



VILLAGE OF SCHAUMBURG
PROGRESS THROUGH THOUGHTFUL PLANNING

MEMORANDUM

Date: January 10, 2024
To: Mr. Brian Townsend, Village Manager
From: Lisa Petersen, Director of Finance
Subject: 2024 Renaissance Schaumburg Hotel and Convention Center Business Plan
For: FLAGG Committee

Introduction

In November, village staff met with the Renaissance property management team and the asset manager, Hospitality Advisory Partners (HAP) to discuss the proposed 2024 Business Plan and Budget for the Renaissance Schaumburg Convention Center Hotel. This is expected to be a year of growth and recovery as business levels and room rates continue regaining strength over the course of the year.

Discussion

This Business Plan is presented and compared to 2023 to reflect growth and demonstrate achievement of annual goals.

The property was open for all of 2023, and updates were made to the ballroom and meeting spaces in the fourth quarter. However, the business traveler has not yet returned as expected and said bookings are approximately 50% of 2019 levels. There are no contract (airline) room nights budgeted. Provided herein is a summary and analysis from HAP with specific market trends and comparisons.

2023 Revenue beat budget by \$443K or 1% and expenses were \$434K or 2.3% less than budget. Resulting in Net Operating Income (NOI) of \$8.2 million. The 2024 Business Plan anticipates an \$800K increase in NOI as compared to 2023. Net Operating Income is the expected cash distribution to the village for debt service obligations. NOI is the result of all property operations and distributions of owner obligations as set forth in the Qualified Management Agreement (QMA). For example, the QMA states that 5% of Gross Revenues be held in escrow for Furniture, Fixtures, and Equipment (FF&E) upgrades, which are the owner's responsibility. Similarly, 1.5% of Gross Revenues is to be held in escrow for Capital improvements, which are also owner's responsibility. The distributions for these owner obligations are held in escrow by the property and, unlike debt service distributions, cash is not distributed to the village. As such, the 2024 Business Plan anticipates total owner distributions of approximately \$12.1 million.

Finance

Below is a recap and status of the Top 5 priorities identified by the property management team in the 2023 Business Plan:

1. Achieve Budgeted Gross Operating Profit of \$13.1 million.
Status: Gross Operating Profit was \$13.02 million.
2. Achieve Room RevPAR of \$100.22.
Status: 2023 Room RevPAR was \$102.43.
3. Achieve Catering Sales Goal of \$18.1 million.
Status: 2023 Banquet Sales totaled \$17.8 million.
4. Mitigate major construction impact and meeting room renovation to achieve Guest Voice goal of 71%.
Status: Intent to Recommend (Property) index was 72.
5. Attain Ambassador Engagement index of 80%.
Status: Associate engagement index was 89.

From an operational perspective, the 2024 Business Plan is sound and based on the best intelligence available as the hospitality industry continues to navigate recovery, inflation, and changes in employee demands and expectations. The plan sets reasonable goals and is a sound roadmap for 2024.

