



December 11, 2014

Ms. Nena Graham
Williamson County Government
1320 West Main Street, Suite 130
Franklin, TN 37064

Mr. Russell Truell
Historic Franklin Tennessee
City Hall
109 Third Avenue South
Franklin, TN 37064

RE: Cool Springs Conference Center Financial Review

Dear Nena and Russell:

Thank you for your patience and support through the transition to Davidson Hotels and Resorts management in July for the Cool Springs Conference Center. I appreciate your input into the financial performance of the center and would like to offer the following details in response to your earlier email and conversation.

There are a number of credits that will be posted to the statements moving forward for a sum total of \$93,800. These credits include food tax, electricity expense and audio visual expense for the July 25 through October 31 period. The conference center can expect to receive approximately \$48,800 in November for the food tax and electricity corrections. The remaining credits, and any additional credits from November 1 through the effective date of the audio visual contract, will be posted upon execution of the final audio visual contract with the new fee structure. The contract is expected to be approved by the end of 2014.

The economic outlook for Franklin and Nashville continues to be positive. However, there are micro and macro-economic factors to consider here. Additions to hotel supply with meeting space (Drury Plaza Franklin, Omni Nashville), corporate businesses expansion and utilizing technology to reduce off-site meetings and attendees all have an impact on performance. Additionally, meeting communications are replaced in some cases by internet and WebEx teleconferencing which can further dilute demand. I have also seen cases where in-house meeting facilities are added to corporate offices (Community Health Systems (CHS)). The growth in business size also creates the need for greater meeting space square footage than Franklin currently has available.



The decline in corporate meetings spend over the years has increased the dependency to fill space with other meeting clients that generate lower revenue spend per square foot. Corporate group occupancy has steadily declined 16.7% since 2011. Associations have lost members and occupancy has decline 29.5% since 2011. In addition, some conventions have outgrown us and moved to larger hotels in Nashville and Murfreesboro (Dave Ramsey, GMX, TASFA, CHS CEO, CHS QHR, Tractor Supply). There is an increase in the number of competitive free-standing social event venues, in desirable locations, for wedding and social events, such as Lilac Farms, Mint Springs Farm, Red House and Kings' Chapel. However, I am optimistic as opportunities to replace this lost business are favorable as the meetings demand continues to improve.

As far as expenses, we are seeing a trend in increased costs such as the affect of extreme weather conditions on the costs of food. The need for labor in an affluent area that realizes low unemployment creates higher wages. Without public transportation there is a dependency on contract labor. This is costly and can hinder service levels due to the lack of loyalty to the business. See below for actions to counter these opportunities.

As a general rule of thumb, during the years of low meeting demand, value-adds and concession offers increase to influence meeting planners to buy in a competitive market. In addition to low room rates, meeting concession offerings are in the form of rebates, reduced pricing in meeting room rentals, audio visual, and food/beverage. As conditions continue to improve, fewer concessions are offered to "win" the business and results improve. The current group lead volume has led to an increase in business evaluations to ensure we are maximizing revenues, in all areas, over high demand dates.

Action plans are in place to improve both revenues and expenses. Trends are improving and industry reports indicate Nashville has one of the highest Revenue Per Available {hotel} Room (RevPAR) indexes in the country. Until downtown supply increases, as recently announced, demand increases room rates and forces organizations to look outside the city for lower rates. The Williamson County Convention and Visitor Bureau (WCCVB) is focused on efforts to capitalize on potential increases in group lead volume. The hotel and conference center will work closely with the WCCVB to capture business for the conference center. A recent shift of a Convention Service manager to a Director of Catering has increased the sales efforts for the conference center. More emphasis on the process of evaluating business will help maximize hotel stay patterns and revenue for the conference center with a goal of higher rated corporate occupying peak mid-week periods and the Association/Leisure pushing to the shoulder days.

As it relates to expense reduction, updated banquet menus are in place to reflect current pricing/costs, trends, product utilization, and production efficiencies. Efforts to decrease contract labor dependency include current wage evaluations, partnering with various employment agencies, employee referral program and wage progress tracking. Measures to ensure the accuracy of contract labor being reported matches what is invoiced have been

COOL SPRINGS CONFERENCE CENTER

implemented. While business booked during low meeting demand is on the books with increased value-adds and concessions, new bookings have fewer discounts and concessions. The initiative and emphasis on conservation and waste reduction is key to reducing the rising costs of utilities. Finally, service contracts have and will be evaluated to seek cost reductions.

It is important to note that some of these efforts may have immediate impact, others will affect the future. Currently, the remainder of the 2014/2015 fiscal year is slightly down in pace to last year. However, the first six months of the 2015/2016 fiscal year are up considerably to prior year's pace.

Thank you for your time to review this document regarding the Cool Springs Conference Center. I hope you find it beneficial and if you have any questions, or need clarification, please do not hesitate to reach out to me. Perhaps a follow up meeting or phone call should be scheduled?

Sincerely,



Michael Sanders
General Manager