

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 April 24, 2023, at 10:00 a.m. in the Administrative Conference Room of the Administrative Offices at Music City Center, Nashville, Tennessee.

FINANCE & AUDIT COMMITTEE MEMBERS PRESENT: Robert Davidson, Betsy Wills, Tracy Hardin, Vonda McDaniel, and Norah Buikstra (ex officio)

FINANCE & AUDIT COMMITTEE MEMBERS NOT PRESENT: Barrett Hobbs

OTHERS PRESENT: Charles Starks, Heidi Runion, Elisa Putman, Heather Jensen, and Eric Deems (Land Advisors Organization)

Committee Chair Robert Davidson opened the meeting for business at 10:10 a.m.

ACTION: Appeal of Decisions from the Convention Center Authority of the Metropolitan Government of Nashville and Davidson County – Pursuant to the provisions of § 2.68.030 of the Metropolitan Code of Laws, please take notice that decisions of the Convention Center Authority may be appealed if and to the extent applicable to the Chancery Court of Davidson County for review under a common law writ of certiorari. These appeals must be filed within sixty days after entry of a final decision by the Authority. Any person or other entity considering an appeal should consult with private legal counsel to ensure that any such appeals are timely and that all procedural requirements are met.

Committee Chair Robert Davidson read the Music City Center Mission Statement.

ACTION: Betsy Wills made a motion to approve the Finance & Audit Committee meeting minutes of January 31, 2023. The motion was seconded by Tracy Hardin and approved unanimously by the Committee.

Charles Starks discussed the amended state legislation (SB0648/HB1279) relative to public funding for convention center facilities, which received final legislative approval on April 20, 2023. The bill, effective once signed by the Governor, impacts use of surplus tax revenue and includes the addition of three ex officio board members.

Charles Starks and Heidi Runion presented the proposed Music City Center Operating and Capital Budget for Fiscal Year 2024 (Attachment #1) and there was discussion.

ACTION: Tracy Hardin made a motion that the Finance & Audit Committee recommends to the Authority the approval of the 2024 Fiscal Year Operating and Capital Budget to fund the activities, operations, and capital needs of the Music City Center. The motion was seconded by Betsy Wills and approved unanimously by the Committee.

With no additional business and no objections, the Finance & Audit Committee of the CCA adjourned at 11:32 a.m.

Respectfully submitted,

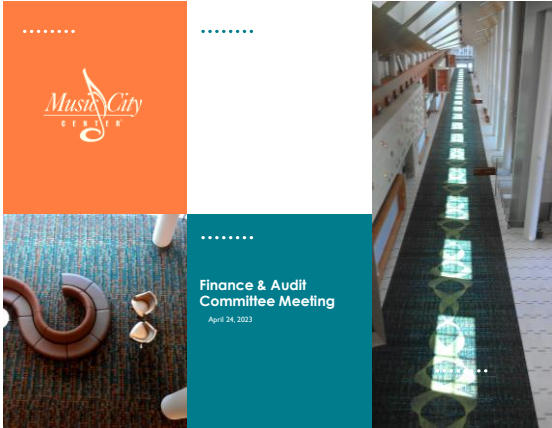


Charles L. Starks
President & CEO
Convention Center Authority

Approved:



Robert Davidson, Committee Chair
CCA Finance & Audit Committee
Meeting Minutes of April 24, 2023



.....

**Finance & Audit
 Committee Meeting**
 April 24, 2023

1

Appeal of Decisions

Appeal of Decisions from the Convention Center Authority
 Pursuant to the provisions of § 2.68.030 of the Metropolitan Code of Laws, please take notice that decisions of the Convention Center Authority may be appealed if and to the extent applicable to the Chancery Court of Davidson County for review under a common law writ of certiorari. These appeals must be filed within sixty days after entry of a final decision by the Authority. Any person or other entity considering an appeal should consult with private legal counsel to ensure that any such appeals are timely and that all procedural requirements are met.