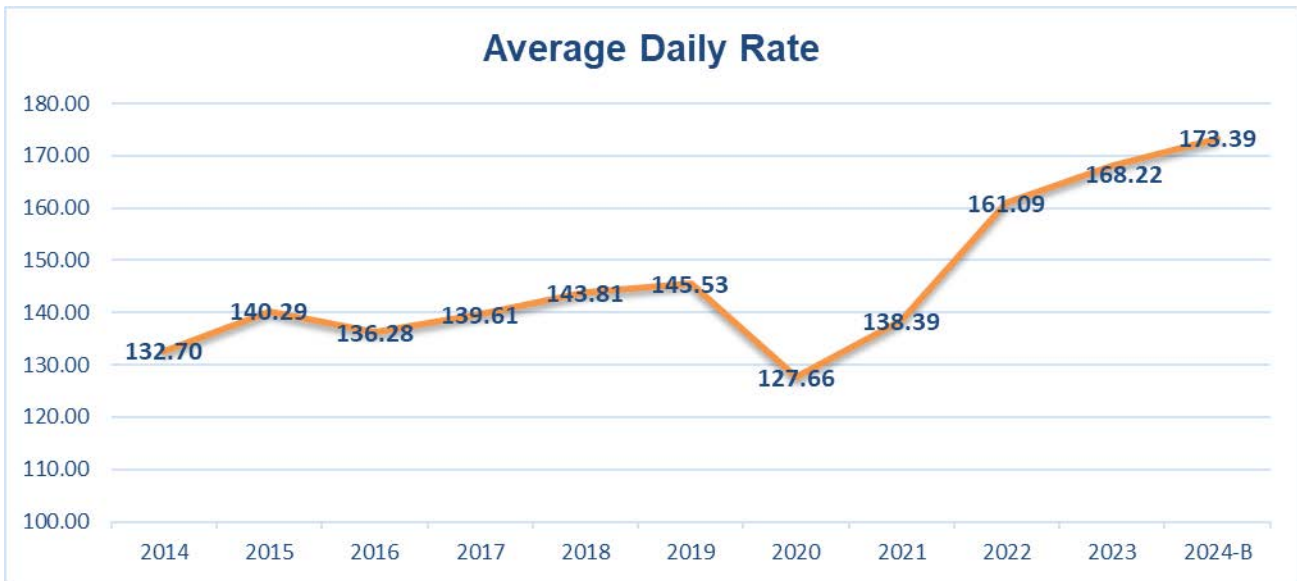
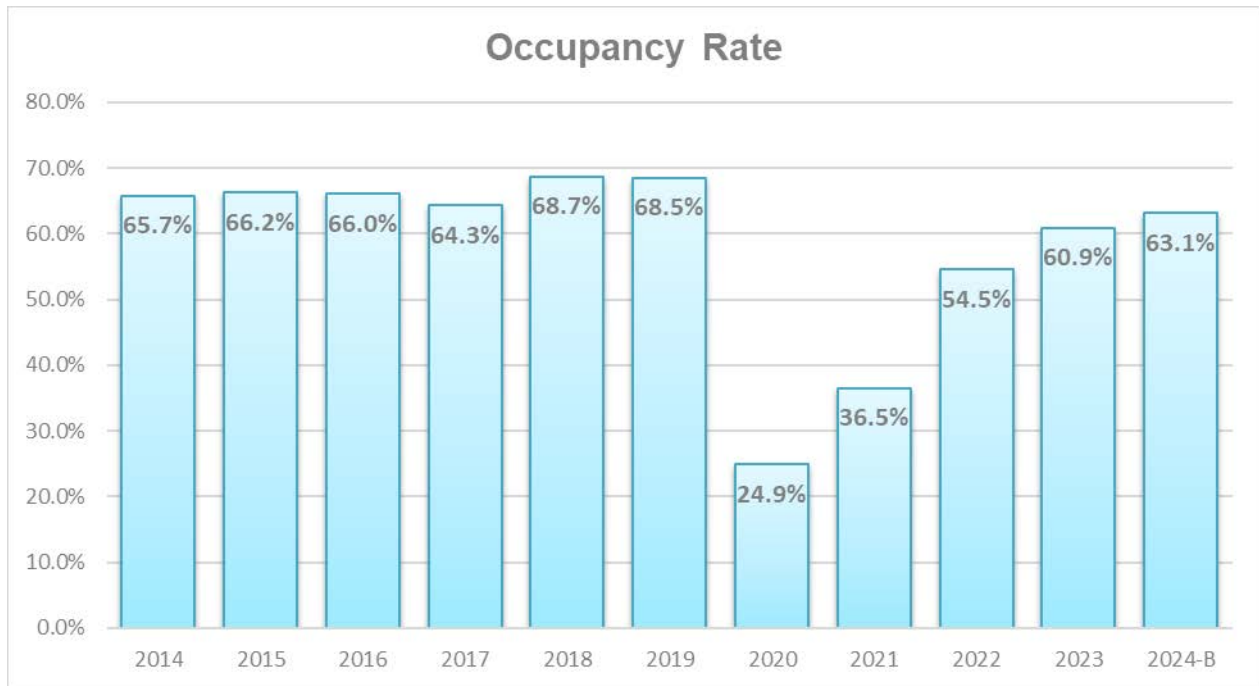
The Top 5 priorities set for this year are:

1. Achieve Budgeted Gross Operating Profit of \$13.822 million
2. Deliver (Room) RevPAR of \$108.40.
3. Achieve Total Catering (Banquet) Sales Goal of \$18.91 million.
4. Mitigate major construction impact to achieve Guest Voice goal of 72%.
5. Attain Ambassador Engagement index of 90%.

