

SPORTS AUTHORITY OF THE METROPOLITAN GOVERNMENT OF NASHVILLE &
DAVIDSON COUNTY

Minutes of May 15, 2017 Meeting of the Finance & Audit Committee
Peabody Conference Room
8:30 a.m.

Board Members: Margaret Behm (Chair), Ralph Perrey, Dudley West, Kim Adkins, Emmett Wynn, Catana Starks, Christie Wilson

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

Titans/ Nissan Stadium: Jenneen Kaufman, Burke Nihill, Bob Flynn, Daniel Granger (Deloitte), Troy Falternar (Deloitte)

Predators/ Bridgestone Arena: Keith Hegger, Beth Snider, Kyle Clayton

Visitors: Bob Lackey (Metro Finance), Larry Atema (Commonwealth Development Group), Jordan Wyman (Commonwealth Development Group), Richard Swor (Metro Legal), Jeff Cole (ESPN & 101.5 The Game)

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. **Upon a motion duly made and seconded, the Sports Authority unanimously voted to approve the minutes of the February 13, 2017 Finance Committee meeting.**

Executive Director's Report

Chairwoman Behm recognized Ms. Monica Fawknotson to give the Executive Director's Report. Ms. Fawknotson reported that the Sports Authority's Public Investment Plan (P.I.P), was funded. The P.I.P will allow the Sports Authority to purchase two Mamavas (mobile breastfeeding/lactation suites) and place them at Nissan Stadium and First Tennessee Park. Ms. Fawknotson stated that a small number of Public Investment Plans were funded and she thanked the Mayor's team for the approval.

Nissan Stadium/Titans Report

Chairwoman Behm asked Ms. Jenneen Kaufman to give the Nissan Stadium/Titans Report. Ms. Kaufman began with an updated report of the Financials including:

- Ticket Tax Summary
 - Stadium Capital Fund (\$1,217,995.52)
 - \$2 Ticket Tax-2012 Bonds (\$497,930.41)
 - Reserve Fund (\$1,900,000)
 - 2015 Project Fund (\$2,182.78)
 - Outstanding Stadium Loan (\$12,307,355.84)
 - Ticket Tax Paid to Date (17,531,335)
- Unfiled Reimbursement Receivables (\$4,719,782.80)

- Casualty Receivables (\$4,217.17)

In terms of 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. Thus far, they have paid three installments, each in the amount of \$162,000.

Ms. Kaufman stated that six new projects (totaling \$165,422.72) have been added to the Cap-Ex Tool's "Anticipated List":

- Padding for concrete walls near the field (\$49,016)
- ADA Companion Chairs (\$5,951.25)
- Picnic tables for the end zones (\$12,720)
- Bike racks (\$8,378)
- Paint doors throughout the stadium (\$25,665)
- Ride share pick-up and drop-off location-Lot T (\$63,722.47)

Ms. Kaufman then addressed each of the new items on the anticipated list. The Committee specifically expressed concern with the door painting project, asking why the painting of doors would be considered a "Capital Expense," as opposed to routine maintenance. Further discussion is needed. Ms. Kaufman noted that the items on the anticipated list are projects the Titans expect to complete before the 2017 season begins.

Ms. Kaufman stated the 2016 Seat User Fee Audit. At the Titans expense, Deloitte & Touche were engaged to perform the audit on the Seat User Fee's Agreed Upon Procedures (AUP) for the 2016 football season. She then recognized Mr. Daniel Granger and Mr. Troy Falternar, from Deloitte & Touche to discuss the audit. Mr. Granger and Mr. Falternar stated that in performing and auditing the 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. Granger concluded his report by stating that the Titans collected \$1,845,603 in user fees for the 2016 season.

Project Manager's Report- Phase II Stadium Refurbishments

Chairwoman Behm then recognized Mr. Larry Atema and Mr. Jordan Wyman to give the Project Management update. Mr. Atema and Mr. Wyman reported that phase two work on the East Club Level is complete. Phase 2 work included:

- Replacement of 13 Expansion Joints
- Waterproofing
- Extension of several guard rails in the seating areas

Mr. Wyman stated that final invoices are still coming in and the amount of any excess funds will be determined following reconciliation. Mr. Atema then stated that there was a new discovery while working on Phase Two:

- An internal gutter failure in the storage room (resulting in water damage).
- Early estimates for the replacement costs & remediation are \$50k-\$100k. Staff, Titans and Commonwealth Development Group recommends funding replacement costs with any left over money from Phase Two.

Mr. Atema concluded by stating that any available funds after the replacement of the gutter, can be used to pay for the Expansion Joint Test Area (\$157,570) and the Stadium Leak Project (\$20,495.49) which the committee has currently deferred payment of until more information is known as the availability of funds. If no money is left from the stadium loan proceeds, the Test Area and Leak Project will be paid for out of the Stadium Capital Fund.

Consideration of Bridgestone Arena's Proposed List of FY18 CIF Projects

Chairwoman Behm recognized Mr. Kyle Clayton to discuss the proposed list of FY18 Capital Improvement Fun projects. Mr. Clayton stated that under the terms of the bank loan used to fund CIF projects, Metro is required to submit a list of capital projects to be financed with the proceeds of the loan 30 days prior to the beginning of the fiscal year (or by May 31).

It was stated that on May 1st the Predators sent Sports Authority staff a list of their proposed CIF projects for FY18. The Committee stated that moving forward, staff and the Finance Committee will develop a more detailed process which allows for more time and information to review the proposed projects prior to Bridgestone Arena's request to the board.

The FY18 proposed list of projects includes:

- Backstage Area of Bridgestone Arena (\$700,000)
- Restrooms (\$150,000)
- Internal/External Band Staging (\$200,000)
- Newly Created Premium Hospitality Space on Event Level (\$350,000)
- Emergency Power/Back Up System/Firewall (\$100,000)

Also mentioned in the letter are two projects for which Bridgestone Arena will seek approval for CIF funds or pursue other sources in the near future:

- Large Scale Video Enhancements (\$6,000,000)
- Arena Sound System (\$1,200,000)

Projects considered for Intermediate to Long Range Planning:

- Fan Interaction Areas (\$100,000)
- Concourse Flooring (\$500,000-\$1,000,000)
- Zamboni (\$100,000)

The CIF's borrowing capacity is five times the CIF of the previous year, or a maximum of \$10 million. The CIF balance is roughly \$800,000; the 5 projects for which the Finance Committee recommends approval total \$1.5 million. Mr. Bob Lackey, with Metro Finance, noted that the loan agreement is through 2020 and stated the importance of paying down the loan before an extension needs to be negotiated. Mr. Lackey additionally noted that new projects cannot begin without an availability of funds. As the Capital Improvement Fund is replenished by fees, and funds become available, the Predators should request project approval from the Authority.

Upon a motion duly made and seconded, the Finance Committee unanimously voted to recommend approval of the Predator's top five projects to the full board, contingent upon funding availability.

There being no other business, the meeting was adjourned.