



SPORTS AUTHORITY OF THE
METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

FINANCE COMMITTEE MEETING
MINUTES

FIRST HORIZON PARK – BRAUER LOUNGE | THURSDAY, DECEMBER 5, 2024 | 9:30 AM

Attendees

Committee Members: Dan Hogan (Chair), Don Deering, Anna Page

Board Members: Kim Adkins, Cathy Bender, Victoria Crawford, Tiffany Degrafinreid, Russ Pulley, Emmett Wynn

Staff: Monica Fawknottson (ED), Valda Barksdale, Melissa Hudson, Brandon Little, Joshua Thomas (Metro Legal), Sam Keen (Metro Legal)

Visitors: David Aronoff (Cumming Group), Kyle Clayton (Preds), Bria Smith Edwards (Bass, Berry & Sims), Adam English (Nashville Sounds), Kate Guerra (Titans), Heidi Hoeffner (Metro Treasury), Erica Hightower (Metro/Kraft Internal Audit), Steve Laurila (TBA), Necol Lyons (Metro OMB), Julia Masters (Nashville Biz Journal), Tammara McGee (Metro Treasury), Karzan Mohamad-Ali (Cumming Group), James Morrison (Mortenson), Shannon Myers (Titans), Scott Nalley (Kraft/Metro Internal Audit), Lindsey Paola (Nashville Soccer Club), Jennifer Pedginski (Metro Finance), Lauren Riley (Metro Internal Audit), Doug Scopel (Sounds), Sharon Sepik (Metro Treasury), Paul Tarrants (DLR Group), Bill Walker (Metro Internal Audit)

Call to Order

Chair Hogan called the meeting of the Sports Authority Finance Committee to order, welcomed all to First Horizon Park, and thanked the Sounds staff for hosting.

Public Comment Period Pursuant to TN Open Meetings Act, Tenn. Code Ann. § 8-44-101

There were no sign ups for Public Comment.

Consider Approval of September 12, 2024 Meeting Minutes

Chair Hogan asked if there were questions or comments pertaining to the September 12, 2024 meeting minutes. There being none,

Upon a motion made by Director Deering and seconded by Director Page, the Finance Committee unanimously approved the September 12, 2024 meeting minutes.

Metro Internal Audit - Stadium Construction

Lauren Riley, Metro Internal Audit (Internal Audit) introduced others joining her at the presentation table: Bill Walker, Audit Manager, Metro Internal Audit; Scott Nalley, Partner, KraftCPAs; and Erica Hightower, Senior Manager, KraftCPAs. She reported that her office is charged with conducting performance audits related to internal controls and processes, exclusive of financial audits. Internal Audit's audit jurisdiction includes Metro Departments, Metro Courts, Metro elected officials, Component Units as well as organizations that receive Metro funding, including the Sports Authority for certain projects.

Annually, she continued, an Audit Plan (based on risk) is prepared to determine which projects should be considered for an audit. The Audit Plan list is then reviewed for approval by Metro's 6-person Audit Committee comprised of two council members, the Metro Finance Director, Metro's Vice-Mayor, a representative from the Chamber of Commerce, and a member of the TN Society of CPAs.

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This year the list included an audit of the TN Titans Stadium Construction which was approved by the Audit Committee.

Because Internal Audit is comprised of only eleven staff members and construction audits requires subject matter expertise, Kraft CPA was engaged to perform the audit with oversight by Mr. Walker. The audit is currently in the Audit Planning Phase which is comprised of conducting interviews with all stakeholders, reviewing documents, and becoming familiar with the intricacies and risks of the Titans New Stadium construction project. At the end of the Planning Phase, a Risk Assessment Plan will be developed detailing audit plans for the life of the project.

Chair Hogan asked for clarity regarding the primary focus of the audit and whether the audit will be conducted throughout the life of the construction which is anticipated to be completed in 2027. Ms. Riley noted that the objective is to determine risk associated with change orders, employee safety and the physical security of the job site. She confirmed that audits will be conducted throughout the life of the project in various reporting intervals.

Director Degrafinreid asked whether there will be a cost associated with the audit to which Ms. Riley noted all cost associated with the audit are covered by Metro Internal Audit, including engagement of the consultants.

Chair Hogan questioned whether the audit would have an impact on staff resources. Ms. Riley noted that there will be requests for documentation, however, it should not encumber a significant amount of time for Sports Authority staff.

Executive Director Fawknottson noted that the Sports Authority has engaged in multiple informational meetings with Metro Internal Audit, Kraft CPAs and Heather Hill, Sports Authority's Construction Representative.

Chair Hogan questioned whether the Audit Plan will be presented to the board in January to which Ms. Riley indicated it will be shared confidentially with stakeholders including Executive Director Fawknottson who is at liberty to share with the board. However, she continued, the Audit Plan is not a public record and cannot be discussed in a public meeting.

