

**SOUTHERN NEVADA TOURISM INFRASTRUCTURE
COMMITTEE MEETING
February 25, 2016**

The meeting of the Southern Nevada Tourism Infrastructure Committee was called to order by Chairman Hill at 9:06 a.m. in the Blasco Event Wing located in the Foundations Building at the University of Nevada, Las Vegas.

1. ROLL CALL/CALL TO ORDER/ESTABLISH QUOROM

BOARD MEMBERS PRESENT

Mr. Steve Hill, Committee Chairman
Mr. Len Jessup, Committee Vice Chairman
Ms. Carolyn Goodman, Mayor of City of Las Vegas
Mr. Steve Sisolak, Chairman of the Clark County Commission
Ms. Kristin McMillan, President and CEO of the Las Vegas Metro Chamber of Commerce
Mr. Bill Noonan, Senior Vice President of Boyd Gaming
Mr. William Hornbuckle, President of MGM Resorts International
Mr. Mike Sloan, Senior Vice President of Station Casinos

BOARD MEMBERS ABSENT

Mr. Tom Jenkin, Global President of Caesars Entertainment
Ms. Kim Sinatra, Executive Vice President of Wynn Resorts
Mr. George Markantonis, President and COO of The Venetian and The Palazzo

ADVISORY COMMITTEE MEMBERS PRESENT

Ms. Elizabeth Fretwell, City Manager of the City of Las Vegas
Mr. Don Burnette, County Manager of Clark County
Ms. Rosemary Vassiliadis, Director of Clark County Department of Aviation
Mr. Rossi Ralenkotter, President and CEO of Las Vegas Convention and Visitors Authority
Mr. Guy Hobbs, Managing Director of Hobbs, Ong & Associates

ADVISORY COMMITTEE MEMBERS ABSENT

Ms. Tina Quigley, General Manager of Regional Transportation Commission of Southern Nevada

2. PUBLIC COMMENT: 9:07 A.M.

Mr. Ed Uehling expresses his dismay that the letter he wrote amending December's meeting minutes was not attached to the January meeting minutes as he requested. Mr. Uehling then shares his concern with the committee using the projected increase in tourism

of 1.25 percent. Mr. Uehling states that the LVCVA's goal of increasing international tourism to 30 percent by 2020 would exceed this 1.25 percent increase.

There are no more public comments. Chairman Hill closes Agenda Item 2.

3. ACCEPTANCE OF MINUTES FROM JANUARY 28, 2016: 9:09 A.M.

Chairman Hill opens Agenda Item 3 for a motion to accept the meeting minutes from January. A motion is made by Mr. Sisolak to accept the minutes. Mr. Noonan seconds the motion. The motion passes unanimously.

Chairman Hill closes Agenda Item 3.

4. CHAIRMAN/COMMITTEE COMMENTS: 9:10 A.M.

Chairman Hill notes that a list of topics has been prepared to outline the discussion on the Las Vegas Convention Center. At the end of each topic, Chairman Hill would like to determine whether the issue has been fully addressed and no further work is necessary, or if there needs to be additional research. Chairman Hill notes that during the March meeting, the committee will hear the proposal from Las Vegas Sands and the Majestic Group on the proposed stadium. It is anticipated that there will be a working session for that topic in April. However, this does not exclude any other stadium proposals.

Chairman Hill does not believe the upcoming meetings will be full-day events. He proposes starting future meetings earlier in hopes of ending prior to lunch. The committee members unanimously agree to start at 8 a.m.

Chairman Hill closes Agenda Item 4.

