LANCASTER COUNTY CONVENTION CENTER

Lancaster County Convention Center Authority (LCCCA)

Lancaster, Pennsylvania

2022 – 2057 Bond Fund Projection

C O N T E N T S

WALZ GROUP CPA

ACCOUNTANTS' COMPILATION REPORT

Lancaster County Convention Center Authority
Lancaster, Pennsylvania

Management is responsible for the accompanying projection of the Lancaster County Convention Center Authority (LCCCA), a component unit of the County of Lancaster, which comprises the schedule of projected sources and uses of cash in the bond funds – cash basis for the years ending December 31, 2022 through 2057, including the related summary of significant assumptions in accordance with guidelines for the presentation of a projection established by the American Institute of Certified Public Accountants (AICPA). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the projection nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on this projection.

Even if the stated growth rate in the room tax (HRRT) and the refinancing of the bonds occurred, there will usually be differences between the projection and actual results because events and circumstances frequently do not occur as expected, and these differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

Management has elected to omit substantially all of the disclosures required by guidelines for a presentation of a projection established by the AICPA other than those related to the significant assumptions. If the omitted disclosures were to be included in the projection, they might influence the user's conclusions about the Lancaster County Convention Center Authority's schedule of projected sources and uses of cash in the bond funds. Accordingly, the projection is not designed for those who are not informed about such matters.

The accompanying projected schedule and this report are intended solely for the information and use of Lancaster County Convention Center Authority and the County of Lancaster, the City of Lancaster, the Redevelopment Authority of the City of Lancaster (RACL), Lancaster CRIZ Authority, and Discover Lancaster (DL), and are not intended to be and should not be used by anyone other than these specified parties.

We are not independent with respect to the Lancaster County Convention Center Authority.

Walz Group

Lancaster, Pennsylvania
June 16, 2022

Lancaster County Convention Center Authority (LCCCA)
Schedule of Projected Sources and Uses of Cash in the Bond Funds - Cash Basis for the Years Ending December, 2022 through 2057 under Hypothetical Assumptions in Note A
Historical Sources and Uses of Cash in the Bond Funds for the Years Ended December 31, 2013-2021
Substantially All Disclosures Other Than Significant Assumptions Required by AICPA Presentation Guidelines Omitted

HRRT - hotel room revenue tax collected by hotels and paid by hotel guests	Wells Fargo - Bond Holder
AM - Ambridge Hospitality	PSP - Penn Square Partners
FF&E - Furniture, Fixtures & Equipment to maintain the Convention Center	DL - Discover Lancaster
CRIZ - Community Reinvestment Improvement Zone Funds	RACL - Redevelopment Authority of the City of Lancaster

	Historical information
	Formula Begins to Drive calculation
2.40%	Growth Rate in HRRT 2023 and forward (see Note B for 2022)
	Projection Assumes Refinancing in 2022

