

SPORTS AUTHORITY OF THE METROPOLITAN GOVERNMENT OF NASHVILLE &  
DAVIDSON COUNTY  
Minutes of November 14, 2017 Meeting of the Finance & Audit Committee  
Nissan Stadium  
8:00 a.m.

**Board Members:** Margaret Behm (Chair), Ralph Perrey (Vice-Chair), Dudley West, Kim Adkins, Emmett Wynn, Catana Starks, Lisa Howe, Chuck Meriwether

**Staff:** Monica Fawknorton, Ilesha Montesrin, Quinton Herring, Margaret Darby (Legal)

**Titans/ Nissan Stadium:** Jenneen Kaufman, Steve Underwood, Burke Nihil, Bob Flynn, Terry Porch, Floyd Hyde, John Albutson

**Predators/ Bridgestone Arena:** Kyle Clayton, Michelle Kennedy, Keith Hegger

**Visitors:** Bob Lackey (Metro Finance), Ed Henley (Commonwealth Development Group), Roxanne Bethune (Commonwealth Development Group), Scott Rayson (Metro Legal), Jonathan Burtner (Sirius XM)

Chairwoman Margaret Behm called the meeting of the Sports Authority Finance & Audit Review Committee to order at 8:00 a.m. and welcomed all in attendance. **Upon a motion duly made and seconded, the Sports Authority unanimously voted to approve the minutes of the October 12, 2017 Finance Committee meeting.**

***Executive Director's Report***

Chairwoman Behm recognized Ms. Monica Fawknorton to give the Executive Director's Report. Ms. Fawknorton thanked all who were in attendance and gave a brief overview of the agenda. Ms. Fawknorton reported that Metro Purchasing approved an additional six-month, emergency extension for the Sports Authority's contract with Stewart Logistics, Inc. for the management of Sports Authority controlled parking lots at Nissan Stadium. The first extension was given six months ago and was contingent upon the Nashville Downtown Partnership's need for additional space, which has been resolved. The need for the second extension is to look at security concerns and determine how they can be addressed in the RFP. Recent incidents include damage to fences, personal property, electrical boxes, and more in addition to car break-ins and some assaults. Ms. Fawknorton additionally reported that new signage was installed in the lots to remind patrons that neither the Sports Authority nor Metro Government is responsible for visitor's property and that they should keep their vehicles locked.

***Nissan Stadium/Titans Report***

***A.) Consideration of Capital Expense Reimbursement Request- Inflatable Field Cover***

Chairwoman Behm recognized Ms. Fawknorton to discuss the Titans' Capital Expense Reimbursement Request. Ms. Fawknorton reminded the committee that it deferred the Titans request for reimbursement of an inflatable field cover (\$479,180.40) at its February meeting, citing more information was needed.

Ms. Margaret Darby stated that the Sports Authority is obligated to keeping the facility in first class condition and noted that most of the comparable facilities have similar systems. She also noted that Venue Solutions Group's (VSG) Facility Assessment Study recommends an underground heating system roughly three times the cost of the field cover that was purchased. In a letter from Titans' attorney Burke Hill, Hill states that the Titans position that the inflatable field cover is a suitable alternative to the subsurface heating system recommended by VSG. Ms. Darby concluded by reporting that a new NFL mandate states that turfs in a cool climate must complete an impact test. The heating of the field makes the ground softer and more likely to prevent concussions. Should the turf fail to meet the requirements of the impact test, the football game could not be played.

In response to a question from Board member Mr. Dudley West, Mr. Steve Underwood, Tennessee Titans CEO, stated that the lease is designed to evolve. He noted that technology and NFL mandates are always changing, that the inflatable field cover is a comparable (and less expensive) option which also meets the NFL mandate, and that the administration usually chooses the more cost-effective option. The field cover that was replaced was original to the building and, at the time of construction, was adequate. Mr. Underwood stated that the underground system which cost roughly \$1 million at the time of construction now costs approximately \$1.6 million.

Ms. Darby added that she had researched both temperatures and turfs similar to that at Nissan Stadium. This research showed that almost all comparable facilities had an underground system. Facilities with a field cover were those found in warmer climates such as California and Florida. **Upon a motion duly made and seconded, the Sports Authority unanimously voted to recommend approval of the Titans' Capital Reimbursement Request for the inflatable field cover.**

#### ***B.) Financials & Capital Expense Project Update***

Chairwoman Behm asked Ms. Jenneen Kaufman to give a report on the financials and capital expense project update. Ms. Kaufman began with an updated report of the financials including:

- Ticket Tax Summary
  - \$1 Ticket Tax (\$2,105,004.38)
  - \$2 Ticket Tax- 2012 Bonds (\$992,864.70)
  - Reserve Fund (\$1,900,000.00)
  - 2015 Project Fund (\$2,245.76)
  - Outstanding Stadium Loan (\$13,296,012.37)
  - Ticket Tax Paid to Date, Since 2010 (\$19,340,446.00)
- Unfiled Reimbursement Receivables (\$5,483,700.92)
- Casualty Receivables (\$4,217.17)

Ms. Kaufman recognized Mr. Bob Lackey, Metro Finance, to speak on the available balance in the \$1 Ticket Tax fund. Mr. Lackey stated that Pinnacle Bank requires that the fund always carry a balance of at least \$1 million. With the balance being over \$2 million, Pinnacle can pull roughly \$1 million to use towards the repayment of the principal and the fund will continue to meet the requirements of having a balance of \$1 million. Mr. Lackey stated that the Reserve Fund is another requirement of the bank, in which excess seat-use fees were placed, as additional security on the loan. Mr. Lackey concluded by stating that the term of the loan with Pinnacle is until 2027.