5. RESEARCH STAFF REPORT: 9:14 A.M.

Chairman Hill welcomes Mr. Jeremy Aguero, Principal at Applied Analysis. Mr. Aguero notes that his goal is to synthesize a number of requests that have come up since January's meeting and provide the committee with a brief overview of the work that has been done. Mr. Aguero presents images of the Las Vegas Convention and Visitors Authority's ("LVCVA") proposed renovation and expansion of the Las Vegas Convention Center. Mr. Aguero then points the committee's attention to a summary on the competitive convention activity briefing that his firm compiled. This briefing highlights the major ongoing or recently completed convention center expansion projects within the United States. Additionally, Mr. Aguero has provided the committee members with quotes from representatives of Las Vegas's six largest conventions when they appeared before the committee in October. Mr. Aguero highlights additional reference materials that have been distributed in prior meetings. Since January's meeting, various committee members have had questions regarding LVCVA's debt capacity, the operating deficit of Cashman Field and the Los Angeles Times article on southern California's declining public

transportation ridership. All responses and follow-up material for those have been provided to committee members and posted to the committee website, www.sntic.org. Mr. Aguero states that Cordell Corporation generated the LVCVA's project cost estimates, and W.A. Richardson provided a second set of estimates that were within 3 percent of Cordell's estimates.

Mr. Aguero mentions that the Regional Transportation Commission of Southern Nevada ("RTC") has provided preliminary draft legislation regarding a state infrastructure bank and public-private partnerships. Mr. Aguero notes that his firm is in the process of reviewing these materials. Additionally, the RTC has provided a map that outlines the road projects that are currently funded by fuel revenue indexing.

Mr. Aguero calls attention to a list of Las Vegas Convention Center clients who have sent letters of support for the center's expansion and renovation.

Mayor Goodman asks how the other various competitive convention centers are being funded. Mr. Aguero notes that there is not a single way that a convention center building project is funded; methods of funding are noted under each center in the briefing.

Mr. Sisolak asks Mr. Aguero if someone is checking the accuracy of the provided information. Mr. Aguero notes that when the committee requests certain information, Applied Analysis will reach out to obtain the information from the appropriate entity. Then, the firm will look over the information to ensure it satisfies the request and forward that information to the committee. If something jumps out as being inherently inaccurate, the firm conducts additional research.

Mr. Sloan asks how many of the competitive convention centers are being expanded or remodeled. Mr. Aguero points out that in the first paragraph of the briefing, the three convention centers that are currently renovating are listed. Mr. Aguero notes that he has reached out to each center to request further information. Mr. Sloan asks Mr. Aguero to request information in regards to shows that will continue to operate during renovation. Mr. Sloan spoke with a convention operator who stated his show remained in a center that was undergoing renovation after it received pricing concessions.

Mr. Hornbuckle asks who annually audits the LVCVA. Ms. Rana Lacer, Chief Financial Officer for the LVCVA, states that Piercy Bowler Taylor & Kern has been the LVCVA's auditor since fiscal year 2008. In addition to the annual audit, the LVCVA has an internal audit team.

Ms. McMillan asks about the Las Vegas Convention Center's size after completion of the expansion and renovation project. Mr. Aguero states the added space would be 750,000 square feet, 600,000 square feet of which is exhibit hall space. This will bring the total sellable space from 2.1 million square feet to 2.85 million square feet.

6. COMMITTEE WORKSHOP ON CONVENTION CENTERS: 9:57 A.M.

Mr. Hornbuckle asks the LVCVA to explain why it choose to add 600,000 square feet of exhibit space for the project.

Chairman Hill opens Agenda Item 6 and invites Mr. Rossi Ralenkotter, President and CEO of the LVCVA, and his team to join the discussion.

In response to Mr. Hornbuckle's question, Mr. Terry Miller, Principal and owner of Cordell Corporation, explains that there were three elements to the decision to add 600,000 square feet. The first was the need of current customers, such as those who came to October's meeting and expressed the need for 500,000 to 750,000 additional square feet of exhibit space. The second was the opportunity to attract new shows, which was deemed as being 21 potential shows that require 200,000 to 400,000 square feet. The third factor was the swing space necessary to take an existing exhibition hall offline and not lose a trade show. To the question relative to comparative convention center expansions, Mr. Miller also wanted to point out that the 750,000 square feet would be the total added space at a cost of \$860 million, not \$1.4 billion, which includes the renovation phase of the project as well.

Mr. Sloan asks if current shows are contractually obligated to stay in the Las Vegas Convention Center in future years. Mr. Ralenkotter states the LVCVA is legally able to lease out for 99 days, so most annual shows are leased up to the maximum amount of time. Mr. Luke Puschnig, Legal Counsel for the LVCVA, stresses the 99 days is cumulative. For example, if a show leases for 10 days per year, the show can sign a lease agreement for up to 10 years. Mr. Ralenkotter adds that the LVCVA has confirmed bookings through 2028.

