

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

FINANCE COMMITTEE MEETING MINUTES

Thursday December 1, 2022 | 9:30 am

Nissan Stadium – Press Box Cafeteria

Attendees

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

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

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

Visitors Tim Bewley (PMC), Arnett Bodenhamer, Diamond Bell (Sun), Danny Butler (Preds), Amanda Carlisle (PMC), Kyle Clayton (Preds), David Cripe (JLL), Cole Durio (CPS), Adam English (Sounds), Jeff Fisher (PMC), Ross Florey (5/3 Bank), Bob Flynn (Titans), Ron Gobbell (GHP), Kate Guerra (Titans), Keith Hegger (Predators), Quinton Herring, Sylvia K. January (Citizen), Michelle Kennedy (Preds), Kristina Kirby (Kraft CPAs), Shannon Myers (Titans), Jim Pustejovsky (CPS), Steve Reiten, Doug Scopel (Nashville Sounds), Shereme Siewnarine (Titans), Will Traylor (Mortenson), Dinah Wells (PMC), Dan Werly (Titans), Brett A. Withers (Metro Council)

Call to Order

Chair Harrison called the meeting of the Sports Authority Finance Committee to order at 9:30 a.m. and welcomed all in attendance. He also thanked Nissan Stadium and the Titans staff for hosting.

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

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

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

Consider Approval of Resolution Approving the Audited Financial Statements for Parking Management Company, LLC

Kristin Kirby, Senior Manager for Kraft CPAs, presented an overview of the FY22 Parking Management Company, LLC (PMC) audit. In the opinion of Kraft CPAs, the schedule of revenues and disbursements of PMC related to its contract with the Sports Authority for the period of June 26, 2021 through June 30, 2022 presents fairly and without concern. On June 1, 2012 PMC began managing and maintaining parking spaces on behalf of the Sports Authority located at Nissan Stadium which includes daily collection of parking revenue for Lot E as well as special events and programs in other lots. The breakdown of the revenue split paid to the Sports Authority is as follows: 50% of the first \$60k in gross revenues; 60% of the next \$40k in gross revenues and 65% of gross revenues over \$100k.

Disbursements to the Sports Authority net of any agreed upon expense reimbursements are reported in the period in which they were remitted. Totals for this reporting period are: \$93,590 for Lot E automated collections and \$237,852 for Special Event Collections for a combined revenue total of \$331,442.

Director Hogan requested clarification regarding the number of parking spaces covered in the contract to which Ms. Kirby stated it covers approximately 7,400 parking spaces assigned to the Sports Authority.

Director Farner requested clarity regarding destination of the revenue dollars disbursed to the Sports Authority to which Executive Director Fawknottson reported it is pledged to debt services.

Tim Bewley, CFO PMC, noted that an additional \$108,955 was disbursed as a catch-up payment which accumulated when their offices laid off the entire accounting staff due to the Covid Pandemic. This payment satisfied all outstanding debts. Director Hogan requested clarity regarding how much of the payment relates to the non-reporting period to which Ms. Kirby noted that PMC remitted disbursements of approximately \$38,500 related to revenues received prior to the June 2021.

Upon a motion made by Director Hogan and seconded by Director Justice, the Authority voted to approve the Resolution Approving the Audited Financial Statements for Parking Management Company, LLC

Consider Approval of a Resolution Approving an Amendment to an Agreement for Construction Management Services for Infrastructure Related to the MLS Stadium Area by and between the Sports Authority and Bell & Associates Construction

Jim Pustejovsky, CEO Capital Project Solutions (CPS), reminded the Authority that the Construction Manager contract for Infrastructure associated with the MLS Stadium was awarded to Bell & Associates Construction and executed January 2021. An evaluation based on qualification and experience was conducted on three offerors who scored as follows: Bell & Associates Construction 97.00, Kiewit Infrastructure South 82.99 & Messer Construction 89.92. The initial estimated contract value was \$19m based on an evaluated amount per Metro Procurement's Construction Manager Solicitation process. The initial contract value was estimated prior to the subcontractor bids for the various scopes of work for the construction project. The purpose of the contract amendment is to capture all actual construction cost incurred to complete the final scope of work. The additional cost of \$1.7 million includes subcontractor bids and fits within the overall budget.

Director Farner requested clarification regarding several aspects of the amendment process including:

- Whether the contract was a cost-plus contract to which Mr. Pustejovsky responded no, it is an at-risk contract.
- Did the Guaranteed Maximum Price (GMP) change? Mr. Pustejovsky reported that the original contract amount was not a GMP; it was an evaluated amount based on a mathematical formula utilized by Metro Purchasing.
- Was the amended amount of \$20.8m in the original contract? Mr. Pustejovsky noted that the original GMP was higher than the amended amount. Metro Deputy Law Director Tom Cross noted that in developing a budget the numbers may fluctuate during the solicitation of proposals period to the design completion phase. This is mainly because the design period can take up to six months or longer during which time market prices may fluctuate. If the proposals exceed the budget, procurement will terminate the process and seek another solution.