	Sources Of Indenture Cash			Indenture Required Uses		Indenture Permissible uses if Reserve Requirements Met						Calculation based on Hypothetical Assumptions and updated DL Memo Of Understanding			
Note Reference	B	C	Subtotal	C	D	E	F	G	H	Subtotal	Subtotal	I	I	I and J	I
	Total of 3.9% of HRRT	Misc. Rev and Grants	**Total sources of Bond Funds**	Other Bond Expenses	Principal and Interest	Transfers to Operator	LCCCA Admin	Addt'l. Marketing P1 & P2 Events	Capital Reserve and Developer	**Total Uses of Bond Funds**	**Bond Sources less Bond Uses**	YE Bond Reserve before DL Pmt.	If Balance exceeds $5.75M then DL receives	Ending Reserve after DL Payment	DL Deficit from 20% target
2013	4,914,633	218,500	5,133,133	12,000	3,850,636	784,387	452,297	-	300,000	5,399,320	(266,187)	5,155,930	-	5,155,930	
2014	5,493,841	946,657	6,440,498	155,722	4,651,386	790,997	496,431	132,000	400,000	6,626,536	(186,038)	4,969,892	-	4,969,892	
2015	5,773,354	3,337	5,776,691	5,977	3,158,011	990,997	475,604	145,000	-	4,775,589	1,001,102	5,970,994	-	5,970,994	
2016	6,202,620	4,443	6,207,063	7,600	3,185,535	798,935	489,559	194,000	-	4,675,629	1,531,434	7,502,428	1,240,524	6,261,904	
2017	6,239,865	28,263	6,268,128	7,600	3,222,195	776,903	505,479	243,000	300,000	5,055,177	1,212,951	7,474,855	1,247,973	6,226,882	
2018	6,648,023	89,546	6,737,569	65,717	3,531,346	762,554	520,638	293,000	350,000	5,523,255	1,214,314	7,441,196	1,329,605	6,111,591	
2019	6,739,244	130,740	6,869,984	7,600	3,591,235	775,288	536,257	308,000	350,000	5,568,380	1,301,604	7,413,195	1,347,849	6,065,346	
2020	4,383,943	3,158,137	7,542,080	17,882	3,627,141	2,514,000	1,121,266	346,000	400,000	8,026,289	(484,210)	5,581,136	-	5,581,136	
2021	7,064,306	1,409	7,065,715	7,691	3,630,479	400,000	-	382,520	1,000,000	5,420,690	1,645,025	7,226,161	1,412,862	5,813,299	
2022	7,618,573	4,223,366	11,841,939	207,600	3,878,532	1,050,000	585,982	440,170	1,050,000	7,212,284	4,629,655	10,442,954	1,523,715	8,919,239	-
2023	7,409,875	6,000	7,415,875	7,600	4,000,000	1,000,000	603,561	448,974	1,050,000	7,110,136	305,739	9,224,978	1,481,975	7,743,003	-
2024	7,587,712	6,000	7,593,712	7,676	4,000,000	808,000	621,668	457,954	1,050,000	6,945,298	648,414	8,391,417	1,517,542	6,873,875	-
2025	7,769,817	6,000	7,775,817	7,753	4,000,000	816,080	640,318	467,113	1,050,000	6,981,264	794,553	7,668,428	1,553,963	6,114,464	-
2026	7,956,293	6,000	7,962,293	7,830	4,000,000	824,241	659,528	476,455	1,050,000	7,018,054	944,238	7,058,703	1,308,703	5,750,000	282,556
2027	8,147,244	6,000	8,153,244	7,909	4,000,000	832,483	679,314	485,984	1,050,000	7,055,690	1,097,554	6,847,554	1,097,554	5,750,000	531,895
2028	8,342,778	6,000	8,348,778	7,988	4,000,000	840,808	699,693	495,704	1,050,000	7,094,193	1,254,585	7,004,585	1,254,585	5,750,000	413,971
2029	8,543,004	6,000	8,549,004	8,068	4,000,000	849,216	720,684	505,618	1,000,000	7,083,586	1,465,419	7,215,419	1,465,419	5,750,000	243,182
2030	8,748,036	6,000	8,754,036	8,148	4,000,000	857,708	738,699	515,730	1,000,000	7,120,286	1,633,750	7,383,750	1,633,750	5,750,000	115,857
2031	8,957,989	6,000	8,963,989	8,230	4,000,000	866,285	760,860	526,045	1,000,000	7,161,420	1,802,569	7,552,569	1,791,598	5,760,971	-
2032	9,172,981	6,000	9,178,981	8,312	4,000,000	874,948	783,686	536,566	1,000,000	7,203,512	1,975,469	7,736,440	1,834,596	5,901,844	-
2033	9,393,132	6,000	9,399,132	8,395	4,000,000	883,698	807,196	547,297	1,250,000	7,496,586	1,902,546	7,804,390	1,878,626	5,925,764	-
