

# Metropolitan Pier and Exposition Authority

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## MAJOR RESPONSIBILITIES

- The Metropolitan Pier and Exposition Authority (MPEA) works to attract trade shows, conventions, meetings, expositions and public events to the City of Chicago and in the process, strengthen the economy of the region and the State of Illinois.
- MPEA utilizes ownership of McCormick Place (the largest convention center in North America), Hyatt Regency McCormick Place, Marriott Marquis Chicago, Wintrust Arena and an energy center in executing its mission to promote the City of Chicago. MPEA also owns Navy Pier, which is leased to Navy Pier, Inc., a 501(c)3 organization that runs and operates Navy Pier.
- MPEA is responsible for debt service obligations for the McCormick Place Expansion Project Bonds repaid from local authority restaurant, hotel, car rental, and airport departure taxes.

## BUDGET HIGHLIGHTS

- The recommended fiscal year 2023 budget includes \$262.1 million for MPEA debt service on the Authority's McCormick Place Expansion Project Bonds. In anticipation of the adverse impact of COVID-19 on Authority Tax collections, the Authority is completing a series of refinancings to bring debt service in line with Authority Tax collections. In March 2022, MPEA anticipates closing its Series 2022A Bonds, which will reduce fiscal 2023 to \$213.6 million. MPEA is also likely to complete an additional refinancing during fiscal 2023 to reduce debt service further.
- The FY23 budget includes \$15 million for the MPEA incentive grant program. For fiscal 2023, the Authority can receive incentive grants for any show with registered attendance in excess of 3,000 or 5,000 people. No more than \$5 million in incentives during FY23 can be provided for events with more than 3,000 but less than 5,000 attendees. To qualify for incentive grants, MPEA must certify that but for the incentive provided to the event, the event would not have used the facilities of the Authority. For fiscal 2023, MPEA will also use incentive grants from the State to reimburse events for costs related to mitigating the spread of COVID-19. Funds currently on deposit in the MPEA Incentive Fund, which MPEA believes will be \$12.5 million or more at the end of FY2022, were transferred from the State CURE Fund.

## PREVIOUS LEGISLATION

- During the 2021 Spring session, legislation was passed to reinstate authorization for MPEA to receive up to \$15 million of incentive grants annually from fiscal 2022 through fiscal 2026. In order to qualify for incentive grants, MPEA must certify that but for the incentive provided to the event, the event would not have used the facilities of the Authority. For fiscal 2022 through fiscal 2024, the Authority can receive incentive grants for any show with registered attendance in excess of 3,000 or 5,000 people. No more than \$5 million in incentives annually for these three years can be provided for events with more than 3,000 but less than 5,000 attendees. For fiscal 2025 and fiscal 2026, attendance parameters increase to 5,000 and 10,000 people with no more than \$5 million in incentives annually provided for events with more than 5,000 but less than 10,000 attendees. During fiscal 2022 and 2023, MPEA can also use incentive grant funds to reimburse events for the costs of mitigating the spread of COVID-19. The full financial

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impact of this program is yet to be known to the Authority but MPEA and Choose Chicago are actively pursuing opportunities using incentive grant funding. During the 2021 Spring session, the Authority's monthly Board meeting requirement was changed to (a) require eight meetings per calendar year and (b) not allow the Board to go consecutive months without a meeting.

- During the 2020 Spring Legislative session, the MPEA Act was amended to increase the Maximum State Sales tax deposit for MPEA Expansion Project Bonds to \$300 million per year beginning in fiscal 2021, \$375 million beginning in fiscal 2027, and \$450 million beginning in fiscal 2036. The MPEA Act was also amended to allow the Authority to use its remaining Expansion Project Bond authorization (\$46.2 million) to finance MPEA operations during fiscal 2022 and fiscal 2023. Without this legislation, the Authority would have had nearly \$130 million in unreimbursed State Sales taxes by the end of fiscal 2021 rather than the \$10 million unreimbursed draw that occurred.