2

2

MCC Mission

The mission of the Music City Center is to create significant economic benefit for the citizens of the greater Nashville region by attracting local and national events while focusing on community inclusion, sustainability and exceptional customer service delivered by our talented team members.

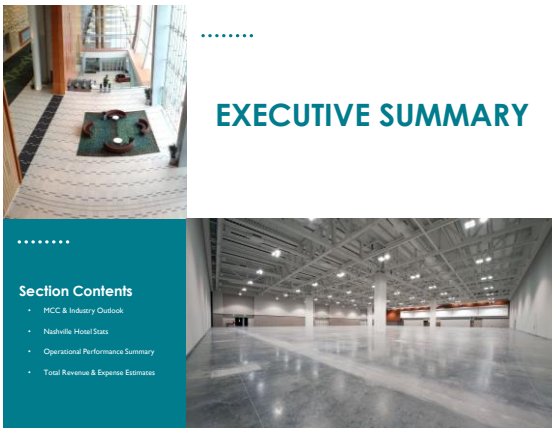
3

3

FY2024 Operating & Capital Budget

4

4



EXECUTIVE SUMMARY

- Section Contents**
- MCC & Industry Outlook
 - Nashville Hotel Stats
 - Operational Performance Summary
 - Total Revenue & Expense Estimates

5

MCC Outlook

Future Bookings

Events Booked through 2033

- 183 events
- 1,244,106 attendees
- 1.95 million total room nights
- \$2.9 billion in economic impact

Proposed Events through 2043

FY2023 Operations

Year-End Estimates

- 157 events
- 356,863 attendees
- 437,420 room nights
- \$548,179,729 direct economic impact

Percent of 2023

6

6

Industry Outlook

TRADE SHOW INDUSTRY LEADERS SHARE TRENDS & PREDICTIONS FOR 2023:

Janet Dell, President and COO, Freeman™ – a recent survey Freeman conducted showed that 82% of marketing decision makers plan to maintain or increase event spending over the next 12 months. This shows that companies understand the positive effects of bringing people together and how it translates to overall success.

Nancy Dingus, Vice President of Research, CEB – CEB anticipates a continued rebound of the B2B exhibition industry, though it is not expected to surpass 2019 results. It will still trail 2019 by 10%. Nonetheless, the industry is heading in the right direction. This outlook factors in a macroeconomic scenario where a recession may happen. That probability is 50/50.

Don Holland, Executive Vice President, Convention Centers, ASM Global – “Spending stays in a city without seeing anything but a hotel room and the four walls of a convention center is also out. Gen X, Y and Z are not buying this. They want to see and play in the city they are visiting.”

Most U.S. Corp. Travelers Returning to Normalcy

Nearly 70 percent of business travelers said their employers have either returned to the pre-pandemic normal or increased business travel, according to the American Hotel & Lodging Association's Hotel Booking Index survey.



PCMA Panel: What's Next for the Business Events Industry?

“the reality is there's not that much that's different” post-COVID. “Leisure business has come back, and is materially better than it was pre-COVID,” he said, and business travel “pretty much is back to the way it was.” In the meetings and events sector, “demand is off the charts.”

Source: Chris Naissett, CEO of Hilton Worldwide @ PCMA Converting Leaders Conference

7

Industry Outlook

Report: U.S. Mtg. Volume Exceeds 2019, Signaling End of Recovery Efforts

U.S. meeting volume in December 2022 exceeded monthly pre-pandemic levels for the second month in a row, up 3.1 percent from December 2019 benchmarks, according to meetings data provider Knowland's monthly report.

That said, attendee numbers may begin to plateau going into 2023, according to the Northstar Meetings Group and Covert Meetings Industry Pulse Survey, which found less than one-third of more than 400 planners surveyed expect more attendees at their events in the next 12 months as rising prices and talk of recession cause uncertainty in the market.