2034	9,618,568	6,000	9,624,568	8,479	4,000,000	892,535	831,412	558,243	1,250,000	7,540,669	2,083,898	8,009,662	1,923,714	6,085,948	-
2035	9,849,413	6,000	9,855,413	8,564	4,000,000	901,460	856,355	569,408	1,250,000	7,585,787	2,269,627	8,355,575	1,969,883	6,385,693	-
2036	10,085,799	6,000	10,091,799	8,650	4,000,000	910,475	882,045	580,796	1,250,000	7,631,966	2,459,834	8,845,526	2,017,160	6,828,366	-
2037	10,327,858	6,000	10,333,858	8,736	4,000,000	919,579	908,507	592,412	1,250,000	7,679,234	2,654,624	9,482,991	2,065,572	7,417,419	-
2038	10,575,727	6,000	10,581,727	8,823	4,000,000	928,775	935,762	604,260	1,500,000	7,977,621	2,604,106	10,021,525	2,115,145	7,906,380	-
2039	10,829,544	6,000	10,835,544	8,912	4,000,000	938,063	963,835	616,346	1,750,000	8,277,155	2,558,390	10,464,769	2,165,909	8,298,860	-
2040	11,089,454	6,000	11,095,454	9,001	4,000,000	947,444	992,750	628,673	2,000,000	8,577,866	2,517,587	10,816,447	2,217,891	8,598,557	-
2041	11,355,600	6,000	11,361,600	9,091	4,000,000	956,918	1,022,532	641,246	2,100,000	8,729,787	2,631,814	11,230,370	2,271,120	8,959,250	-
2042	11,628,135	6,000	11,634,135	9,182	4,000,000	966,487	1,053,208	654,071	2,200,000	8,882,948	2,751,187	11,710,437	2,325,627	9,384,810	-
2043	11,907,210	6,000	11,913,210	9,273	4,000,000	976,152	1,084,804	667,152	2,300,000	9,037,382	2,875,828	12,260,638	2,381,442	9,879,196	-
2044	12,192,983	6,000	12,198,983	9,366	4,000,000	985,914	1,117,349	680,495	2,400,000	9,193,124	3,005,859	12,885,055	2,438,597	10,446,459	-
2045	12,485,615	6,000	12,491,615	9,460	4,000,000	995,773	1,150,869	694,105	2,500,000	9,350,207	3,141,408	13,587,867	2,497,123	11,090,744	-
2046	12,785,269	6,000	12,791,269	9,554	4,000,000	1,005,730	1,185,395	707,987	2,750,000	9,658,667	3,132,602	14,223,346	2,557,054	11,666,292	-
2047	13,092,116	6,000	13,098,116	9,650	4,000,000	1,015,788	1,220,957	722,147	3,000,000	9,968,542	3,129,574	14,795,866	2,618,423	12,177,443	-
2048	13,406,327	6,000	13,412,327	9,746	4,000,000	1,025,946	1,257,586	736,590	3,250,000	10,279,868	3,132,459	15,309,902	2,681,265	12,628,637	-
2049	13,728,079	6,000	13,734,079	9,844	4,000,000	1,036,205	1,295,313	751,322	3,500,000	10,592,684	3,141,394	15,770,031	2,745,616	13,024,415	-
2050	14,057,552	6,000	14,063,552	9,942	4,000,000	1,046,567	1,334,173	766,348	3,750,000	10,907,030	3,156,522	16,180,937	2,811,510	13,369,427	-
2051	14,394,934	6,000	14,400,934	10,042	4,000,000	1,057,033	1,374,198	781,675	4,000,000	11,222,948	3,177,986	16,547,413	2,878,987	13,668,426	-
2052	14,740,412	6,000	14,746,412	10,142	4,000,000	1,067,603	1,415,424	797,309	4,250,000	11,540,478	3,205,934	16,874,360	2,948,082	13,926,278	-
2053	15,094,182	6,000	15,100,182	10,244	4,000,000	1,078,279	1,457,886	813,255	4,500,000	11,859,664	3,240,518	17,166,796	3,018,836	14,147,959	-
2054	15,456,442	6,000	15,462,442	10,346	4,000,000	1,089,062	1,501,623	829,520	4,500,000	11,930,551	3,531,891	17,679,851	3,091,288	14,588,562	-
2055	15,827,397	6,000	15,833,397	10,450	4,000,000	1,099,953	1,546,672	846,110	4,500,000	12,003,184	3,830,213	18,418,775	3,165,479	15,253,296	-
2056	16,207,254	6,000	16,213,254	10,554	4,000,000	1,110,952	1,593,072	863,033	4,500,000	12,077,611	4,135,644	19,388,939	3,241,451	16,147,488	-
2057	16,596,229	6,000	16,602,229	10,660	4,000,000	1,122,062	1,640,864	880,293	4,500,000	12,153,878	4,448,350	20,595,839	3,319,246	17,276,593	-
2022-2057	406,979,533	4,433,366	411,412,899	524,218	143,878,532	34,578,220	36,923,778	22,886,411	81,350,000	320,141,160	91,271,740		79,808,446		1,587,461