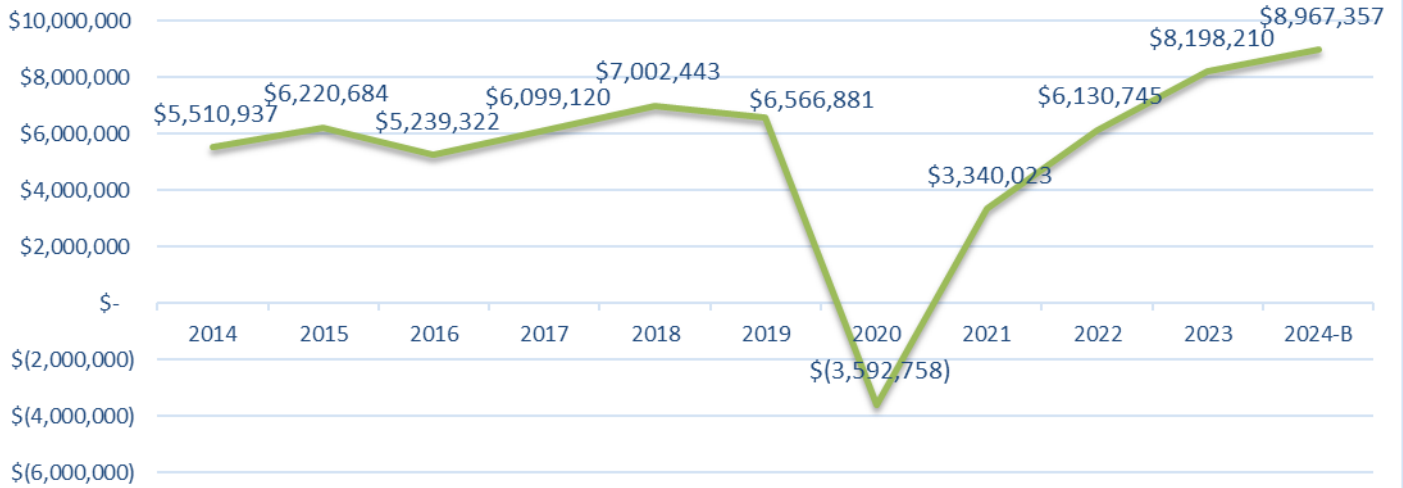
The capital projects planned for 2024 are listed below:

2024 CAPITAL PROJECTS	
Project	Estimated Cost
Guestroom Renovation	25,968,100
Suite Renovation	2,200,000
Guestroom Television Replacement	408,000
Coffee/Esspresso Bar Renovation	400,000
Concierge Lounge Renovation	369,000
Hotel Discretionary (projects less than \$25k)	181,500
Replace Display Reader Boards	150,000
Replace Guest Floor Ice Machines (13)	67,900
Replace Fryer, Stove & Grill	61,400
Replace Kitchen, Banquet, Outlet Ice Machines (8)	60,600
Computer Equipment Replacement	60,100
Replace Exercise Equipment	60,000
Sealcoar Northeast Parking Lot	35,000
Funding from FF&E Escrow	30,021,600
Roof Replacement (Floors 3 & 7)	1,400,000
Replace Guestroom HVAC/Fan Coil Unit	678,100
Replace Elevator Variable Frequency Drives (5)	250,000
Smoke Detector Replacement	212,900
Replace Fire Alarms	207,000
Refurbish Chiller	80,800
Refurbish Original Cooling Tower	75,000
Replace Rooftop Guest Bathroom Exhaust Fans (41)	64,500
Refurbish Original Backup Generator	50,000
Funding from Capital	3,018,300
Total	33,039,900