Chairman Hill closes Agenda Item 5.

Mr. Hornbuckle asks Mr. Ralenkotter to explain Cashman Center's position with the LVCVA and its budget. Mr. Ralenkotter notes that in the original agreement with the City of Las Vegas, the LVCVA would take on operation of Cashman Center solely for the purpose of tourism promotion. However, over the years the center has turned into more of local civic center and is not being used to promote people coming to Las Vegas. The center has over 250 use days, but most of the activities are for nonprofits. Ms. Lacer states the annual revenue budget for fiscal year 2016 at Cashman Center is \$1.7 million and the operating expenditure budget is \$6.1 million. Other indirect expenditures add an average of \$1 million per year. Therefore, the average operating loss on Cashman Center is over \$5 million per year. Chairman Hill asks if there is potential in transitioning Cashman Center from the LVCVA and use those savings as a part of the funding for the Las Vegas Convention Center District. Mr. Ralenkotter believes this would be a possibility for the LVCVA.

Mr. Hornbuckle asks Mr. Ralenkotter if it would be possible to create an oversight board for the Las Vegas Convention Center District project comprised of resort industry personnel. Mr. Ralenkotter states there will be a numerous oversights for the project, but

he believes the board Mr. Hornbuckle is proposing is critical to this project because it is a partnership with the hotels.

Mr. Hornbuckle asks how much of the LVCVA's budget is distributed to special events. Mr. Ralenkotter states it is about \$11 million, which includes the rodeo. Mr. Hornbuckle challenges the LVCVA to identify revenues in the budget to supply \$15 to \$20 million to put against the project for bonding. Mr. Ralenkotter states the LVCVA will prioritize its projects and provide a list of impacts of the recommendations.

Mr. Sisolak believes an online travel company ("OTC") tax is something that should be looked into as an additional source of revenue for the LVCVA. Additionally, Mr. Sisolak believes the rental rates in comparative centers should be researched to see where the Las Vegas Convention Center ranks and possibly adjusted to be used as an additional source of revenue. Ms. Lacer points out that historical rental rates can be found on page 18 of the financial planning document, which also shows the approved rental rate increases for future years. She added that additional revenue generated through anticipated rate increases and additional rental space from the project has been included in the LVCVA's pro forma.

Mayor Goodman asks for information regarding how an entity applies for room tax allocation and how the education entities are using their room tax dollars.

Ms. McMillan asks what percentage of the room tax that is generated in Clark County actually serves the county. Mr. Aguero does not have an exact figure at this time, but he will come back with that information in March. He does state that some revenues, such as the amount dedicated to the Nevada Commission on Tourism, the vast majority of the tax is distributed to areas in Nevada outside of Clark County.

Chairman Hill asks the LVCVA how it generally allocates funds, specifically in regards to marketing and advertising. Mr. Ralenkotter states the bond covenants are specific in that the LVCVA needs to maintain and operate the facilities. That is the LVCVA's primary focus while developing the budget. From that, other obligations are budgeted, including marketing the destination. Chairman Hill asks to explain the Las Vegas Convention Center's maintenance as it relates to being a priority for the LVCVA. Mr. Ralenkotter points out that this is the first time in the LVCVA's history that it has needed to seek additional revenue streams to do an expansion or renovation. The LVCVA has had a reserve of funds over the years. However, the LVCVA has been given direction by the legislature to spend those dollars on various projects, such as high-speed lanes on Interstate 15. The LVCVA has always budgeted 10-year programs for what needs to be done in terms of renovation and maintenance. However, the center now needs to be updated so it can be competitive for the next 25 years. Ms. Lacer stresses that the LVCVA does not haphazardly go about the capital maintenance plan for their facilities. Chairman Hill asks the LVCVA to more clearly identify the maintenance aspects from both an expense and capital standpoint.

