

SPORTS AUTHORITY OF THE METROPOLITAN GOVERNMENT OF NASHVILLE &  
DAVIDSON COUNTY

Minutes of April 11, 2018 Meeting of the Finance & Audit Committee  
Nissan Stadium  
10:30 a.m.

**Board Members:** Lisa Howe (Chair), Margaret Behm, Dudley West, Kim Adkins, Emmett Wynn, Rip Ryman

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

**Titans/ Nissan Stadium:** Steve Underwood, Burke Nihill, Bob Flynn, Walter Overton

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

**Visitors:** Kim McDoniel (Metro Finance), Kristina Kirby (Kraft CPA's), Toby Compton, Larry Atema, Jordan Wyman, Ed Henley, Roxianne Bethune, Mary Cavarra, Annie Parrish, Dinah Wells

Chairwoman Lisa Howe called the meeting of the Sports Authority Finance & Audit Review Committee to order at 10:30 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 January 18, 2018 Finance Committee meeting.**

***Executive Director's Report***

Chairwoman Howe recognized Ms. Monica Fawknorton to give the Executive Director's Report. Ms. Fawknorton thanked all who were in attendance and reported that the Sports Authority's budget meeting with the Metro Council will be held on May 7<sup>th</sup> at 5:45. She concluded her report by giving a brief review of the agenda items.

***Nissan Stadium Update***

***A.) Consideration of Capital Expense Reimbursement Request***

Chairwoman Howe recognized Ms. Fawknorton to discuss the Titans' Capital Expense Reimbursement Request. Ms. Fawknorton stated that on January 8, staff (along with Metro Legal and Finance) met to review the Titans proposed Capital Expense Reimbursement request. She stated that staff had a number of questions which the Titans have since answered to the Metro's satisfaction. The 2017 current reimbursement request is for \$1,246,604.07 and consists of three projects:

- Stormwater Pump Generator (\$310,649.54)
- Security Magnetometers (\$481,345.06)
- LED Video Wall- Club (\$454,609.47)

Ms. Fawknorton reported that the Stadium Capital Fund currently has \$1.3 million available to draw from, and the Mr. Underwood, in response to a question, noted that all three these projects were completed prior to the facility assessment. In response to another question, Ms.

Fawknotson reported that the second project, security magnetometers, have been loaned to Belmont University on two occasions- for the Gubernatorial Forum and, for the Davis Cup April 6-8, 2018. A License and Use Agreement was drafted with the Convention and Visitor's Center for use at the Davis Cup event and Ms. Fawknotson stated that these were special requests and that the Authority does not plan to loan or lease the magnetometers moving forward. With regards to the LED Video Wall in the Club, Mr. Steve Underwood assured the Committee that despite being purchased 3-4 years ago, the technology is still current. **Upon a motion duly made and seconded, the Sports Authority unanimously voted to recommend approval of the Titans' Capital Expense Reimbursement Request, to the full Board.**

***B.) Capital Project Update – Internal Radio System***

Chairwoman Howe then recognized Ms. Fawknotson to discuss the Titans' new capital project – internal radio system. Ms. Fawknotson stated that in a letter, Mr. Underwood noted that Nissan Stadium's internal radio systems have reached their useful life. Since the radio system not on the "Anticipated" list, they wanted to formally make the Authority aware of their plan to move forward with a purchase. Purchasing by the end of March allowed for significant savings. Ms. Fawknotson noted that Venue Solutions Group's Facility Assessment does cite the current system as poor and recommends a replacement in 2018. The quote from CommTech is for \$307,318.98.

***MLS Stadium Update***

***A.) Consideration of a resolution approving utilization of the Project Management Contract between Metro Government and Commonwealth Development Group***

Chairwoman Howe recognized Ms. Fawknotson to discuss a resolution approving utilization of the Project Management Contract between Metro Government and Commonwealth Development Group. Ms. Fawknotson reported that the resolution before the Committee states the Sports Authority desires to utilize Metro's existing Project Management Contract with Commonwealth Development Group (CDG), for services related to the pre-development of a MLS stadium. She stated that the term begins with the execution of the resolution and ends March 31, 2019 (CDG's contract expiration date with Metro). Cost for capital project management consulting services as it relates to planning, designing, and construction are not to exceed \$50,000. Ms. Fawknotson then stated that, in a conversation with Law Director Jon Cooper prior to the meeting, she learned that the ceiling has been increased to \$75,000. The Sports Authority has previously used the Metro contract with CDG for improvements at Nissan Stadium and also for the facility assessments conducted on Bridgestone Arena and Nissan Stadium.