- How does the mathematical formula impact the selection process? Mr. Pustejovsky stated that the Contract Manager is selected based on a 100-point scale; Bell & Associates was ranked the highest with 97 points.
- What and who was at risk? Mr. Cross clarified that the selected construction manager works with the designer during the design phase. Once a GMP is offered, the owner has the option to accept, reject or negotiate with the Contract Manager to obtain an acceptable budget. Once the Contract Manager accepts the GMP, they are at risk for anything that exceeds that amount.
- What is included in the \$1.7m? Mr. Pustejovsky noted that it includes additional cost for Contract Manager Project Staff, Estimated General Conditions/General Requirements (GC/GR) and Estimated Construction Cost.
- What was the reason for the CM Project Staff increase from \$454,743 to \$568,428, a difference of \$113,685? It was due to an extended schedule noted Mr. Pustejovsky.
- Was the GMP established prior to the start of construction? Yes, noted Mr. Cross. GMPs are always established as the contract price before construction begins.

Director McGee questioned the possibility of setting a maximum project cost when the request for bids/proposal are solicited. Mr. Pustejovsky noted because he has witnessed a 30% inflation in construction cost, it is his recommendation that procurement include a cost buffer in anticipation of fluctuating cost.

Upon a motion made by Director Hogan and seconded by Director Justice, the Authority voted to approve the resolution Approving an Amendment to an Agreement for Construction Management Services for Infrastructure Related to the MLS Stadium Area by and between the Sports Authority and Bell & Associates Construction

Consider Approval of a Resolution Approving the Stadium Project Term Sheet

Sam Wilcox, Deputy Mayor for Policy & Innovation, reported that written responses to Director Hogan's questions and the East Bank Stadium Project Frequently Asked Questions (FAQs) were submitted to the board on yesterday.

Director Hogan noted that the links provided in response to his questions did not adequately address his inquiries. Particularly whether the \$1.83B estimated cost for maintaining the current stadium through the 2039 term of the existing lease includes the necessary cost to keep the stadium in a first-class condition. Deputy Mayor Wilcox noted that under the current lease both the city and the Authority will always be obligated to maintain Nissan Stadium as a first-class facility. Under the proposed new deal this responsibility shifts to the Titans while the Authority ensures it is enforced. Director Hogan also questioned whether there have been discussions regarding the inclusion of an inflationary index for the \$3 ticket revenues from non-Titan events. Mr. Wilcox stated that the \$3 ticket tax will pay for ongoing capital expenditures and was not negotiated separately as it was part of a package deal. **Director Hogan stated that it would be a relevant ask and requested that it be taken under consideration to which Mr. Wilcox confirmed that his team would.**

Director Hogan further questioned whether the estimated \$38m for capital investment required to maintain Nissan Stadium in a safe working order (not first-class condition) for the intended usage thru 2026 would come before the Authority prior to being remitted. Mr. Wilcox noted that the \$38m was an estimate received recently by Venue Solutions group, that it will be a part of the final negotiations with the Titans, and that his team will ensure there is a remedy for any outstanding financial obligations owed by the city and the Authority.

Director Justice requested an update on whether the city plans to back stop the debt service to which Metro Finance Director Kelly Flannery stated that in seeking additional revenues to fund the new stadium deal, the

Mayor's office will work with premium investors in an effort to secure the best interest rates. Should the new deal be approved, a financial plan (including any recommendations for back stops) will be presented to the Authority for their review and approval.

Director Farner requested clarification on who's responsible for the project in the event waterfall generated revenue does not cover the funding needs. Mr. Wilcox noted that the city's commitment of \$760m will remain in the Sports Authority's bank account bookmarked specifically for funding the new stadium project. Should costs rise above the \$760m, the Titans will be responsible for cost overruns. Deputy Mayor Wilcox noted that under the current lease, however, maintenance costs for the current stadium could well exceed \$760m.

Upon a motion made by Director Hogan and seconded by Director Farner, the Authority voted to approve a Resolution Approving the Stadium Project Term Sheet

In closing, Chair Harrison announced that the committee recommendations will go before the full board during its meeting today at 10:30a.m. The next Finance Committee meeting is scheduled for January 19, 2023 at Geodis Park.

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

Respectfully submitted, Valda Barksdale, The Metro Sports Authority
