



VILLAGE OF SCHAUMBURG
PROGRESS THROUGH THOUGHTFUL PLANNING

MEMORANDUM

Date: January 5, 2023
To: Mr. Brian Townsend, Village Manager
From: Lisa Petersen, Director of Finance
Subject: 2023 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 management team from Jones, Lang, LaSalle (JLL) to discuss the proposed 2023 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 regain strength over the course of the year.

Discussion

This Business Plan is presented and compared to 2022 to reflect growth and demonstrate achievement of annual goals.

The property was open for all of 2022, although activity and occupancy was hampered in the first two months of the year due to the Omicron variant. Like most businesses, the property has had some difficulty finding candidates and filling vacancies, but has revised hiring practices in order to shorten the time to fill positions. The renovation and rebranding of Sam & Harry's to Schaumburg Public House is complete as well as a refresh of Gather lounge.

Revenue exceeded budget by \$1.4 million or 3.8% and expenses were \$1.2 million or 3.8% less than budget. Resulting in Net Operating Income of \$6.1 million.

In late 2023 early 2024, the property will undergo renovations in the ballroom and meeting spaces, convention center concession stand refurbishment, and replacement of convention center dock doors. In total, approximately \$11.2 million of capital projects are scheduled, a list of all projects are included below.

Below is a recap and status of the Top 5 priorities identified by the property management team in the 2022 Business Plan:

1. Achieve Budgeted Gross Operating Profit of \$8.4 million.
Status: Achieved, Gross Operating Profit was \$10.8 million.
2. Achieve Room RevPAR of \$83.99.
Status: Achieved, 2022 Room RevPAR was \$87.73.
3. Achieve Catering Sales Goal of \$15.1 million.
Status: Missed, 2022 Banquet Sales totaled \$14.7 million.
4. Successful full first year in operation of new Schaumburg Public House with Revenue Target of \$2.0 million.
Status: Achieved, Restaurant sales totaled \$3.4 million.
5. Achieve 82 Engagement Index through a focused strategy led by the “Here to Stay” initiative.
Status: Missed, Associate engagement index was 77.

From an operational perspective, the 2023 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 good roadmap for 2023.