Ms. Fawknotson added that in 2016, Metro Finance began funding pre-development work for a potential MLS Stadium from the Sports Authority's Arena Revenue Fund. The Authority only recently became aware of this practice as a result of a media investigation. Expenses charged to the Arena Revenue Fund total \$132,617.25. She stated that staff has received the itemized list of stadium expenditures, and multiple conversations took place between staff, Metro Finance, and CDG. Sports Authority staff has vetted the invoices and

determined that the Sports Authority Executive Director will assume a role in the approval process. She stated that the Resolution before the Committee also ratifies previous expenditures incurred and charged to the Arena Revenue Fund, in the amount of \$132,617.25.

Ms. Fawknorton then recognized Ms. Kim McDoniel, with Metro Finance, to address any questions the Committee may have. Ms. McDoniel stated that she was unaware of the exact balance of the Arena Revenue Fund, she is confident there is capacity to make up to \$75,000 in expenditures the resolution provides for. In response to a question regarding future steps, Ms. Mary Cavarra (MLS2Nashville) stated the Metro Council's approval is needed for:

- Implementing a Ticket Tax
- Demolition of Fairgrounds property
- The \$25 million for infrastructure improvements

Ms. Cavarra stated that she anticipates asking the Metro Council for approval in the third quarter and if all goes well; authorize the issuance of bonds before the end of the year. Ms. Margaret Darby concluded by stating that the Arena Revenue Fund is where all of the revenue from the Arena is placed. The first expense to be paid from that fund is debt service. Additional money within that fund can be utilized for a variety of projects, at the lawful purpose of the Authority. Ms. Margaret Behm requested that the Legal provide a written statement stating that the Sports Authority is able to use surplus funds from the Arena Revenue Fund for needs of the Authority. **Upon a motion duly made and seconded, the Sports Authority unanimously voted to recommend approval of the resolution ratifying previous expenditures and approving utilization of Metro's Project Management Contract Commonwealth Development Group with the understanding that the ceiling will be raised from \$50,000 to \$75,000, and that the Executive Director review and approve all invoices related to the stadium.**

***B.) Consideration of MOU between Sports Authority and Nashville Soccer Holdings***

Chairwoman Howe recognized Ms. Fawknorton to discuss the MOU between Sports Authority and Nashville Soccer Holdings (NSH). Ms. Fawknorton stated that the proposed MOU acknowledges that in order for the stadium to be built on time (February 1, 2021), certain expenditures will be incurred. It provides for NSH, prior to the issue of bonds, to pay the stadium project architect and other vendors for expenses related to design, development or pre-construction cost directly. The ownership group will, in turn, be entitled to a credit towards the team's \$25 million contribution obligation or receive reimbursement from the Sports Authority, through a bond issue. Ms. Fawknorton stated that Metro Law Director, Jon Cooper, has confirmed that in the event bonds are not issued the team will be on the hook for the expenses incurred. **Upon a motion duly made and seconded, the Sports Authority unanimously voted to recommend approval of the MOU between Sports Authority and Nashville Soccer Holdings, to the full Board on the condition that language be added stating that the Sports Authority will not be obligated to reimburse NSH for their expenditures in the event bonds are not issued.**

## ***Bridgestone Arena Update***

### ***A.) Consideration of Bridgestone Arena's FY19 Capital Improvement Fund (CIF) Projects***

Chairwoman Howe recognized Ms. Fawknorton to discuss Bridgestone Arena's FY19 Capital Improvement Fund (CIF) Projects. Ms. Fawknorton reported that using the Submission/Approvals Process approved at the January Finance Committee meeting, Powers Management had submitted a list of preliminary list of prioritized capital projects for funding through the CIF for FY19 and future years (in consult with Venue Solutions Group's facility assessment). In accordance with the submission/approval process, the Predators submitted a final project list in a letter dated April 4, 2018 to staff. The projects slated for 2018/2019 must be approved by the full board and then submitted to the bank by the May 31st deadline. Below is a list of the final projects:

- Large Scale Visual/Audio Enhancements (\$18,800,000)
  - Center-hung Scoreboard/In-bowl LED (\$8,900,000), Digital Concourse Signage (\$1,100,000), Video Control Room (\$3,100,000), Building Infrastructure (\$1,600,000), and Outdoor Signage (\$2,300,000)
  - Arena Sound System (\$1,900,000)
- Security Systems (\$1,197,633)
- Concert Folding Chairs and Storage Carts (\$245,000)
- Follow-spots/Spotlights (\$240,000)
- Wireless Local Area Network (\$200,000)

Ms. Fawknorton recognized Mr. Kyle Clayton to discuss the CIF Summary. Mr. Clayton reported that through FY18, the Arena has collected nearly \$1.6 million which has gone towards CIF repayment. In comparison, the previous two years generated nearly \$2 million each year. The CIF currently has a balance of roughly \$7 million and the Arena has steadily been repaying \$2 million each year. Mr. Clayton stated that the CIF has a cap (\$10 million) on the amount of money that can be borrowed, and that they need to pay down the balance before making additional expenditures. He stated that he has been working with Metro Finance and the lenders, in order to increase that cap. Mr. Clayton stated that the Arena anticipates renegotiating with the lender in order to pay for the projects recommended for 2018 and 2019. Chairwoman Howe concluded by requesting a vendor list for the Arena. **Upon a motion duly made and seconded, the Sports Authority Finance Committee unanimously voted to recommend approval of the Bridgestone Arena FY19 Capital Improvement Fund Projects, to the full Board, noting that the Powers Management should continue to pursue negotiations with the bank.**

### ***Consideration of the FY17 Stewart Logistics Inc., audited financial statements***

Chairwoman Howe then recognized Ms. Fawknorton to discuss the FY17 Stewart Logistics, Inc. Audit. Ms. Fawknorton stated that one requirement of the Sports Authority's contract with Stewart Logistics, Inc. is that financials are to be audited by a third-party on an

annual basis. Stewart Logistics is responsible for the daily management of Sports Authority controlled lots, on the Nissan Stadium campus.

Ms. Fawknotson recognized Ms. Kristina Kirby, with Kraft CPAs, to discuss the findings of the audit. Ms. Kirby stated that she worked closely with Stewart Logistics and Sports Authority staff while conducting the audit. The audit noted several adjustments were needed to resolve errors stemming from revenue (\$23,331) recorded by event date as opposed to the date payment was rendered. Sales tax (approximately \$35,000) has been included in the reports and Stewart Logistics is responsible for remitting payment of the tax. The contract states that gross revenues will be split between the Authority and Stewart Logistics; the breakdown is as follows: 50% of the first \$60,000, 60% of the next \$40,000, and 65% of the gross revenues over \$100,000. The gross revenue collected was \$423, 301 and of that, \$258,820 was remitted to the Sports Authority. Ms. Kirby noted that Kraft CPAs submitted a letter to Stewart Logistics with their recommendations concerning the deficiencies in internal control procedures. The report noted deficiencies found in current procedures related to parking ticket collections/special event revenue, timeliness of remittances, and in the listing of special events. Stewart Logistics responded with a letter to the Authority stating how they would prevent deficiencies in the future.

In regards to the growth of the Civic/Special Events program, Mr. Quinton Herring, Sports Authority Special Event Coordinator, stated that roughly 100 new events take place on Nissan Stadium campus each year. He stated that last year, there were roughly 300 events total and within six months of this year, have already reached over 150. Ms. Fawknotson added that the current contract with Stewart is scheduled to terminate on August 2<sup>nd</sup> and staff is currently working to finalize the new Request for Proposal. **Upon a motion duly made and seconded, the Sports Authority unanimously voted to recommend approval of the FY17 Stewart Logistics, Inc. Audit, to the full Board.**

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