

SPORTS AUTHORITY OF THE METROPOLITAN GOVERNMENT OF NASHVILLE &
DAVIDSON COUNTY

Minutes of May 16, 2019 Meeting of the Finance & Audit Committee
Bridgestone Arena
9:30 a.m.

Finance Committee: Jon Glassmeyer (Chair), Margaret Behm, Dudley West

Board Members: Kim Adkins, Cathy Bender, Jad Duncan, Dan Hogan, Aaron McGee, Rip Ryman, Emmett Wynn

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

Titans/ Nissan Stadium: Jenneen Kaufman, Burke Nihill, Bob Flynn

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

Sounds/First Tennessee Park: Doug Scopel, Adam Nuse

Visitors: Bob Lackey (Metro Finance), Chad Moore (Ernst & Yung), Patrick Byrd (Ernst & Yung), Lee Schumann (Kimley-Horn), Chris Rhodes (Kimley-Horn), Jim Pustejovsky (Capital Project Solutions), Brad Wall (Metro Purchasing), Genario Pittman (Metro Purchasing), Ron Gobbell (Gobbell Hays Projects)

Chairman Jon Glassmeyer called the meeting of the Sports Authority Finance & Audit Review Committee to order at 9:30 a.m. and welcomed all in attendance. **Upon a motion duly made and seconded, the Finance Committee unanimously voted to approve the minutes of the April 29, 2019 meeting.**

Executive Director's Report

Chairman Glassmeyer recognized Ms. Monica Fawknotsen to give the Executive Director's Report. Ms. Fawknotsen reviewed the agenda, stating she did not have a formal report for the committee but would give commentary on the agenda items during each discussion.

Consideration of a Resolution Approving Bridgestone Arena's FY20 Capital Improvement Fund (CIF) Projects

Chairman Glassmeyer recognized Ms. Fawknotsen to discuss the FY20 Capital Improvement Fund (CIF) projects at Bridgestone Arena. Ms. Fawknotsen stated that both the project list and the Arena Revenue Fund were discussed in depth at the April 29th Finance Committee meeting. Under the existing agreements, the Board is required to submit an approved list of projects to the bank by May 31st. Ms. Fawknotsen noted that Law Director Cooper would present the deal points of the proposed lease agreements with the Predators at the full board meeting later that morning, and that under the proposed agreement, the Predators will stay in Nashville for 30 years and Powers Management will be

responsible for all operating, maintenance and capital expenses. The Sports Authority will take action on the agreement on June 20th meeting but must continue to meet obligations of the existing agreements in the meantime. Should a new agreement go into effect, the CIF Approval Process will no longer be necessary. The Resolution approving the list of FY20 projects is attached as *Exhibit A*.

Upon a motion duly made and seconded, the Finance Committee voted to recommend approval of the Resolution Approving Bridgestone Arena’s FY20 Capital Improvement Fund (CIF) Projects, to the full Board.

Consideration of a Resolution Approving an Agreement for Public Infrastructure Design Services related to the Nashville Major League Soccer Stadium between the Sports Authority and Kimley-Horn and Associates, Inc.

Chairman Glassmeyer recognized Ms. Fawknorton to discuss the agreement for public infrastructure design services related to the MLS Stadium. Ms. Fawknorton stated that the infrastructure project scope includes streetscaping, parking, extensions to Wedgewood and Benton Avenues, and the need to tie in to local utilities. The solicitation received five proposals which were evaluated and scored by the Evaluation Committee. The three highest scorers were sent to Mayor Briley and he selected Kimley-Horn and Associates, Inc. The contract will be executed until after the protest period and has a not to exceed amount of \$1.5 million.

