

SPORTS AUTHORITY OF THE METROPOLITAN GOVERNMENT OF NASHVILLE &
DAVIDSON COUNTY

Minutes of October 28, 2020 Meeting of the Finance Committee
WebEx Video Conference
9:30 a.m.

Committee Members: Jon Glassmeyer (Chair), Margaret Behm, Dan Hogan, Glenn Farner

Board Members: Kim Adkins, Cathy Bender, Don Deering, Melvin Gill, Frank Harrison

Staff: Monica Fawknotson, Quinton Herring, Melissa Wells, Margaret Darby (Legal)

Titans/ Nissan Stadium: Bob Flynn, Dan Werly

Predators/ Ford Ice Center: Keith Hegger, Matt Schick

Sounds/ First Tennessee Park:

Nashville SC: Mary Cavarra

Visitors: Michell Bosch (Metro Treasurer), Tom Cross (Metro Legal), Paula Casey, Tim DeBuse (Gobbell Hayes, Partners), Tom Eddlemon (Finance Deputy Director-Metro Finance), Ron Gobbell (Gobbell Hays Partners), Michelle Lane (Chief Procurement Officer/Purchasing Agent-Metro Finance), Greg McClarin (Metro Finance), Jeff Oldham, (Bass, Berry, and Sims) Bill Phillips (Metro Deputy Mayor), Wayne Placide (Hilltop Securities), Jim Pustejovsky (Capital Project Solutions), Chris Rhodes, (Kimley-Horn), Mark Sturtevant (Metro Director of Development), Bob Lackey

Chair Glassmeyer called the meeting of the Sports Authority Finance Committee to order at 9:30 a.m. and welcomed all in attendance. Chair Glassmeyer stated the meeting was being held electronically via WebEx to protect the health, safety, and welfare of Tennesseans in light of the COVID-19 outbreak and was being live streamed by Metro ITS on Metro Network 1. There were no objections. He also thanked other Sports Authority Board Members not on the Finance Committee and others for joining. *Upon a motion duly made and seconded, the Authority unanimously voted to approve the minutes of the September 17, 2020, Finance Committee meeting.*

Women's Professional Sports Initiative Ad Hoc Committee Report - Consider recommendations from the Women's Professional Sports Ad Hoc Committee with the intent to award a contract for professional consulting services for Phase 2 of the Women's Professional Sports Initiative.

Cathy Bender, Chair of the Ad Hoc Committee of the Women's Professional Sports Initiative, presented the Women's Professional Sports Ad Hoc Committee Report, reporting that the Committee met on October 14, 2020, to discuss the "next steps" identified by CAA/ICON, a consultant hired to assist the Committee. The Committee's recommendation, which will require the Finance Committee's approval, is to hire a consultant to work on the "Next Steps" for Phase 2,

which includes providing a survey of the community. In response to Director Behm's request for clarification on the funding source of hiring the consultant, Monica Fawknorton responded that the funding source for Phase 2 would be the same used for Phase 1 - Sports Authority's allocations from the Arena Account. The recommendation is that we continue to use that account for this purpose as well.

Margaret Behm thanked Cathy Bender for her leadership as Chair of the Ad Hoc Committee. She also shared that at the last Ad Hoc meeting it was discussed that the cost for the consultant will be determined once bids are received. There was also discussion in the meeting about the priority of the "Next Steps" recommended by the consultant. The Committee felt some of the priorities need to be changed. She also asked for clarification of the procurement process.

Margaret Darby provided information about the procurement process, noting that Phase 2 must be distinct and separate from the Phase 1 in order to be processed separately. If bids are received and they exceed \$25,000, the competitive bids process and a formal solicitation must be issued by Metro Purchasing must be followed. The scope of services can be reviewed to determine if it is separate and distinct. Purchasing Agent Michelle Lane agreed with Margaret's explanation of the process.