In regards to the Ticket User Fee, the Titans estimate that they will pay \$1.6 million into the ticket tax during the 2017 football season and have divided this amount into installments to be paid over 10 months. To date, they have paid nine installments of \$162,000. The Titans have also completed true-ups on games played and figured the difference into future payments. On 10/20/17, the Titans made a payment of \$241,650, which included the regular payment of \$162,000 and an additional \$79,650 for the true-ups from home games played on 9/10 and 9/24.

Ms. Kaufman stated that recent updates to existing projects include:

- Freight Elevators- Work is complete and the final invoice was paid (moved to completed list).
- Security Screening Barrier- Barrier is installed and the final invoice was received.
- Overhead Door Leading into the Loading Dock Area- New door was installed and final invoice has been paid (moved to completed list).
- Ride Share Pick-up and Drop-off Area for Lot T- Work has been completed and all invoices have been paid (moved to completed list).
- North End Zone Plaza Security Upgrade- Work is completed and all invoices have been paid (moved to completed list).
- Paint All Doors throughout Stadium- Work is completed and invoices were paid (moved to completed list).
- Access Control System- Work is completed and invoices have been paid (moved to completed list).
- Stormwater Pumping Station and Sanitary Sewer Pumping Station- Invoice was paid and project has been updated on the completed list.
- Click Effect Crossfire Video Server- Materials have been ordered and wiring is scheduled for Mid-November. No invoices have been received but project is on current list.
- Security Video Surveillance System- Titans staff has completed the bid process and selected a vendor to complete the work. Work will not begin until the end of the 2017 season, but the project has been moved to the current list.

Ms. Kaufman stated that the balance of the Unfiled Reimbursement includes projects that are on the completed and current lists, but noted that the balance does not include the \$3.1

**Comment [FM(A1):** Please include the project cost for each one.

million purchase for Wi-Fi at the stadium. The information for the Wi-Fi purchase has been sent to Sports Authority staff and is expected to be discussed in the near future. Mr. Lackey addressed the Board's concerns of the ever increasing Unfiled Reimbursement balance. He stated that the initial plan was to increase Metro's annual contribution of \$1 million to \$2 million, to assist in decreasing the balance quicker. However, this request was denied by the Metro Council. Mr. Larry Atema, with Commonwealth Development Group, was asked to do a five to seven year look at the facilities needs and develop a plan to look at potential funding. Mr. Underwood concluded the discussion by stating that the organization will continue to work with Metro while they are creating a plan to decrease the amount of the Unfiled Reimbursement.

Chairwoman Behm recognized Mr. Bob Flynn, Vice-President of Facilities and Game Day Operations, to discuss upcoming upgrades to the security surveillance system. Mr. Flynn stated that the current security system was upgraded in 2002, 15 years ago. According to the facility assessment that was completed, this project is considered a high priority for 2018. He stated that they obtained five bids for this project and it will monitor the entire campus. Mr. Flynn then recognized Mr. Floyd Hyde, Head of Security, to give the details of the project. Mr. Hyde reported that statistics show that the perimeter is the most vulnerable to attacks, especially during ingress and egress. Upgrading the cameras in the lots will not only work as a deterrent but will also assist local authorities investigate crimes that occur on the campus. Currently only ten cameras monitor the parking lots. Mr. Hyde stated that the current cameras have visual capabilities that, during the day, only determine the suspect's gender and the color of clothes. At night, however, even these minimal details can be difficult to capture. The upgraded system includes:

- 21 multi-directional cameras with night vision, to monitor the parking lots.
- 179 internal digital cameras, with the ability to automatically record original locations, even when panning or zooming.
- System has video analytics that will allow for constant video footage of ingress and egress throughout the stadium, by linking all the cameras together.
- All cameras are low-lumens rating, which require little ambient light to capture photo-quality images.
- Cameras will overlap and cover all areas of the campus.
- 90 day high-definition storage capabilities.
- 360-degree continuous bowl coverage
- Update control system
- Under vehicle scanning system with magnetic anomaly detection capability for the loading dock. Allows for storage of license plates to detect any changes from previous scans.

Mr. Hyde stated that of the five bids received, they recommend Security 101's proposal. They are a local vendor that exceeds the industry's standard. They have proven dependability

and they use quality products for a reasonable cost. The total cost for this upgrade is \$1.8 million. Installation will take roughly four months to complete.