It's business as usual as in person conferences catch up to pre-Covid levels

“Covid is in the rear-view mirror, especially for those in the convention world....conferences have given up on the Covid-protocols like social distancing, spaced seating and other health rules that were in place in 2021. Basically, there's little difference from before the pandemic. As far as these business groups were concerned its business as usual”

Source: The Association

8

Nashville Hotel Market

Current Hotel Inventory

- Davidson County – 273 hotels with 38,958 rooms
- Downtown – 61 hotels with 12,889 rooms

Hotel Rooms under construction

- Davidson County – 15 hotels with 2,544 rooms
- Downtown – 6 hotels with 1,219 rooms

Hotel Rooms in Final Planning

- Davidson County – 25 hotels with 4,011
- Downtown – 5 hotels with 1,873 rooms

Source: NCVIC and STR

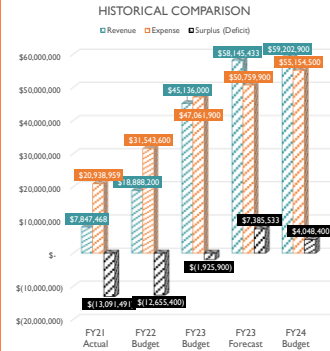


9

Operational surplus/(deficit)

We are currently forecasting an extremely successful end to FY23 with operating activities generating a net profit of \$7.4M

FY24 revenues are expected to be slightly behind FY23 forecasts mainly due to the mix of groups on the books currently and the unprecedented revenue posted by several large events in FY23 that will not be recurring in FY24. Expense increases in insurance, supplies, temp labor, and ongoing investments in our team member pay are partially offset by the reduction of one-time expenses of for hosting ASAE in FY23.



10

FY24 Total Revenue & Expense Estimates

Anticipated surplus \$110,185,000

Operating Revenues	\$59,202,900
Hotel Taxes	\$93,660,700
Rental Car	\$4,048,400
Airport Departure	\$2,642,400
Campus Tax	\$23,914,900
TDZ	\$57,097,800
TOTAL REVENUE	\$240,567,300

Operating Expenses	\$55,154,500
MCC Bond Payment	\$40,831,600
Metro PILOT Payment	\$14,697,900
Omni Payments	\$12,000,000
Bond Administrative Cost	\$218,700
Capital Projects	\$7,479,600
TOTAL EXPENSES	\$130,382,300

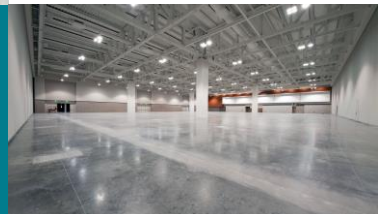
11



REVENUE

Table of Contents

- I. Summary of Revenue
- II. F&B
- III. Parking
- IV. Rental
- V. Technology / Rigging / AV / Utilities
- VI. Other
- VII. Tourism Taxes



12

7

8

9

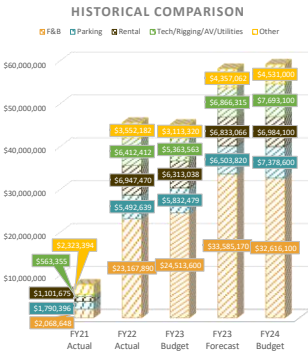
10

11

Operational Revenue

FY24 Budget : \$59,202,900

- 82 events currently in snapshot
- Every event was evaluated for current attendance projections & possibility of event cancellation
- TBB (to be booked) accounts for 39% of revenue totals
- Contracted Rental and F&B minimums have been negotiated on a case-by-case basis in order to attract and retain business
- Prior to the COVID shut down in Q4 of FY20, we were projecting year-end revenue in excess of \$3M



