



MEMORANDUM

TO: Mayor and Council

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

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

DATE: June 28, 2011

SUBJECT: Responses to Susan Moffat's June 27th email concerning the proposal for the City to participate as an endorsing municipality for the Major Events Trust Fund

On Monday, 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 Wednesday 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) Sabine Romero (974-2518), or Leela Fireside (974-2163).

Questions regarding funding guarantees

- a. What business entity is guaranteeing to pay the City's entire contribution to the Major Events Trust Fund for the next 10 years and what assets or collateral are they providing?
- b. Since the amount of the contribution is unknown for Years 2 through 10, how will any collateral for this guarantee be adjusted?
- c. Where is the plain language in the draft contract that stipulates this guarantee, the entity and its collateral, bond or other assets to ensure payment?
- d. Is there any limit to the dollar amount the Comptroller may assess for the local tax increment contribution during the course of the 10-year contract?

Response

- a. The City is not obligated to make any contribution to the METF; therefore, no business entity is guaranteeing the “City’s contribution.” If Council approves the agreements before it, the CELOC is the only entity contributing to the METF to trigger the State’s dollars. The City is only obligated to be an Endorsing Municipality for purposes of establishing the METF. The City has delegated to the CELOC the right to contribute funds to the METF. The Local Increment is determined by the Comptroller, based on her review of the Economic Impact Studies.
- b. CELOC is obligated under the Agreement to contribute the Local Increment as calculated by the Comptroller for every year of the Agreement. These funding obligations are also a performance measure under the Agreement at Section 30(A)(3). Failure to comply with this performance measure is grounds for termination with cause (Section 29).
- c. CELOC’s guarantee to provide payment of the Local Increment is at Section 19(A)(1)(c) and Section 19(B)(1)(c)), and the requirement to pay for the assurance is at Section 19(A)(1)(f) and Section 19(B)(1)(e).
- d. The limit on the Local Increment is based on the findings in, and Comptroller’s analysis of, the Economic Impact Study. Contribution of the estimated Local Increment amounts is voluntary. If the funds are contributed, then the Comptroller will contribute \$6.25 for every \$1 dollar of the Committee’s contribution (Local Increment) to establish the total dollars in the fund.

Note: This question uses but does not define the term “assess”. The Comptroller calculates the amounts, but that calculation is not a required payment; it is up to the entity contributing the Local Increment to put in whatever amount, if any, that entity chooses in order to trigger the additional State dollars being added to the Major Event Trust Fund.

Questions regarding the City’s protection if the funder defaults

- a. What happens if the above entity fails to make full payment to the state?
- b. Under the governing statute, is it legally possible for the Comptroller to go ahead and deduct the City’s METF contribution from city tax collections if the alternative payment is not received?

Response

- a. CELOC’s obligation to contribute to the METF each year is a performance measure under the Agreement between it and the City. Failure to meet this performance measure is grounds for termination of the Agreement with cause. Further, as noted above, the contribution is voluntary. If payment is not received by the Comptroller, she does not establish the METF for that year, and no one is out any money or is in any way obligated to contribute to METF.

- b. No. It is not legally possible for the Comptroller to take these funds from the City's tax collection if payment is not received.
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Questions regarding the parties to the contract with the local organizing committee

According to the governing statute, Austin or its authorized local organizing committee must have an "event support contract" with the "site selection organization," which is defined as "the national governing body...of Formula One Management Limited [FOML] or the Federation Internationale de L'Automobile [FIA]." Which one of these entities will have the event support contract with Austin (or CELOC) and who is its governing body?

Response

CELOC will have an event support contract with the Site Selection Organization.

Questions regarding the Circuit Events Local Organizing Committee

Why is it preferable for the taxpayers of Austin to have CELOC negotiate and sign the 10-year "event support contract" required by law, rather than have that contract negotiated by the city and approved directly by the Austin City Council?

Response

Delegation of this type of agreement is consistent with other METF events such as the Super Bowl, where the Host Committee had the contract with the NFL.

Questions regarding the race date

- a. What entity will certify the date for an F1 race in Austin in 2012?
- b. How will the date certification be done and when?
- c. Does the actual date of the race affect the economic impact and tax forecast, and if so, how?

Response

These questions have been forwarded to CELOC's representative, Richard Suttle.

Questions regarding the City's right to withdraw

- a. Next year and in future years, if the City of Austin wants to completely withdraw from its involvement with the Major Events Trust Fund and tax support to F1, does the Council have the authority, on its own vote, to do so?
- b. If not, is there any way for Austin to withdraw from the tax increment obligation on its own authority?

Response

- a. If CELOC and Circuit of the Americas are both in compliance with the terms of the Agreements, then the City would remain in the Agreements. If either of these entities is not in compliance and the City has properly exercised its right to terminate with cause, then the City can withdraw.
 - b. The City is not supporting F1 with City taxes, and the City is not obligated to contribute its tax increment. There is no tax increment obligation from which to withdraw.
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