Dan Hogan asked if the survey be distinct and not overlapping in way. Michelle Lane stated that she and Margaret Darby could assist with reviewing the scope, in order to provide additional information. Margaret Darby advised that at first glance, the survey would probably be separate and distinct.

Margaret Behm stated that she is encouraged by the ability to start going through the Phase 2 process with the guidance of legal counsel. She moved that the Finance Committee recommend approval to hire a consultant for Phase 2 of the Women's Professional Sports Initiative and the motion was seconded. Monica Fawknorton asked whether the solicitation and survey would be separate or go together as "next steps". Ms. Behm clarified that her motion is for all of the "next steps" needed in Phase 2, including the survey. She suggested that the Sports Authority staff request a separate line item for the survey in the solicitation.

Glenn Farner suggested that the survey could be split out and that the Sports Authority and the other legal and financial staff could determine the process, he emphasized that it is important that it be handled appropriately.

Upon a motion made and duly seconded, the Finance Committee unanimously voted to recommend approval of the hiring of a consultant for Phase 2 to the full board.

Consider Approval of a Resolution Authorizing the Hiring of Bob Lackey on A Part-Time Basis for Financial Consulting and Training

Ms. Fawknorton provided a summary of the request for the resolution approving the hiring of Bob Lackey, noting that in FY20 the Authority approved the hiring of a Finance Manager which was filled by Melissa Wells who started in March of this year just as COVID-19 hit and the majority of Metro employees began working remotely. Ms. Wells was unable to train with Mr. Lackey as initially planned and, as a result, staff requests the Finance Committee recommend approval of funding of up to \$50,000 to hire Mr. Lackey. The position will be funded with leftover FY20 Sports Authority allocations from the Arena Account, the same account the Finance Manager position is funded from. The proposed timeline is November 2020 to October 2021, and as a Metro Pensioner, Mr. Lackey's hours are restricted to a maximum of 19.5 hours per week. Ms. Margaret Behm thanked Mr. Lackey for his willingness to help and for all that he has done in the past. She made a motion to recommend approval of the resolution hiring of Bob Lackey under the terms outlined by Monica.

The motion was seconded and passed unanimously.

Consider Approval of a Resolution authorizing the Sports Authority Finance Committee Chair and board liaison to the MLS Soccer Team to execute change orders to the agreement for construction management services for the Nashville Major League Soccer Stadium Project, as amended.

Ms. Fawknorton reported that the MLS Development Agreement, the Construction Administration Agreement, and the Construction Management Agreement all contemplate and address change orders throughout the construction process. Approval of the resolution would authorize the Finance Committee Chair to execute change orders approved by the Development Committee. In the event the Finance Chair is unavailable, then board liaison to the MLS Stadium, Mr. Frank Harrison, can execute the change order on his behalf.

Mr. Ron Gobbell (GHP) explained that there will be a need to make changes throughout the project- sometimes quickly. He noted Finance Chair will only sign off on change orders approved by the Development Committee that are part of the base construction and will be funded by the Team. If a change order is requested by the Sports Authority, such as changes to plans or changes to the Guaranteed Maximum Price, the request will return to the Board in a more conventional way. Under this process change orders will go to CAA/ICON, the Team's Project

Manager for review and a recommendation; then go to GHP and CPS, the Authority's project managers, who will review and approve or request changes. Finally, the change order request will go to the Development Committee. If the Development Committee approves it will go to the Finance Committee Chair to sign, or the MLS Stadium board liaison in the absence of the Finance Chair.

Ms. Behm reiterated that this process is for only change orders that the Team will be paying for and thanked Chair Glassmeyer for his willingness to assume this responsibility.

In response to questions by Mr. Glenn Farner regarding the Guaranteed Maximum Price (GMP) and Metro's responsibility, Mr. Gobbell responded that the amount of the Guaranteed Maximum Price is approximately \$277 million and represents the hard costs that go to Mortenson/Messer, the contractor but excludes other professional costs, including engineering. Metro is responsible for only the net proceeds of the \$225M and will not be responsible for any change orders unless the Sports Authority requests them.