13

F&B

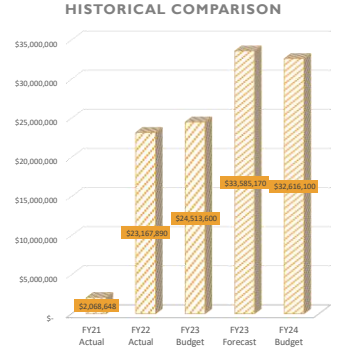
- F&B revenue is projected to come in slightly under FY23 forecast due to some heavy F&B shows occurring in FY23 that are not coming back in FY24. Those include Mary Kay and 3D Experience.
- Retail outlets comprise \$1.4M of total revenue
- TBB is 39% of FY24 budget

Operating Income as % of Revenue

- FY23 budget - 25%
- FY23 forecast - 30%
- FY24 budget - 39%

Contract Variables

- Management Fee - 2% of total revenue
- Incentive Fee - 7.5% of net F&B operating income
- Reserve Payments - 4.5% of total revenue



14

Parking

Total garage parking spaces: 1,800
YTD average rate per space: \$1.03
YTD daily average spaces occupied: 1,962

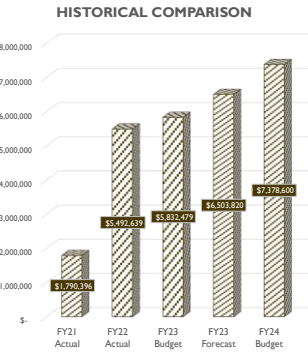
Contract Parking
Current parking contracts include:
Country Music Hall of Fame / Army Corps of Engineers / Home Depot / Metro Police / Federal Public Defender / Hotel / The Wynn Embassy Suites / TAC-Setting / Individuals

Coupon Agreements
MCC Contractors / Predators / Country Music Hall of Fame / Bridgestone Employees

Special Event Related Parking
YTD average rates sold per special event: 1,049
YTD average revenue per special event: \$16,801

Daily Parking Rates

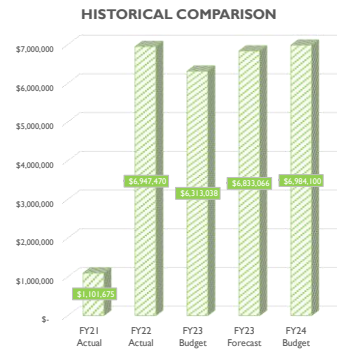
0.5 hrs. \$10	12-18 hrs. \$25
5-8 hrs. \$15	Overnight: \$35
FY23 hrs. \$20	Long Term: \$55



15

Rental

- Overall budget is approximately 3.5% above pre-COVID FY19 actuals
- In FY24 much of the remaining space available to sell is limited or includes poor arrival/departure patterns or holidays making it difficult to add TBB revenue
- Beginning in FY22, the MCC no longer accepted COVID force majeure claims as a viable reason for cancellation and has pursued all contracted damages in the event of a cancellation



16

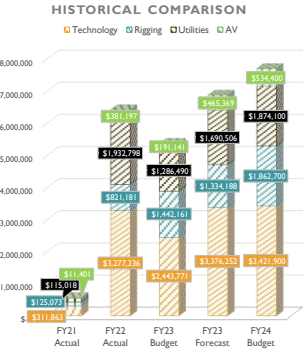
Technology / Rigging Utilities / AV

Technology revenue primarily consists of communications equipment rental, internet services that are provided to our clients and exhibitors and digital advertising. Although we do provide free Wi-Fi throughout the building, many clients prefer to attach branding to the login banner and/or buy dedicated, guaranteed internet service for their attendees

Rigging services throughout the building are exclusively provided through CP Rigging, a DBE local business. Our commission is 24% of gross revenue for equipment rental and 33% for labor

Utilities are provided directly by our MCC Engineering department. Services available include electrical, water, gas, and air

Audio Visual services are offered to our clients through LMG, Inc. LMG is a preferred service provider, but clients may choose to provide their own AV. Our commission is between 25-35% of gross revenue

