

SPORTS AUTHORITY OF THE METROPOLITAN GOVERNMENT OF NASHVILLE & DAVIDSON COUNTY  
Minutes of November 4th, 2015 Meeting of the Finance & Audit Committee  
Peabody Conference Room in Lindsley Hall  
8:30 a.m.

**Board Members:** Margaret Behm (Chair), Ralph Perrey, Dudley West, Kim Adkins, David Wicker  
**Staff:** Monica Fawknorton, Ilesha Montesrin (Sports Authority Temp), Margaret Darby (Legal)  
**Titans/ Nissan Stadium:** Jenneen Kaufman  
**Predators/ Bridgestone Arena:** Kyle Clayton, Beth Snider, Michelle Kennedy  
**Visitors:** Ed Henley (Commonwealth Development), Larry Atema (Commonwealth Development),  
Brasher Burbank (Stewart Parking), Jason Fisher (SP+ Parking), Kristina Kirby (Kraft CPAs), Vicky Ray  
(Kraft CPA), Bob Lackey (Metro Finance), Tom Eddlemon (Treasurer)

Chairwoman Margaret Behm called the meeting of the Sports Authority Finance & Audit Review Committee to order at 8:30 a.m. and welcomed all in attendance. After requesting each person to state his/her name and organization, Ms. Behm asked Ms. Monica Fawknorton to give an approximation of the committee's meeting schedule. Ms. Fawknorton reported that the Committee will meet annually in October /November to vet both the Bridgestone Arena and Stewart Logistics Audit; In January to vet Operating Budgets for Bridgestone Arena and the Sports Authority Department; and finally in January/ February to vet and review projects and invoices related to the Titans' Capital Expenditure Reimbursement Requests. In addition to taking up these fiscal matters, the committee will meet as needed to discuss and recommend approval Capital Improvement Fund (CIF) projects at Bridgestone Arena. Ms. Fawknorton noted that dates may vary; depending upon when information is received, but the committee will be meet approximately four times a year.

***Stewart Logistics, INC. - FY 15 Audited Financial Statements***

After recusing herself from the Stewart Logistics, Inc. discussion, Chairwoman Behm disclosed that she has represented Stewart Logistics as its attorney, turned over the chair to Mr. Ralph Perry. Mr. Perrey recognized Ms. Kristina Kirby of KraftCPAs, to discuss the FY15 Stewart Logistics Audit. Ms. Kirby reported that while it was a clean audit, a few journal entries were adjusted due to scheduling differences (Cash vs. GAAP). Ms. Kirby noted that while this is not uncommon for an organization of Stewart's size, it may result in a few discrepancies between what was reported throughout the year and the final report.

Ms. Kirby stated that is the auditor's opinion that the schedule of revenues is presented fairly in all material respects. Total revenues collected, including sales taxes, are \$354,825 and of that, \$221,183 was remitted to the Sports Authority. The Sports Authority is guaranteed to receive \$117,700 in revenues each year under the Metro Contract. The breakdown of the revenue split paid to the Sports Authority is as follows: 50% of the first \$60,000 in gross revenues, 60% of the next \$40,000 in gross revenues, and 65% of gross revenues over \$100,000. Ms. Kirby noted that the Sports Authority also received an additional \$8,002 for the month of May that was not reflected on the schedule of revenues,

bringing the total to \$229,185 for the year. Mr. Brasher Burbank reported that this was Stewart Logistics best year- the third year of their contract with Metro. The total revenues collected in those three years have been \$262,000 for 2013, \$323,000 for 2014 and \$354,825 for 2015. **Upon a motion duly made and seconded the Sports Authority voted to recommend approval to the full board of the 2015 Audit of Stewart Logistics, Inc. Ms. Behm abstained.**

