MINUTES OF THE FINANCE & AUDIT COMMITTEE MEETING OF THE CONVENTION CENTER AUTHORITY OF THE METROPOLITAN GOVERNMENT OF NASHVILLE & DAVIDSON COUNTY

The Finance & Audit Committee Meeting of the Convention Center Authority of the Metropolitan Government of Nashville and Davidson County (CCA) was held on September 27, 2012 at 8:00 a.m. in Room 103 at the Nashville Convention Center, Nashville, Tennessee.

FINANCE & AUDIT COMMITTEE MEMBERS PRESENT: Mark Arnold, *Francis Guess, Ken Levitan, and Willie McDonald

FINANCE & AUDIT COMMITTEE MEMBERS NOT PRESENT:

OTHERS PRESENT: Charles Starks, Elisa Putman, Heidi Runion, Natasha Blackshear, Buford Manley, Ryan Johnson, Bob Lackey, and Holly McCall

The meeting was opened for business by Committee Chair Mark Arnold.

ACTION: Francis Guess made a motion to approve the Finance & Audit Committee minutes of May 31, 2012. The motion was seconded by Willie McDonald and approved unanimously by the committee.

Charles Starks was asked to discuss the operating budget for the Music City Center. (Attachment #1) There was discussion.

ACTION: Willie McDonald made a motion to recommend to the Authority the approval of the Short-Period 2013 Fiscal Year Operating Budget and the Initial 2014 Fiscal Year Operating Budget to fund the activities and operations of the Music City Center. The motion was seconded by Ken Levitan and approved unanimously by the Committee.

* Denotes departure of Francis Guess

There was additional discussion.

With no additional business a motion was made to adjourn, with no objection the Finance & Audit committee of the CCA adjourned at 8:55 a.m.

Mark Arnold

Respectfully submitted,

Charles L. Starks Executive Director

Nashville Convention Center

Approved:

Mark Arnold, Chairman

CCA Finance & Audit Committee

Meeting Minutes of September 27, 2012



Revenue Assumptions

- Building Rental
 - Firm Business (as of 7/20/12)
 - Tentative Business (as of 7/20/12) at average conversion rate (33%)
 - To-Be-Booked Business calculated remaining available exhibit hall square footage and added future business based on HVS occupancy projections
 - Current FY2014 Firm and Tentative Business (33%) will generate over \$200 million in Economic Impact

Revenue Assumptions

- F&B
 - Firm Business (as of 7/20/12)
 - Tentative Business (as of 7/20/12) at average conversion rate (33%)
 - To-Be-Booked Business calculated remaining available exhibit hall square footage and added future business based on HVS occupancy projections
 - Additional \$1 million for social catering in FY14
 - Additional \$1.86 million for social catering in FY17
 - Accounted for reduction of retail space since HVS study

Revenue Assumptions

- Event Services Net
 - All revenue is to-be-booked business
 - Calculated NCC historical revenue per exhibit hall square foot occupied
 - Applied rate to HVS MCC exhibit hall occupancy projections
 - Expenses calculated using historical event related expenses as a percentage of event related revenues (i.e. – Security, EMTs, Event Labor)

Revenue Assumptions

- Parking Net
 - FY 2014 and beyond Haahs Study revenue and expenses spread over 12 months
 - Assumes no monthly contract parking

Revenue Assumptions

- Other
 - Advertising
 Based on HVS projection
 - Retail Space
 Based on anticipated square footage available
 - Other Revenue
 Based on historic miscellaneous and interest income of NCC

Expense Assumptions

- Personnel
 - FY 2014 & FY 2017 Salaries based on Cushion report
 - Benefits calculated at 26.38% of salary for CCA employees
 - Benefits calculated at 35.92% of salary for Metro employees
 - HVS study based benefits at 30% of salary

Expense Assumptions

- F&B
 - Determined the average profit as a percentage of gross revenue provided under the \$0 contribution & management fee scenario as submitted by the 3 RFP finalists
 - Percentage (27.75%) was then applied to the F&B revenue projections for each year

Expense Assumptions

- Cleaning
 - Assumed HVS projections and spread by historical operating cost
 - Added \$100k based on estimates received in FY 2014 and FY 2017 for window cleaning (twice annually)

Expense Assumptions

- Repair & Maintenance
 - Received estimated amounts on the following systems:

Fire

Security

Mechanical

Vertical Transportation

Operable Walls

Assumed May 1, 2014 commencement

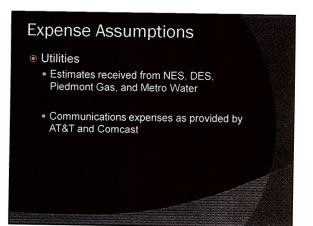
 Deducted from HVS projections any known contract amounts that were less than HVS projections