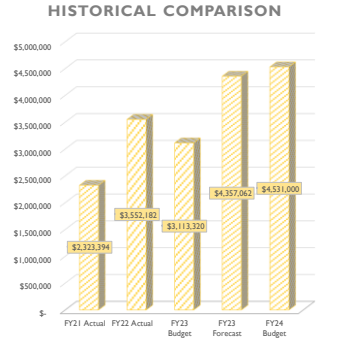


17

Other

Significant sources in this category for FY24 include:

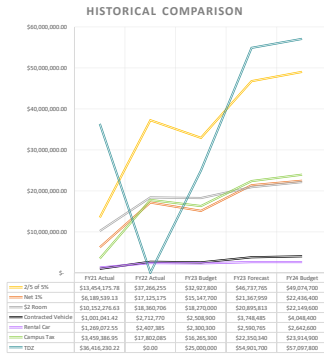
- Security Labor - \$1.8M
- 5th + Broadway - \$1.38M
- ENT Labor - \$280k
- Trash Haul - \$127k



18

Tourism Taxes

- Tax collections estimated using data from the last 12 months and anticipated performance based on industry data and projections from STR regarding the state of hotel demand
- FY22 was the first year that the MCC has received \$0 in TDZ funding. This occurs only when there is negative sales tax growth or when county sales tax growth outpaces the sales tax growth within the TDZ



19

19



EXPENSE

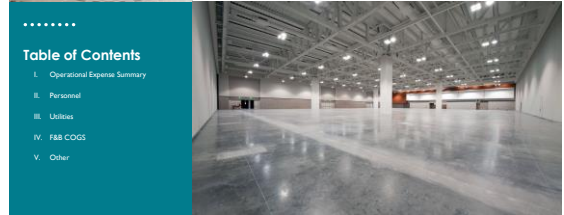


Table of Contents

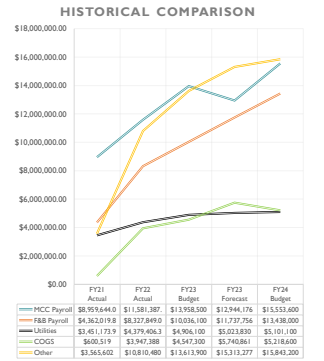
- I. Operational Expense Summary
- II. Personnel
- III. Utilities
- IV. F&B COGS
- V. Other

20

Operational Expense

FY24 Budget: \$55,154,500

- Many expenses for the FY23 forecast and FY24 Budget are driven by declining revenues and returning events
- MCC and F&B conducted a comprehensive market study this year to make sure our employees are being paid fair and equitable wages. Details of market increases are in subsequent slides.
- The MCC hosted the American Society of Association Executives (ASAE) in FY23. This event showcased our building and the city to the individuals who decide where their associations meet. Hosting this event required that we fund several small functions and amenities for the attendees.



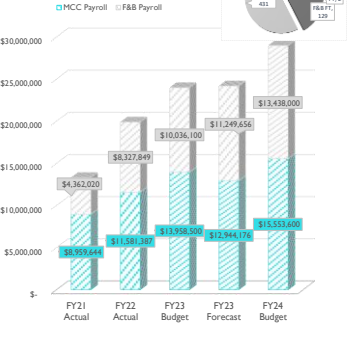
21

21

Personnel Expense

- Expenses were lower in FY21 due to lack of events but still significant as the Board decided to fully fund the retention of our full-time team members throughout the COVID pandemic
- The FY22 budget implemented the comp study adjustments that were approved with the FY21 budget but not implemented until FY22
- The FY23 forecast included the impact of many vacancies waiting to be filled
- FY24 Budget includes:
 - 4% merit increase pool
 - 8.5% bonus pool
 - \$80 in general rate increases
 - 3 additional positions - Housekeeping Supervisor (\$14,300), Graphic Design/Social Media Coordinator (\$67,650), & Cleaning Sales (\$81,200)
 - Market adjustments (discussed further in next slide)
 - Benefits: CCA 27.56% / Metro 27.89%