Ms. Fawknorton recognized Mr. Chris Rhodes, from Kimley-Horn & Associates. Mr. Rhodes stated that Metro’s participation goal for small and diverse business enterprises is 20% of the entire project cost. He noted that monthly invoices will track these expenditures. In response to Mr. Dudley West’s question, Mr. Rhodes stated that the contract is for three years (through the end of construction). The Resolution approving the agreement between the Sports Authority and Kimley-Horn and Associates, Inc. is attached as *Exhibit B*. **Upon a motion duly made and seconded, the Finance Committee voted to recommend approval of the Resolution Approving an Agreement for public infrastructure design services related to the Nashville Major League Soccer Stadium between the Sports Authority and Kimley-Horn and Associates, Inc., to the full Board.**

Presentation of Agreed-Upon Procedures of User Fee Payable for the 2018 NFL Playing Season at Nissan Stadium

Chairman Glassmeyer recognized Ms. Jenneen Kaufman, Titans CFO, to discuss the User Fee Audit. Ms. Kaufman introduced Mr. Chad Moore and Mr. Patrick Byrd from Ernst & Young, LLP. Mr. Moore stated that in performing and auditing the Agreed-Upon Procedures (AUP), the auditors:

- Recomputed the User Fee Schedule for mathematical accuracy
- Confirmed that the user fee schedule is checked against the box office statements.
- Compared total tickets distributed ensure that the maximum number of comped tickets do not exceed 3,250 (as per the lease agreement).
- Ensured that the \$3 in ticket tax is dispersed to the appropriate accounts.
- Confirmed that all user fees were paid on time, in accordance with the schedule.
- Obtained a letter from the President/CEO and SVP/CFO of the Member Club certifying that the User Fee schedule is accurate and complete.
- The findings of the audit were clean and there were no exemptions.

Mr. Rhodes stated that the Titans collected \$1,842,387.00 in user fees for the 2018 season. In response to a question regarding comp tickets, Ms. Kaufman stated that the lease agreement allows for a maximum of 3,250 comp tickets at each event. If the number of comp tickets is less than 3,250, the actual number is recorded. Should the comp tickets exceed the maximum, it is recorded as 3,250 and overages are paid for by the Titans. Ms. Kaufman noted that the User Fee audit continues to be paid for by the Titans. The summary of the User Fee Payable is attached as *Exhibit C*.

Other Business

Ms. Margaret Behm stated that at the last Finance Committee meeting, she asked Metro Finance questions related to the Arena Revenue Fund (ARF) and then recognized Mr. Bob Lackey to discuss the information that was provided. Mr. Lackey stated that revenues of the ARF include:

- Sales Tax: local non-hockey sales tax, state hockey sales tax and state non-hockey sales tax.
- Ticket Surcharge
- Ford Ice Center in Antioch Lease payments
- Rent from Arena Tenants

Sales tax revenue for FY20 is estimated to be \$9.4 million (FY19 actuals). Of the 7% collected in sales tax, the State retains 1% for its General Fund, .5% is given to Metro Schools and Metro retains the remaining 5.5%. Mr. Lackey stated that FY19 expenses of the ARF include:

- Arena Lease Agreement Obligations:
 - Management Fee (\$1 million)
 - Loss Cap (\$4.4 million)
 - Incentive Fee (\$2.7 million)
- Debt Service: Bonds for the Arena and Ford Ice Center in Antioch (\$1 million)
- Rent Related Expenses: Utilities/security pass-through for tenants and repairs/maintenance to Reserved Areas (\$62,000)
- SEC Tournament Expenses (\$816,509 - estimate)
- Sports Authority Operational Expenses: Staffing supplements for Metro Finance (\$145,000)

Mr. Lackey stated that SEC expenses recorded in FY18 (\$1.2 million), is for two years. Expenses in FY19 have not yet been paid but an estimate was included in the chart. A list of questions and answers from the meeting are attached as *Exhibit D*.

There being no other business, the meeting was adjourned.

RESOLUTION APPROVING FY20 CAPITAL IMPROVEMENT PROJECTS TO THE BRIDGESTONE ARENA.

WHEREAS, Powers Management, LLC, (“Powers”) operates and manages the Bridgestone Arena pursuant to the Second Amended and Restated Operating and Management Agreement (“Agreement”) dated July 1, 2012, between the Powers and the Sports Authority of the Metropolitan Government of Nashville and Davidson County (“Authority”), and

WHEREAS, pursuant to Section 8.6 of the Agreement, Powers has submitted a recommendation for capital improvements necessary to insure that the Arena is kept in at least as good of a condition as comparable facilities, as more particularly described in that letter dated November 30, 2018, attached hereto as Exhibit A; and

WHEREAS, pursuant to Section 8.6 of the Agreement approval of proceeding with the recommended capital improvements lies with the Authority; and

