
Briefing on
Formula 1
United States Grand Prix

June 7, 2011

Topics Covered

- Background
 - Why we are here - Formula 1 U.S. Grand Prix
- Major Events Trust Fund (METF)
 - Background on legislative action and recruitment of Formula 1
 - Program history, benefits, and how to utilize the fund
 - How this event differs from other METF events
- Circuit Events Local Organizing Committee (LOC)
 - Detail the request of the City of Austin
- Circuit of the Americas Facility
- Future Council Consideration
 - Agreement with the Texas Comptroller
 - Agreement with the LOC

Definitions

- Major Events Trust Fund (METF)
 - An economic development tool created (under a different name) by the 1999 legislature to recruit and attract large sporting events for the purpose of deriving economic benefits from those events.
- Formula 1
 - A series of races known as Grands Prix held on purpose-built circuits and public roads. The 2011 season is expected to feature 20 races located around the globe.
- Circuit Events Local Organizing Committee (LOC)
 - A non-profit corporation created to coordinate the hosting of the Formula 1 U.S. Grand Prix. The LOC will act in the interest of the City for the purposes of interacting with the Texas Comptroller as authorized by the METF statute.
- Full Throttle Productions
 - An Austin-based company owned by Tavo Hellmun that was instrumental in bidding for the Formula 1 U.S. Grand Prix
- Formula One Management, Ltd. (FOM)
 - Headquartered in the United Kingdom, FOM owns the commercial rights for Formula 1 and coordinates the planning of Formula 1 races. The 2009 State legislature added FOM to the METF list of “site selection organizations” to acknowledge that FOM is the group that determines Formula 1 racing sites.
- Circuit of the Americas
 - A multifunctional facility being constructed in Austin to host the Formula 1 U.S. Grand Prix, MotoGP, and other year-round high-profile events.

Major Events Trust Fund

Why was the program created?

- Established by the Texas Legislature in 1999 to:
 - Provide national and international public visibility for Texas and the local communities where events are held
 - Encourage and provide major economic benefits to the local communities where events are held
 - Provide opportunities for job creation through event support functions and related activities

- Examples of events
 - Super Bowl, NCAA Final Four, NBA All Star Game, and Major League Baseball All Star Game

Previous Trust Fund Events

What is the City's experience in using this economic development tool?

Year	Event	Year	Event
2011	US-Australian Football League Nat'l. Champ.	2011	NCAA Div. I Swimming and Diving Champ.
2011	USA Football vs. The World Championship	2011	USA Taekwondo US Open Championships
2010	NCAA Women's Volleyball Regional Championships	2010	Southwestern Turkey Day Classic Football Tournament
2010	USA Triathlon Ironman Collegiate Championship	2010	Quarter Midgets of America Western Grands
2010	NCAA Outdoor Track and Field West Reg.	2010	NCAA Women's Basketball Regional Tourn.
2010	NCAA Men's Baseball Super Regional Tournament	2010	Rawl Cup International Junior High School Basketball Tournament
2010	USA Junior Olympics Boys Volleyball Champ.	2009	USA Triathlon Longhorn Ironman
2009	NCAA Men's Baseball Regional Tourn.	2009	NCAA Men's Golf Regional
2009	USA Taekwondo Junior Olympics Champ.	2008	USA Triathlon Longhorn Ironman
Total Local Tax Increment: \$485,949		Total State Tax Increment: \$3,037,160	

Major Events Trust Fund

How would the program benefit the City of Austin?

- Provides a tool for local communities to access incremental state taxes to compete for, attract, and support special events and to increase future City revenues
- The following local incremental taxes are calculated:
 - Sales and use taxes
 - Hotel occupancy tax
 - Two types of alcohol taxes
 - Motor vehicle rental tax
- The State contributes 6.25 times the calculated amount of incremental local taxes and deposits this amount into the METF

METF and Formula 1

How was the METF statute changed in order to recruit Formula 1?