See Compilation Report and Summary of Significant Assumptions

Lancaster County Convention Center Authority (LCCCA)

Summary of Significant Assumptions

Substantially All Disclosures Other Than Significant Assumptions Required by AICPA Guidelines Omitted

NOTE A - NATURE OF PROJECTIONS AND HYPOTHETICAL ASSUMPTIONS

This projection is based on actual 2022 room tax collections through the report date, projected July through December funds collected, and projected 2023-2057 collections. Projections for the last six month of 2022 are based on information provided by Discover Lancaster (DL). It is anticipated that in 2023 historical growth of 2.4% annually will occur in the room tax (HRRT) with a 2019 base and presents, to the best of management's knowledge and belief, LCCCA's expected sources and uses of cash in the bond funds for the projection period if such hypothetical assumption was attained. In addition, the projection contains a hypothetical assumption that a refinancing would occur with a fixed payment schedule (combined principal and interest) of $4 million per year through the year 2057.

Accordingly, the projection reflects its judgement as of June 16, 2022, the date of this projection, of the expected conditions and its expected course of action if such hypothetical assumptions noted above was experienced. The projection is designed to provide information to the Lancaster County Convention Center Authority (LCCCA), County of Lancaster, the City of Lancaster, the Redevelopment Authority of the City of Lancaster (RACL), Lancaster CRIZ Authority, and Discover Lancaster (DL). Accordingly, this presentation should not be used for other purposes. The assumptions disclosed herein are those that management believes are significant to the projection and are not all-inclusive. Management reasonably expects, to the best of its knowledge and belief, that the actual sources and uses of cash in the bond fund will be within the range shown; however, there can be no assurance that it will. Furthermore, even if the hypothetical assumptions noted above were attained, there will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

The projection is prepared on the cash basis of accounting. The cash basis of accounting reflects revenues when cash is received and expenses as they are paid which is different from the accrual basis of accounting under generally accepted accounting principles which records revenue when it is earned and expenses when they are incurred.

Background and Overview of Factors Leading to the Projection

The 2013 – 2021 amounts reflect historical activity in the bond funds. Significant positive changes occurred in an August 2014 refinancing. Most significantly, the interest rate was reduced by Wells Fargo Bank and additional financial resources were made available as a result of a collaboration agreement between the County of Lancaster, The City of Lancaster, The Community Reinvestment Improvement Zone (CRIZ), The Redevelopment Authority of the City of Lancaster (RACL), Discover Lancaster (DL), and the LCCCA. The current Wells Fargo Financing arrangement and the Discover Lancaster participation in the collaboration agreement were originally set to expire in July 2019. The results for 2015 - 2019 reflect the full implementation of the Collaboration Agreement and the 2014 refinancing as well as a better than originally projected increase in the Hotel Room Revenue Tax.