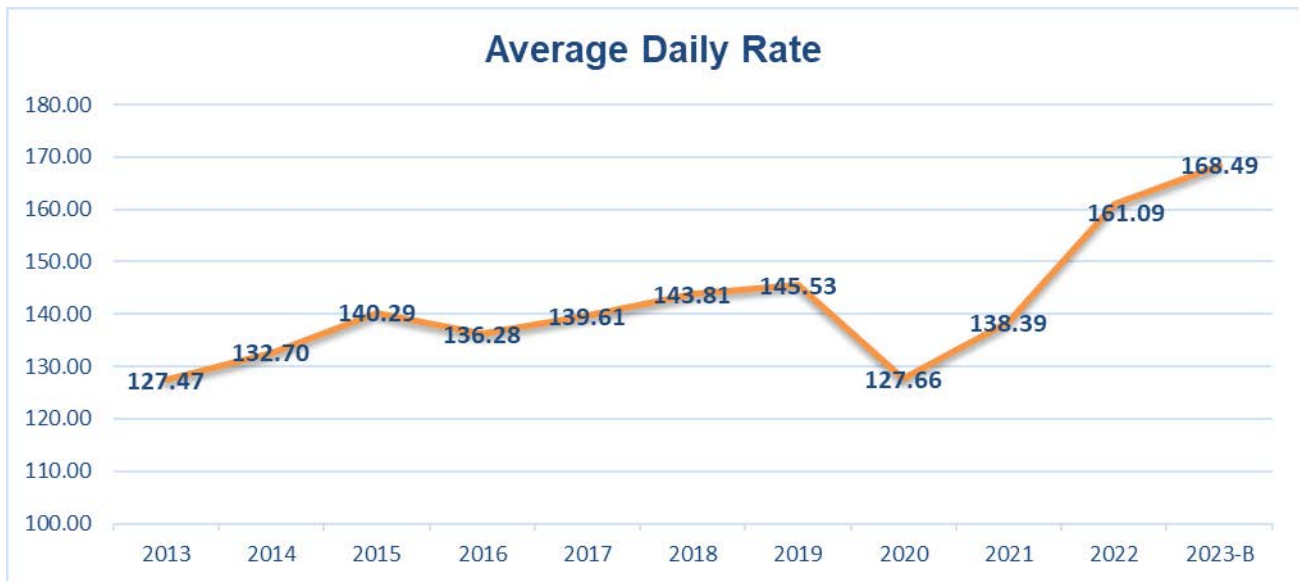
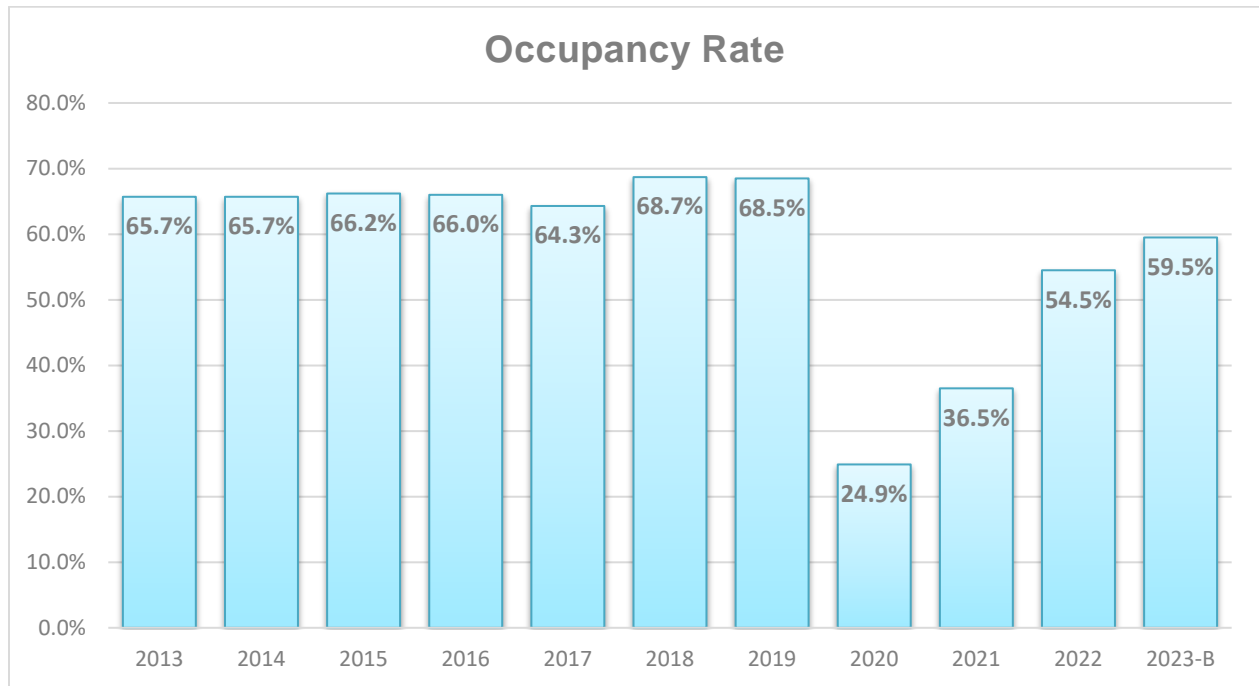
The Top 5 priorities set for this year are:

1. Achieve Budgeted Gross Operating Profit of \$13.1 million.
2. Deliver Room RevPAR of \$100.22.
3. Achieve Total Catering Sales Goal of \$18.1 million.
4. Mitigate major construction impact and meeting room renovation to achieve Guest Voice goal of 71%.
5. Attain Ambassador Engagement index of 80%.