- 2009
 - METF statute amended to include Formula 1 racing and to allow pre-funding to secure major events that generate at least \$15 million
 - An appropriation of \$25 million was made to allow for the advance funding of an METF agreement
- 2010
 - Texas Comptroller, Governor, and Full Throttle Productions express interest in hosting the Formula 1 U.S. Grand Prix in Texas
- June 1, 2011
 - FOM confirms through a letter to the Mayor that Austin is selected as the site for Formula 1 U.S. Grand Prix from 2012 through 2021
- June 6, 2011
 - LOC requests the City of Austin enter into an Event Support Contract and participate in the METF as an “Endorsing Municipality” in order to access the Texas Comptroller’s commitment of \$25 million

Major Events Trust Fund

How is the program initiated?

- A request for participation in the METF is sent to the Texas Comptroller, which must contain the following:
 - A letter from the Endorsing Municipality to request participation in the program;
 - A letter from the site selection organization selecting the site; and
 - An economic impact study
- All of the above must be submitted not earlier than one year and not later than three months before the event

Major Events Trust Fund

What is the economic impact study?

- The economic impact study measures the anticipated financial impact from the event
- The study includes the estimated direct, indirect, and induced economic impacts
- The study includes data regarding each event-related activity, such as projected attendance figures, and ticket sales
- Within 30 days of receipt, the Texas Comptroller determines whether the economic impact study accurately portrays the estimated incremental tax increase

Major Events Trust Fund

What expenses can be reimbursed?

- Reimbursements from the METF can be used to finance costs of the event related to the following:
 - Applying or bidding for selection as the site of an event;
 - Preparing for the event; and
 - Conducting an event

- Disbursements are made on a pro-rata basis from the contributions of all participating entities (state and city)

Major Events Trust Fund

What are the legal considerations for an METF interlocal agreement between an Endorsing Municipality and the State?

- The METF statute requires an interlocal agreement between the Endorsing Municipality (the City) and the State to access funds before the event
(VCS Ch. 10, Sec. 5A(r); 34 TAC Sec. 2.105)
- The interlocal agreement:
 - May allow funds to be held and made available to pay the cost of securing the event in future years (“roll over”) *(Sec. 5A(r))*
 - May be for up to 10 years *(Sec. 5A(s))*
 - Requires repayment of State’s initial contribution *(Sec. 5A(t))*

Major Events Trust Fund

What are the legal considerations for an METF Event Support Contract between an Endorsing Municipality and the Site Selection Organization?

- The METF statute requires an Event Support Contract between the Endorsing Municipality (the City) and the Site Selection Organization (Formula One Management) (*VCS Ch. 10, Sec. 5A(a)(3)*)
- The Event Support Contract:
 - Establishes the contractual obligations between the City, Formula One Management, and the Local Organizing Committee
 - May allow the LOC to act on the City's behalf to take the necessary steps to submit the METF application to the Comptroller