HISTORICAL COMPARISON



22

22

Market Adjustment

Positions Previously Below \$18

Position Title	# of Positions	FY2023 Starting Rate	Market Adjustment	FY24 Starting Rate	FY24 Budget Impact
Ambassador 1 - PT	2	\$17.00	\$1.00	\$18.00	\$ 1,680.00
Ambassador 2 - FT	11	\$17.00	\$1.00	\$18.00	\$ 22,880.00
Building & Grounds	3	\$15.00	\$3.00	\$18.00	\$ 18,720.00
Housekeeping	9	\$15.00	\$3.00	\$18.00	\$ 56,160.00
Set Up Staff	11	\$16.00	\$2.00	\$18.00	\$ 45,760.00
F&B Cashier	8	\$15.00	\$3.00	\$18.00	\$ 49,920.00
Seward	22	\$15.00	\$3.00	\$18.00	\$ 137,380.00
Warehouse Worker	3	\$15.00	\$4.00	\$19.00	\$ 16,640.00
Cook I	20	\$17.75	\$4.25	\$22.00	\$ 176,800.00
Cook II	8	\$16.00	\$3.00	\$19.00	\$ 49,920.00
Cook III	1	\$15.50	\$3.00	\$18.50	\$ 6,240.00
					\$ 820,000.00

- The FY22 Budget included funding for a comprehensive market compensation study which was completed by Cushion Employer Services in January 2023

- The Metro FY23 budget included raising the Metro minimum wage to \$18/hour

- Although Cushion did not indicate that an \$18 minimum was necessary in this market, we would like to match the Metro minimum for our team members

- Overall, market adjustments made to MCC exempt staff averaged 3% and adjustments made to MCC non-exempt staff averaged 7%

23

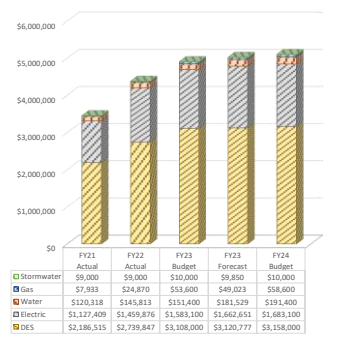
23

Utilities

Utilities for the MCC and warehouse located on the Lafayette St. property are estimated based on current rates and historical usage and expected events.

- DES (District Energy Systems), uses steam and chilled water to heat and cool the MCC. This year they indicated that rising fuel costs could impact service rates, so we increased the budget accordingly
- We were able to achieve notable electrical savings in FY21 by limiting lighting usage whenever possible
- Water rates increased in FY20 and usage rose as events picked up again
- Gas is primarily used by the kitchen

HISTORICAL COMPARISON



24

24

F&B Cost of Goods Sold

Includes catering, concession, retail outlets and alcohol cost

COGS as a % of Gross Revenue

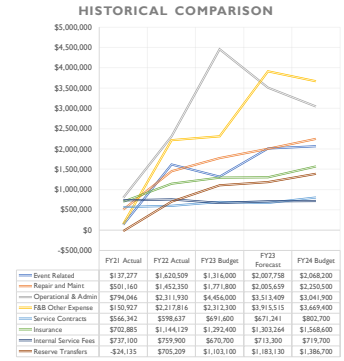
- FY21 Budget = 14%
- FY21 Actual = 15.88%
- FY22 Actual = 17.94%



