



MEMORANDUM

TO: Mayor and Council

FROM: Rodney Gonzales, Deputy Director
Economic Growth and Redevelopment Services Office (EGRSO)
Sabine Romero, Assistant City Attorney

CC: Marc A. Ott, City Manager
Sue Edwards, Assistant City Manager

DATE: June 22, 2011

SUBJECT: Responses to Susan Moffat's email concerning the proposal for the City to participate as an endorsing municipality for the Major Events Trust Fund

Yesterday, you received an email from Susan Moffat regarding the proposal for the City to participate as an endorsing municipality for the Major Events Trust Fund. In light of this proposal being considered tomorrow by City Council, the following responses are being submitted to you.

If you have questions concerning these responses, please do not hesitate to contact us: Rodney Gonzales (974-2313) or Sabine Romero (974-2518).

Comment

The City will have no rights to terminate the contract under state law.

Response

The City does have the right to terminate the contract if performance measures are not met. One of the performance measures is the state law requirement that the event occur.

Comment

All powers and protections will reside with the state comptroller and the entity requesting state funding under state law.

Response

The contracts lay out City powers and protections, including the City's power to terminate for cause and the protection of indemnification.

Comment

The City is delegating authority to look after the City's best interests to a Local Organizing Committee put together by FI's agent.

Response

The City is delegating the financial risk of a Major Events Trust Fund agreement to the Local Organizing Committee, an entity that by statute plays a role in the Major Event Trust Fund program. Additionally, the City is obligating the Local Organizing Committee to indemnify the City against risks associated with the responsibilities under both contracts.

Comment

The relevant draft documents have just now been publicly posted, which does not allow sufficient time for thorough public review.

Response

The two contracts are posted for "negotiation and execution." Additionally, the contracts were posted online on Monday, June 20th.

Comment

If the City Council approves this item on Thursday, there will be no other public opportunity for Council Members or taxpayers to address potential problems in the drafts.

Response

The two contracts are posted for "negotiation and execution."

Question

Does the governing statute give the comptroller complete authority to assess any incremental tax from Austin that she deems fit?

Response

No. The Comptroller does have the authority to review the economic impact study and other available information to estimate the local and state 'incremental tax' increase that she expects to see from the event. Once the Comptroller has made this determination, this information forms the basis for a calculation of the dollars to go into the Major Events Trust Fund. The local increment would be paid by the Local Organizing Committee not the City.

Question

What assurances do we have that the City will ever see a penny of any additional tax revenues?

Response

Both contracts state all tax revenues will come to the City as required by applicable laws. The Comptroller provides these tax revenues to the City quarterly. The increased revenues would be included in those standard payments.

Question

We know with absolute certainty that other F1 race contracts require an escalating sanction fee. Unless the state's contract with F1 clearly limits the state's contribution to no more than \$25M per year, the comptroller is free to up the state's contribution at any time she sees fit, which will in turn allow her to assess a matching amount from the City.

Response

[From the Texas Comptroller's Office] The State's contract with the City limits the annual local contribution to no more than \$4 million and limits the annual state contribution to no more than \$25 million. The state reserves the right to allow the city's designee to contribute more than \$4 million in future years, if such contributions would be allowed by law. Additional contributions by the city's designee could trigger additional match contributions by the state. If the State exercised the right to contribute additional funds, any additional local increment would be funded by the Local Organizing Committee. The state, at most, can only match the local increment voluntarily deposited.

Question

Have you personally seen F1's contract with the state and does it clearly limit the state's contribution to no more than \$25M per year?

Response

[From the Texas Comptroller's Office] The State has a contract with the City of Austin, but does not have a contract with F1. The State's contract with the City limits the annual local contribution to no more than \$4 million and limits the annual state contribution to no more than \$25 million. The state reserves the right to allow the city's designee to contribute more than \$4 million in future years, if such contributions would be allowed by law. Additional contributions by the city's designee could trigger additional match contributions by the state. If the State exercised the right to contribute additional funds, any additional local increment would be funded by the Local Organizing Committee.