## **MPEA PROGRAMS UTILIZING AMERICAN RESCUE PLAN ACT FUNDING**

- During fiscal 2022, MPEA was the recipient of two appropriations totaling \$42,261,500 that is utilizing funds from the American Rescue Plan Act ("ARP Act").
  - MPEA received a \$30 million appropriation for fiscal 2022 to the MPEA Incentive Fund for both operations and to fund incentive grants for McCormick Place rental and other discounts. These funds were deposited to the MPEA Incentive fund from the State CURE Fund. MPEA expects to use no more than \$17.5 million of this funding for fiscal 2022. The remaining \$12.5 million will be available to fund Authority incentive grants during fiscal 2023.
  - The remaining \$12,261,500 in ARP Act funding is for the Chicago Industry Promotion Fund, which is passed through to Choose Chicago to market Chicago convention facilities for various size conventions, meetings, and trade shows, and to promote the City of Chicago within the travel industry. MPEA has received approximately \$5.1 million of this funding to date and expects to expend the entire amount during fiscal 2022.
- During fiscal 2023, the Authority expects that \$12.5 million already deposited during fiscal 2022 from the State CURE Fund to the MPEA Incentive fund will be available for expenditures on the MPEA Incentive fund.

## **EXECUTIVE ORDERS IMPACTING AUTHORITY OPERATIONS AND BUDGET**

- Large scale MPEA operations were able to re-start on June 11, 2021 when the State entered Phase 5 of Governor Pritzker's Restore Illinois Plan. During June 2021, MPEA hosted the NBA Draft scouting combine at the Wintrust Arena and in early July, McCormick Place hosted the Nike National Invitational prior to the special edition of the Chicago Auto Show, which occurred in mid-July.
- While large scale McCormick operations have not been impacted by executive orders or other government regulations restricting capacity, government actions enacted to limit the spread of COVID-19 have impacted Authority operations. The most notable examples of this are the vaccination requirements mandated by the City of Chicago and Cook County on indoor dining and restrictions on international travel by the federal government or by foreign governments. While these policies have not resulted in show cancellations, these policies have resulted in decreased attendance or fewer exhibitors causing reduced revenue for MPEA-owned facilities and have caused the cancellation or downsizing of banquets, resulting in reduced food service activity at MPEA-owned facilities.

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- The Authority held numerous events during the 1<sup>st</sup> half of fiscal 2022, resulting in the return of the convention industry as an economic engine for the State. The Authority hosted 77 events with approximately 674,000 attendees at McCormick Place from July through December 2021. These events generated 315,000 hotel room night stays in Chicago and generated \$544 million in economic impact.
- During calendar 2022, MPEA is expecting 152 events to be held at McCormick Place, which is expected to bring 1.6 million attendees and generate 1.3 million hotel room night stays and \$1.9 billion in economic impact.
- The recovery in event activity during the first six months of fiscal 2022 led to solid financial results compared to budget. Operating revenues of \$82.6 million for the first half of fiscal 2022 exceeded budgeted operating revenues by \$22.4 million. MPEA’s operating loss of \$10.1 million for the 1<sup>st</sup> half of fiscal 2022 is \$21.2 million favorable to the budgeted operating loss.
- The resumption of event activity has allowed the Authority to begin re-hiring its workforce. As of December 31, 2021, MPEA employed 2,208 employees across campus compared to 378 employees at the end of calendar 2020. In addition, McCormick Place was also able to begin rehiring (directly or through contractors) skilled labor to install and equip booths in McCormick Place’s exhibit halls.
- MPEA debt refinancings have had the desired impact of minimizing unreimbursed draws on State Sales taxes and bringing debt service more in line with Authority tax collections. Based on current estimates, MPEA does not anticipate any unreimbursed draws on State Sales taxes in fiscal 2022. Furthermore, MPEA believes it will be able to replenish most, if not all of its \$30 million Reserve Fund by the end of fiscal 2022. MPEA continues to believe that by the end of fiscal 2024, it will fully repay the State for its \$10 million unreimbursed draw on State Sales taxes that occurred during fiscal 2021.
- As of June 30, 2021, the funded ratio of the Authority’s pension plan was 107.2%.

## PRIMARY CONTACTS

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