the City of Austin to the Office of the Governor, Texas Economic Development Bank, requesting participation in the MERP for the 2016 Race Event; and (viii) Attachment 8, Affidavits of Endorsing Entity from the Committee and the City of Austin endorsing an MERP.

If you have any questions or comments on or need any additional information or clarification on the above request, please to not hesitate to contact me or any member of the Board of Directors of the Committee.

Thank for your time and consideration of this request.

Respectfully,



Wayne S. Hollingsworth, Director of
Circuit Events Local Organizing Committee

Ms. Leela Fireside, Assistant City Attorney, City of Austin
Mr. Sam Bryant, Director
Mr. Ford Smith, Director
Ms. Julia Finney-Taylor, Director
Ms. Sylvania Holt Rabb, Director
Ms. Anna Panossian, Finance Director of Events of COTA
Mr. Colin Cohen, CFO of COTA

**Economic Impact Study
of the
2016 MotoGP Championship Race Weekend at Circuit of the Americas
Austin, Texas**

Submitted for consideration under the Events Trust Fund or Major Events Reimbursement Program by:

Don Hoyte, Ph.D.
TexasTrustFunds.com
10704 Scotland Well Drive
Austin, Texas 78750

On behalf of

Circuit Events Local Organizing Committee
100 Congress Avenue, Suite 1300
Austin, Texas 78701-2744

November 30, 2015

Event Background

MotoGP™ is the premier motorcycle racing World Championship consisting, in 2013, of an eighteen-race series visiting thirteen countries on four continents with pan-global television coverage. The most skilled riders from nine nations line a starting grid riding cutting-edge motorcycle technology with prototype machinery fielded by three manufacturers; Ducati, Yamaha and Honda.

2013 marked the inaugural visit of the MotoGP's World Championship to Austin TX and COTA. After considerable negotiations involving the Circuit of the Americas, the City of Austin and representatives of the organizations controlling MotoGP, Dorna Sports (commercial rights holder of MotoGP) announced that the Circuit of the Americas in Austin, Texas would be the newest site of a MotoGP weekend event from April 19 – 21, 2013. Dorna has been the exclusive commercial and television rights holder for the FIM RoadRacing World Championship Grand Prix (MotoGP™) since 1992. According to Dorna, the Austin site was selected as the preferred location for the race after considering alternative locations in the U.S. and other countries. Moreover, Dorna agreed that 2013 would mark the first of five consecutive visits to Austin as host city for the Championship. (see Appendix A for acceptance letter).

Most recently, the significance of MotoGP to the Texas economy was recognized when the event was added to the list of events eligible to receive support from the Major Event Reimbursement Program (MERP).¹

The first MotoGP Championship drew 61,091 fans for Sunday's race² with the three-day total attendance reaching 131,082 fans for the inaugural year.³ COTA's three-day attendance for the second annual MotoGP race held on April 11-13, 2014 was 118,918. By day, attendance numbers for the 2014 event were 21,399 on Friday, 39,989 on Saturday, and 57,590 on Sunday.⁴

The 2015 Red Bull Grand Prix race was won on a rain-soaked weekend by Repsol Honda rider Marc Marquez from Spain---his third win at COTA. Two Italian riders, Andrea Dovizioso and Valentino Rossi finished second and third. Sam Lowes won the Moto2 event on Sunday with Danny Kent finishing first in Moto3.⁵

The poor weekend weather no doubt depressed attendance with total three-day figures reaching 110,401 including a Sunday crowd of 44,421.⁶ Texas Lieutenant Governor Dan Patrick presented the trophies on the podium with actor Keanu Reeves and celebrity chef Tyler Florence spotted in the crowd during the weekend.

In addition to the premier class of racing, MotoGP, the Moto race weekend in Austin includes two additional World Championship Grand Prix categories. The Moto3 (formerly 125cc) and Moto2 (formerly 250cc) World Championships have their own races at COTA resulting in three race winners on the podium.

The estimated attendance at the 2016 MotoGP is expected to match that of 2015, with a total of 110,401 people at the event over three days. An email survey of more than 1,800 ticket purchasers at the 2015 event indicated that about 45.5% of the fan tickets purchased by survey respondents were used by someone from outside of Texas, and that of those fans from Texas, 58.9% were not from the local Austin area.⁷

Based on the 2015 attendance figures and the fan survey conducted by COTA following the 2015 race, Table 1 presents the expected pattern of attendance at the 2016 MotoGP.

Table 1
Estimated Attendance at 2016 MotoGP on Race Days

	<u>Friday</u>	<u>Saturday</u>	<u>Sunday</u>	<u>3-Day Total</u>
Participants - Local	2,789	2,858	3,059	8,706
Participants- OOS	4,331	4,439	4,752	13,522
Fans- Local, at event	3,823	4,829	8,200	16,852
Fans, Other Texas, At event	7,036	8,886	11,753	27,675
Fans, OOS at Event	13,273	13,715	16,658	43,646
TOTAL Attendance	31,252	34,727	44,422	110,401

The Sunday attendance by out-of-state fans at the event reflects the ticket purchaser survey percentage of 45.5% of all fans. However the fan out-of-state percentage for Friday and Saturday is slightly higher than this since it is expected that out-of-state visitors to the event are more engaged and interested in the preliminary races than are local fans and will attend COTA on those days at a higher rate than local fans. As a result, the share of out-of-state fans and out-of-area fans attending MotoGP is somewhat higher than the overall survey percentage on Friday and Saturday.

While the count of out-of-state attendees at MotoGP is a vital starting data point needed to determine the tax gains from this event under either the MERP or the Event Trust Fund statutes, that attendance at the COTA facility on race days alone does not count all the people in Texas and in Austin for the event nor does it count all of the days and nights those people were in Austin for the event for three reasons.



First, focusing solely on daily attendance figures only on racing or practice days would not count all the days visitors to Texas and Austin spend and consume in the Austin area BEFORE the event officially starts. Many of the event participants (teams, DORNA, MotoAmerica) arrive well before the start of the event to set up and test equipment. In table 2, significant attendance by event participants is seen on the Tuesday and Wednesday before actual practice sessions on Thursday. To neglect this pattern of arrivals stay duration would seriously undercount the spending attributable to MotoGP allowed under either the Event Trust Fund or MERP statutes.

Secondly, in addition to attendees arriving before the official start of MotoGP activities, not all fans in town for the event (even during days when at-site racing occurs) actually attend the event each day. For example, fans may arrive too late in the day to attend the time trials or practice sessions in the days leading up to the finals. And some fans, although certainly in Austin for MotoGP, may simply choose to forego attending the early MotoGP heats and practice. Thus while these fans certainly meet the criteria for counting their spending as constituting a gain to the state under the Event Trust Fund or MERP since they are clearly in Texas because of MotoGP, any counts solely including only those fans attending activities at COTA on the pre-finals days would not include these fans.

Third, as repeatedly indicated by surveys of fans attending Formula 1 events at COTA, there is a small contingent of people who accompany those persons attending the primary event. These travelers may never attend any activities at COTA even though in Austin “because of” the event. From the fan surveys of Formula 1 attendees, about 98% of all out-of-state fans in Austin for a Formula 1 event actually attend track-activities at some point during the race week. This means that any exclusive “at-event” fan counts would actually undercount out-of-state visitors to Texas for Formula 1 by a little more than 2% and their presence in Austin would never be detected by any “at-event” attendance counts. Although a small number, neglecting to account for and include these people in the count of persons whose presence and spending in Austin is clearly attributable to the state hosting the primary event would knowingly undercount the economic impact of that event.

To present a more complete picture of the attendance pattern at MotoGP by out-of-state visitors and non-local Texans, Table 2 develops the daily on-site attendance figures from Table 1 to reflect the overall pattern of stay underlying the daily on-site attendance. Event participants begin to arrive in large numbers on Tuesday before the race and build steadily with all out-of-state participants either in Austin the evening before the first day of practice or arriving that day.

Our data clearly indicates that some out-of-state fans also begin arriving early in the week. And, in addition to out-of-state and out-of-area early arrivals for the event that will at some point

actually attend MotoGP, another 2% of out-of-state visitors also come to the area because of the event but would not show up in at-event fan counts.

The daily attendance pattern in Table 2 shows an estimate of the out-of-state visitors in Austin for MotoGP by each night of the event. While there will be a statistical variability in the estimates reflected, a robust total nightly attendance figure can be derived from survey data and peak event attendance figures. This is probably the single best attendance number assuming the final-day event attendance is unaffected by external influences such as poor weather conditions.