### ***Bridgestone Arena Report***

#### ***A.) Income Statement and CIF Summary***

Chairwoman Behm recognized Mr. Kyle Clayton to discuss the Income Statement and Capital Improvement Fund (CIF) Summary. Mr. Clayton stated that the Income Statement is for the month of September. Current actuals are less than last year's due to a decrease in events but, overall, the arena is still ahead of the budget. Mr. Clayton believes the numbers will even out due to the increase of events that were held in October. He reported that, as of September 30, 2017, the CIF Summary is as follows:

- Borrowed to Date: \$15,859,600.00
- CIF Loan Balance: \$8,054,073.48
- Remaining Borrowing Capacity: \$1,945,926.52
- Current Cash on Hand: \$4,701.48

#### ***B.) Submission/Approval Process for Bridgestone Arena Capital Projects***

Chairwoman Behm recognized Ms. Fawknorton to discuss the Submission/Approval Process for Bridgestone Arena Capital Projects. Ms. Fawknorton stated that in May, Powers Management submitted a list of capital projects with little time for sufficient review. Ms. Fawknorton stated that Metro staff and Powers Management have, together, drafted a new process for the annual submission and approval of Capital Projects. This process includes the following information:

- December 1: Powers Management submits a preliminary list of prioritized projects to Metro and gives an update on current projects.
- Prior to January Board meeting: Staff reviews and compares the list to the facility assessments recommendations. Staff also determines whether the projects will be funded through the Capital Improvement Fund (CIF) or through Metro's Capital Improvements Budget (CIB).
- January Board meeting: Staff presents the Capital Projects to the Board. Potential CIB projects will be submitted to Metro Planning.
- Middle/end of March: Powers Management submits final list of projects with updated information. Any projects added after the initial submission would be vetted.
- April Board meeting: The list of CIF projects is presented to the Board for a conditioned approval.
- On or before May 31<sup>st</sup>: Approved list of CIF projects is submitted to the bank.
- Following the start of a new fiscal year: Powers Management will ask the Board for written approval to begin the approved projects and provide updates in monthly reports.

Mr. Kyle Clayton, with Powers Management stated that he appreciates the time Metro staff has spent on developing the process. He asked for some flexibility with new projects

**Comment [FM(A2):** Please include the revenue numbers.

because of their early deadline. Mr. Clayton noted that Powers Management holds monthly meetings to discuss all potential projects and reprioritize the list based on updated information.

Mr. Lackey stated that the annual contribution to the CIF is \$2 million. Powers Management can borrow the lesser of \$10 million or 5% of the annual contribution. Currently, Metro is pursuing different loan options which include extending the term of the CIF loan. Mr. Lackey stated that the CIF was initially designed for less expensive projects (as opposed to large projects like seat replacement which was funded through the CIF and, subsequently used a large amount of the available funds). Mr. Lackey recommended that larger projects be submitted to Metro's Capital Improvement Budget (CIB), if there are not adequate funds in the CIF.

Comment [FM(A3): ?? The Previous year's revenue.

Ms. Fawknorton added that internally, staff is continuing to create processes that will ensure deadlines are met. **Upon a motion duly made and seconded, the Sports Authority unanimously voted to recommend approval of the Submission/Approval Process for Bridgestone Arena Capital Projects.**

### ***Project Manager's Report***

#### ***A.) Stadium Update***

Chairwoman Behm recognized Mr. Larry Atema to give a Project Management update. Mr. Atema stated that the ongoing work at Nissan Stadium since October 2015 is finally complete. Phase 1 consisted of seat replacement and expansion joint repairs. Sealing/caulking on the East Club level, guardrail extension and repairs to additional expansion joints comprised Phase 2. Phase 3 included repairs to three expansion joints to extend the life of existing materials on the West Club level. Mr. Atema recognized Mr. Edward Henley to discuss the budget for the project. Mr. Henley stated that the initial budget was \$15 million and, of that, \$14,973,952 was spent. The remaining balance is \$26,048. Mr. Henley recognized Ms. Roxanne Bethune to report on Diverse Business Enterprise (DBE) participation. Ms. Bethune stated that the DBE dollars earned was \$5,386,435, creating 37.47% of DBE participation on the project. This includes participation from small business enterprises (26.94%), woman owned businesses (4.35%), total female ethnic minorities (0.33%), and total male ethnic minorities (5.84%).

#### ***B.) Facility Assessments Update***

Chairwoman Behm then recognized Mr. Larry Atema to give a brief update on the Facility Assessment Study. Mr. Atema and his team have been working closely with both Nissan Stadium, Bridgestone Arena, and Metro since the assessments were performed and recommendations were issued this past April. He stated Metro asked him to do a five to seven year look at the facilities' needs, and then develop a proposal to assist Metro with a potential funding plan. Mr. Atema stated that he recognizes the Board's concern regarding the rapid increase in capital needs and will assist in creating a plan to help minimize the potential for unexpected costs.

***There being no other business, the meeting was adjourned.***