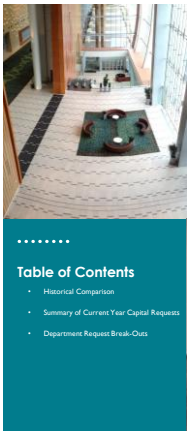
25

Other

- Event Related is largely comprised of security and OET temp labor and light towers and other smaller event-driven expenses
- Repair and Maintenance includes costs to fix, clean, or refurbish the building
- Operational & Administrative includes ongoing technology expenses, parking temp labor, legal, audit, administrative, and NCC banking services. It also includes E2M in FY23 for AGA Expenses
- F&B Other Expense includes all non-COOS F&B expenses like paper products, temp labor, food service supply, alcohol cartlines
- Service Contracts are a fixed cost associated with various systems and fixtures in the building
- Insurance is estimated based on anticipated increases provided by our insurance agent, Willis Towers Watson. Like FY23, FY24 is said to be an economy hard market and we have been advised that significant increases should be expected
- Internal Services Fees are based on information provided by Hays
- Reserve Transfers consist of the contributions to the F&B advertising and repair and maintenance reserves as outlined in the contract



26



CAPITAL

Table of Contents

- Historical Comparison
- Summary of Current Year Capital Requests
- Department Request Break-Outs



27

Capital Request Summary

\$7,479,600

Communications	Website Redesign	\$617,100
Technology	Audio System Upgrade Escalator Landing LEDs	\$4,147,500
Security	Radio Upgrade Beginning of Phase 2 of Security Upgrades	\$994,700
Parking	Parking Equipment Replacement	\$432,400
Facilities	Meeting Room Chairs Floor Sweeper and Scrubber Riding Sweeper	\$582,400
Engineering	One Man Lifts (2) Loading Dock Pad Replacement Dartboard Ballroom LED Lighting Conversion	\$348,400
F&B	Combi Ovens (4)	\$237,100
Admin	Miscellaneous Equipment	\$100,000

MCC has recognized a need to redevelop the F&B outlet currently occupied by Al Taglio and Dunkin' Donuts, along with the pre-function space surrounding the location. Initial estimates were approximately \$2M. We have not included that project in this year's budget requests as we continue to develop the concept and redefine an estimated cost and scope.

28

COMMUNICATIONS – \$617,100

WEBSITE REDESIGN

The Music City Center website provides a series of pages with useful content ranging from general information to event planning. It serves as a hub of information for planners, exhibitors, and visitors, as well as a resource for team members, business partners, news media, community members, and tourists.

With nearly 600,000 page views in 2021, the website is a critical asset for MCC.

A redesign of the MCC website is needed to provide staff, partners, guests, and the community with a more comprehensive and user-friendly online experience. To stay competitive and relevant, industry experts recommend updating or redesigning a business website every two to five years. The MCC website is nearly 10 years old. Functionality is limited. The code is outdated, which prevents the framework from being adjusted and constrains the site to its current design. More importantly, the outdated system makes the site vulnerable to security threats.

A website redesign would allow more content creation, utilization, and accessibility. Having the ability to provide more easily accessible information online would improve the user experience, making the website a greater point of reference, driving more traffic to the site, and potentially freeing up staff resources for other customer interactions and deliverables.

29

TECHNOLOGY – \$4,147,500

AUDIO SYSTEM UPGRADE

The existing audio infrastructure is 10+ years old and available parts are becoming difficult to procure. Most parts are no longer available from the manufacturer or through aftermarket channels. Equipment is now at end of life. Manufacturers no longer support software updates on the existing product line.

Unforeseen device failures with equipment servicing the meeting rooms could be problematic for LMG and our customers. Refreshing the audio system proactively will prevent future outages caused by failing equipment.

Included in this refresh is a major overhaul to the system labeling, making it easier for the technicians to manipulate objects within the system during events. Furthermore, the system will be programmed to work on mobile technologies, (smart phone, iPad, tablet) so technicians can make changes remotely on the fly.

ESCALATOR LANDING LEDS

The new Escalator LED's will give us additional signage at three high visibility/traffic areas on the southeast side of the building. New displays can be programmed to help with wayfinding, promoting MCC retail outlets, and provide an excellent revenue opportunity for groups not using the entire building.