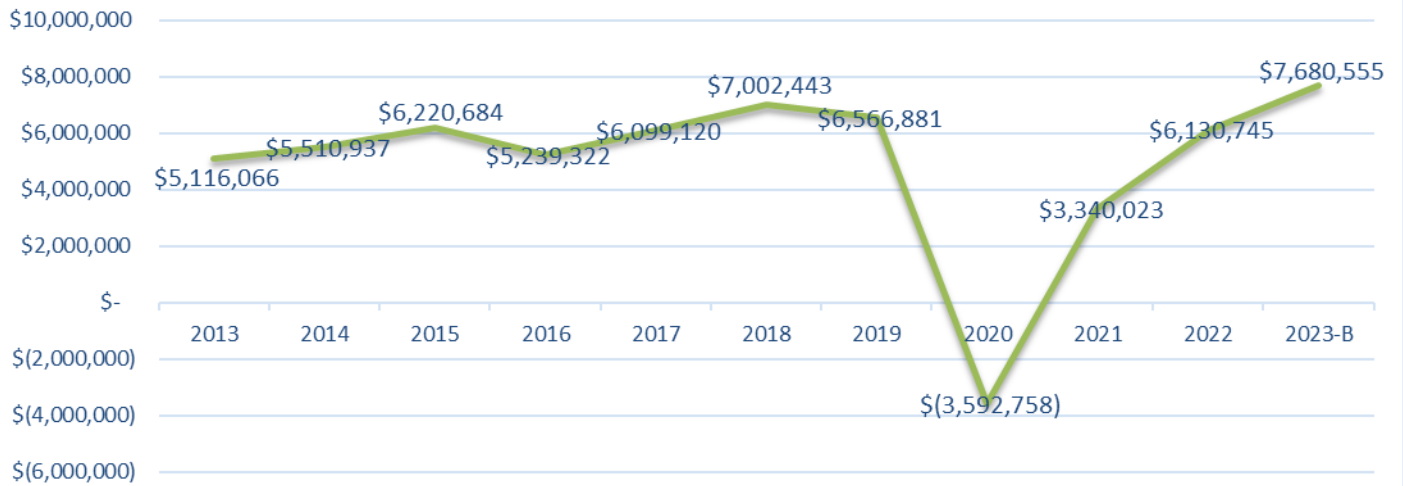
The capital projects planned for 2023 are listed below:

2023 CAPITAL PROJECTS	
Project	Estimated Cost
Ballroom Renovation	5,848,000
Convention Center Consession stands refurbishment	1,023,000
Meeting Room Renovation	974,000
Room & Suite guestroom renovation design fees	875,900
Banquet chair replacement	447,500
Convention Center Airwall refurbishment	325,000
Hotel Discretionary fund	181,500
Vestibule Refurbishment	150,000
Coffee-Espresso Bar (RENdevous Café) renovation	150,000
Fitness Center upgrades	125,000
Computer Equipment	87,500
Back-of-House Ice Machine replacement (8)	60,600
Signage and Lighting (parking lot & monument sign)	51,200
Funding from FF&E Escrow	10,299,200
Convention Center Dock door replacement	750,000
Chiller Refurbishment (phase 2 of 3)	80,800
Concrete Walk repair and replacement	50,000
Funding from Capital	880,800
Total	11,180,000