Upon a motion duly made and seconded, the Finance Committee unanimously recommended approval of the resolution.

Consider Approval of a Resolution approving an amendment to the agreement with Kimley-Horn, for design services for infrastructure improvements related to the Nashville Major Leagues Soccer Stadium Project at the Nashville Fairground

Ms. Fawknorton reported that in May of 2019 the Authority entered into an agreement with Kimley-Horn, Inc. to provide design services for the infrastructure improvements related to the MLS Soccer Stadium project. The current contract with Kimley-Horn has a Guaranteed Maximum Price of \$1.5M. As Kimley-Horn has continued its work and gone through the process with various Fairground stakeholders, they have determined more work required. and are proposing additional services and a total contract amendment of just under \$400,000. Ms. Fawknorton reminded the committee that the infrastructure project is being funded with \$25M of General Obligation bonds.

Mr. Gobbell walked the committee through the proposed additional services identified on the map provided in board materials. Major items that were not part of the original scope include mobility studies and geotechnical and environmental testing requested by the Planning Department, Public Works, and others related to this project. Ms. Margaret Behm stated that she was glad to see pedestrian access, a WeGo stop, and accessibility getting to the site, and that there has been effort to work with the various Metro agencies to see what they need. In response to

Ms. Behm's question of whether pedestrian access and the WeGo stop would be funded with the G.O. Bonds, Ron Gobbell stated that the bonds will fund the initial part while other parts will be funded by other Metro departments.

Mr. Dan Hogan asked whether the additional scope will impact the completion date. Mr. Gobbell noted that the project is currently on schedule with the goal being a May 2022 substantial completion date.

In response to a question from Mr. Farner, Mr. Gobbell reminded the committee that the infrastructure project is separate from the stadium project. The selection of the construction manager for the infrastructure project is almost complete with the Intent to Award having just been released. Purchasing Agent Michelle Lane provided an update on the status of the Procurement Process. Three proposals were received and, based on the scores of the evaluation committee appointed by the Purchasing Agent, the Bell & Associates Construction was deemed to have the best proposal.

Mr. Farner asked if the Construction Manager will be responsible for the procurement and selection of the subcontractors. Mr. Ron Gobbell confirmed that the Construction Manager will be responsible for the procurement and selection of the subcontractors with review by GHP and CPS.

Upon a Motion duly made and seconded, the committee voted unanimously to recommend approval to the full board.

Consider Approval of a Resolution authorizing the issuance and sale of federally taxable public improvement revenue bonds (MLS Project), Series 2020 of the Sports Authority of the Metropolitan Government of Nashville and Davidson County in an aggregate principal amount of not to exceed \$225,000,000; Approving the execution and delivery of a trust indenture and bond purchase agreement relating to said bonds; Pledging certain revenues of the Authority to the payment of the bonds; Authorizing the execution and delivery of an Intergovernmental Agreement with the Metropolitan Government relating to said bonds; and authorizing the preparation and distribution of a preliminary official statement and official statement in connection with the sale of the bonds

Mr. Tom Cross, Deputy Law Director, reported that the approval of the bond resolution is the next step in moving the project along since revenue bonds will be issued to fund the construction of the stadium project. He introduced Metro bond counsel Jeff Oldham with Bass, Berry & Sims to provide additional information.