As a result of the 2017 Tax Reform, Wells Fargo adjusted the bond interest rate as permitted by the terms of the financing arrangement on the Notes Payable to increase the interest rates to reflect the lower corporate tax benefit which they receive on tax free income as a result of a change in their tax rate from 35% to 21%. This caused a significant increase in the effective interest rate for years beginning in 2018 and exposure increased as LIBOR rates rose.

In late 2018, Wells Fargo renegotiated financing terms with the LCCCA to provide more certainty and less interest rate risk. Discover Lancaster signed a Memorandum of Understanding in October 2018 (MOU) which relates to the timing and conditions upon which they receive distributions of the HRRT from the bond funds. The financing terms are in effect until December 3, 2023, and the MOU is in effect through December 31, 2023.

NOTE A - NATURE OF PROJECTIONS AND HYPOTHETICAL ASSUMPTIONS (Continued)

In March of 2020, the LCCCA along with virtually every other Company or individual associated with the tourism industry was impacted with the onset of COVID-19. The short-term impact has been significant both in terms of HRRT collections and the losses incurred in operating the Convention Center. How long these impacts will continue is unknown. These projections are based on the best information available. They could change significantly based on a number of factors including increases or decreases in infection rates, people's attitude about travel, and the effectiveness and acceptance of vaccines.

Part of the Collaboration Agreement was a guarantee by the County of Lancaster to maintain certain levels in the debt service reserve funds. It is important that the reader understand the distinction between required payments for debt service and other uses of the funds which occur in the event that excess reserves exist to pay those expenses.

NOTE B - HOTEL ROOM REVENUE TAX (HRRT)

It is assumed that HRRT, beginning in 2023, will grow at the rate of 2.4% (hypothetical assumption) with a 2019 base as shown in the projection. Changes in the projected growth rate significantly impact future HRRT collections. The table below shows the historical annual percentage increase or decrease and the compound rate of increase since inception. The amounts shown in the table are 80% of the HRRT because prior to 2014 LCCCA did not receive the full 100% of the HRRT. Growth rates are not shown for 2020-2022 on this chart because they have varied significantly both down and up during the COVID years. In fact, through June of 2022, which reflects revenue through April 2022, HRRT is up over $1 million from the 2019 amounts. The projections for 2022 show somewhat of a spike and then a return to 2.4% growth compounded based on 2019 amounts for 2023 and beyond.

Year	80% HRRT	Percent Annual	Compound
2001	2,900,646		
2002	3,035,793	4.7	4.7
2003	2,909,919	(4.1)	0.2
2004	3,141,460	8.0	2.7
2005	3,208,072	2.1	2.6
2006	3,362,355	4.8	3.0
2007	3,727,798	10.9	4.3
2008	3,571,092	(4.2)	3.0
2009	3,398,064	(4.8)	2.0
2010	3,595,260	5.8	2.4
2011	3,670,097	2.1	2.4
2012	3,992,022	8.8	2.9
2013	4,064,795	1.8	2.9
2014	4,395,070	8.1	3.2
2015	4,618,683	5.1	3.4
2016	4,962,097	7.4	3.6
2017	4,991,892	0.6	3.5
2018	5,318,418	6.5	3.6
2019	5,391,395	1.4	3.5

NOTE B - HOTEL ROOM REVENUE TAX (HRRT) (Continued)

Further, it is assumed that the Authority will receive 100% of the 3.9% HRRT and that DL will receive an allocation at year end of an amount not to exceed 20% of the HRRT collected (hypothetical assumption). The actual flow of funds is determined by County statute, the terms set by the lender, and any agreements between the parties. If there is no MOU after 2023, fund flow will revert to the bond documents and the county statutes.