WHEREAS, the funding source for any capital improvements projects depends on the borrowing capacity pursuant to the terms of the Revolving Loan Agreement by and between First Tennessee Bank and the Authority dated October, 10, 2012, and the capacity of the Capital Improvement Fund; and

NOW, THEREFORE,

BE IT RESOLVED, that pursuant to Section 8.6 of the Agreement the Authority determines that the following recommended capital improvement projects (as more particularly described in Exhibit A, attached and incorporated herein by reference) are approved, contingent upon available funding:

1. Large Scale Visual/Audio Enhancements – Phases 2 & 3 (\$7,194,353)
 - a. Center-Hung Scoreboard
 - b. Digital Concourse Signage
 - c. Outdoor LED Screens
 - d. In-Bowl LED
 - e. Control Room Equipment
 - f. Cameras
2. Security System (\$1,197,633)
3. Concert Folding Chairs & Storage Carts (\$245,000)
4. Followspots/Spotlights (\$240,000)
5. Wireless Local Area Network (\$200,000)
6. Main Concourse Tile Bases (\$55,000)
7. HVAC Upgrades (\$1,280,155)
8. Electrical Equipment (\$1,015,000)
9. Chilled Water System (\$195,000)
10. Hot Water System (\$145,000)
11. Plumbing Equipment (\$115,000)
12. Ice System (\$100,000)
13. Heat Rejection / Ice Chiller Cooling System (\$25,000)

BE IT FURTHER RESOLVED, that the description of the recommended capital improvement projects, including budget and project scope, shall be provided to First Tennessee Bank pursuant to Section 6.4 of the Revolving Loan Agreement by and between First Tennessee Bank and the Authority dated October 10, 2012.

BE IT FURTHER RESOLVED, that the Authority hereby formally requests that Powers submit periodic updates regarding the status of the implementation of the capital improvement projects and the status of funding for the capital improvement projects approved herein.

Adopted and approved this 16th day of May, 2019.

Chair

ATTEST:

Secretary/Treasurer

RESOLUTION AUTHORIZING THE VICE-CHAIR TO EXECUTE AN AGREEMENT FOR PUBLIC INFRASTRUCTURE DESIGN SERVICES RELATED TO THE NASHVILLE MAJOR LEAGUE SOCCER STADIUM BETWEEN THE SPORTS AUTHORITY AND KIMLEY-HORN ASSOCIATES, INC.

WHEREAS, the Purchasing Agent of the Metropolitan Government conducted a procurement process for the Sports Authority's Request for Qualification #1188657 seeking a firm to provide architectural and engineering professional services for public infrastructure design services related to the Nashville Major League Soccer Stadium ("Stadium"); and

WHEREAS, the Mayor, in consultation with the Evaluation Committee, selected and recommended the engagement of Kimley-Horn and Associates, Inc. to provide such architectural and engineering services, as presented in the Intent to Award Letter attached hereto as Exhibit A; and

WHEREAS, contract negotiations with Kimley-Horn and Associates, Inc. were facilitated by the Purchasing Agent, and attended by the Sports Authority's Executive Director and project managers; and

WHEREAS, after said contract negotiations, the Sports Authority determines that the execution of the resulting Agreement is in the best interests of the Sports Authority and will help to facilitate the purpose for which the Sports Authority was created; and

WHEREAS, the Sports Authority and Kimley-Horn and Associates, Inc. hereto desires to execute the Agreement for architectural and engineering services, attached hereto as Exhibit 1.

NOW, THEREFORE, BE IT

RESOLVED, that the Vice-Chair be, and hereby is, authorized in the name of the Sports Authority to execute and deliver the Agreement in substantially the form presented to the Board; and is, authorized in her discretion to approve such changes in the form, substance and content as may be necessary, her execution and delivery of such Agreement to be conclusive evidence of such approval; and

FURTHER RESOLVED, that the Board has determined that the Agreement, with such changes in form, substance and content thereto approved by the Vice-Chair, is in the best interests of the Sports Authority and will help facilitate the purpose for which the Sports Authority was created; and

FURTHER RESOLVED, that the Vice-Chair be, and hereby is, authorized to perform or cause to be performed, in the name and on behalf of the Sports Authority, to execute and deliver or cause to be executed and delivered by or on behalf of the Sports Authority, such notices, requests, demands, directions, consents, approvals, orders, applications, certificates, agreements, amendments, further assurances or other instruments or other communications, under the seal of the Sports Authority of otherwise, as she deems necessary or advisable in order to carry into effect the intent of the foregoing resolutions, or to consummate the transactions

contemplated thereby, or to comply with the requirements of the filings, applications and documents approved and authorized or contemplated by the foregoing resolutions.