Mr. Sisolak expresses his concern about the composition of the LVCVA's board of directors. There are individuals from smaller areas, such as Mesquite, that do not have the

expertise that industry members have as it relates to LVCVA's projects. Mr. Hornbuckle agrees that this issue needs to be addressed. He is also concerned that a representative from Mesquite is going to want to preserve what Mesquite is allocated, and this does not serve the interest of the community that is trying to drive tourism.

Chairman Hill wants to understand how much the LVCVA would be able to bond if given an additional 1 percent room tax, specifically as it relates to the coverage ratio. Mr. Hobbs explains the LVCVA has a smaller coverage ratio because it issues bonds through Clark County.

Mr. Sisolak asks how much the LVCVA has refunded or refinanced in the last five years. Ms. Lacer states the LVCVA has refunded several times within the last few years, generating a significant amount of savings that has aided in the acquisition of the Riviera by paying for that new debt. Ms. Lacer points out that on page 37 of the financial planning document it states that the LVCVA has achieved a present value of \$13.2 million in savings over the past 10 years by refunding bonds.

Chairman Hill asks the LVCVA to summarize the potential loss in revenue that renovating without taking that space offline would incur. Ms. Cathy Tull, Senior Vice President of Marketing, and Mr. Kevin Bagger, Executive Director of the LVCVA Research Center, explain that there is a significant risk in assuming that shows will continue to operate during renovation since just one show can generate approximately \$50 million. Mr. Ralenkotter states the process of determining whether space would absolutely need to be taken offline for renovation would initially include speaking with the customers, showing them the preliminary construction schedule and explaining what to expect throughout the expansion or renovation process.

Mr. Hornbuckle notes that MGM Resorts International will have 3.2 million square feet of convention center space after the completion of the Aria's convention center expansion. They have studied convention center activity extensively. Mr. Hornbuckle states that MGM Resorts International is highly supportive of the Las Vegas Convention Center's expansion and renovation in regards to the effect it will have on the community.

Chairman Hill will work with Mr. Aguero to compile a list of follow-up items for April.

Chairman Hill closes Agenda Item 6.

7. MARCH MEETING PREVIEW: 12:14 P.M.

Mr. Aguero states that he will continue to work with the Sands, Majestic Group and the University of Nevada, Las Vegas ("UNLV") to gather information on their stadium proposal.

Chairman Hill closes Agenda Item 7.

8. COMMITTEE MEMBER COMMENTS: 12:15 P.M.

Mr. Noonan asks Ms. Vassiliadis to provide some background on the issue of having only one fuel pipeline at McCarran International Airport. Ms. Vassiliadis states adding an additional pipeline for Jet-A fuel is the airport's primary recommendation for the committee. McCarran International Airport has had problems in the past where flow has been suspended to the pipeline and there had to be alternate measures taken, such as trucking fuel into the valley.

Additionally, Mr. Noonan would like to discuss height restrictions for the proposed stadium location. Ms. Vassiliadis states McCarran International Airport has not had any briefing on the newly proposed stadium, so she cannot answer specific questions regarding the proposal. However, stadiums are generally an issue near airports due to the activities that happen at stadiums, not so much the height of the stadium. Examples of activities that impact flight activity are fireworks and light shows. These don't affect the safety of the aircraft but instead tend to reduce flexibility of flight activities. Mr. Jessup states there are height restrictions on the area of land where the proposed stadium would be located. However, these restrictions are much higher than the height of the stadium. UNLV will bring more extensive information regarding the proposed stadium to the meeting in March.

Chairman Hill closes Agenda item 8.

9. PUBLIC COMMENT: 12:21 P.M.

Mr. Ed Uehling states the committee has not mentioned five large areas that can potentially generate revenue. These areas of interest for Mr. Uehling are growth, land sales, Chinese dollars, efficiencies with governmental agencies and coordination.

There are no more public comments. Chairman Hill closes Agenda Item 9.

10. ADJOURNMENT: 12:27 P.M.

CHAIRMAN HILL OPENS AGENDA ITEM 10 FOR POSSIBLE ACTION. MR. SLOAN MAKES THE MOTION TO ADJOURN THE COMMITTEE MEETING. MAYOR GOODMAN SECONDS THE MOTION. THE MOTION PASSES UNANIMOUSLY.