

MINUTES
GWCCA FINANCE COMMITTEE MEETING
May 6, 2014
10:30 a.m.
Authority Board Room

Finance Committee Members Present:

Steve Adams
David Allman, Chairman
Taz Anderson
Bill Jones
Tim Lowe, Ex-Officio

Finance Committee Members Absent:

John Downs
Doug Tollett

Personnel Committee Members Present:

Steve Adams
David Allman
Glenn Hicks
Lee Hunter

Personnel Committee Members Absent:

Bill Rice

GWCC Staff Present:

Mark Adams
Carl Adkins
Dale Aiken
Latricia Crawford
Kevin Duvall
Julia Karrenbauer
Kay Lawrence
Bridgette Phillips
Frank Poe
Lynn Ross
Rose Schultze
Patrick Skaggs
Sherrie Spinks
Mark Zimmerman

Guest:

Pargen Robertson

Chair Allman called the meeting to order at 10:43 a.m. He asked for a motion to approve the May 3, 2013 Finance Committee meeting minutes.

A motion to approve the May 3, 2013 Finance Committee meeting minutes was made by Taz Anderson, seconded by Bill Jones, and unanimously approved.

Members of the Accounting Department team, who were in attendance at today's meeting, were recognized for their hard work in developing the FY15 Budgets. Today's meeting will focus on event development, FY15 Budgets for all three facilities, and health insurance costs for retirees.

Event Development Team

The Committee was reminded that the Board was informed at the September 2013 Board Planning Retreat of potential areas being studied in an effort to create future campus-wide events. Julia Karrenbauer, Director of Business Development, is leading this effort. All facility budgets reflect a re-distribution of dedicated staff for the Event Development Team (EDT) and investment funds, which may or may not be used, for each facility to allow marketing for the new self-promoted and/or co-promoted events. While some events in the Park and Dome (Party in the Park, July 4th Celebration, and Kenny Chesney Concert) have been self-promoted, it is a relatively new area in the Congress Center. An Event Development Team book which outlines the team's research, industry best practices, and implementation at the GWCCA was distributed to Committee members today.

The book also included a business plan and is a resource for the team as they move forward. Ms. Karrenbauer reviewed the potential event mix by facility and calendar availability for programming, projected revenue, projected operating expenses, and projected promotional expenses. A one-time initial investment of \$500k would be necessary to allow the team the ability to secure events. Next steps would be to develop an internal and external “brand” and to implement a roll out plan to begin July 1, 2014. The Committee wanted to know if an outside third party was used to identify best practices to enable developing a business plan. Yes, other facilities around the country were studied to identify best practices.

FY15 BUDGETS

An FY15 Operating Budget Summary Comparison and a list of budget assumptions for each facility were sent to committee members prior to this meeting for review. Each FY15 Budget Summary shows the FY14 projected year-end numbers and the Proposed FY15 Budget. A copy of each budget summary and assumptions is appended and made a part of these minutes. Mark Zimmerman, Carl Adkins, and Joe Skopitz will present their respective facility’s budget.

Some common items reflected in the proposed budgets for each business unit follow.

- Hotel/Motel Tax – Ken Heagney projects a 2.% increase based on historical data;
- Personnel
 - Recommend a 3% average merit increase pool;
 - Retirement health cost increase of 20.5% in FY15 (Committee questioned of there was a strategy in place to offset the increase going forward. Not at this time. Staff will research and will report back to the Committee);
 - Addition of three (3) campus-wide positions; and
 - Addition of leadership training.

GWCC

During FY15, the Congress Center expects 41% occupancy (up from 38% projected in FY14) from 36 tradeshow, 7 corporate events, 6 consumer public events, and 17 other events for an estimated attendance of 1,001,350 and an economic impact of \$1.2B. PricewaterhouseCoopers occupancy survey shows the Congress Center was at 53.8% occupancy compared to 54% occupancy for other gateways (centers located in a metropolitan area with at least 30K hotel rooms and contain at least 100K square feet of exhibit space) in 2013. Currently the Congress Center is 47.3% occupancy for 2014. 2014 occupancy percentage for other gateways is not available at this time.

Revenue and expense trends comparing FY11 through FY13 actual and FY14 and FY15 projected were reviewed. Rental revenue has remained relatively flat while all other areas of revenue have increased. After a decrease in expenses the first year, all areas (except for personnel services) have increased slightly over the past four years. Personnel Services line item has steadily increased. In FY15 some Per Diem expense has been shifted to Personnel Services due to the establishment of an In-House Counsel position.

In FY14 budget, \$1M was included for projects. The Congress Center plans to commit \$1M annually for capital maintenance projects.

FY14 projects totaling \$1.1M included:

- Installation of a \$400K steam loop system (necessary to host the CLEAN Show in 2014)
- \$150K to “refresh” the Red Deck (entrances, signage, striping, etc.);
- \$150K to repair/paint main entrance steel structure;
- \$300K to build out Marietta Parking Deck retail space shell;
- \$100K in miscellaneous projects.

Projected FY14 Total Revenue is \$34,023,147. Proposed FY15 Total Revenue is \$36,429,933 which is 7.1% or \$2,406,786 ahead of the FY14 projected revenue. Every revenue category in FY15 is up from FY14.