Assuming at-event attendance on Sunday is known with some accuracy when the number of no-shows is usually negligible and if the average number of nights each out-of-state visitor to MotoGP who stayed in Austin was also known, then the total number of person-nights stayed in Austin by all out-of-state fans for MotoGP could be determined statistically with some accuracy. Then, distributing this known total over the nights before, after and during the event would robustly simulate the visitation pattern of out-of-state visitors to Austin for MotoGP. The "robust" nature of this simulation is mathematically determined since if the estimated number of persons staying in Austin a particular night was too high, this would only mean that one or more other nightly stay figures must be equally low for the total to still be correct. Thus while it cannot be said that the exact nightly pattern of overnight stays in Austin for MotoGP is known with accuracy, it can be said that any inaccuracies in the overall pattern of overnight stays presented in Table 2 would be a zero sum rendering the total number of person-nights stayed in Austin by out-of-state visitors in Austin for the event is correct.

We know from attendance figures and the MotoGP fan survey the maximum total size of the out-of-state population in Austin for the entire event. This would be the Sunday OOS attendance plus 2% "never-shows." Unfortunately, the MotoGP internet survey of ticket purchasers failed to ask the respondents to list the number of nights stayed in Austin⁸. That question was put to out-of-state respondents in the 2014 Formula 1 visitor survey. These out-of-state visitors to Formula 1 indicated that they stayed, on average, 4.06 nights in the Austin area.

In some ways MotoGP and Formula 1 are very similar events---they are both three-day internationally recognized motor-sports championships. While the overall level of interest in MotoGP is lower than for Formula 1 since in 2015 about 110,000 persons attended MotoGP for the 3-day event versus 215,809 attendance for Formula 1, there is no reason to expect that dedicated out-of-state fans showing up at MotoGP would individually behave differently from their Formula 1 counterparts. Nevertheless, in order to ensure a conservative estimate, the total

number of nights stayed by MotoGP out-of-state fans in Table 2 is controlled so that the average number of nights stayed per fan is 3.06---a full night less than Formula 1 fans.⁹

Accordingly, based on quite conservative assumptions about how out-of-state MotoGP Fans behave based on similar motor-racing events, known attendance patterns at previous MotoGP events and survey results of nearly 1,800 ticket purchasers to the 2015 MotoGP, projecting that the 2016 MotoGP Championship reaches a total attendance seen in 2015, the daily out-of-state participant and fans attendance at the event should very closely mirror the first five columns in Table 2.¹⁰



Table 2
Estimated Team, Sponsors, Support, Media, Racing Organizations and Fan Attendance
2016 MotoGP Austin

April 5 - 11, 2016 in Austin, Texas

Date	Race Schedule	Out-of-State Participants (Teams, MotoAmerica, DORNA, Media incl. Friends & Family)	Out-of-state Fans			Non-Local Texans			Total Non-Local Texans in Austin for MotoGP	
			At Event	In Austin, Not at Event	Accompanying Fans	At Event	In Austin, Not at Event	Accompanying Fans		
Tue 5-Apr	Teams Arrive	2,241	-	-	-	-	-	-	-	
Wed 6-Apr	Teams Arrive	3,142	-	2,460	49	-	155	3	158	
Thu 7-Apr	Set-up	3,874	-	8,199	164	-	1,549	31	1,580	
Fri 8-Apr	Practice	4,331	13,273	168	269	-	48	77	3,948	
Sat 9-Apr	Time Trials	4,439	13,715	1,277	300	3,823	827	194	9,907	
Sun 10-Apr	Finals	4,752	16,658	-	333	11,753	-	235	11,988	
Mon 11-Apr	Return	3,996	-	9,995	200	-	3,526	71	3,597	
			Avg nights OOS fans in Austin			3.06	Avg nights non-local Texas fans in Austin			1.60

Direct Economic Gains from Participant and Fan Spending

The economic gains from events such as the Austin MotoGP Weekend are significant for the state and for the local economy. When calculated correctly, these “gains” represent a true addition to the state economy by bringing in expenditures from outside the state and to the Austin economy by including expenditures from outside the Austin region.

Importantly, the starting point for determining the tax gains under either the Event Trust Fund statute or the Major Events Reimbursement Program is the same---identification of the direct spending for the event by visitors from outside Texas.

While there are several years of attendance data upon which to develop the attendance profile in Table 2--- which is in part based on an internet survey of MotoGP attendees. Unfortunately, that survey never inquired as to the fan's spending behavior at the event. So unlike the rich spending detail available for Formula 1 from fan surveys, similar expenditure data is not currently available for MotoGP. But, to help in defining the expenditure patterns by fans and participants at MotoGP, Table 3 presents some relevant parameters used to determine expenditures for out-of-state fans and participants as well as out-of-area fans for the 2016 MotoGP based on the Formula 1 survey.

Column 1 of Table 3 presents the Formula 1 survey-based parameter for out-of-state fans, and column 2 presents the level of that parameter used to estimate fan expenditures at MotoGP. In all cases the MotoGP parameter is either the same as the Formula 1 figure or more conservative. The one exception is the increase in the percentage of fans and participants coming to Austin by car for MotoGP compared to Formula 1, which lowered travel costs primarily due to ride-sharing.

In some cases supplemental data is used to arrive at lower values for MotoGP. This is the case for the cost of hotel rooms which are unlikely to be in as short supply for MotoGP as they are for Formula 1. The same can be said of the average car rental cost.

Finally, some data is available directly from COTA's accounting system pertaining to ticket and other attendance-based revenue as well as parking costs.

Still lacking is data on basic daily expenditure levels from fans. Daily per-person expenditure levels typical of many other Event Trust Fund events (including those used to estimate the 2015 MotoGP expenditures) are applied to the 2016 estimated attendance to estimate event spending. The

expenditure parameters used are \$50 per person per day for food; \$65 per person per day for shopping and non-COTA entertainment; and \$14 per person per day for mixed beverages.

Table 3

Key Expenditure Parameters for 2016 MotoGP Out-of-State Visitors and Participants

	Out-of- State Formula 1 <u>Fans</u>	Out-of-State MotoGP <u>Fans</u>	Formula 1 Teams & Support <u>Personnel</u>	MotoGP Out- of-State <u>Participants</u>
Nights spent in Austin for Formula 1	4.06	3.06 ¹	6.14	5.88 ²
% Nights in Hotel	82	82	95	95
Persons per Room in Hotel	1.95	1.95	1.37	1.95
Average Room cost per night	\$250.02	\$151.00 ³	\$353.30	\$213.38 ⁴
% Persons Renting Cars	51	38 ⁵	80	60 ⁶
# of Cars rented per person renting	0.44	0.44	0.55	0.55
Days Renting Car	5.13	4.06 ⁷	7.14	6.88
Cost car/ Day	\$70.85	\$64.55 ⁸	\$113.36	\$66.26 ⁹
% Arriving by Plane	80	40	100	25
Amount Spent on One-Way Plane Fare to Austin	\$343.60	\$343.60	\$1,750.00	\$343.60
% Arriving by Car	39	55	0	75
Avg. miles Traveled to Austin by car	585	585	585	585
Avg. Amount Spent on Event Tickets	\$558.14	\$171.06 ¹⁰	n.a.	n.a.
Parking at COTA (per person per event day)	n.a.	2.57 ¹¹	n.a.	n.a.

¹ MotoGP fans assumed to stay 1 night less than fan survey of Formula 1.

² Calculated from Table 2

³ Average cost of a room in 107 Hotels in Austin for April 7,2016 from <http://i-maps.com/hotel-locator/usa/hotels/TX/Austin.html>.

⁴ Premium for hotel room price for Formula 1 Teams & Support personnel over price paid by Out-of-state Formula 1 Fans applied to the base hotel rate for Fans at MotoGP from footnote 3.

⁵ 75% of Formula 1 fan percentage since a smaller percentage of attendees arrive by plane without local transportation

⁶ 75% of Formula 1 Teams and support personnel since a smaller percentage of participants arrive by plane without local transportation

⁷ Nights spent in Austin plus 1.

⁸ Average pre-tax cost of renting a standard sized car from the Austin airport for one day starting April 7, 2016 based on prices for 12 rental companies from www.airportrentalcars.com

⁹ Average pre-tax cost of renting a premium car from the Austin airport for one day starting April 7, 2016 based on prices for 18 cars from five rental companies from www.airportrentalcars.com

¹⁰ Based on total admission and premium revenue (including executive boxes) in 2015 divided by the number of fans attending.