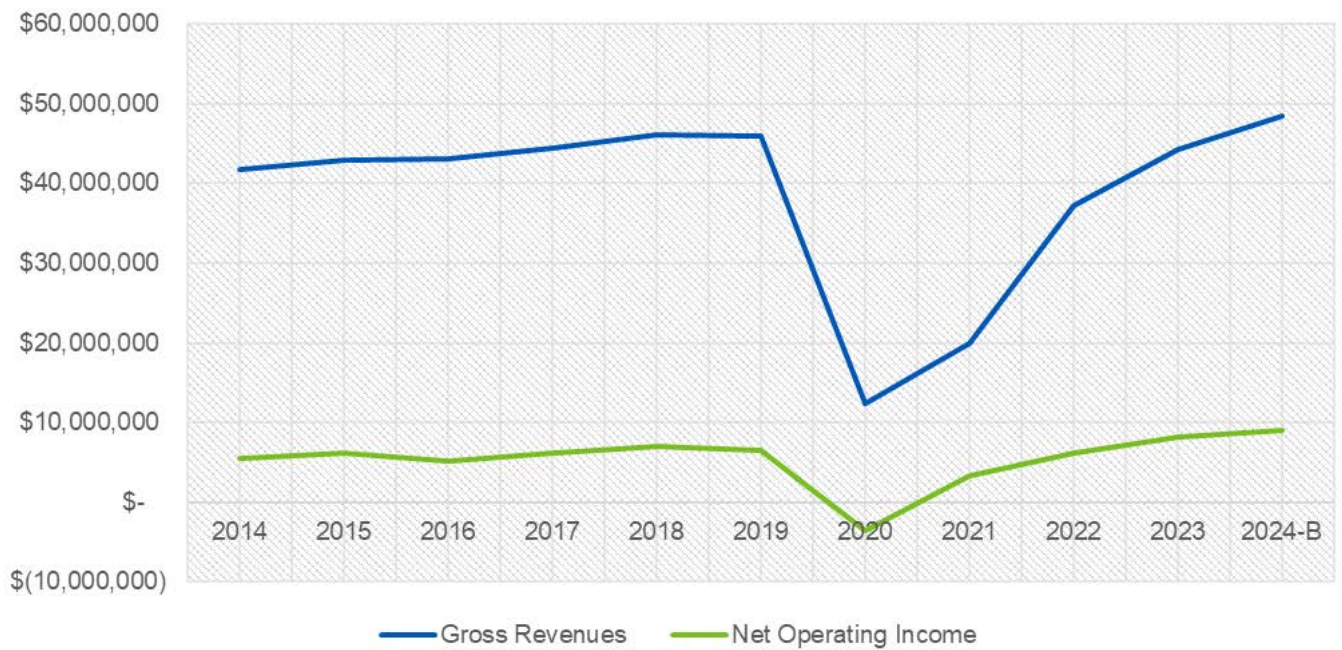
Following is a 10-year history of key statistics for the Renaissance Schaumburg Convention Center Hotel:

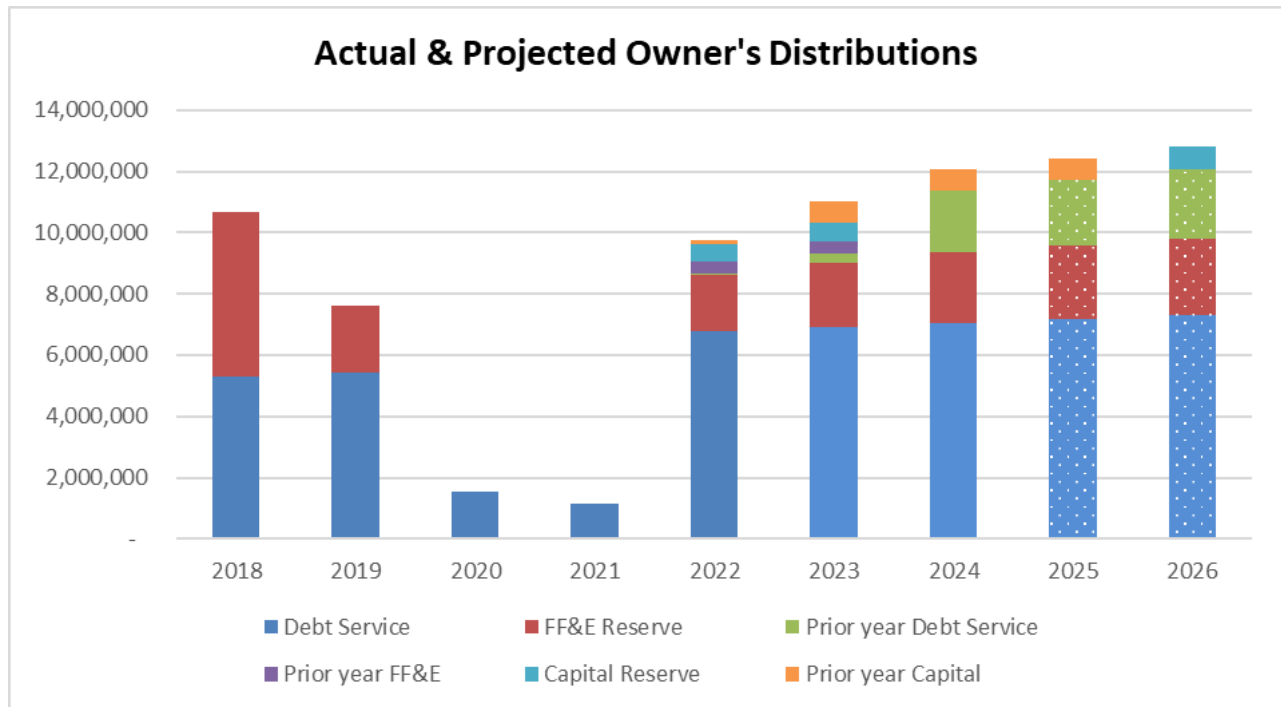


Net Operating Income/(Loss)



Gross Revenues relative to Net Operating Income





Historical Results & 2024 Budget (in millions)	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual	2024 Budget	% Change to PY Actual
Sales Revenue	42,989	43,117	44,421	46,194	45,998	12,440	19,950	38,766	44,220	48,391	9.4%
Operating Expense	21,183	20,591	21,066	21,415	20,983	7,778	8,558	16,345	19,112	20,872	9.2%
Departmental Profit	21,806	22,526	23,355	24,778	25,015	4,662	11,392	22,421	25,108	27,519	9.6%
Administrative Charges	10,443	11,181	11,362	11,233	11,603	6,997	6,999	10,561	12,083	12,976	7.4%
Fixed Charges	5,142	6,106	5,894	6,543	6,845	1,258	1,053	5,468	4,826	5,576	15.5%
Net Operating Income/Due to Owner	6,221	5,239	6,099	7,002	6,567	(3,593)	3,340	6,392	8,199	8,967	9.4%

As a reminder and update to the Forward Direct Purchase Agreement with Morgan Stanley that the Village entered into in December 2020, the village received \$24.6 million as part of the agreement to allow Morgan Stanley to purchase refunding bonds related to the hotel and convention center. The affected bonds were callable in 2022 and 2023 and Morgan Stanley exercised their option to purchase \$115,505,000 of the outstanding bonds. However, due to the current interest rate environment, approximately \$103.8 million of the bonds were not purchased by Morgan Stanley and could be eligible for future refunding and savings if interest rates fall. The debt service obligations have not and will not change, nor does the term of the bonds. Staff continually monitors for potential refunding opportunity, but the current environment does not yield sufficient financial benefit for the Village. The bonds are scheduled to be fully repaid in FY2040/41.

Below is a brief forecast of funds, and projected funds, available for debt service.

Hotel & Convention Center Fund				
Debt Service Obligations	Actual 2022	Actual 2023	Budget 2024	Forecast 2025
Net Operating Income/Due to Owner	7,421,434	8,198,210	8,967,357	9,079,449
Village-allocated Tax Revenue	8,337,034	9,230,977	9,790,310	9,912,689
Interest Income	972,832	3,057,112	3,275,000	3,315,938
Bond Proceeds	-	-	-	-
Total Revenue	16,731,300	20,486,299	22,032,667	22,308,075
Debt Service	13,260,214	14,351,339	14,651,714	14,975,250
Total Expenses	13,260,214	14,351,339	14,651,714	14,975,250
Net Income/(Deficit)	3,471,086	6,134,960	7,380,953	7,332,825
Cash & Investments as 12/31/2022	38,844,438	42,315,524	48,450,484	55,831,437
Ending Cash	42,315,524	48,450,484	55,831,437	63,164,262

The following documents are included for additional information:

- Business Outlook and Strategy Summary
- Balanced Scorecard
- 2024 Budget Goals & Objectives
- Recommendation from asset manager, Hospitality Advisory Partners

Recommendation

Staff recommends the Village Manager recommends approval of the 2024 Business Plan for the Renaissance Schaumburg Hotel and Convention Center.