Circuit Events Local Organizing Committee

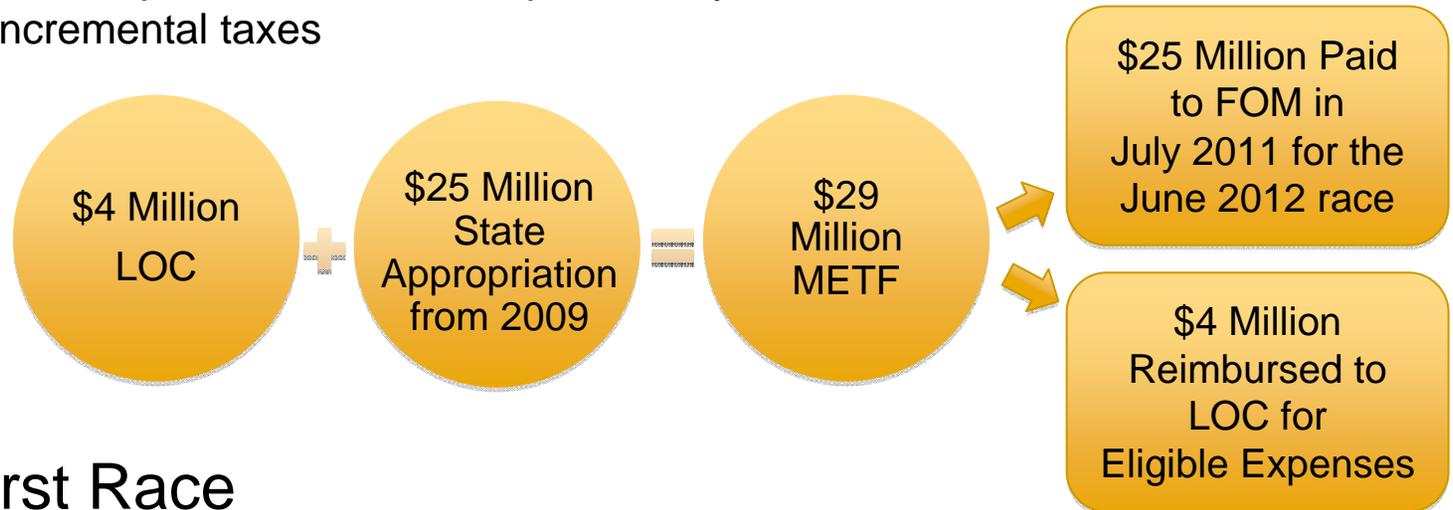
Request of the City of Austin

- LOC is requesting the City enter into an Event Support Contract that provides for the following:
 - LOC will act on the City's behalf to:
 - Submit the economic impact study to the Texas Comptroller
 - Submit \$4 million to the METF on City's behalf in Year 1
 - Submit annually: audited financial statements, attendance figures for the event, economic impact analysis of the event, and other public information held by LOC as requested by the Texas Comptroller
 - Pay for the annual performance bond required by Texas Comptroller
 - LOC will be reimbursed its \$4 million contribution in allowable expenses which will be submitted to the Texas Comptroller
 - LOC has offered a seat on its board for a City appointee
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How Dollars Will Flow Into/Out of METF

Before the First Race

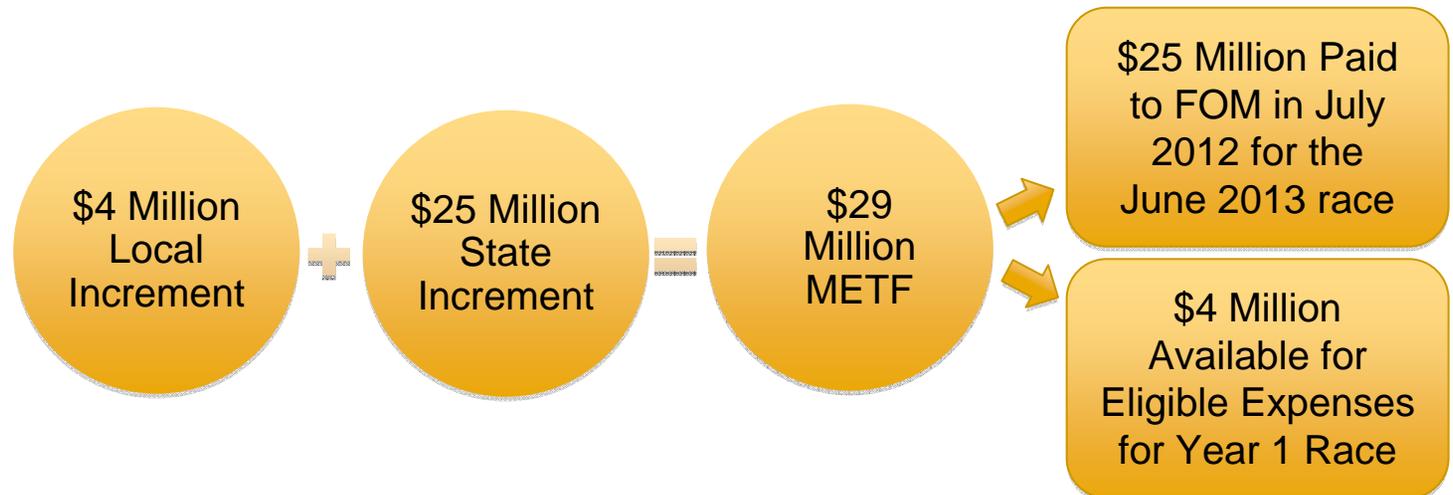
* Based on Texas Comptroller's \$29 million preliminary estimate of combined state and local incremental taxes



