

Memorandum



CITY OF DALLAS

DATE October 18, 2019

TO Honorable Members of the Dallas City Council

SUBJECT **Omni Dallas Hotel – Quarterly Update**

Convention and Event Services (CES) provides oversight for the Omni Hotel Dallas (Omni) management agreement and coordinates the Dallas Convention Center Hotel Development Corporation board meeting agenda. In an effort to provide communication about Omni operations, CES will provide a quarterly update to the City Council. The update will include a forecasted financial outlook, along with an overview of any major systems, operations or process changes.

FY 2019 Forecasted Financial Outlook

The performance of the Omni remains strong and competitive. **Table-1** below provides a forecasted year-end (YE) outlook of 2019 based on finalized September financials. **Table-2** illustrates the Earnings Before Interest, Taxes, Depreciation & Amortization (EBITDA) historical performance comparison to the contract-approved bond budget, annually approved Omni operating budget and YE actuals.

The ~(\$7.8m) revenue variance to the 2019 approved budget reflects a decrease in occupancy due to room inventory loss resulting from the 2019 planned and approved guest and meeting room renovation. All indications show that 2020 will return to higher occupancy and revenue levels than the hotel has produced in all years prior to 2019.

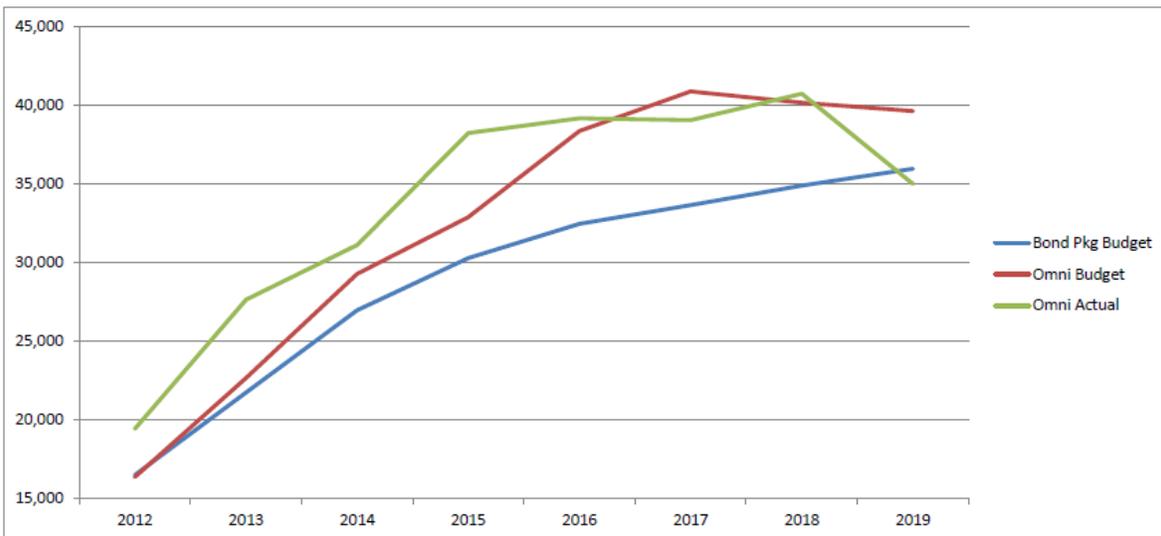
TABLE – 1: 2019 YE Forecast	YE 2018* (Actuals)	Approved 2019 Budget	YE 2019 (Forecast)	2019 Budget to Forecast Variance
Occupancy Rate	78.9%	74.2%	69.2%	5%
Average Daily Rate	197.48	204.62	205.40	.78
Gross Operating Profit (GOP)**	42,496	41,487	36,850	(4,637)
GOP Margin	35.9%	36.7%	35%	1.7%
Earnings Before Interest, Taxes, Depreciation & Amortization (EBITDA)**	40,738	39,629	35,100	(4,529)
EBITDA Margin	34.5%	35%	33%	2%
Total Annualized Revenues**	118,234	113,198	105,400	(7,798)

*2018 was a record year for the hotel in occupancy, revenues and EBITDA, so comparisons to 2019 will be skewed due to the renovation

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TABLE-2: EBITDA Historical Performance

EBITDA*	2012	2013	2014	2015	2016	2017	2018	2019
Bond Pkg Budget	16,452	21,708	26,946	30,273	32,454	33,644	34,881	35,958
Omni Budget	16,324	22,642	29,263	32,879	38,368	40,884	40,164	39,629
Omni Actual	19,393	27,622	31,108	38,237	39,176	39,051	40,738	34,991**



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**Projected EBITDA through year-end

Guest and Meeting Room Renovations

Following 8 years of high occupancy and high meeting space volume, the Omni made the business decision to renovate its guest and meeting rooms to remain competitive. The 6-month planned renovation to guest rooms began in June, taking 3 guest room floors out of inventory at a time. The approved budgeted cost for these renovations is ~\$17m and will result in an entire room inventory refresh by mid-December. Guest room upgrades include soft finish replacements of bedding, partial furniture replacement/repair, carpet, televisions and wallpaper. To-date 642 of the 1,001-room inventory have been completed. An additional 106 guest rooms are currently being renovated and 253 are awaiting scheduling. Meeting room renovations also began in June and are all complete, with the exception of breakout rooms on the 5th floor, with a scheduled October 26th completion date. Meeting rooms received new carpet and wall vinyl.

Restaurants

The Omni continues to track the profitability of its Restaurants-On-Lamar concepts. For the remainder of 2019, Biergarten and Coal Vines are operating on a month-to-month lease for performance tracking. These restaurants are expected to be out of service for re-conceptualization in July and August of 2020. Black Ship Little Katana and Café Herrera's continue to perform well. The Owners Box will have new projectors and televisions to replace currently failing ones. The Pegasus Lobby bar addition continues to show increases in revenues.

Parking System

A new parking system was installed at the Omni parking garages in July. The Flash Park system is user-friendly with touch screen applications for guests. Payment options include: pay-by-phone, credit card on entry or exit and auto billing to guest rooms. Toll tag recognition is available

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at selected gates for easy and speed of exit/entry. Since the system has been in place, the hotel is seeing an increase of captured revenue.

We will continue to provide quarterly updates and welcome feedback from the City Council regarding the Omni Dallas Hotel. Please let me know if you require any additional updates or have any further questions.



Joey Zapata
Assistant City Manager

c: T.C. Broadnax, City Manager
Chris Caso, City Attorney (Interim)
Mark Swann, City Auditor
Biliera Johnson, City Secretary
Preston Robinson, Administrative Judge
Kimberly Bizer Tolbert, Chief of Staff to the City Manager
Majed A. Al-Ghafry, Assistant City Manager

Jon Fortune, Assistant City Manager
Nadia Chandler Hardy, Assistant City Manager and Chief Resilience Officer
Michael Mendoza, Chief of Economic Development and Neighborhood Services
M. Elizabeth Reich, Chief Financial Officer
Laila Aleqresh, Chief Innovation Officer
Liz Cedillo-Pereira, Chief of Equity and Inclusion
Directors and Assistant Directors