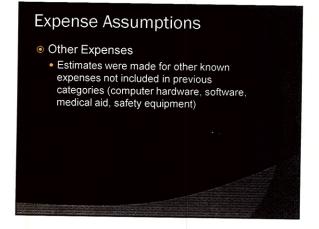
Expense Assumptions

- Admin & General
 - Assumed HVS projection and spread by historical operating cost

Expense Assumptions

- Marketing & Sales
 - Assumed HVS projection and spread by historical operating cost





Expense Assumptions Insurance Based on estimates provided by Willis for FY 2014. Increased by 4% annually through FY 2017. Capital Maintenance Reserve – Eliminated for FY 2014. Reinstated for FY 2017 at 5% of gross revenue as defined by HVS. Other Non-Operating - \$250,000 for FY 2014 and FY 2017

FY 2013
Shortfalls Covered by:Pre-opening money
• Revenues raised by bringing parking on ear
 Expenses absorbed in the NCC FY 2013 operating budget
Surplus Tourism Tax Collections

L	EY14				PY17			
Revenue	HVS	Proposed	Variance	% of HVS	HVS	Proposed	Variance	% of HVS
Facility Rental	\$6,197,000	\$3,749,336	-\$2,447,664	61%	\$7,545,000	\$6,922,145	-\$622,855	92%
Food & Beverage (Gross)	\$12,025,000 \$110,000 \$1,890,000 \$184,337 \$0 \$413,930	\$7,675,699 \$110,000 \$3,057,496 \$42,371 \$0 \$50,000	-\$4,349,301 \$0 \$1,167,496 -\$141,966 \$0 -\$363,930	64% 100% 162% 23% 100% 12%	\$15,781,000 \$119,000 \$2,288,000 \$199,000 \$0 \$446,000	\$12,595,520 \$119,882 \$3,709,192 \$78,550 \$0 \$53,045	-\$3,185,480 \$882 \$1,421,192 -\$120,450 \$0 -\$392,955	80% 101% 162% 39% 100%
Advertising & Sponsorships								
Event Svcs (Net)								
Net Retail Space Income								
Ticket Tax Fees								
Other Revenue								
Total	\$20,820,267	\$14,684,903	-\$6,135,364	71%	\$26,378,000	\$23,478,333	\$2,899,667	89%
Operating Expenses								
Salaries	\$7,790,000	\$6,457,467	-\$1,332,533	83%	\$8,389,000	\$7,308,496	-\$1,080,504	
Benefits	\$2,337,000 \$7,816,000 \$1,150,000 \$1,658,000 \$552,000 \$386,000 \$2,531,000 \$425,000	\$1,966,471 \$5,545,692 \$1,250,000 \$808,150 \$352,000 \$386,000 \$5,311,436 \$139,400	-5370,529 -52,270,308 5100,000 -5849,850 50 50 52,780,436 -5285,600	84% 71% 109% 49% 100% 100% 210% 33%	\$2,517,000 \$10,258,000 \$1,381,000 \$1,984,000 \$594,000 \$416,000 \$2,695,000 \$338,000	52,240,124 57,758,888 51,436,459 51,450,636 5600,469 \$420,116 55,829,453 5149,481	-\$276,876 -\$2,499,112 \$55,459 -\$533,364 \$6,469 \$4,116 \$3,134,453	87% 89% 76% 104% 73% 101% 101% 216%
Food & Beverage								
Cleaning								
Repair & Maint								
Administrative & General								
Marketing & Sales								
Utilities								
Other Expenses								
Total	\$24,645,000	\$22,416,616	-\$2,228,384	91%	\$28,772,000	\$27,194,121	-\$388,519	28%
perating Income (Loss)	-\$3,824,733	-\$7,731,713	-\$3,906,980	202%	-\$2,394,000	-\$3,715,788	-\$1,577,879 -\$1,321,788	95% 155%
ion-Operating Expense				1000	34,334,000	-33,723,788	-31,321,788	155%
Insurance	\$433,000	\$653,000	\$220,000	151%	\$467,000	CTT- FRE		32237
Management Fees	\$0 \$1,041,000	SO SO	\$0 -\$1,041,000	0%	\$0 \$1,319,000	\$734,536 \$0 \$1,173,917	\$267,536	157%
Capital Maint Reserve								
Other Non-Operating	\$500,000	\$250,000	-\$250,000	50%	\$500,000	\$250,000	-\$145,083	89%
Total	\$1,974,000	\$903,000	-\$1,071,000	46%	\$2,286,000	\$2,158,453	-\$250,000 -\$127,547	50% 94%
otal Net Income (Loss)	-\$5,798,733	-\$8,634,713	-\$2,835,980	149%	-\$4,680,000	-\$5,874,240		
arking Net Income **	\$3,520,100	\$3,777,800	\$257,700	107%	\$4,586,000	\$4.586.000	-\$1,194,240 \$0	126%
otal Net Income (Loss) w/Parking		_				- ,0,000	90	474