After the First Race



June 2012 race occurs, of which the increment is captured



Circuit of the Americas Facility

What are the economic and community benefits?

Formula 1 Race Events

- More than 300,000 people attend over a race weekend
 - Average stay for overnight attendees is 4.6 days
 - Average spend for an out-of-state attendee is \$1,500 per day
- Angelou Economics calculates more than \$30 million in additional sales tax will be generated annually
(May 19th Op. Ed.)
- “The \$275 million invested in F1 races by local governments brought in \$1.52 billion to local economies – a 533% rate of return per race.”
Financial Times (September 2008)

Circuit of the Americas Facility

What are the economic and community benefits?

Circuit of the Americas (CoTA)

- Entire \$250M - \$300M comes from private investors
 - CoTA is pre-paying \$13M to install water and wastewater lines
 - CoTA is pre-paying \$4M to initiate the Major Events Trust Fund
- Seventeen companies and over 1,000 employees are now hired and working on the project
- Events held at CoTA, including Formula 1, are projected to generate economic impact of between \$400M - \$500M annually
 - MotoGP World Championship (130,000 attendees per race)
 - 5K & 10K marathons, nonprofit fundraising marathons
 - Bicycle “Veloway” races, triathlon, duathlon fitness-related events
 - Live music performances and concert events

Circuit of the Americas Facility

What are the economic and community benefits?

More than a Racetrack

- Medical facility/track can serve as a First Responder training center
 - Police, fire departments, EMS, Homeland Security
- New outdoor music venue supporting area musicians in the “Live Music Capital of the World”
- “Human performance center” for outdoor fitness events and training
- An education center for area schools and universities
 - Huston-Tillotson intern program begins week of June 6
 - Texas A&M landscape architect students to engage in design work
 - St. Edwards photography students documenting construction
 - Del Valle ISD classrooms connecting classroom science and math curriculum with racing and race events







Summary

What are the benefits to the City of Austin?

- The LOC will provide the \$4 million seed money so the City of Austin is not out-of-pocket
- The Formula 1 event is self-supporting in that the \$4 million from incremental taxes as a result of the event are available to reimburse the City for its expenses associated with the event
- Other year-round events are planned at the facility resulting in additional sales taxes and hotel occupancy taxes
- The Circuit of the Americas (CoTA) facility is multipurpose and includes educational facilities, medical facilities, and a music venue
- \$250M to \$300M private investment into the world-class CoTA facility
- The CoTA facility will include key partnerships for the community
- Former agriculture use of the site is now being converted to commercial use, resulting in increased taxes

Next Steps

- June 9th City Council meeting
 - Discussion of the Interlocal Agreement and Event Support Contract and opportunity for public comment
- June 23rd City Council meeting
 - Interlocal Agreement
 - Consider a contract between the Texas Comptroller and the City of Austin
 - Triggers the Major Events Trust Fund
 - Event Support Contract
 - Consider a contract between the City of Austin, FOM, Ltd.
 - Allows LOC to submit \$4 million, purchase the performance bond, and submit the economic impact study on the City's behalf

Questions