

## Finance Committee Agenda for 11-18-2021 2:30-3:30pm

1. Minutes from October meeting (EXHIBIT A)
2. October financials – CFA (EXHIBIT B)
3. 2021 Proposed Final Budget changes (EXHIBIT C)
4. Update - Investment Advisor Proposal (EXHIBIT D)
5. Reserve & Contingency Policy and Debt Management Policy Review (EXHIBIT E)
6. Garland Fascade proposal (EXHIBIT F)
7. Omnia/Garland Base Bid I EFIS proposal (EXHIBIT G)
8. Other items as determined by members

**MONTGOMERY COUNTY CONVENTION FACILITIES  
AUTHORITY  
BOARD OF DIRECTORS**

Regular Meeting Minutes  
October 21, 2021, 2:30 PM  
Via Telephonic/Electronic Means

**BOARD OF DIRECTORS – Finance Committee Meeting**

**PRESENT:** Sean Fraunfelter, Kevin Weckesser, Thomas Whelley and La Shea Lofton joined at 2:59pm.

**GUESTS:** Michael Burns, Baird; Russell Kline, Special Project Manager, MCCFA; Mark Weekley Baird;

**I. Roll Call**

Mr. Fraunfelter called the meeting to order at 2:40 PM and called the roll.

**II. Approval of September Minutes**

Mr. Fraunfelter asked members of the Committee if they had any edits to the minutes. Hearing none, Mr. Fraunfelter called for a motion to approve the minutes.

**MOTION:** It was then moved by Mr. Whelley and seconded by Mr. Weckesser and unanimously voted “to approve the September 16, 2021 Finance Committee meeting minutes as presented”.

**III. Retro Commissioning Proposal Review**

A. Ed Soots, LWC, shared the retro commissioning documents and explained that retro commissioning is evaluating the current equipment and to prolong its life to avoid immediate replacement. There were four requests for bids with three responses received (BCE, CMTA, Heapy Engineering). 10 HVAC units would be evaluated as a sample of entire building and other electrical units. CMTA was the lowest with a total base bid \$24,100 with recommendation to include routine maintenance once evaluation has begun.

- i. Mr. Whelley asked if he is familiar with other companies and asked if it was just \$24k to have it inspected. Mr. Soots responded that it does include some maintenance but serves more as a report to recommend how to keep it running. Mr. Whelley asked about length of time to complete work and is it a reasonable amount of money to complete the retro commissioning. Mr. Soots will follow up on timeframe for completion.
- ii. Mr. Weckesser asked for a ballpark figure of complete replacement of HVAC system and would like to know how it factors into the overall cost. His concern is that it is too much money to prolong life. Mr. Whelley agreed with Mr. Weckesser and additionally asked for a detailed report with costs and scope of what “electrical” means. Mr. Soots agreed to find out what “electrical” means in scope. Mr. Weckesser asked LWC to provide an estimated full replacement cost before commencing the retro fitting study.

- iii. Ms. Lofton asked how LWC can have a good idea of cost for HVAC without having final design decisions. Mr. Soots replied that most of the areas will stay the same in function and overall size.
- iv. Mr. Fraunfelter will follow up with Ms. Plageman on costing model and would like to have before board for Nov 4 meeting.
- v. Mr. Soots left meeting at 3:03pm.

#### **IV. September Financials – DCC/ASM**

##### **A. Reports and Communication**

- i. Mr. Fraunfelter updated the committee that the MCCFA now has 3 accounts including Bond fund and presented Budget vs Actual worksheet. Mr Fraunfelter provided some detail on expenses including 2 laptops provided for MCCFA staff and an increase on directors and officials insurance due to increased revenue over the prior year. Mr Fraunfelter stated the budget will be modified at the end of the year to match increase in insurance cost. Mr. Fraunfelter also highlighted the first ground lease payment is ready to be sent to the City on 10/22/21. Additionally, the capital budget was included in this month's packet as well.
- ii. Mr. Whelley asked whether the new budget will allow for a projected monthly cash flow from the lodging tax and what does 'activity' mean as it related to the cost increase of insurance. Mr. Fraunfelter answered that the increase is based on revenue and compared to 2020 the revenue activity is much higher. The monthly revenue stream is being tracked and reported on a monthly basis internal on a spreadsheet maintained by the CFA staff. Mr. Kline and Ms. Plageman are gathering more data and will have by next Finance Committee meeting.