¹¹ Based on 2015 COTA P&L parking revenue divided by total fan attendance in 2015, net of sales tax.

Applying these figures as well as the parameters for car rental and hotel expenses in Table 3 results in an average expenditure for out-of-state visitors of about \$187.50 per day (excluding MotoGP tickets and travel costs to Austin) or \$897 per person per trip including MotoGP tickets but excluding travel costs to Austin.

Separating out-of-state fan and participant expenditures by type ensures that the calculated tax gains to the state are directly attributable only to the taxes allowed under the MERP or Event Trust Fund statute. Table 4 applies the estimated fan attendance figures from Table 2; the spending parameters in Table 3 and the per person average daily expenditures while attending MotoGP: resulting in total daily expenditure and tax streams based on the statutory tax rates referenced in the MERP and Event Trust Fund legislation. A slightly different basis is used for applying the statutory tax rates for the City of Austin (COA) as opposed to the state. Since expenditures by out-of-area visitors to Austin for MotoGP can be considered a gain to the host municipality, local tax gains are determined by both out-of-area Texans at MotoGP as well as and out-of-state fans and participants.¹¹

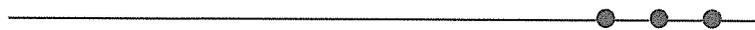


Table 4

Estimated 2016 MotoGP Direct Expenditures and Associated Statutory Tax Gains under MERP and Event Trust Fund Statutes

Hotel Expenditures	<u>Out-of-State Participants</u>	<u>Out-of-State Fans</u>	<u>Out-of-Area Fans¹</u>	<u>MERP/ETF State Tax Gain²</u>	<u>MERP/ETF Local Tax Gain³</u>
Room Cost	\$213.38	\$151.00	\$151.00		
% Staying in Hotels	95%	82%	82%		
Persons/room	1.95	1.95	1.95		
5-Apr	\$232,937	\$0	\$0	\$13,976	\$16,771
6-Apr	\$326,608	\$159,305	\$10,030	\$29,155	\$35,708
7-Apr	\$402,689	\$531,017	\$100,304	\$56,022	\$74,449
8-Apr	\$450,267	\$870,519	\$250,759	\$79,247	\$113,151
9-Apr	\$461,460	\$970,979	\$629,127	\$85,946	\$148,433
10-Apr	\$415,441	\$765,995	\$228,355	\$70,886	\$101,505
11-Apr	\$0	\$0	\$0	\$0	\$0
TOTAL	2,289,402	\$3,297,815	\$1,218,575	\$335,233	\$490,017
Food & Non-Alcoholic Beverage Expend.	<u>Out-of-State Participants</u>	<u>Out-of-State Fans</u>	<u>Out-of-Area Fans</u>	<u>MERP/ETF State Tax Gain</u>	<u>MERP/ETF Local Tax Gain</u>
5-Apr	\$56,020	\$0	\$0	\$3,501	\$448
6-Apr	\$134,568	\$62,721	\$1,975	\$12,331	\$1,594
7-Apr	\$175,392	\$271,791	\$33,567	\$27,949	\$3,846
8-Apr	\$205,131	\$551,808	\$113,976	\$47,309	\$6,967
9-Apr	\$219,265	\$725,029	\$124,724	\$59,018	\$8,552
10-Apr	\$229,775	\$807,058	\$142,806	\$64,802	\$9,437
11-Apr	\$118,796	\$301,585	\$44,954	\$26,274	\$3,723
TOTAL	\$1,138,947	\$2,719,992	\$462,002	\$241,184	\$34,568
Shopping Expenditures	<u>Out-of-State Participants</u>	<u>Out-of-State Fans</u>	<u>Out-of-Area Fans</u>	<u>MERP/ETF State Tax Gain</u>	<u>MERP/ETF Local Tax Gain</u>
5-Apr	\$45,981	\$0	\$0	\$2,874	\$368
6-Apr	\$110,453	\$51,482	\$1,621	\$10,121	\$1,308
7-Apr	\$143,962	\$223,087	\$27,552	\$22,941	\$3,157
8-Apr	\$168,372	\$452,926	\$93,552	\$38,831	\$5,719
9-Apr	\$179,974	\$595,106	\$102,374	\$48,442	\$7,020
10-Apr	\$188,600	\$662,436	\$117,216	\$53,190	\$7,746
11-Apr	\$97,508	\$247,542	\$36,898	\$21,566	\$3,056
TOTAL	\$934,851	\$2,232,577	\$379,213	\$197,964	\$28,373

¹ Non-local Texans

² Applies relevant statutory tax rate to out-of-state fans and participant expenses.

³ Applies 80% of relevant statutory tax rate to out-of-state fan and participant expenses as well as out-of-area fan expenses. Estimates that the City of Austin will garner about 80% of local economic activity related to MotoGP

Table 4, Continued¹

Estimated 2016 MotoGP Direct Expenditures and Associated Statutory Tax Gains under MERP and Event Trust Fund Statutes

Entertainment Expenditures	<u>Out-of-State Participants</u>	<u>Out-of-State Fans</u>	<u>Out-of-Area Fans</u>	<u>MERP/ETF State Tax Gain</u>	<u>MERP/ETF Local Tax Gain</u>
5-Apr	\$26,845	\$0	\$0	\$1,678	\$215
6-Apr	\$64,484	\$30,056	\$946	\$5,909	\$764
7-Apr	\$84,047	\$130,242	\$16,085	\$13,393	\$1,843
8-Apr	\$98,298	\$264,425	\$54,617	\$22,670	\$3,339
9-Apr	\$105,071	\$347,432	\$59,767	\$28,281	\$4,098
10-Apr	\$110,107	\$386,740	\$68,432	\$31,053	\$4,522
11-Apr	\$56,927	\$144,519	\$21,542	\$12,590	\$1,784
TOTAL	\$545,780	\$1,303,412	\$221,390	\$115,575	\$16,565
Mixed Drink Expenditures	<u>Out-of-State Participants</u>	<u>Out-of-State Fans</u>	<u>Out-of-Area Fans</u>	<u>MERP/ETF State Tax Gain²</u>	<u>MERP/ETF Local Tax Gain</u>
5-Apr	\$15,686	\$0	\$0	\$2,165	\$188
6-Apr	\$37,679	\$17,562	\$553	\$5,200	\$670
7-Apr	\$49,110	\$76,102	\$9,399	\$6,777	\$1,615
8-Apr	\$57,437	\$154,506	\$31,913	\$7,926	\$2,926
9-Apr	\$61,394	\$203,008	\$34,923	\$8,472	\$3,592
10-Apr	\$64,337	\$225,976	\$39,986	\$8,878	\$3,964
11-Apr	\$33,263	\$84,444	\$12,587	\$4,590	\$1,564
TOTAL	\$318,905	\$761,598	\$129,361	\$44,009	\$14,518
Car Rental Expenditures	<u>Out-of-State Participants</u>	<u>Out-of-State Fans</u>	<u>Out-of-Area Fans</u>	<u>MERP/ETF State Tax Gain</u>	<u>MERP/ETF Local Tax Gain</u>
5-Apr	\$48,996	\$0	0	\$4,900	0
6-Apr	\$68,698	\$27,254	\$172	\$9,595	0
7-Apr	\$84,701	\$90,845	\$1,716	\$17,555	0
8-Apr	\$94,708	\$148,926	\$4,290	\$24,363	0
9-Apr	\$97,063	\$166,113	\$10,763	\$26,318	0
10-Apr	\$87,383	\$131,045	\$3,907	\$21,843	0
TOTAL	\$481,549	\$564,183	\$20,847	\$104,573	0
Ticket Expenditures	<u>Out-of-State Participants</u>	<u>Out-of-State Fans</u>	<u>Out-of-Area Fans</u>	<u>MERP/ETF State Tax Gain</u>	<u>MERP/ETF Local Tax Gain</u>
TOTAL	0	\$2,329,052	\$1,643,237	\$145,566	\$39,723³
TOTAL DIRECT TAX GAIN UNDER METF/ETF				\$1,184,103	\$623,764

¹ Footnotes from preceding page also apply to this page

² This is an effective tax rate being the sum of the statutory tax rate of 11% on mixed beverages plus and effective tax rate of 2.56% attributable to the Title 5 ABC tax rate applied to mixed beverage expenditures.

³ Since sales tax on tickets is assessed where the event is held, all local sales tax on tickets accrues to the COA.