Adopted and approved this 16th day of May, 2019.

Chair

ATTEST:

Secretary/Treasurer

Tennessee Football, Inc.
 Summary of User Fee Payable
 For the 2018 National Football League Playing Season

<u>Date</u>	<u>Visiting Team</u>	<u>Total Tickets Distributed</u>	<u>Permitted or Actual Complimentary Seats</u>	<u>Seats Subject to User Fee</u>	<u>User Fee</u>	<u>Total Due Metropolitan Government of Nashville and Davidson County</u>	
8/18/2018	Tampa Bay	60,027	(3,250)	56,777	\$ 3	170,331	
8/30/2018	Minnesota	61,453	(3,250)	58,203	3	174,609	
9/16/2018	Houston	62,378	(1,851)	60,527	3	181,581	
9/30/2018	Philadelphia	69,003	(1,758)	67,245	3	201,735	
10/14/2018	Baltimore	64,429	(2,399)	62,030	3	186,090	
11/11/2018	New England	69,366	(1,784)	67,582	3	202,746	
12/2/2018	N.Y. Jets	60,905	(2,016)	58,889	3	176,667	
12/6/2018	Jacksonville	60,344	(1,921)	58,423	3	175,269	
12/22/2018	Washington	60,746	(3,146)	57,600	3	172,800	
12/30/2018	Indianapolis	68,978	(2,125)	66,853	3	200,559	
Total regular season							
						Total Payable	1,842,387
						Total Paid	<u>1,842,387</u>
						Difference	<u>\$ -</u>

May 16, 2019 Full Board Meeting – Arena Agreement Q & A's

Seat Use Charge & Capital Improvement Fee

Q: Is the SA the only party voting on Seat Use Charge?

A: Yes. Seat Use Charge is only approved by the SA (not the Council). – Jon Cooper

Q: What are the changes to the Seat Use Charge and the Capital Improvement Fee?

A: The SUC and CIF will be raised to the lesser of 5% or \$3.00 (an increase from \$1.75 and \$2.00 respectively). – Jon Cooper

Sales Tax Revenues

Q: Could you please explain how sales tax will be allocated under the new agreement?

A: All collected sales tax, other than State Non-Hockey sales tax, will be totaled up and put into an account. From there, the waterfall of expenses are as follows:

1. SA Obligations – Debt Service, SEC expenses and operational expenses
2. Arena Management Fee - \$10M
3. Hockey sales tax split 50/50 between the SA and Powers Management
4. Remaining revenues will be deposited into a capital project fund

– Jon Cooper

Q: Can you give details related to the 50/50 split of revenues?

A: The 50/50 split of revenues from sales tax comes as the 3rd step in the waterfall. After SA and Powers Management obligations are addressed, the revenues will be split. – Jon Cooper

Q: What are the percentages of the generated sales tax?

A: State = 7.25% and Local = 2.25% (2/3 of Local sales tax goes to Metro Schools) – Jon Cooper

Q: Can the Team terminate the agreement if sales tax revenues change drastically?

May 16, 2019 Full Board Meeting – Arena Agreement Q & A's

A: Yes, in one circumstance. The agreement has an Early Termination clause that allows the Team to terminate the agreement if the State does not extend the redirect of sales tax. This is due to sales tax being the majority of the revenue for the Team. – Jon Cooper

Miscellaneous

Q: Will the Team need Guaranties under the proposed agreement?

A: No. The proposed agreement does not include the requirement of having Guaranties due to the financial risk being solely on the Team. – Michelle Kennedy & Jon Cooper

Q: Currently, where does the Arena's subsidy come from?

A: Metro's General Fund. – Jon Cooper

Q: What happens if Powers Management breaches the agreement? What does that mean for the SA?

A: Any breach of the contract will result in the SA assuming all revenues that have been collected. – Jon Cooper