Projected FY14 Total Expenditures are \$33,602,418. Proposed FY15 Total Expenditures are \$35,277,461, a 2.0% or \$1,675,044 increase over FY14. Personnel Services is up \$1,724,663 over FY1344 due to an increase of 9 positions for the Congress Center and 3 Authority-wide positions.

The Congress Center projects an FY14 net profit of \$420,729 and forecasts an FY15 net profit of \$1,152,472, a positive variance of \$731,742.

Georgia Dome

In FY15 the Dome will host 32 publically ticketed events, 11 private events, and 34 private F&B events with an estimated attendance of 1,519,000 and an economic impact of \$423 million. High profile, publicly ticketed events include:

- Beyoncé and Jay Z Concert;
- Two Chick-fil-A Kickoff Games;
- One Direction Concert;
- SEC Football Championship;
- First Chick-fil-A Peach Bowl under the new College Football Playoff system; and
- Two Supercross events versus one.

Projected FY14 Total Revenue is \$70,357,076. Proposed FY15 Total Revenue is \$70,376,351 which is 0.03% or \$19,275 ahead of the FY14 projected revenue.

Projected FY14 Total Expenditures are \$48,470,071. Proposed FY15 Total Expenditures are \$48,572,932, a 9.21% or \$102,860 increase from FY14.

The Dome projects an FY14 net profit of \$20,818,333 and forecasts an FY15 net profit of \$21,716,257, as positive variance of \$897,924.

Decommissioning of the Dome

Debt Service:

- Current balance \$88,800,00
- July 2014 – Principal payment 11,530,000
- July 2014 – Additional payment 24,000,000 (per Invest Atlanta Agreement)
 - Early retirement \$10M
 - Hotel/Motel excess \$3M
 - Operating cash \$11M
- Balance \$53,270,000 (estimated payoff is June 2016)

Cap Ex/Special Projects: (mutually agreed upon process)

- Section 3.2 of the Transaction Agreement – Operations of Georgia Dome states, “no capital expenditures or ‘special projects’ will be made or undertaken with respect to the Georgia Dome unless agreed to in writing by Stadco and the GWCCA;
- FY15 budget includes \$598,500 of “approved” projects (approved by Stadco in February 2014)
 - Bar stool replacement in Suites;
 - Turf replacement in end zones;
 - Revitalizing concession stands;
 - Miscellaneous – lighting controls, structural inspections of portable seating; Owner’s Club monitors, expansion joint repairs, etc.

Personnel Placement

- On-going development planning and communications with full-time staff regarding employment opportunities with the Authority, post Dome;
- Collaboration meetings with Falcons/Stadco have begun regarding placement of staff in the new stadium; and
- On-going evaluation of alternate methods of staffing and necessary back-filling of key positions.

Centennial Olympic Park

FY14 events in the Park include 4th of July Celebration, 3 concerts, 13 runs/walks, 25 Wednesday WindDowns, 56 Music at Noon events, 58 Ice Rink days, and Party in the Park. The proposed FY15 budget reflects a \$200K reduced contribution from the Congress Center and the addition of one new Police Officer II position.

Projected FY14 revenue is \$3,605,701. Proposed FY15 Total Revenue is \$3,558,588 which is 1.3% or \$47,113 below the FY14 projected revenue.

Projected FY14 Total Expenditures are \$3,473,953. Projected FY15 Total Expenditures are \$3,498,258, a 0.70% or \$24,305 increase over FY14.

The Park projects an FY14 net gain of \$131,748 and forecasts an FY15 net gain of \$60,330, a negative variance of \$71,418.

Staff recommends Committee approval to recommend the FY15 Budgets to the full Board for action at the May 20, 2014 Board meeting. Staff will report back to the Committee before the May 20 Board meeting with answers to the questions listed below.

Budget concerns/questions expressed by the Committee:

- Does the Authority have retirement options similar to the approach it took with health benefits?
- Did the Event Development Team concept have third party validation?
- Can the Congress Center quantify “other” revenue sources:
- Is there an opportunity for the Congress Center to capture incremental parking revenues?
- Are hotel projections inclusive of parking?
- What are the full-time equivalents at the Congress Center historically?
- What makes up the \$1.7M shift in Personnel Services line item?

- What has the project spend within operations budget been over the past five years?
- When the Dome bonds are paid off, will a statement be prepared noting that we achieved our goal to pay bonds off before the building came down?
- Is GWCC/Park funding return still on target for \$500K?
- How can additional Park events help drive down GWCC funding?

A motion to recommend the FY 2015 Budgets, as presented at today's meeting, to the full Board for action at the May 20, 2014 Authority meeting was made by Taz Anderson, seconded by Steve Adams, and unanimously approved.

Other Post-Employment Benefits (OPEB)

The Authority is responsible for paying health insurance premiums for retirees. The Authority has two options moving forward for funding the payments. The first option is to pay as they go, which is the current method. The second option is to establish a designated fund which would earn interest and prepare for future liability. Ports Authority has a fund already established with an annual funding of \$2.6M. Staff recommends they do additional feasibility research ultimately resulting in funding \$1M to be split between the three facilities as follows: GWCC \$409K, Dome \$551K, COP \$40K.

OPEB questions/concerns expressed by the Committee:

- Can the Authority legally modify retiree benefits?
- Is the Authority legally bound to provide benefits?
- Who would control the retirement benefits investment?

There being no further business, the meeting adjourned at 12:14 p.m.

Respectfully submitted:

Approved:

Dale Aiken, Assistant Secretary

David Allman, Chair