### ***Bridgestone Arena- FY15 Audited Financial Statements***

Chairwoman Behm again recognized Ms. Kirby from KraftCPAs to give the audit report for the Bridgestone Arena. Ms. Kirby reported that it is the auditor's opinion that the schedule of revenues is presented fairly in all material respects. Restricted cash for advance tickets were up almost \$1 million from last year, causing an increase in the advance ticket proceeds and the deferred revenue. The audit showed \$1,282,048 due from Metro to cover capital improvements- twice the amount of last year. Total revenues for FY15 were up about \$1.4 million from last year and totaled \$12,019,727. The Predators playoff run was a large part of the total revenue increase as the extra events resulted in increases in parking, seat use charge, sales commission, and food and beverage. The increase in revenue, however, was balanced out by \$1.34 million of increased expenses from the cost of additional events. FY15's excess of expenses over revenues is (\$4,945,766); cumulative excess of expenses over revenues since the opening of the Bridgestone Arena in 1996 is (\$88,748,275).

Expenses include a \$1million management fee paid to Powers Management every year in accordance with Second Amended and Restated Operating and Management Agreement. Expenses do not include the incentive fee and performance bonus. For FY15 Powers Management earned the maximum \$2.7 million incentive fee. They also earned a performance bonus of \$1,078,799, which can be calculated by subtracting the revenues from the expenses and then subtracting this from Net Operating Loss Cap. The incentive fee and the performance fee total \$3,778,799 to be paid to Powers Management from Sports Authority. The adjusted Net Operating Loss Cap (working capital advances) was \$5,259,657 for the year, based on the lessor of 5% or the change in the CPI and the seat usage charge. Of the working capital advances, \$764,908 was funded through that to pay the management fee. The refund to Metro for excess working capital advances is \$1,078,799, which essentially became Powers Management's performance bonus.

The ticket surcharge (seat use charge) is equal to 5% of the ticket price or it is capped at \$2.00 per ticket sold for non-hockey events. The Sports Authority was owed \$41,607 for the ticket surcharges that accrued for the month of June, 2015. In FY15 \$910,308 was remitted to the Sports Authority from the seat usage charge. The cumulative total is \$20,489,679. There is also another ticket surcharge taken from every ticket sold and this is described as the Capital Improvement Fee. The same amount is charged for each ticket; however, at the end of every month, the money is put into an account that the Sports Authority manages. As this money accumulates, Powers Management makes recommendations to the Sports Authority on the improvements that should be made. When such improvements have been approved, the costs are paid from the Capital Improvement Fund.

Total rent revenues for the Hockey Club was \$1,074,901 and the rent receivable was \$834,901 for the fiscal year. The Hockey Club has a 401(k) that covers substantially all employees and this totals \$38,043.

KraftCPAs reported that there were no exceptions throughout any of the testing that was performed. At the end of the year, Powers Management had liabilities to one entity that represented approximately 29% of the accounts payable and accrued expenses. This was regarding the seat replacement and it was due to a few invoices that were left unpaid at the time of the audit. Total food and beverage revenues collected in FY15 totaled \$6,867,140. Of that, \$3,303,050 was due to the Hockey Club and \$3,564,090 was the balance for Bridgestone Arena. Property and equipment, indebtedness of Metro with respect to the financing of the Arena, and the related expense amounts for depreciation, interest and other costs related to the Arena are not reflected in the financial statements.

Following the auditor's report, Chairwoman Behm recognized Mr. Bob Lackey of Metro Finance to give the board an overview of Metro's role in regards to the audits. Mr. Lackey stated that while Metro receives the audits, it does not have full access to all of the facilities' financial statements. Mr. Lackey stated that Metro's primary role is to review the incentive fee calculation because it has a larger impact on the city. Metro is supplied with sales tax returns, concessionaire information and audited financial information from both the facility and KraftCPAs. They then tie the information back together and create an adjusted spreadsheet, if necessary, to give an independent calculation. He stated that he had reviewed the incentive fee and it is accurate. **Upon a motion duly made and seconded the Sports Authority voted to recommend approval to the full board of the 2015 Audit of Bridgestone Arena.**