Consider Approval of a Resolution Authorizing the Execution and Delivery of (a) an Amendment to the Trust Indenture by and Between the Sports Authority and Regions Bank Related to the Authority's Federally Taxable Public Improvement Revenue Bonds (MLS Project), Series 2021, and (b) an Amendment to the Lease Agreement By and Between the Authority and Walsh Management LLC

Josh Thomas, Metro Senior Legal Counsel recognized Bria Smith Edwards, Bass Berry & Sims, Metro Bond Counsel who was available for questions. Counsel Thomas gave an overview of the need for the two Amendments and noted that in 2020 the Sports Authority issued \$225m in 30-year revenue bonds to fund construction related costs for the soccer stadium (GEODIS Park). On a monthly basis Metro receives certain state and local tax revenues (ticket tax) that were pledged as the primary sources for bond repayment. In the event there are not enough tax revenues collected to make an applicable bond payment, the Nashville Soccer Club (NSC) is required to fund the deficiency, such amount being called "Rent" in the Lease.

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In August of 2024 both Metro and NSC discovered a timing issue in the Lease that affected the correct calculation of the amount of Rent due. The Lease states that 90 days prior to NSC making the Rent payment, Metro will calculate Rent based on the difference between the bond payment amount due and the amount of tax revenues on hand as of that 90-day date. Further, he noted, 60 days prior to the date when NSC is required to make payment, Metro sends an invoice based on the originally calculated amount.

Because additional monthly tax revenues will be received between Metro's first calculation of the Rent payment and when payment is due, the NSC would not receive credit for the additional tax revenues collected and received by Metro in the intervening period. Thus, it was decided to amend the documents to address this issue as follows:

- **The Proposed Lease Amendment**

- (i) changes the date that the Rent amount is calculated to the 1st day of the month in which payment is due – rather than the current 90 days prior
- (ii) changes the date Metro sends the invoice for Rent to be at least 5 days prior to due date – rather than the current 60 days prior
- (iii) authorizes Metro to refund to the Major League Soccer Team/NSC the amount of any Rent overpayment

- **The Proposed Supplement to the (Bond) Trust Indenture**

This document authorizes the Bond Trustee to refund to the Authority the amount of any applicable overpayment from the tax revenues previously remitted to the Trustee. Under the current agreement, the Bond Trustee was without authority to do so. *(Note: the state collects tax revenues, who then remits them to Metro and Metro remits the revenues to the Bond Trustee)*

The amendments (prepared by SA's Bond Counsel Bass Berry & Sims) under consideration have been reviewed by The Sports Authority staff, Metro Finance, Metro Law and NSC; all agree with the proposed amendments. Additionally, the Department of Law finds the amendments to be consistent with the original intent of the parties and recommends approval. Metro Council approval is not required for neither of the amendments.

O&A

Q1: Under what circumstances would NSC have overpaid? *Chair Hogan*

A1: When additional monthly tax revenues are received between Metro's first calculation of the Rent payment and the actual date of when payment is due, NSC would not receive credit for the additional tax revenues collected and received by Metro in the intervening period. *Counsel Thomas*

Q2: With shortening the time-period between the rent calculation date vs rent due date, will there still be a gap? *Chair Hogan*

A2: Correct. The shortening of the time-period will not completely eliminate the gap. *Counsel Thomas*

Q3: Is the debt tied to the revenue bonds? Is it true that the people who utilize the revenue sources (certain state and local tax and GEODIS Park ticket tax) are the only ones who help fund the debt? And not Davidson County Taxpayers? *Director Pulley*

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A3: Correct, the debt is tied directly to the revenue bonds. Metro Government does issue General Obligation (GO) bonds which are secured by the full faith and credit of Metro. If for some reason there is not enough revenue to cover a bond payment for a GO bond, then Metro will raise taxes to fund the payment. That is not the case for this debt as it is a Revenue Bond. If pledged revenues are not sufficient for repayment of a Revenue Bond, bond holders understand that payment will not be made. Additionally, the Sports Authority does not have any taxing power, thus they have no authority to issue a GO bond, only Metro can issue them. All bonds issued by the Sports Authority are Revenue Bonds which are solely backed by revenues that have been pledged for repayment. *Counsel Thomas*

Q4: It is my understanding that Metro agreed to backstop specific amounts of the debt should the revenue not come to fruition. It is also my understanding that the backstop money has never funded the debt.

A4: Yes, that is correct. *Counsel Thomas*

Upon a motion made by Director Page and seconded by Director Deering, the Finance Committee unanimously recommend approval of a Resolution Authorizing the Execution and Delivery of (a) an Amendment to the Trust Indenture by and Between the Sports Authority and Regions Bank Related to the Authority's Federally Taxable Public Improvement Revenue Bonds (MLS Project), Series 2021, and (b) an Amendment to the Lease Agreement By and Between the Authority and Walsh Management LLC

Adjourn

In closing, Chair Hogan announced that the committee recommendation for the resolution approval will go before the full board during its meeting immediately following adjournment. There being no further questions or business, the Finance Committee meeting adjourned.

Respectfully submitted, Valda Barksdale, Metro Nashville Sports Authority

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