Mr. Oldham reminded the board that one of the powers of the Sports Authority is to issue bonds to finance sports projects and that the process requires the adoption of a resolution. The bond resolution authorizes \$225M of taxable bonds. The proceeds of these bonds will be allocated to stadium construction and to capitalized interest through the construction period. The theory is that the project will generate revenue streams from ticket and sales taxes that will help pay debt service; but, until construction is complete those revenue streams are not available and the bond proceeds will be used to pay interest and bond issuance cost. The basic term of the bond issue is 30 years commencing from the stadium opening and matching the state's re-direction of incremental sales taxes to the project. Mr. Oldham noted that, per Federal Tax Law, when you have a non-governmental entity like the Team both using and providing for substantial payment of the debt service, you cannot use tax-exempt bonds. The bond resolution authorizes that these bonds will be sold by negotiated understanding with an underwriting group led by CitiGroup, selected through a process with Metro Finance. The payment and security for these bonds are revenue streams: incremental sales tax revenues (stadium related), ticket tax revenues (net of the portion set aside for future stadium capital improvement), team rent (net of ticket and sales tax revenues), and if all else fails a pledge of Metro's non-tax revenue. The Sports Authority can only issue bonds with the approval of Metro Council, which occurred earlier this year.

Mr. Oldham noted additional documents, which will need to be executed:

- (1) **The Indenture**- the contract between the Sports Authority and the bondholders. There is a Trustee on the other side, Regions Bank, acting on behalf of the bondholders. The indenture is the Sports Authority's contract with the bondholders, laying out the terms of the bonds, the obligation to repay, and it creates a handful of funds and accounts such as the construction fund and the debt service fund, which will administer bond proceeds and collect sales ticket tax revenues and team rent, and apply them to the payment of debt service.
- (2) **The Bond Purchase Agreement**- The contract between the Sports Authority and the underwriting group. When it is signed, it will lock in the prices and the interest rate on the bonds. The adoption of the bond resolution does not bind the Authority or Metro to anything, it is only when this document is signed that the Sports Authority and Metro will have the actual interest rates and the actual price of the bonds. At that point there is a binding contract to issue the bonds.
- (3) **The Intergovernmental Agreement**- The document where Metro agrees to provide ticket tax revenues, and/or non-tax revenues as a backstop. The Sports Authority will administer this project not only in accordance with bond documents; but also, with the other documents that have already been approved, like the Team Lease.

(4) **Preliminary Official Statement**-the underwriter will take this statement and market bonds to potential investors. It describes the Sports Authority, Metro, the bonds, the project, and it tells investors what they want to know in order to decide whether to invest in the bonds or not.

Deputy Finance Director Tom Eddlemon added that the structure of the bonds includes several revenue sources and that bonds are expected to close the middle of December. At that point proceeds will be available and we will be moving forward with the project. The debt service schedule will be set up will extend out to 205. Principal payment dates will be August. Over the next few weeks Metro's team will get a rating of the bonds from the rating agencies. The Preliminary Official Statement will include statements from the rating agency and a pricing date will be set soon, along with the schedule of the bond issue. The closing will follow pricing and the Sports Authority, Metro, the underwriters, and the Trustee will all sign the documents closing the bonds, and the process will be finished.

Metro's Financial Adviser, Wayne Placide, with Hilltop Securities added that the pricing of the bonds will be scheduled for December 8, 2020, and, assuming all goes well, bonds will close on December 17, 2020.

Mr. Eddlemon added that after closing Metro Finance will administer the bonds, making sure debt service payments are made, disclosures happen, and work with the Trustee to insure all of the accounts are set up and are appropriately running.

In response to questions about the ratings, Wayne Placide noted that currently Metro's bonds have an AA-2, AA rating. Mr. Eddlemon added that every time Metro issues bonds, a new rating is obtained which becomes the rating of the city at that point. Revenue bonds, he explained, differ from General Obligation bonds, and it is not unusual to have to go back and get another rating.

Mr. Farner asked whether the bonds are backed by revenue or tax obligations and Mr. Eddlemon replied the bonds are backed by the team's ticket and sales tax and the rent provided by the Team.

Ms. Behm stated her appreciation of the work that has gone into this and her pleasure to finally be at a place where bonds can be issued.

Upon a motion duly made and seconded, the Finance Committee unanimously voted to recommend approval of the bond resolution.

There being no other business, the meeting adjourned.