#### ***Nissan Stadium- Capital Project Update***

Chairwoman Behm recognized Mr. Ed Henley and Mr. Larry Atema of Commonwealth Development Group, Inc. to present the draft budget for the seat replacement and expansion joint repair at Nissan Stadium. Mr. Ed Henley began by addressing the sources of the fund that will make the project possible. The two main sources involved include \$1.1 million from the Sports Authority and \$13.9 million that will come from bank loans. The \$1.1 million from Sports Authority will start the project and over the next year be built back up from the \$1.00 portion of the ticket tax. The seat replacement is going to cost \$6,166,136 and the seating logo alternate will cost \$103,510. The expansion joints will roughly cost \$5,940,004, based off of an estimate done in February with a 1.5% escalation added to it. There is also \$600,000 for other potential repairs due to the likelihood that there are more problems than what is on the surface. Mr. Henley additionally noted that the expansion joint project is more than just concrete and has a moisture protection component that may have to be repaired. A contingency of \$640,000 (5% of the total construction budget) has been added to the construction portion of the budget.

Mr. Henley continued with the design and engineering aspects of the project. The Titans, working closely with Mr. Henley and Mr. Atema, have engaged SKA Engineering Consultants, who have already done some studies on the expansion joints, for work on the stadium's expansion joints. Their engineering fee is set at \$240,000 with an additional \$15,000 for reimbursements, which can include

travel and bringing on specialists. Due to the different components that comprise the expansion joints, a \$25,000 consultant fee allowance is accessible. There is also a 5% contingency (\$14,000) for the design portion of the project.

Finally, Mr. Henley stated, there is the project management and related project expenses to the renovations of the seats and expansion joints. Management for a project this large will cost \$386,050 and will have a contingency of \$25,300. Aside from the management, it is wise to acquire a third party to perform material testing, inspections and commissioning. There are no set costs for these categories; however the budget does allow \$75,000 to be used for necessary use of these funds. The team is still clarifying which permits will be needed, but \$10,000 has been put aside for this and insurance. There is also another \$10,000 for financing and miscellaneous that will help absorb some of the money regarding the loans. Overall, there is an extra \$750,000 for the project contingency that will get used for any category that may need extra funds.

### ***Tennessee Titans Capital Expenses***

At the October 21 full board meeting, Chairwoman Behm raised a question regarding the process regarding reimbursement of capital expenditures. Ms. Jenneen Kaufman began with a recap of the user fee to show how much money has been paid into the Capital Improvement fund. The previous summary supplied to the Board at its October meeting contained a miscalculation, showing the seat user fee paid as of August 31, 2015 to be \$2,029,881. After the calculation error was caught, a new schedule was provided which showed the actual User Fee paid as of August 31, for 2015 to be \$2,390,631. By the end of September, the figure had grown to \$2,634,318. 2014 saw a contribution of \$2,713,764 for the entire year. The increased number of events at Nissan Stadium this year led to an increase in user fees. In response to another question posed at the October Sports Authority Meeting, Ms. Kaufman provided the committee with an updated document that shows the breakdown of total tickets distributed (sold and comp) minus the permitted or actual comp ticket allowance and the Total tickets subject to User Fee beginning with Game 1 on 8/23/15. Ms. Kaufman explained that that they took an estimate and broke it down equally between the ten Titans games this season. At the request of Metro, the Titans pay the installments (\$54k) every month to level out the deposits. After the box offices close, a true up is done and extra payments are made for what was unaccounted for in the estimates. As for other non-Titan game events, the user fee is paid after it is collected. Ms. Kaufman also supplied the board with a list of the major capital expenditures that are currently in the receivable. The chart shows twenty-seven projects, some of which have been completed and some that are in the process of being finished. These projects range from \$10,900 to \$418,286 and combined total \$2,718,476. Ms. Kaufman stated that the Titans will carry these expenditures on their books until money becomes available in the Capital Stadium Fund to request reimbursement. At that time, the Titans will sit down with Metro Finance, the Sports Authority and Metro Legal to discuss the improvements (and invoices) which they believe are covered by the lease. Ms. Behm asked whether the Titans receive approval from the Sports Authority prior to spending the funds and making the improvements. Ms. Kaufman replied not in all cases. Ms. Kaufman stated her belief that the City is familiar with the upcoming capital needs based on previous meetings and facility studies. Ms. Behm

noted that the Titans do a lot of projects, and that it is important for the Sports Authority to understand the context and be informed of these expenditures.

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