Tax Gains under the Event Trust Fund Statute

To this point the tax gains under the Event Trust Fund statute and the Major Events Reimbursement Program have been treated and estimated identically which, under their respective statutes, is appropriate. However, now the estimated tax gains under the two statutes diverge and must be considered separately.

There are two differences in the statutes causing the calculation of the tax gains under the MERP to differ from the estimation under the ETF. First, the MERP specifically allows the estimation of the tax gains under the five specified taxes over a period of one year whereas under the ETF the time period during which the tax gains can be considered is no longer than 30 days surrounding the event.¹² This longer time period under the MERP statute was specified to allow the inclusion of tax gains from not only direct economic activity occurring immediately around the time period of the event, but to also count the tax gains from the indirect and induced economic activity stemming from those direct gains but occurring in the months after the major event as the direct economic spending impacts reverberate through the state economy.

In order to completely estimate the tax gains allowed under the MERP, a method of extending the direct economic gains from the event into the indirect and induced economic gains must be used to determine the indirect and induced tax gains and then such gains should be added to the tax gains from the direct event-driven tax gains. This calculation of indirect and induced tax gains is not included in the ETF estimate since those indirect and induced gains primarily occur after the shorter 30-day impact time period allowed in the ETF statute.

For events that were held in Texas more than once in the preceding five years, the ETF statute also limits the allowable total state tax gains to a percentage of the total direct tax gain depending upon the number of years the event has been held in Texas. Thus, for example, the allowed state tax gain under the ETF for an event being held in Texas for the third time in the previous five years is only 74.6% of what the event would garner under the ETF if the event were being held in Texas for the first time. The MERP statute contains no similar discount for events held in Texas multiple times.

Accordingly, if the 2016 MotoGP event, being the third year of the preceding 5 years that the event has been held in Texas, were to apply for funding under the ETF program based on the estimated total 2016 direct state tax gain in Table 2 of \$1,184,103, the recognition of this tax gain under the ETF would be limited to 74.6% of this amount or \$883,659. This state gain, when matched by local funds contributed by or on behalf of the host community of \$141,384 could then be combined for a total ETF level of \$1,025,045.

Total Tax Gains under MERP to the State

During the evolution of the statute that is currently the Major Events Reimbursement Program (MERP), the time period over which the economic and tax impact of an event qualifying as a major event could be considered was expressly extended to one year. This extension was enacted to allow the events that qualify as "major" to count taxes gained from the event that accrue as the direct economic impact of the event filters through the state and local economy over the authorized time period.

In theory it is easy to see that these tax gains should be considered as directly linked to the increased economic activity from the event, but in practice estimating those gains is problematic for several reasons. First is that not only must the methodology chosen actually estimate the total economic gain from expenditures that are a direct result of the event, but it must estimate those **economic** gains in a way that then allows the **tax incidence** of the economic gains to also be estimated specifically for the taxes allowed under the MERP statute. It does little good to estimate the total economic gain from an event if the result can't realistically be translated into a tax gain under the MERP statute.

Second since the MERP statute is very precise in defining which taxes are to be considered as contributing to the MERP, the tax incidence of the total economic gains cannot be estimated in some general fashion. Estimation must be limited to only those taxes specified as contributing to the MERP as defined in the statute.

Third, the methodology chosen must not double count the taxes contributing to the MERP fund, mixing gains from direct event expenditures with those derived from subsequent rounds of spending linked to the event.

Fourth, given that public funds are being used to fund the MERP, the approach used to estimate the total economic gains should be sufficiently transparent and understandable to give public policymakers confidence in the veracity of the results. This transparency should include relying on economic models which can be made (and preferable have been) publicly available and publicly verified. The model used should NOT be shrouded in data or procedures protected as "proprietary" by a private corporation.

Several approaches to defining the total economic gain are generally available including the IMPLAN model used by the Texas Comptroller, or multipliers developed by Dean Runyan Corporation and used by the Texas Governor's office of Economic Development and Tourism.¹³

As pointed out by the State Auditor, application of the tax gain estimates to the economic impacts estimated from MERP events using the Comptroller's IMPLAN model fails to meet the second issue

enumerated above---the effective tax rates used in IMPLAN models probably include taxes not allowed to be counted towards tax gains under the MERP statute.¹⁴

The Texas Office of Economic Development and Tourism cites data and studies by Dean Runyan corporation as the basis of their tourism spending and impact assessments. However, Dean Runyan corporation data and methodology appears inappropriate to apply to MERP estimates for four reasons.

First, as noted in their economic impact estimates, 46% of the expenditures Dean Runyan Corporation considers as tourism in their analyses are from Texans traveling within Texas, which are expenditures that are inappropriate to count as contributing to MERP or ETF gains.¹⁵ Since nearly half of the daily visitor expenditures represent in state travel expenditures, including these expenses, would substantially lower the per-visitor expenditure estimates (based on Dean Runyan Corporation data) because in-state travelers tend to stay shorter periods of time, utilize fewer hotels and generally spend less than out-of-state or international visitors. As a result, not only would Dean Runyan Corporation estimates of MERP or ETF direct impacts be below correctly based estimates, but that difference would be the inclusion of spending estimates not allowed under either MERP or ETF rules.

Second, the state tax results included in Dean Runyan Corporation reports "have been expanded to include property taxes and sales tax payments attributable to the travel industry income of employees."¹⁶ Since the MERP relies on the contribution of five specific taxes into a trust fund created for each event and those five taxes do not include property taxes under the statutes for either the MERP or ETF, direct reliance on Dean Runyan Corporation tax estimates apparently suffers from the same flaw that was pointed out by the State Auditor of the State Comptroller's use of IMPLAN results: that being, the inappropriate inclusion of taxes not allowed under the MERP statute. Moreover, Dean Runyan Corporation publications cite not only property and sales taxes as being included in their tax estimates but also licenses, fees and excise taxes¹⁷---none of which would be allowed under MERP rules for inclusion in an appropriate estimate.

Third, because the Dean Runyan Corporation's economic impact model is apparently developed as a "value added" specification of the inter-industry relationships in the Texas economy,¹⁸ applying statutory tax rates of any of the five (5) state taxes allowed to contribute to the MERP, to the output of the Dean Runyan Corporation model would greatly underestimate the tax gain to Texas from those taxes because all statutory tax rates are defined relative to the total value of spending, not a "value added" spending definition. While value-added specifications of inter-industry models can correctly simulate direct, indirect and induced economic impacts, trying to apply statutory tax rates which are based on a total value spending to the output of "value added" specification models will greatly underestimate the includable incremental tax gain.

Fourth, Dean Runyan Corporation's indirect and induced tax gains under MERP would need to be estimated using their "proprietary computer model for analyzing the travel related economic impact at the state, regional, and local level".¹⁹ While it may not be inappropriate to use a privately-held

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computer model to allocate public funds *per se*, it is certainly poor public stewardship to do so if the use of that model results in significant questions which can only be resolved by knowledge of the corporation's "proprietary" practices. This is of particular concern for MERP since the Dean Runyan Corporation model formulation precludes applying the statutory tax rates of taxes allowed under MERP to that model's output to estimate the tax gains under MERP. While it may be possible to adjust the statutory tax rates for these taxes to be in accord with Dean Runyan Corporation's peculiar model formulation, it would not be possible to do this without significant knowledge of their proprietary model.

To avoid the shortcomings in both the IMPLAN and Dean Runyan corporation approaches, the method used here estimates the total household earnings gains from the expenditures realized by Texas hosting the MotoGP that would not accrue to the state without holding the event here. Moreover, this approach translates these earnings gains into state sales tax gains using a familiar relationship employed by the Texas Comptroller of Public Accounts to determine the tax incidence of the state sales tax.²⁰

The estimated total earnings gains by Texans attributable to hosting the 2016 MotoGP are presented in Table 5 based on RIMS II earnings multipliers for the state of Texas.²¹ The RIMS II model is a publicly available impact assessment model developed and maintained by the U.S. Bureau of Economic Analysis with a multi-decade history of application and review. Column 1 of Table 5 presents the expenditure gains from out-of-state fans and participants developed in Table 4 and the first six rows of Table 5. Also included in Table 5 are three expenditures by fans that are not covered in Table 4: travel expenses to Austin and parking at COTA.²² The third level of expenditures in the last row of Table 5 are those from COTA's P&L statement for MotoGP and include those expenditures COTA makes to actually present the MotoGP event. These expenditures do not double count fan or participant expenditures.