NOTE C - MISCELLANEOUS INCOME AND EXPENSES INCLUDING 2020 AND 2022 GRANT FUNDING

For the year 2020, the LCCCA received $2,945,000 from the County from the Federal CARES Act funds. In 2022, the LCCCA received $4,220,366 from the County from the American Rescue Plan funding.

Future interest income of $6,000 is projected for 2023-2057. Interest can vary significantly based on short term interest rates.

There is also a $6,000 per year trustee fee and a $1,600 arbitrage review fee paid out of the bond funds annually. This fee was adjusted for a 1% increase annually beginning in 2024. There is a $200,000 fee projected for the refinancing of the bonds in 2022.

NOTE D - DEBT SERVICE REQUIRED BY THE INDENTURE

Principal and interest payments were provided by Wells Fargo Bank in conjunction with the refinancing in 2014. The LIBOR rate at the time of illustration was 1.37%. From the time of the refinancing through most of 2017, the actual LIBOR rate was below 1.37%. In late 2017, Tax Reform was passed and throughout 2018 LIBOR rates increased above 2%. This increased both the amount of interest being paid and the risk of increasing LIBOR.

The risks relating to increasing LIBOR rates was significantly mitigated through the end of 2023 with the refinancing package from Wells Fargo in late 2018. The 2018 refinance resulted in about a 48-basis point increase to the authority from the 2014 agreements despite both the Authority and the County being in a much stronger financial position than in 2014. Both the impact of Tax Reform on the benefit to Wells Fargo and the increase in LIBOR played roles in the increased rate.

These schedules were used for 2019 through the projected refinancing in 2022. If the Authority cannot refinance the bonds with a third-party then the LCCCA would need to refinance in 2023 with Wells Fargo.

As stated in the hypothetical assumptions the projection post refinancing from 2022-2057 is based on obtaining a fixed payment schedule of $4 million combined principal and interest. The Bonds would be both non-taxable and taxable and would have varying terms to create the fixed payment objective with the final payment occurring in 2057. If the reserve balance allows the bonds could be paid off early.

Lancaster County Convention Center Authority (LCCCA)

Summary of Significant Assumptions

Substantially All Disclosures Other Than Significant Assumptions Required by AICPA Guidelines Omitted

NOTE E - TRANSFERS TO THE OPERATOR CURRENTLY AMBRIDGE HOSPITALITY (AM)

As of the report date the Convention Center incurred historically larger operating losses in 2020 and 2021 due to the impact of COVID-19. Typically, the Authority prefunds half of the anticipated loss for the next year in December and then the remainder in July. The LCCCA received $2,945,000 from the County of Lancaster out of Federal CARES Act funds in 2020 with the understanding that these funds would need to carry the deficits in both the HRRT and the operating funds for 2020 and 2021. Based on that requirement the Authority prefunded the entire 2021 loss at the end of 2020. The $400,000 of funding at the end of 2021 is the normal (2013-2019) prefunding of half the originally anticipated 2022 loss. However, the Convention Center is operating at a higher loss than originally anticipated in 2022. Convention business has returned but attendance has fluctuated leading to lower spending per event. Management anticipates a full return to normal (2013-2019) in 2024.

Like the HRRT the projected amount could vary significantly based on factors related to COVID and its aftermath. The projected loss for 2022 and 2023 is based on the best information available. The amount could change significantly based on a number of factors including increases or decreases in infection rates, people's attitude about travel, and the publics acceptance of vaccines.

The projected $800,000 transfer to the convention center operator (AM) in 2024 - 2057 (adjusted for a 1% increase) is based on 2019 actual performance (i.e., pre-COVID). Until 2020, the operational loss and the corresponding transfer to the Operator had been consistent over the last six years, and in fact, had decreased slightly. In 2015, an additional transfer of $200,000 was made to catch up for years prior to 2013.