30

SECURITY – \$994,700
RADIO UPGRADES

The 130 Current Model 3300 and 3500 Radios have been discontinued by Motorola and are no longer supported. Motorola will no longer work on or repair any of the 130 radios we currently have. We are at the end-of-life cycle with these radios. Most of the radios in question are in the hands of Food & Beverage, Facilities, Housekeeping and Engineering. Buying 150 new radios and parts to supply them will allow us to rotate new radios into place as current radios fail.



**MOTOTRBO R7
PORTABLE
TWO-WAY RADIOS**

PHASE 2 OF SECURITY UPGRADES



Last year we contracted with Convergent as the integrator responsible for identifying and recommending a comprehensive plan for upgrading security across the building.

Future plans have not been finalized, but will likely include gunshot detection, walkthrough weapons detection, additional camera and access control technologies, occupant and object tracking, artificial intelligence and other cutting-edge technologies.

31

31

PARKING – \$432,400

PARKING EQUIPMENT REPLACEMENT

Updated parking equipment will allow us to provide a higher level of customer service by providing new and improved payment technologies. Improved efficiencies will also save Parking Customer Service personnel time by allowing equipment to perform the work we typically have to do manually. Pictured below are various equipment options offered by our current parking provider, but we may consider others.



32

32

Facilities – \$582,400

FLOOR SWEEPER & SCRUBBER

Our current scrubber is frequently under repair and finding parts is difficult. A new scrubber will provide a cleaner exhibit hall floor, deliver a more consistent product, and eliminate lots of manual labor as time is lost by going over areas twice.



MEETING ROOM CHAIRS



We would like to add 2,000 more meeting room chairs so we can service our largest groups more efficiently. Over the last 10 years we have lost inventory due to breakage and wear, so our inventory is slowly getting depleted. This will get us back up to the 18k in good condition that we started with.

RIDING SWEEPER

Our current riding sweepers are 10+ years old and are frequently in need of repair. Even when functioning at their best, they do not pick up dirt and debris as well as we would like. Areas often need multiple passes.



33

33

ENGINEERING – \$368,400



LOADING DOCK PAD REPLACEMENT

Our clients have requested that our dock pads be upgraded. This will have a positive impact, especially for the decorators involved in the load in and load out during tradeshows and conventions. Currently the dock pads are showing excessive wear and tear. New dock pads will save time during load in and load out.

ONE-MAN LIFTS (2)

The additional lifts will enable our engineering department to better maintain the facility. Current lifts are aging, parts are difficult to find and adding these lifts will let us place lifts strategically around the building to save labor and travel time.



DAVIDSON BALLROOM LED LIGHTING CONVERSION

The current lighting is expensive to repair and it is becoming hard to find bulbs for frequent replacement. Converting to LEDs will be more sustainable, reduce labor spent on repairs and replacement and provide a better lighting experience for our attendees.



34

34

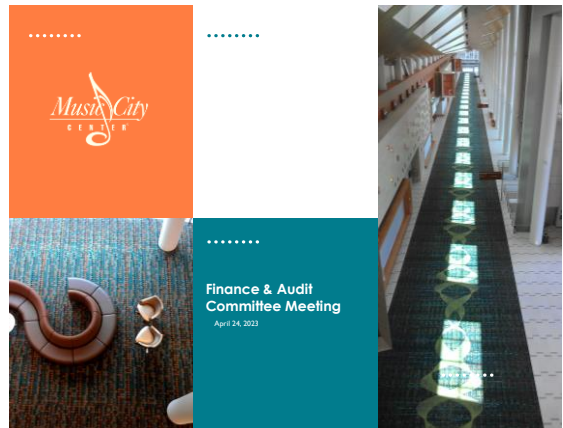
F&B – \$237,100

Replace all four existing 10-year-old steamers in the main kitchen as well as the one in the 3rd floor kitchenette with four Combi Ovens total instead. Three of these units can fit in place of the existing four steamer units in the main kitchen and the fourth will replace the same steamer in the 3rd floor kitchen.



35

35



36