In order to not over-count the earnings gain from a given expenditure gain, the RIMS II modeling system requires that direct expenditure gains be expressed in "Producer Values" not "Purchaser Values." The distinction does not matter for most service sectors. However, because of the way RIMS II handles retail trade expenditures, purchaser values in the retail sector must be converted to "producer values" before applying any of the RIMS II multipliers to determine total economic impacts. Accordingly, the gross retail expenditure of \$3.1 million is reduced to a total of \$1.1 million when expressed in producer value terms.²³

With the direct expenditure gains in the proper metric, the RIMS II Type II earnings gain multipliers (the sum of columns 3 and 4 of Table 5) for Texas, translates the expenditure gains into expected earnings increases within the state. For example the total spending on food and non-alcoholic beverage expenditures by out-of-state fans and participants in MotoGP during the event of \$3.86 million ultimately means an increase in earnings to Texans of \$2.5 million which is the sum of the direct earning gains within the food and beverage sector of \$1.5 million and the indirect and induced earnings gains of another \$1.0 million.

Table 5
Direct, Indirect and Induced Earnings Gains to Texas from MotoGP

<u>Expenditure Type</u>	Spending (Purchaser Value)	Spending (Producer Value)	Direct Earnings		Type II Indirect & Induced Portion of Earnings		Direct Earnings Gains in Texas	Indirect and Induced Earnings Gains to Texas	Total Direct, Indirect and Induced Earnings Gains to Texas
			Gain Portion of Multiplier	Multiplier	Portion of Earnings Multiplier for Texas	Multiplier for Texas			
Fan & Participant Taxable Spending									
Hotel Expenditures	\$5,587,217	\$5,587,217	0.3053	0.3013	\$1,705,777	\$1,683,428	\$3,389,206		
Food & Non-Alcoholic Beverage Expend.	\$3,858,939	\$3,858,939	0.3825	0.2688	\$1,476,044	\$1,037,283	\$2,513,327		
Shopping Expenditures	\$3,167,428	\$1,077,104	0.3901	0.2701	\$420,178	\$290,926	\$711,104		
Entertainment Expenditures	\$1,849,192	\$1,849,192	0.3063	0.3947	\$566,408	\$729,876	\$1,296,284		
Mixed Drink Expenditures	\$1,080,503	\$1,080,503	0.3825	0.2688	\$413,292	\$290,439	\$703,731		
Car Rental Expenditures	\$1,045,732	\$1,045,732	0.3180	0.5061	\$332,543	\$529,245	\$861,788		
Other OOS Fan & Participant Spending under MERP									
Airline Travel to Austin	\$2,743,385	\$2,743,385	0.2555	0.2402	\$700,935	\$658,961	\$1,359,896		
Automobile Travel to Austin	\$1,793,760	\$1,793,760	0.2234	0.5964	\$400,726	\$1,069,798	\$1,470,524		
Parking at COTA Paid by OOS Visitors	\$112,105	\$112,105	0.3180	0.5061	\$35,650	\$56,737	\$92,386		
Event Presentation Costs at COTA	\$6,547,720	\$6,547,720	0.3000	0.4010	\$1,964,316	\$2,625,636	\$4,589,952		

The last step in estimating the total tax gains under the MERP for MotoGP is to estimate the expected tax gains under the MERP from the direct earnings gains and the indirect and induced earnings gains and combine those with the statutory tax gains under MERP. This is done in Table 6.

Based on data in the Comptroller's biennial Tax Exemption and Tax Incidence study, the effective sales tax rate applied to earnings in Texas averages 4% over all five income quintiles in the state. This implies that 4% of the earnings gains in Table 5 generated by activity linked to MotoGP will be spent on sales tax. This sales tax gain is estimated in column 4 of Table 6 as 4% of the RIMS II direct earnings gains in column 3 and also in column 7 of Table 6 as 4% of the indirect and induced earnings gains in column 6.

Column 1 of Table 6 presents the overall direct expenditures by out-of-state participants and fans at MotoGP that generate taxes under MERP as well as some expenditures that do not generate direct taxes but do generate sales tax from the earnings gain driven by those expenditures. Also included in column 1 are the expenses of actually presenting the MotoGP event and the estimated sales taxes paid on those expenditures. Finally, the amount paid for tickets to the event by out-of-state fans is identified in the last row in column 1 of Table 6.²⁴

Column 5 of Table 6 quantifies the likely gains in the other taxes referenced under MERP attributable to direct earning gains by linking the gains in those taxes to the gain in state sales taxes from direct earnings increases. This estimate is based on noting that total tax collections of the other four taxes allowed under the MERP statute (state hotel taxes, two alcoholic beverage taxes and the short-term motor vehicle rental tax) in the last biennium together generated only 6.6 percent of the revenue for the state that was generated by the state sales tax. So a reasonable estimate of the amount of the tax revenue generated by these four other taxes from increased earnings due to MotoGP would be 6.6 percent of the earnings-driven sales tax gain. The same calculation is applied to the sales tax gains from indirect and induced earnings gains in column 7 of Table 6 to derive the estimated increases in other MERP-allowed taxes driven by indirect and induced earnings gains from MotoGP.

In total, Table 6 estimates that the state tax gain for the taxes allowed to be deposited into the MERP for MotoGP is \$2,156,850.

Table 6

Total State Tax Gain Calculation for 2016 MotoGP under MERP

Expenditure Type	Spending (Producer Value)	----Direct Earnings Gains----				-Indirect & Induc. Earnings Gains -				TOTAL MERP State Tax Gain
		Direct Statutory MERP State Tax Gain (Table 4)	Direct Earnings Gain	State Sales Tax Gain from Earnings Gain	Other MERP-Allowed Taxes from Direct Earnings Gain	Indirect & Induced Earnings Gain	State Sales Tax Gain from Indirect & Induced Earnings Gain	Gains in Other MERP-Allowed Taxes from Direct Earnings Gain	Gains in Other MERP-Allowed Taxes from Indirect & Induced Earnings Gain	
Fan & Participant Taxable Spending										
Hotel Expenditures	\$5,587,217	\$335,233	\$1,705,777	\$68,231	\$4,503	\$1,683,428	\$67,337	\$4,444	\$479,749	
Food & Non-Alcoholic Beverage Expend.	\$3,858,939	\$241,184	\$1,476,044	\$59,042	\$3,897	\$1,037,283	\$41,491	\$2,738	\$348,352	
Shopping Expenditures	\$3,167,428	\$197,964	\$420,178	\$16,807	\$1,109	\$290,926	\$11,637	\$768	\$228,286	
Entertainment Expenditures	\$1,849,192	\$115,575	\$566,408	\$22,656	\$1,495	\$729,876	\$29,195	\$1,927	\$170,848	
Mixed Drink Expenditures	\$1,080,503	\$44,009	\$413,292	\$16,532	\$1,091	\$290,439	\$11,618	\$767	\$74,016	
Car Rental Expenditures	\$1,045,732	\$104,573	\$332,543	\$13,302	\$878	\$529,245	\$21,170	\$1,397	\$141,320	
Other OOS Fan & Part. Spend. under MERP										
Airline Travel to Austin	\$2,743,385	0	\$700,935	\$28,037	\$1,850	\$658,961	\$26,358	\$1,740	\$57,986	
Automobile Travel to Austin	\$1,793,760	0	\$400,726	\$16,029	\$1,058	\$1,069,798	\$42,792	\$2,824	\$62,703	
Parking at COTA Paid by OOS Visitors	\$112,105	\$7,007	\$35,650	\$1,426	\$94	\$56,737	\$2,269	\$150	\$10,946	
MotoGP Event Presentation Costs	\$6,547,720	\$241,364	\$1,964,316	\$78,573	\$5,186	\$2,625,636	\$105,025	\$6,932	\$437,079	
Ticket Sales to Out-of-State Fans	\$2,329,052	\$145,566							\$145,566	
TOTAL MERP Tax Gain		\$1,432,474		\$320,635	\$21,162		\$358,893	\$23,687	\$2,156,850	

Total Tax Gains under METF to the Host Municipality

The MERP statute also requires calculation and consideration of the local tax gain generated by the host municipality attributable to the event. This tax gain will differ from the gain from the state's gain in a number of ways. First, of course, local statutory tax rates differ from the state rates. Indeed, under two of the state taxes eligible to be deposited into a trust fund for major events, there is no local tax component at all.

Secondly, what is considered a "gain" from the event at the local level differs from what is considered a gain at the state level. For the state, only expenditures by visitors to Texas from other states or other countries is identified as constituting an incremental increase in economic activity and tax revenue. For the host community, this definition is expanded to include Texans at the events that are not from the local area.