NOTE F - ADMINISTRATIVE BUDGET FOR THE AUTHORITY

LCCCA administrative budget is based on an original projection made in 2007 and current indenture language. The administrative budget was prefunded from the bond fund in 2020 so no 2021 transfers were required.

NOTE G - ADDITIONAL MARKETING PRIORITY ONE (P1) AND PRIORITY TWO (P2) EVENTS

There are additional amounts being used for the marketing consortium which was formed as part of the 2014 Collaboration Agreement. These are additional funds coming from the bond funds to be used to target priority one and priority two events. Additionally, the marketing consortium received $100,000 per year from RACL for seven years under the collaboration agreement. The marketing consortium has three representatives: one from the County, one from the City, and one from LCCCA.

Beginning in 2021, the marketing budget is the 2020 budget plus $50,000 to replace the RACL funding (half year received in 2021). In 2022, LCCCA replaced the other $50,000 from RACL and a 2% growth rate is projected thereafter. The projected amounts for 2019 - 2023 are part of the MOU with DL. From 2024-2057, the amounts are based on 2% increases.

LCCCA's marketing obligations in addition to the commitment from the bond fund directly to the marketing consortium under the collaboration agreement are being funded with $97,000 from the Operator (AM) column (Note E) and $35,000 from the authority column (Note F). The $35,000 is funding the marketing consortium while the $97,000 is part of the general transfer to AM. Funds from this column, RACL, and the $35,000 from the LCCCA are transferred directly into a segregated account. The $97,000 does not flow through this special account but is separately accounted for by AM. The LCCCA's obligation with respect to the $35,000 is part of the MOU from 2019 - 2023.

Lancaster County Convention Center Authority (LCCCA)

Summary of Significant Assumptions

Substantially All Disclosures Other Than Significant Assumptions Required by AICPA Guidelines Omitted

NOTE H - FURNITURE, FIXTURES, AND EQUIPMENT RESERVE AND OBLIGATIONS

Based on AM's replacement schedule for furniture, fixtures, and equipment, two reserves were created. One fund holds and disburses the CRIZ funds which totaled $5,000,000 during the period from 2014 - 2020. The other fund is used for non-CRIZ eligible capital expenditures. There is no CRIZ funding beyond 2020.

The CRIZ funding did not go into the bond funds. However, it significantly decreased the portion of the HRRT to be used for the purposes of funding the reserve. Beyond 2020, it is estimated that the annual funding requirement from the bond funds to the reserves will be $1,000,000 per year, which is reflected in the MOU with DL for years thru 2023. For the years 2024-2032, the existing capital reserves with $1 million additions annually are anticipated to be adequate by management. Beyond 2033, the annual capital reserve requirements are anticipated to increase.

Additionally, LCCCA is liable for a $50,000 per year obligation to Penn Square Partners (PSP) under the amended Joint Development Agreement with a final payment in 2028.

NOTE I - SUMMARY OF RESULTS

These columns attempt to encompass the following assumptions:

1. The Minimum Reserve Amount of $5,750,000 at December 31 each year is required in order to have the ability to distribute funds to DL. Distributions to DL cannot reduce the bond fund balance below $5,750,000. Currently in place through the end of 2023 (in early January 2024), distributions are made to DL of the excess funds not to exceed 20% of the overall HRRT received. Distributions for subsequent years are projected based on continuing the minimum at $5,750,000. DL received their full 20% allocation based on 2016 - 2019 historical performance. No allocation was paid for 2020, due to COVID, but DL did receive direct funding from CARES ACT FUNDS. The current projection with refinancing and the other assumptions shows that DL will receive a full allocation for 2022 – 2025 (early January 2026). Some shortages of a full allocation would occur in 2026 – 2030, based on the 2.4% growth rate and the other assumptions. A full allocation is projected to occur, thereafter, if the other assumptions are correct.

