

THE SPORTS AUTHORITY OF THE
METROPOLITAN GOVERNMENT OF NASHVILLE & DAVIDSON COUNTY

FINANCE COMMITTEE MEETING MINUTES
Thursday September 15, 2022| 9:30 am
Bridgestone Arena – Loyal Legion Meeting Room

Attendees

Committee Members: Frank Harrison (Chair), Glenn Farner, Winston Justice

Board Members: Kim Adkins, Cathy Bender, Don Deering, Melvin Gill, Aaron McGee, Emmett Wynn, Michael Zerah

Staff: Monica Fawknottson (ED), Valda Barksdale, Bob Lackey, Brandon Little, Melissa Wells, Joshua Thomas (Metro Legal)

Visitors: Adam English (Sounds), Amanda Carlisle (PMC), Bob Flynn (Titans), Brett A. Withers (Metro Council), Dinah Wells (PMC), Doug Scopel (Sounds), Greg McClarin (Metro Finance), Josh Hayes (Metro Stormwater), Josh Trumel (Metro), Kate Guerra (Titans), Kristina Kirby (Kraft CPAs), Kyle Clayton (Preds), Mitchell Bosch (Metro Finance), Necol Lyons (Finance-Office of Mgmt & Budget), Paul Lawson (Turner), Ross Florey (5th3rd Bank), Shannon Myers (Titans), Susan Vanderbilt (Entrée Savvy), Tim Bewley (PMC)

Call to Order

Chair Harrison called the meeting of the Sports Authority Finance Committee to order at 9:07 a.m. and welcomed all in attendance. He also thanked Bridgestone Arena's staff for hosting.

Consider approval of minutes from July 15, 2022, Finance Committee Meeting

Chair Harrison asked if there were additions or corrections to the July 15, 2022 meeting minutes. There being none,

Upon a motion made by Director Farner and seconded by Director Justice, the Finance Committee unanimously approved the minutes from the July 15, 2022 meeting.

Consider a Resolution approving a Side Letter Agreement to the Lease Agreement between the Sports Authority and Powers Management, LLC (Joshua Thomas, Metro Legal)

Metro Attorney Josh Thomas gave an overview of the Side Letter Agreement and noted the following:

- The Sports Authority & Powers Management, LLC entered into a Lease Agreement on July 1, 2019 for Powers to manage and operate Bridgestone Arena. The purpose of the Side Letter Agreement is to clarify items that were primarily caused by a lack of Waterfall Revenue stemming from the COVID-19 pandemic as well as contractual language regarding Debt Service, the SEC Tournament, Metro Allocations, Withdrawals from the Arena Account and the Consumer Price Index.
- **MSA Revenue Bond Commitments.** In 2021, the Authority refinanced the Bridgestone Arena bonds which lowered annual debt service costs. **The Side Letter clarifies that annual debt service allocations will continue as contemplated** in Exhibit B Waterfall; until July 1, 2033.
- **MSA Commitments for the SEC Tournament.** Due to Covid-19, SEC basketball tournaments held in 2020 and 2021 were not held in the manner as planned and the Authority incurred SEC Expenses in amounts less than contemplated on Exhibit B Waterfall. **The Side Letter clarifies that the Sports Authority will disburse amounts from the Arena Account based on actual incurred SEC Expenses** not-to-exceed amounts listed on Exhibit B Waterfall. Adjustments for SEC Expenses will be made to the Waterfall in the year after each applicable SEC Tournament to which the adjustment applies, due to the timing in the fiscal year adjustments are typically determined.

- **Consumer Price Index.** The Arena Maintenance Fee increases each year is based on the Consumer Price Index for the Southeast Region. **The Side Letter clarifies the “Southeast” Region as the CPI measure for determining annual increases.**
- **Reductions in Required Metro Allocations.** Exhibit B Waterfall to the Arena Agreement provides for annual deductions of \$110,000 from Metro Required Allocations. The Agreement did not address the annual \$110,000 reduction. **The Side Letter clarifies the \$110,000 Annual Reduction was intended to increase funding to the Authority for paying an additional position(s).**
- **Other Clarifications.**
 - a. **Monthly Withdrawal from Arena Account.** Disbursements to satisfy funding priorities began **September 2019, two months later than the Agreement’s July 1, 2019 effective date.** The two-month delay was attributable to delay in revenue collection, thus resulting in an initial ten-month year. Similarly, collections from the final two months of the agreement (2049) will not be available for disbursement until September 2049. In order for funding sources to be received and disbursed as originally contemplated, disbursements described in Section 3(e) (the “Waterfall”) will continue **through August 2049.**
 - b. **Required Metro Allocations.** Metro is entitled to receive 50% of Hockey Sales Tax Revenue. However, for the Initial Lease Year (FY 20), Metro received 100% of Hockey Sales Tax Revenue. Metro agreed to repay Powers Management the extra 50% Hockey Sales Tax Revenue they received in FY 20 over a three-year period FY 21, 22 and 23 plus interest (called the Powers Make Whole Amount). Unfortunately, **due to the Pandemic and lack of Waterfall Revenue, the Side Letter clarifies the remaining payback period as FY 22 & 23.**
 - c. **Waterfall.** Collections received from Metro's portion of sales taxes and from certain state-authorized fees charged on admission events at Bridgestone Arena are deposited into a fund called the Arena Account. The Lease Agreement creates a waterfall priority payment structure, which is shown in Exhibit B to the Lease Agreement, that governs the priority in which certain expenditures and the amounts that are paid for out of the Arena Account.