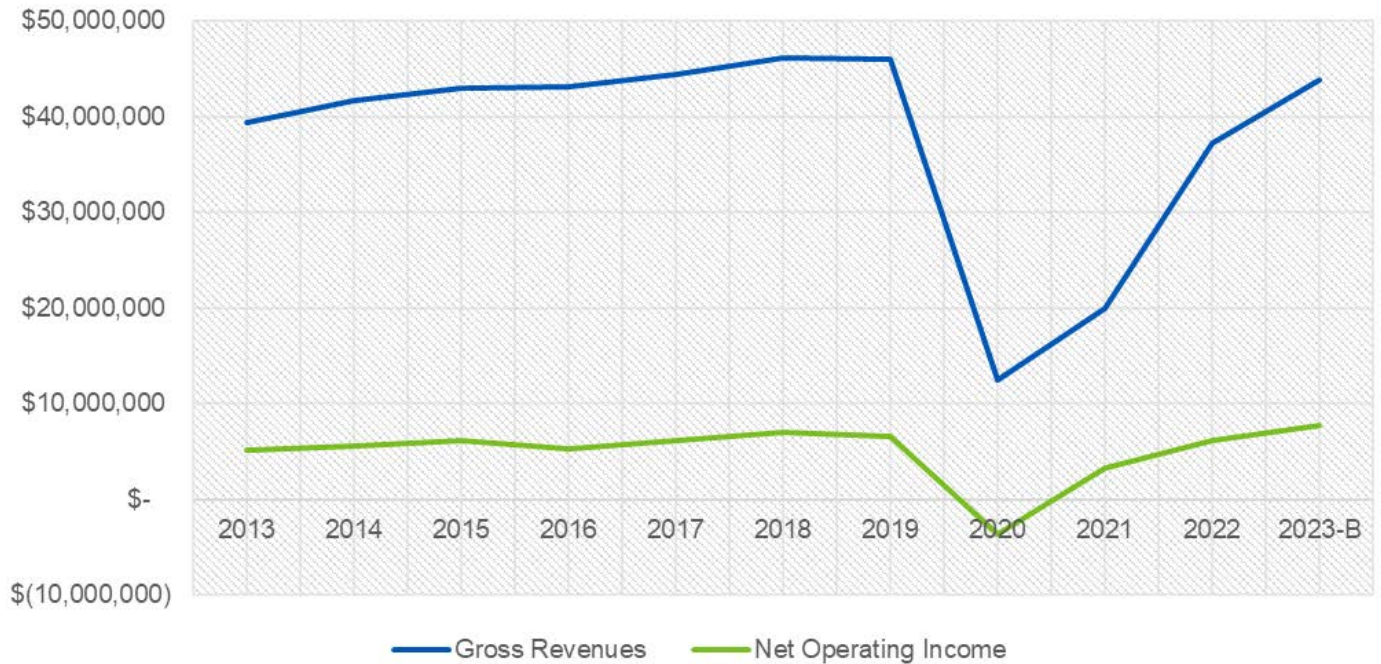
Following is a 10-year history of key statistics for the Renaissance Schaumburg Convention Center Hotel:

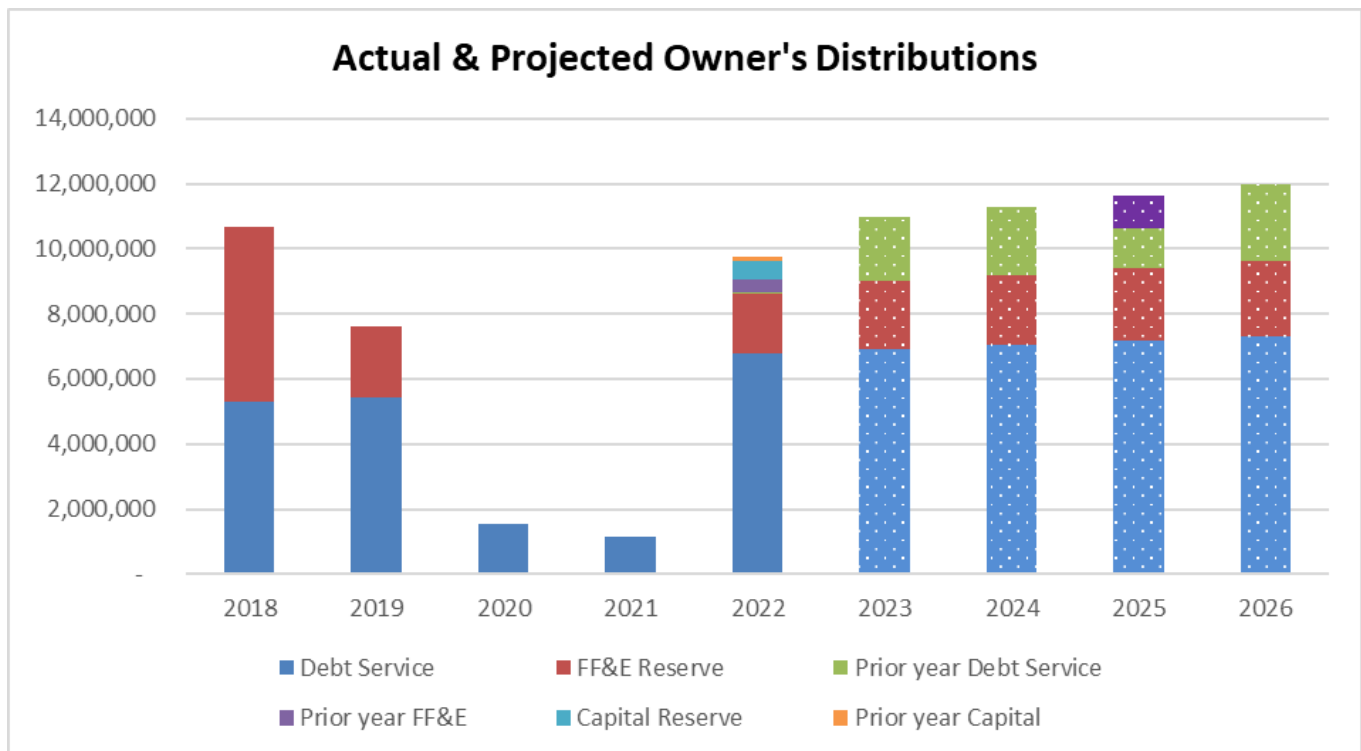


Net Operating Income/(Loss)



Gross Revenues relative to Net Operating Income





Historical Results & 2023 Budget (in millions)	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Budget	% Change to PY
Sales Revenue	42,989	43,117	44,421	46,194	45,998	12,440	19,950	37,214	43,777	17.6%
Operating Expense	21,183	20,591	21,066	21,415	20,983	7,778	8,558	16,154	19,546	21.0%
Departmental Profit	21,806	22,526	23,355	24,778	25,015	4,662	11,392	21,060	24,231	15.1%
Administrative Charges	10,443	11,181	11,362	11,233	11,603	6,997	6,999	10,295	11,459	11.3%
Fixed Charges	5,142	6,106	5,894	6,543	6,845	1,258	1,053	4,634	5,091	9.9%
Net Operating Income/Due to Owner	6,221	5,239	6,099	7,002	6,567	(3,593)	3,340	6,131	7,681	25.3%

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 has issued their intent to exercise the option to purchase some of the bonds. However, due to the current interest rate environment, approximately \$104.5 million of the bonds will not be 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. The bonds are scheduled to be fully repaid in FY2040/41.

Below is a 3-year forecast of funds, and projected funds, available for debt service. Inflation and rising interest rates has had a profound effect on village-allocated tax revenue, the budgets for these two categories was \$6,177,200 and \$250,000, respectively.

Hotel & Convention Center Fund Debt Service Obligations	Actual	Budget	Forecast	Forecast
	2022	2023	2024	2025
Net Operating Income/Due to Owner	6,762,600	7,680,555	7,834,166	7,990,849
Village-allocated Tax Revenue	8,337,034	7,492,400	8,815,084	8,889,572
Interest Income	972,832	982,560	992,386	1,002,310
Bond Proceeds	-	-	-	-
Total Revenue	16,072,466	16,155,515	17,641,636	17,882,731
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)	2,812,252	1,804,177	2,989,922	2,907,481
Cash & Investments as 12/31/2022	38,844,438	41,656,690	43,460,866	46,450,788
Ending Cash	41,656,690	43,460,866	46,450,788	49,358,270

The following documents are included for additional information:

- Business Outlook and Strategy Summary
- Balanced Scorecard
- 2023 Budget Goals & Objectives
- Recommendation from Jones, Lang, LaSalle, asset managers

Recommendation

Staff recommends the Village Manager recommends approval of the 2023 Business Plan for the Renaissance Schaumburg Hotel and Convention Center.