Third, but less obvious, is the fact that the total economic impact from any given initial expenditure at the local level is less than the total economic gain from the same expenditure at the state level. State economies are more interconnected than local economies meaning there is less "leakage" from the economic system at the state level as compared to the local level. As a result, any calculated multipliers will be higher at the state level than at the local level.

Table 7 traces out the local economic gains under MERP for the Austin MSA similar to the approach in Table 5 for the state by including the expenditures by out of state and out-of-area visitors from Table 4. The local earnings gain in the Austin MSA from hosting MotoGP is nearly \$800,000 less than the state earnings gain.²⁵

Table 8 presents the overall estimated local tax gain from hosting the MotoGP in the same manner as the state gain in Table 6. In total, the City of Austin is expected to gain \$771,492 in taxes under the MERP from hosting MotoGP

Table 7

Direct, Indirect and Induced Earnings Gains to Austin MSA from MotoGP

<u>Expenditure Type</u>	<u>Spending (Purchaser Value)</u>	<u>Spending (Producer Value)</u>	Direct Earnings Gain		Type II Indirect & Induced Portion of RIMS II Earnings Multiplier for Austin MSA		<u>Direct Earnings Gains in Austin MSA</u>	<u>Indirect & Induced Earnings Gains to Austin MSA</u>	<u>Total Direct, Indirect & Induced Earnings Gains to Austin MSA</u>
			<u>Portion of RIMS II MSA Multiplier</u>	<u>0.3053</u>	<u>0.2300</u>	<u>0.1773</u>			
Fan & Participant Taxable Spending									
Hotel Expenditures	\$6,805,791	\$6,805,791	0.3053	0.2300	0.1773	\$2,077,808	\$1,565,332	\$3,643,140	
Food & Non-Alcoholic Beverage Expenditures	\$4,320,941	\$4,320,941	0.3825	0.1773	0.1964	\$1,652,760	\$766,103	\$2,418,863	
Shopping Expenditures	\$3,546,641	\$1,206,058	0.3901	0.1964	0.3246	\$470,483	\$236,870	\$707,353	
Entertainment Expenditures	\$2,070,582	\$2,070,582	0.3063	0.1773	0.4360	\$634,219	\$672,111	\$1,306,330	
Mixed Drink Expenditures	\$1,209,863	\$1,209,863	0.3825	0.1773		\$462,773	\$214,509	\$677,282	
Car Rental Expenditures	\$1,066,579	\$1,066,579	0.3180	0.4360		\$339,172	\$465,029	\$804,201	
Other OOS Fan & Participant Spending under MERP									
Airline Travel to Austin	\$2,743,385	\$2,743,385	0.2555	0.1049		\$700,935	\$287,781	\$988,716	
Automobile Travel to Austin	\$1,973,136	\$1,973,136	0.2234	0.4798		\$440,798	\$946,710	\$1,387,509	
Parking at COTA Paid by OOS Visitors	\$123,316	\$123,316	0.3180	0.4360		\$39,214	\$53,766	\$92,980	
Event Presentation Costs at COTA	\$6,547,720	\$6,547,720	0.3000	0.3309		\$1,964,316	\$2,166,640	\$4,130,956	

Table 8

Total Host Municipality Tax Gain Calculation for 2016 MotoGP under MERP

<u>Expenditure Type</u>	---- Direct Earnings Gains ----				Indirect & Induced Earnings Gains			
	Spending (Producer Value)	Statutory MERP Host Municipality Tax	Direct Earnings Gain	Host municipality Sales Tax Gain from Direct Earnings Gain	Gains in Other MERP-Allowed Taxes from Direct Earnings Gain	Host Municipality Tax Gain from Indirect & Induced Earnings Gain	Gains in Other MERP-Allowed Taxes from Indirect & Induced Earnings Gain	TOTAL MERP Host Municipality Tax Gain
Fan & Participant Taxable Spending								
Hotel Expenditures	\$6,805,791	\$490,017	\$2,077,808	\$10,638	\$2,153	\$1,565,332	\$8,014	\$1,622
Food & Non-Alcoholic Beverage Expenditures	\$4,320,941	\$34,568	\$1,652,760	\$8,462	\$1,713	\$766,103	\$3,922	\$794
Shopping Expenditures	\$3,546,641	\$28,373	\$470,483	\$2,409	\$488	\$236,870	\$1,213	\$245
Entertainment Expenditures	\$2,070,582	\$16,565	\$634,219	\$3,247	\$657	\$672,111	\$3,441	\$697
Mixed Drink Expenditures	\$1,209,863	\$14,518	\$462,773	\$2,369	\$480	\$214,509	\$1,098	\$222
Car Rental Expenditures	\$1,066,579	\$0	\$339,172	\$1,737	\$352	\$465,029	\$2,381	\$482
Other OOS Fan & Participant Spend. under MERP								
Airline Travel to Austin	\$2,743,385	\$0	\$700,935	\$3,589	\$726	\$287,781	\$1,473	\$298
Automobile Travel to Austin	\$1,973,136	\$0	\$440,798	\$2,257	\$457	\$946,710	\$4,847	\$981
COTA Parking Paid by OOS Visitors	\$123,316	\$17,363	\$39,214	\$201	\$41	\$53,766	\$275	\$56
MotoGP Event Presentation Costs	\$6,547,720	\$30,895	\$1,964,316	\$10,057	\$2,036	\$2,166,640	\$11,093	\$2,245
Ticket Sales to Out-of-State Fans	\$3,972,288	\$39,723						
TOTAL MERP Tax Gain		\$672,021		\$44,966	\$9,102		\$37,759	\$7,643

MERP Funding Request for MotoGP

Based on this analysis the total gain to Texas under the taxes allowed in the MERP for the 2016 MotoGP are estimated at \$2,156,850. The total local tax gain to the City of Austin under the statute is estimated to be \$771,492 which exceeds the local matching funds requirement of \$345,096.

Accordingly CELOC requests the state to establish a fund for the MotoGP event as part of the Major Events Reimbursement Program that contains a state contribution of \$2,156,850 when matched by \$345,096 in contributions made by or on behalf of the host municipality.





**Appendix A:
Event Award Letter**





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Endnotes

¹ see: <https://texaswideopenforbusiness.com/services/event-trust-funds>, visited October 22, 2015.

² Ricardo Gandara, "Love in air at Circuit of the Americas," Austin American Statesman, April 22, 2013 page C6.

³ John Maher, "Yamaha no match for Honda at COTA," Austin American Statesman, April 22, 2013, page C8.

⁴ <http://circuitoftheamericas-media-kit.com/motogp/facts-stats>

⁵ Austin American Statesman, April 13, 2015, p. C1.

⁶ Final attendance figures from Anna Panossian, COTA Finance Director of Events, October 21, 2015.

⁷ Analysis of the 1,799 surveys completed first required matching up ticket purchase accounts with survey responses which was successful in 97.7% of the cases. Based on this matching, the surveys covered a total of 4,137 tickets purchased of which 1,881 were used by someone living outside the state of Texas. This survey covers ticket purchasers and not persons attending as event participants (DORNA/ Teams and guests, MotoAmerica personnel, media, sponsors, COTA and event workers). Based on COTA estimates, in 2015, a total of 7,811 event participants are included in Sunday's total attendance with 60.8 percent of those from outside of Texas. Virtually all the non-Texas participants are guests or members of MotoGP teams and DORNA, MotoAmerica teams, media, sponsors or race operations personnel.

⁸ The internet survey that will be distributed to attendees at the 2016 MotoGP will include this questions along with fan spending questions.

⁹ What this methodology also ensures is that, for example, if the number of out-of-state fans staying any one particular night is higher than the actual number staying, the degree to which the difference between the estimated number of nights stayed on other dates and the actual number of nights stayed would offset that overestimate.

¹⁰ For the purposes of estimating the MERP or Event Trust Fund gain to the City of Austin, in addition to the out-of-state fans, the last four columns of Table 2 estimate the number of non-local Texans in Austin for MotoGP using a similar methodology.