According to the waterfall provision: (i) payments are first made to the Sports Authority for certain expenses as listed on the Exhibit B, (ii) and once those are paid in full, payment is second made to Powers for its Arena Maintenance Fee, (iii) then third to Metro Government and then to Powers for a Management Fee, and (iv) lastly fourth to any deficiency amounts owed to a party for a previous year if there was not enough money in the Arena Account at the time those payments should have been made. Any remaining surplus, is transferred to a Capital Reserve Account. The Side Letter clarifies the amounts for certain expenditures that are listed on the Exhibit B.

Both ED Fawknorton and Mr. Lackey shared that given the complexity of the waterfall and the fact that many of the Board Members were not serving on the Board when the waterfall was adopted, it would be helpful to schedule a special session in which the waterfall is explained in detail.

Upon a motion made by Director Farner and seconded by Director Justice, the Authority approved the Side Letter Agreement to the Lease Agreement between the Sports Authority and Powers Management, LLC.

Parking Management Company (PMC) Update (Tim Bewley, CFO & Dinah Wells, Director of Operations)

Mr. Bewley gave an overview of PMC which was founded in 1992 and is centrally headquartered in Nashville. PMC employs a workforce of over 6,300 to provide parking garage & lot management, valet & bell service, self-parking, monthly parking, large event/venue parking management, transportation & shuttle service. They are currently under a five-year contract with the Sports Authority (June 2009-June 2024) where they manage all Nissan Stadium Lots (A, B, D, E, F, N, P, R & T) that are controlled by Sports Authority. In addition to managing daily parking for Lot E, their services also include managing parking for reserved events, invoicing, collections & gate management as well as weekly cleaning of lots.

PMC is seeing a growing and beneficial trend in cashless payments and highly recommends the use of Oobeo technology. Oobeo makes it easy for event attendees to pay for parking quickly and securely from their own mobile device via a QR Code square reader. Oobeo improves accounting and auditing activities, is safe and efficient with no cash being handled.

Mr. Bewley and Ms. Wells reported on PMC's Associate Diversity Metrics including a 61% male and 38% female workforce which is comprised of 44% White, 35% Black and 14% Hispanic. Unfortunately, during the Covid 19 pandemic over 80% of their locations suffered suspended services. This resulted in furloughing over 4,200 associates. However, by June of 2021, PMC's workforce bounced back to 3,500 associates and as of today is fully staffed.

Consider a Resolution approving the FY20/FY21 Audited Financial Statements for Parking Management Company (Kristina Kirby, Kraft CPAs, PLLC)

Ms. Kirby provided a summary of disbursements and revenues of PMC related to its contract with the Sports Authority. KraftCPAs responsibility was to express an opinion on the Schedule of Revenues and Disbursements based on the audit conducted for the period of June 1, 2019 thru June 25, 2021.

The Independent Auditor's Report noted that PMC was responsible for the preparation and fair presentation of the Schedule. The breakdown of the revenue split paid to the Sports Authority is noted as: 50% of the first \$60k in gross revenues, 60% of the next \$40k in gross revenues and 65% of gross revenues over \$100K. Sales taxes collected are included in revenues and approximated \$38,500 for the auditing period. Total revenues collected were 456,245; amount disbursed to the Sports Authority was \$247,898. A note regarding subsequent disbursement indicates that the Sports Authority's share of revenues totaling approximately \$40,400 and \$8,200 as of June 25, 2021 were remitted in December 2021 and June 2022 respectively and are not reflected in the June 1, 2019 – June 25, 2021 schedule.

Ms. Kirby reported KraftCPAs opinion is that the revenues and disbursements of PMC to Sports Authority for the auditing period present fairly in accordance with accounting principles generally accepted in the USA.

Upon a motion made by Director Farner and seconded by Director Justice, the Authority voted in favor of the Resolution approving the FY20/FY21 Audited Financial Statements for Parking Management Company.

Consider a Resolution Authorizing and Approving expenses related to stormwater control measures at First Horizon Park (Doug Scopel, Assistant GM, Nashville Sounds)

Mr. Scopel presented items related to the stormwater system at First Horizon Park that fall under the scope of the Sports Authority which require repair. There are several items on the list to be addressed, however, the permeable pavers located at the Right Field Entrance near John Lewis Way require immediate attention and repair. The pavers have sunken over time resulting in several significant trip hazards. There have been multiple instances of event attendees and staff members suffering falls since April and the matter has escalated to a major safety concern. Thus, First Horizon Park is requesting that the Sports Authority take immediate action for funding and execution of the needed repairs of the permeable pavers.

Josh Hayes of the Metro Stormwater Office noted that Metro Nashville is required, per the Municipal Separate Storm Sewer System permit to ensure permanent Stormwater Control Measures are properly inspected and maintained. The 2022 Stormwater Control Measure Inspection Report indicates that the North Pavers have moderate debris & sediment clogging as well as vegetation growth in some areas. Additionally, the South Pavers showed light sediment accumulation with moderate accumulation at SW corner of pavers.

First Horizon Park recommends Hickory Hardscapes Commercial to perform the repairs; the company submitted a bid estimate of \$12,605. Jarrett Construction & Sessions Paving both declined the job due to the low cost. The total request which includes possible increases and oversight is \$15,000, and will be a 4% funding submittal.

Additionally, First Horizon Park management also requests a walk-through and review of all storm water items within the 2014 agreement to ensure a maintenance plan is established and all areas are in compliance within Metro regulations.

Upon a motion made by Director Farner and seconded by Director Justice, the Authority voted in favor of the Resolution Authorizing and Approving expenses related to stormwater control measures at First Horizon Park.

Chair Harrison announced that the committee recommendations will go to the full board meeting today at 10:30am. If needed, the next Finance Committee meeting will be held at 9:30am, October 20, 2022 at First Horizon Park. Board members will be notified.

There being no further questions or business, the Finance Committee Meeting adjourned.

Respectfully submitted, Valda Barksdale, The Metro Sports Authority