##### **V. Investment Advisor Proposal**

- i. Mr. Fraunfelter presented Redtree Investment Group and their strategy to invest CFA funds to generate more income and his past experience with Redtree.
- ii. Ms. Lofton asked if the authority is limited to their services only on debt proceeds and would prefer the whole cash portfolio would be able to invest. Mr. Fraunfelter answered it would initially be debt proceeds but would eventually include the whole portfolio.
- iii. Mr. Burns of Baird Financial shared his experience with Redtree and his previous clients' work with Redtree.
- iv. Ms. Lofton asked for more detail regarding Redtree portfolio and what they manage. Mr. Fraunfelter will provide list for the record.
- v. Ms. Lofton asked how entity was selected. Mr. Fraunfelter replied that he knows Redtree via an RFP for another client about 2 years ago. Ms. Lofton also asked whether or not

the 8-basis points fee for Redtree services would exceed purchasing threshold for RFP, bids, etc... Mr. Fraunfelter replied it not should not exceed the threshold.

- vi. Mr. Fraunfelter will get the full proposal from Redtree for due diligence purposes. Ms. Lofton commented that she is familiar with Redtree and has no concerns with them. Mr. Whelley also commented that he has no concerns with Redtree however a full proposal from Redtree is needed to support recommendation.

**VI. Discussion around next bond issue:**

- i. Mr. Fraunfelter stated that the MCCFA is going to additional financing for facility upgrades and renovations being evaluated under the masterplan process. Mr. Burns was asked to model a \$15M and \$20M issuance bond for proposed bank rates with KeyBank and the amortization schedule for the MCCFA.
- ii. Mr. Burns shared the interest rate graph for US Treasury Bonds which is what Key Bank is currently lending upon. Mr. Burns prepared a term sheet for Key Bank and asked for a proposal. Key Bank provided a proposal of a fixed rate of 2.27% for 10 years provided the deal is closed by end of November.
- iii. Mr. Weckesser asked what the terms of the first bond were. Mr. Burns replied 10 year fixed rate 1.95% with rate reset in year 11.
- iv. Mr. Whelley asked if there is a good feel for what our projected spend is going to be? Where does \$41m fit in to overall scope of work? Ms. Lofton added what basis is there for new total? Are we setting aside funds to go into a debt service fund? How can we ensure our operating cash liquidity is not impact with the anticipated debt service requirements? How are interest earnings on the proceeds allocated for purposes of construction or debt service? Mr. Fraunfelter replied that the masterplan costing model is due at the end of the month which will provide priorities and associated costs before Board makes a decision on bond issuance. The MCCFA staff have held internal discussions about an allocation percentage of the bed tax for debt service and other capital needs.
- v. Mr. Whelley asked if there is a projected event revenue amount? Mr. Burns commented that there is no event revenue used in the bond model to cover debt service, only revenue used in lodging tax and that the numbers used in this modeling were based on previous tax revenue amounts which have already increased. Mr. Burns went on to recommend issuing bonds in phases as revenue stabilizes and cost solidify. Mr. Whelley agreed yet still needs to know what other revenues the MCCFA will have. Ms. Lofton stated the MCCFA needs to know the total picture of project cost and borrow only what is needed as well as a revenue policy and guidelines in place to guide decision making moving forward. Mr. Fraunfelter advised that the costing model will be

complete before Nov. 4 Board meeting; that all event revenue will go to cover ASM costs and the goal is for hotel tax not to supplement operating costs.

- vi. Ms. Lofton asked what is the rate reset process after year 10. Mr. Burns advised that after year 10 the rate can be renegotiated with KeyBank, bid out to other banks, or could be paid off.

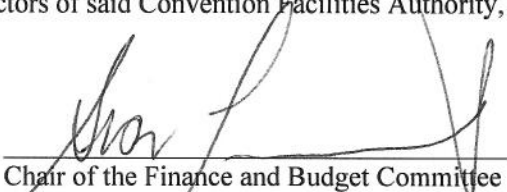
**VII. Other items:**

- i. Mr. Fraunfelter asked if there were any other items for discussion. Hearing none he asked for a Motion to Adjourn.

**MOTION:** It was motioned by Ms Lofton and seconded by Mr. Whelley, and unanimously approved to adjourn regular session at 3:58pm.

**CERTIFICATE**

The undersigned Chair of the Finance and Budget Committee of the Montgomery County Convention Facilities Authority hereby certifies that the foregoing is a true copy of the minutes of the October 21, 2021, meeting of the Board of Directors of said Convention Facilities Authority, as approved by the Board on October 21, 2021.

  
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Chair of the Finance and Budget Committee  
Montgomery County Convention  
Facilities Authority