¹¹ In general, Table 4 applies statutory tax rates to relevant expenditures in order to derive tax gains under the MERP or Event Trust Fund statutes. However since the Alcoholic Beverage Tax is a complex tax levied on the basis of the alcohol content of various beverages by volume, the estimate of that tax for the state in Table 4 is based on a derived value-based percentage linking revenue from the Alcoholic Beverage Tax to mixed beverage tax sales. Specifically, in the January 2013 Biennial Revenue Estimate prepared by the Comptroller of Public Accounts, the estimated tax gain during the biennium for the Mixed beverage tax is \$1,624 million (see page 17). Since this tax is levied at an 11% rate, that implies an overall expenditure of \$14.764 billion on mixed beverages. The estimated total state tax gain from the Title 5 other Alcoholic Beverage taxes is estimated at \$416 million. The combined tax revenue from both taxes expressed as a percentage of the basis for the mixed beverage tax implies an effective state tax rate of 13.8% for both alcohol-based taxes applied to mixed beverage sales. This heuristic is the effective state rate applied to mixed beverage expenditures in Table 4. Since there is no similar local alcoholic beverage tax

beyond the mixed beverage tax, the local tax rate applied in Table 4 is simply the 1.5% statutory city mixed beverage tax rate.

¹² For ETF statute see: Vernon's Texas Civil Statutes, Article 5190.14 Sec 5C, and for the MERP statute see: Vernon's Texas Civil Statutes, Article 5190.14 Sec 5A

¹³ See: Dean Runyan and Associates, "Economic Impact of Travel in Texas 1990-2014," June 2015, prepared for Governor's Office of Economic Development and Tourism. website address: <http://travel.texas.gov/tti/media/PDFs/TX14pFinalrev.pdf>.

¹⁴ see John Keel, CPA, "An Audit Report on the Major Events Trust Fund," Texas State Auditor's Office Report 16-001, September 2015.

¹⁵ See Page 10 of of Dean Runyan Associates, " **The Economic Impact of Travel on Texas 1990-2014p**, June 2015, (Dean Runyan Associates, Portland, Oregon.)

¹⁶ page I of Dean Runyan Associates, " **The Economic Impact of Travel on Texas 1990-2014p**, June 2015, (Dean Runyan Associates, Portland, Oregon.)

¹⁷ see footnote 3 on page 13 of Dean Runyan Associates, " **The Economic Impact of Travel on Texas 1990-2014p**, June 2015, (Dean Runyan Associates, Portland, Oregon.)

¹⁸ page 12 of Dean Runyan Associates, " **The Economic Impact of Travel on Texas 1990-2014p**, June 2015, (Dean Runyan Associates, Portland, Oregon.)

¹⁹ page VII of Dean Runyan Associates, " **The Economic Impact of Travel on Texas 1990-2014p**, June 2015, (Dean Runyan Associates, Portland, Oregon.)

²⁰ Specifically, Table 1 of the Texas Comptroller of Public Accounts biennial study of tax exemptions and incidence identifies the percentage of sales taxes paid by Texans from their earnings by quintile of income excluding the portion of the tax that is "exported" outside the state. On average over the five income quintiles, Texas earners pay 4.0 percent of their earnings in sales tax. See: Glen Hegar, Comptroller of Public Accounts, *Tax Exemption and Tax Incidence Study: A Report to the 84th Legislature*, April 2015, Page 45.

²¹ Since the estimation of the state tax gain is the goal of these calculations, the appropriate level of geography to use in the estimating model is the state. The RIMS II model is a well-known economic impact estimation tool developed and maintained by the Bureau of Economic Analysis which can be tailored to various levels of geography. The model provides a number of ways (via multipliers) by which the total effects of a given economic impact can be characterized---total state output gains, total state earnings gains or total state employment gains. All are equally valid yardsticks by which a given initial economic gain is translated into a total economic gain. The Type II multipliers are appropriate for use in projecting the gains from MotoGP since all the expenditures used to define the initial impact represent a true gain to the state in that without attracting the event to Texas all the direct gains estimated from hosting the event would be lost to the state's economy. Therefore the appropriate yardstick is the multipliers that include direct, indirect and induced gains (Type II multipliers).

There may be some concern that counting sales taxes paid from earnings gains to Texans from hosting MotoGP is somehow double counting the sales tax gains from direct expenditures in Table 4. However, none of the sales tax gains from direct event expenditures in Table 4 (or other direct sale taxes in column 3 of Table 6) are assessed on the basis of earnings, so counting sales tax gain from the gains in earnings in Table 6 cannot double count these gains.

For more information on the RIMS II models contact the Bureau of Economic Analysis, U.S. Department of Commerce. The RIMS II website can be accessed at: <https://www.bea.gov/regional/rims/index.cfm>. In particular, readers should examine the RIMS II user manual: Bureau of Economic Analysis, U.S. Department of Commerce, **RIMS II: An Essential Model for Regional Developers and Planners**, undated.

²² The amounts included in travel costs are based on one-way travel under the assumption that only half of these expenditures would accrue to Texas as the destination of these travelers, the other half would accrue to the origin state/city. Although these travel expenditures to Austin generate no taxes that could be counted under the MERP directly, the impact of these travel expenses do cause earnings gains in Texas as would any such expenditures linked to MotoGP.

²³ The author is indebted to Zoe O. Ambargis, Director of RIMS II and her staff at BEA for their assistance in defining the retail margins for items likely to be purchased by visitors to Austin for MotoGP.

²⁴ As is apparent in Table 6, ticket expenditures generate direct sales tax but no direct, indirect and induced economic gains so therefore no secondary tax impacts.

²⁵ Whether the earnings gain for a particular spending source at the metropolitan area is more or less than the gain at the state level depends on the percentage increase in the direct spending in that spending sector due to the inclusion of out-of-area Texans in the spending mix as compared to the percentage decline in the earnings multiplier at the MSA level relative to the state.



OFFICE OF THE GOVERNOR
ECONOMIC DEVELOPMENT & TOURISM

GREG ABBOTT
GOVERNOR

AFFIDAVIT
of Endorsing Entity

Affidavit to be completed, including signed and notarized, by any and all Municipalities, Counties, and/or LOCs endorsing an Event Trust Fund, Major Events Reimbursement Program or Motor Sports Racing Trust Fund.

I, Wayne S. Hollingsworth, an authorized representative of: Circuit Events Local Organizing Committee a [Local Organizing Committee (nonprofit corporation), endorsing municipality or endorsing county] (circle one) ("Requestor") that is receiving funding through the Event Trust Fund, Major Events Reimbursement Program or Motor Sports Racing Trust Fund ("the Act"), hereby swear and affirm that, to the best of my knowledge, the Requestor has designed and implemented internal controls, processes and procedures to help the Requestor ensure that the Requestor and its use of these funds complies with all applicable laws, rules, and written guidance from the Economic Development and Tourism Office. I further swear and affirm that I, or my duly authorized employee, representative, or agent, have reviewed the information, and that all of the statements made and information provided therein, including statements made and information provided in any attachments are true, complete, and correct to the best of my knowledge. All other information submitted as part of this request for participation is being represented by me as true and correct, and I am unaware of any information contained therein that is false, misleading, or fraudulent. Information provided includes but is not limited to:

to the best of my knowledge

- (1) A letter from the municipality or county requesting participation in the Events Trust Fund program and signed by a person authorized to bind the municipality or county;
- (2) A letter from the site selection organization on organization letterhead selecting the site in Texas;
- (3) An economic impact study or other data sufficient for the Economic Development and Tourism Office to make the determination of the incremental increase in tax revenue associated with hosting the event in Texas, including a listing of any data for any related activities;
- (4) An application for an Events Trust Fund program and any attachments; and
- (5) An Event Support Contract

I understand that I am receiving funding under the Act for the purposes of facilitating this event: FIM Road Racing World Championship Grand Prix, also known as * on these dates: April 8 through 10, 2016.

I understand that non-compliance with reporting requirements could be treated as a violation of the statute and/or program rules resulting in the possible withholding of disbursement funding.

*MotoGP™ marketed and advertised as the 2016 Red Bull Grand Prix of the Americas.

I understand that it is a felony offense under Section 37.10, Texas Penal Code, to knowingly make a false entry in, or false alteration of, a governmental record, or to make, present, or use a governmental record with knowledge of its falsity, when the actor has the intent to harm or defraud another.

TEXAS WIDE OPEN
IN BUSINESS



OFFICE OF THE GOVERNOR
ECONOMIC DEVELOPMENT & TOURISM

GREG ABBOTT
GOVERNOR

I understand that the offense of perjury, under Section 37.02, Texas Penal Code, is committed when a person, with intent to deceive and with knowledge of the statement's meaning, makes a false statement under oath or swears to the truth of a false statement previously made and the statement is required or authorized by law to be made under oath.

I understand my obligation to provide information about event expectations, performance, and expenses that are true and accurate to the best of my knowledge and ability. I also understand my obligation to immediately report any known or suspected waste, fraud, and abuse of funds received under the Act to the Texas State Auditor's Office at 1-800-892-8348. I hereby swear and affirm that I have read the entire affidavit, and I understand its contents.