2. Currently, the County is only the guarantor of the debt service reserve fund of the indenture which varies over time but is approximately $4,000,000. After the refinancing, the County would be the guarantor on the entire debt.

3. All computations are based on all assumptions being correct.

4. LCCCA will not draw the reserves below amounts required by the Bond Indenture. Whatever deficiency does exist will result in delays in funding non bond indenture required uses. LCCCA will be reimbursed for those expenditures by the trustee if and when funds are available. The ability of LCCCA to fund the shortfalls, if any, could be a problem in the future, especially in the early part of the year, due to the seasonality of the tax absent an MOU which funds DL's share of the HRRT, as of the end of the year, based on an established minimum, which is $5,750,000 as required under the current collaboration agreement and projected as a hypothetical assumption in future agreements.

   A long-term MOU would help in the issue by making permanent the payment to DL at the end of the year.

Lancaster County Convention Center Authority (LCCCA)

Summary of Significant Assumptions

Substantially All Disclosures Other Than Significant Assumptions Required by AICPA Guidelines Omitted

NOTE J - OTHER CONSIDERATIONS OF SIGNIFICANCE

This projection encompasses the years from 2022-2057 based on all of the hypothetical and significant assumptions. The impact of COVD-19 highlights that projections can be significantly impacted for unforeseen circumstances. While all of the assumptions are important, some assumptions have greater impacts on the conclusions than others and they are:

1. The compound growth of the HRRT. As Note B illustrates the growth in the HRRT had been consistent for the 10 years (2010-2019). Even the 2008 and 2009 recession only caused a combined less than 10% drop in HRRT from 2007 levels. The 2020 drop of 34.9% had not been experienced previously since the tax was started in 2001. Projections for the remainder of 2021 and 2022 are significantly higher than they were in October of 2020 or October of 2021. If these projections, especially for 2023, are too optimistic or pessimistic, they would substantially impact the results.

2. The debt can be refinanced with annual principal and interest payments of $4 million or less. The refinancing will require agreement of the County of Lancaster and Discover Lancaster. The County will need to agree to all terms which would result in both a full guarantee of the debt and an increase in the term of the bonds based on the amount of SWAP liability at the time of closing. Discover Lancaster would need to agree to an MOU which encompasses the life of the bonds.

   If refinancing does not occur, then Wells Fargo Bank will refinance the debt based on the rate environment in 2023. Prior projections had been calculated at identical debt terms for the long-term beyond 2023. Each 0.1% (10 basis points) change in interest rate has over a $60,000 impact on the prior Wells projections. Therefore, a 1% rise in the overall interest rate after 2023 would increase interest expense by $600,000 a year. While the term with Wells Fargo technically concludes on December 3rd, 2023, the Authority intends to execute a new term early in 2023, which may impact results in 2023 and thereafter. Any projections beyond the year 2023, based on unknown renewal terms with Wells Fargo, would be more speculative than these projections based on a fixed payment.

3. Current bank documents require LCCCA to pay off a SWAP liability if they refinance with an institution other than Wells Fargo Bank. The SWAP liability at May 31, 2022 was $14.429,652.

4. The projection encompasses the DL MOU executed through January 1, 2024 (after the December 31, 2023 bond reserve test). Beyond 2023, it is projected that a similar agreement will be entered into which allows for payment of excess funds to DL after the year end bond reserve test. A life of the bonds MOU would be required as discussed in 2 above.

Currently, there is no provision for funding deficiencies relating to expenditure reimbursement by the trustee from the indenture to LCCCA. If there is a default on the debt service reserve fund, the County guarantee would apply to those debt service deficiencies only. Any deficiencies, if they occur, will need to be funded with additional revenue sources or expense reductions with respect to expenses not specifically required by the Collaboration Agreement or other governing documents of LCCCA. Failure to find ways to fund these deficiencies, if any, could result in default.

A refinancing would require a full County guarantee in the event of default which would be defined in the new bond documents.