[Handwritten Signature]
Affiant Signature

Wayne S. Hollingsworth
Printed Name

Director, Circuit Events Local Organizing Committee
Title and Name of Organization

February 10, 2016
Date

The State of Texas

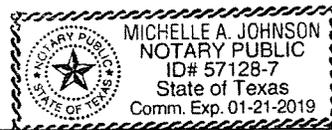
County of Travis

Before me, a Notary Public, on this day personally appeared Wayne S. Hollingsworth known to me to be the person whose name is subscribed to the forgoing instrument and acknowledged to me that he/she executed the same for the purpose and consideration therein expressed.

Given under my hand and seal of office this 10th day of February, 2016

[Handwritten Signature]
Notary Public, State of Texas

(PERSONALIZED SEAL)



(Print name of Notary Public here)

My commission expires the _____ day of _____, 20____
TEXAS WIDE OPEN BUSINESS



OFFICE OF THE GOVERNOR
ECONOMIC DEVELOPMENT & TOURISM

GREG ABBOTT
GOVERNOR

AFFIDAVIT
of Endorsing Entity

Affidavit to be completed, including signed and notarized, by any and all Municipalities, Counties, and/or LOCs endorsing an Event Trust Fund, Major Events Reimbursement Program or Motor Sports Racing Trust Fund.

I, Marc Ott, an authorized representative of: City of Austin,
a [Local Organizing Committee (nonprofit corporation), endorsing municipality or endorsing county] (circle one)
("Requestor") that is receiving funding through the Event Trust Fund, Major Events Reimbursement Program or Motor
Sports Racing Trust Fund ("the Act"), hereby swear and affirm that, to the best of my knowledge, the Requestor has
designed and implemented internal controls, processes and procedures to help the Requestor ensure that the
Requestor and its use of these funds complies with all applicable laws, rules, and written guidance from the Economic
Development and Tourism Office. I further swear and affirm that I, or my duly authorized employee, representative,
or agent, have reviewed the information, and that all of the statements made and information provided therein,
including statements made and information provided in any attachments are true, complete, and correct to the best
of my knowledge. All other information submitted as part of this request for participation is being represented by me
as true and correct, and I am unaware of any information contained therein that is false, misleading, or fraudulent.
Information provided includes but is not limited to:

to the best of my knowledge

- (1) A letter from the municipality or county requesting participation in the Events Trust Fund program and signed by a person authorized to bind the municipality or county;
- (2) A letter from the site selection organization on organization letterhead selecting the site in Texas;
- (3) An economic impact study or other data sufficient for the Economic Development and Tourism Office to make the determination of the incremental increase in tax revenue associated with hosting the event in Texas, including a listing of any data for any related activities;
- (4) An application for an Events Trust Fund program and any attachments; and
- (5) An Event Support Contract

I understand that I am receiving funding under the Act for the purposes of facilitating this event: FIM Road Racing World Championship Grand Prix, also known as* on these dates: April 8 through 10, 2016.

I understand that non-compliance with reporting requirements could be treated as a violation of the statute and/or program rules resulting in the possible withholding of disbursement funding.

*MotoGP™ marketed and advertised as the 2016 Red Bull Grand Prix of the Americas.

I understand that it is a felony offense under Section 37.10, Texas Penal Code, to knowingly make a false entry in, or false alteration of, a governmental record, or to make, present, or use a governmental record with knowledge of its falsity, when the actor has the intent to harm or defraud another.

TEXAS WIDE OPEN
BUSINESS



OFFICE OF THE GOVERNOR
ECONOMIC DEVELOPMENT & TOURISM

GREG ABBOTT
GOVERNOR

I understand that the offense of perjury, under Section 37.02, Texas Penal Code, is committed when a person, with intent to deceive and with knowledge of the statement's meaning, makes a false statement under oath or swears to the truth of a false statement previously made and the statement is required or authorized by law to be made under oath.

I understand my obligation to provide information about event expectations, performance, and expenses that are true and accurate to the best of my knowledge and ability. I also understand my obligation to immediately report any known or suspected waste, fraud, and abuse of funds received under the Act to the Texas State Auditor's Office at 1-800-892-8348. I hereby swear and affirm that I have read the entire affidavit, and I understand its contents.

[Handwritten Signature]
Affiant Signature

Marc Ott
Printed Name

Manager, City of Austin
Title and Name of Organization

2/19/16
Date

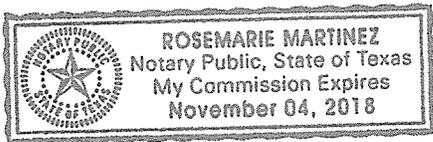
The State of Texas

County of Travis

Before me, a Notary Public, on this day personally appeared Marc A. Ott, known to me to be the person whose name is subscribed to the forgoing instrument and acknowledged to me that he/she executed the same for the purpose and consideration therein expressed.

Given under my hand and seal of office this 19 day of February, 2016

[Handwritten Signature]
Notary Public, State of Texas



(PERSONALIZED SEAL)

Rosemarie Martinez
(Print name of Notary Public here)

My commission expires the 4 day of November, 2018
TEXAS WIDE OPEN BUSINESS



OFFICE OF THE GOVERNOR
ECONOMIC DEVELOPMENT & TOURISM

GREG ABBOTT
GOVERNOR

AFFIDAVIT
for Economic Impact Documentation

Affidavit to be completed, including signed and notarized, by any and all party(ies) providing economic data to support a request for an Event Trust Fund, Major Events Reimbursement Program or Motor Sports Racing Trust Fund.

I, Don Hoyte, am providing information to be used by a City, County or Local Organizing Committee for the purpose of receiving funding through the Event Trust Fund, Major Events Reimbursement Program, or Motor Sports Racing Trust Fund ("the Act"), and hereby swear and affirm that, to the best of my knowledge, any data provided is true and accurate, and any projections made are based on reasonable assumptions documented in the information provided. I further swear and affirm that I have reviewed the information being submitted, and that all of the statements made and information provided herein, including statements made and information provided in any attachments are true, complete, and correct, to the best of my knowledge. Information provided includes but is not limited to an economic impact study or other data sufficient for the Economic Development and Tourism Office to make the determination of the incremental increase in tax revenue associated with hosting the event in Texas, including a listing of any data for any related activities.

I understand that the City, County or Local Organizing Committee is receiving funding under the Act for the purposes of facilitating this event: FIM Road Racing World Championship GP* on these dates: April 8-10, 2016 and that the information will be provided by the City, County or Local Organizing Committee as a government document.

* Also known as MotoGP™ marketed and advertised as the 2016 Red Bull Grand Prix of the Americas.
I understand that it is a felony offense under Section 37.10, Texas Penal Code, to knowingly make a false entry in, or false alteration of, a governmental record, or to make, present, or use a governmental record with knowledge of its falsity, when the actor has the intent to harm or defraud another.

I understand that the offense of perjury, under Section 37.02, Texas Penal Code, is committed when a person, with intent to deceive and with knowledge of the statement's meaning, makes a false statement under oath or swears to the truth of a false statement previously made and the statement is required or authorized by law to be made under oath.

I understand my obligation to provide information about event expectations, performance, and expenses that are true and accurate to the best of my knowledge and ability. I also understand my obligation to immediately report any known or suspected waste, fraud, and abuse of funds received under the Act to the Texas State Auditor's Office at 1-800-892-8348. I hereby swear and affirm that I have read the entire affidavit, and I understand its contents.





OFFICE OF THE GOVERNOR
ECONOMIC DEVELOPMENT & TOURISM

GREG ABBOTT
GOVERNOR

Don Hoyte
Affiant Signature

Don Hoyte
Printed Name

Texas Trust Fundg. com
Title and Name of Organization

2/8/16
Date

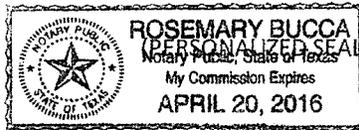
The State of Texas

County of Williamson

Before me, a Notary Public, on this day personally appeared DONALD R. HOYTE, known to me to be the person whose name is subscribed to the forgoing instrument and acknowledged to me that he/she executed the same for the purpose and consideration therein expressed.

Given under my hand and seal of office this 8th day of February, 20 16

Rosemary Bucca
Notary Public, State of Texas



Rosemary Bucca
(Print name of Notary Public here)

My commission expires the 20 day of April, 20 16

