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Minnesota Sports Facilities Authority 2013 Legislative Report January 15, 2013

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Minnesota Sports Facilities Authority Commissioners

Michele Kelm-Helgen, Chair

Bill McCarthy, Vice Chair

Duane Benson

Barbara Butts Williams

John D. Griffith



To: The Honorable Thomas M. Bakk, Senate Majority Leader
The Honorable David W. Hann, Senate Minority Leader
The Honorable Roger C. Chamberlain, Assistant Minority Leader
The Honorable Tom Saxhaug, Chair, Senate Finance – State Departments and Veterans Division
The Honorable Paul Thissen, Speaker of the House
The Honorable Kurt Daudt, House Minority Leader
The Honorable Mary Murphy, Chair, House State Government Finance and Veterans Affairs
The Honorable Bob Dettmer, GOP Lead, House State Government Finance and Veterans Affairs

Date: January 15, 2013

As required by 2012 Minnesota Statutes Chapter 299, Section 13, Subdivision 13, the Authority must report to the chairs and ranking minority members of the legislative committees with jurisdiction over state government finance by January 15th of each year on the following:

- Any recommended increases in the rate or dollar amount of tax
- Any recommended increases in the debt of the Authority
- Overall work and role of the Authority
- The Authority's proposed operating and capital budgets
- The Authority's implementation of the operating and capital budgets



Overall Work and Role of the Authority

The “People’s Stadium” bill was enacted on May 15, 2012, which abolished the Metropolitan Sports Facilities Commission and established in its place the Minnesota Sports Facilities Authority. The new Authority is a political subdivision of the state of Minnesota, established to develop a new multi-purpose stadium as a venue for professional football and a broad range of other civic, community, athletic, educational, cultural and commercial activities. The Authority was created to provide the financial oversight for the public’s investment in the stadium during design and construction and to keep the project on time and within budget.

Beyond the numbers, we must carefully balance the needs of the groups that produce hundreds of events every year at the stadium with the NFL’s requirements. The needs of these user groups and the needs of the Minnesota Vikings will drive the design of the new facility as we embark on this critical role of the construction of the new multi-purpose stadium.

The Authority will also operate the stadium once it has been completed. The Authority will oversee the creation of thousands of jobs for Minnesotans throughout the construction and on-going operation of the stadium.

A board of five appointed commissioners governs the new Authority. The Governor of the state of Minnesota appointed three members and the Mayor of Minneapolis appointed two members. The first meeting of the Authority was held on June 22, 2012.

The following report is designed to share with you our efforts to date and to articulate a road map for future endeavors.

Stadium Design and Construction

According to legislation, all major decisions require the agreement of both the Authority and the Vikings. The legislation called for a Stadium Design Group to be established with representatives from both entities. The Stadium Design Group provides a framework for a collaborative decision-making process. The first major decision was the hiring of HKS Sports & Entertainment as the stadium architect. This decision demonstrated the Team and Authority’s ability to reach agreement in a timely manner.

Major milestones for the new stadium:

- In August 2012, the Authority hired Hammes Company as its owner’s representative and Kimle-Horn as the environmental consultant to do the EIS (Environmental Impact Statement). The Authority sent out an RFP for Architectural Design Services.
- In September 2012, interviews of architecture firms began and a public open house was held to showcase the creativity of the firms who were bidding on the project. The Team and the Authority selected HKS as the architect.



- In October and November 2012, the Authority, along with HKS and the Vikings, held public listening events in Minneapolis, Rochester and Duluth. The Authority has also conducted outreach efforts to numerous neighborhood, business and community organizations. The purpose of these public meetings was to engage people in the stadium design process and to receive ideas and feedback on the work we are doing. Outreach efforts and public meetings will continue throughout the project. We remain committed to a public process that will make this a stadium for all Minnesotans.
- In December, the Authority released an RFP for a construction manager. The construction manager will be selected in February 2013. The construction manager will price what the architects are drawing and will develop a construction timeline, schedule and a guaranteed maximum price for the building of the stadium so construction can begin this Fall (2013).
- The Team and the Authority have established targeted business goals for the architectural design services contract. Although not required by statute, the Authority and the Team agreed that there should be targeted business goals to include 11% women-owned businesses and 9% minority-owned businesses in the design of the stadium. HKS is on track to meet these targeted business goals. An Equity Plan is being developed by the Authority based on the City of Minneapolis' goals, as required by statute. This Equity Plan will include workforce goals and targeted business goals, as well as an implementation plan. The Equity Plan will be finished by the end of January 2013.

Upcoming Schedule:

- The Vikings will play their 2013 season in the Metrodome. The 2015 season will be played at the TCF Bank Stadium. A final decision on whether the team plays the 2014 season at TCF will be made by the Team and the Authority once the construction firm and architects make a recommendation on the cost and liability of keeping the Metrodome in place during construction.
- The stadium design will be unveiled in March 2013.
- Construction of the new stadium will begin in the fall of 2013 and the new stadium is scheduled to open for the Vikings 2016 season.
- Future capital construction and development activities will be accounted for in a separate project budget. The stadium construction project budget is \$975,000,000.



Legislative Report Requirements

The MSFA will not recommend any increase in the rate or dollar amount of taxes.

The MSFA will not recommend any increase in the debt of the Authority.

The overall work and role of the Authority is described above.

The MSFA approved the 2013 operating budget on December 7, 2012. A copy is attached.

The Authority has adopted a preliminary capital budget for the new stadium, and as the project moves forward, it will continue to be refined.

Budget Background Information

The Authority owns and operates the Metrodome and will continue to operate the Metrodome until it is closed and demolished in preparation for construction of the new stadium. All activities of the Authority are accounted for in one enterprise fund. A "fund" is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The operations of each fund are monitored with a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenses. The enterprise fund is used to account for the Authority's activities, which are financed and operated in a manner similar to private business enterprises where expenses, including depreciation, are recovered principally through user charges.

Revenue sources include concession revenues, admission taxes, rent, charges for services, and miscellaneous revenues. Expense classifications include concession costs, tenants' share of concession costs, facilities cost credit, personal services, professional services, contractual building services, audio-visual maintenance costs, supplies, repairs and maintenance, utilities, insurance, and other.



**MINNESOTA SPORTS FACILITIES AUTHORITY
2013 OPERATING BUDGET**

SUMMARY

A summary of the 2013 budget is shown below. The entire budget is attached for your review.

Beginning account balances \$11,847,375

The 2013 total budgeted operating revenues are:

Concessions	\$ 8,066,000
Admission tax	\$ 4,057,900
Rent	\$ 4,690,200
Charges for services	\$ 1,163,000
Parking	\$ 10,000
Miscellaneous revenues	<u>\$ 2,418,000</u>
Total	<u>\$20,405,100</u>

The 2013 total budgeted operating expenses are:

Concession costs	\$ 4,658,000
Tenants share of concessions	\$ 1,107,000
Facilities cost credit	\$ 3,565,200
Personal services	\$ 2,562,841
Contractual building services	\$ 2,055,000
Utilities	\$ 2,860,000
Miscellaneous	\$ 3,271,800
All other categories	<u>\$ 2,767,000</u>
Total	<u>\$22,846,841</u>

Operating loss \$(2,441,741)

Non-Operating revenues/expenses \$ 90,000

Change in account balances \$(2,351,741)

Ending account balances \$ 9,495,634

Non-Operating revenues and expenses include investment earnings of \$500,000, repair/replacements/improvement expenses of \$200,000 for equipment replacement in 2013, and concessions reserve expenses of \$210,000. The Concessions Reserve budgeted expenses of \$210,000 are for concessions regular maintenance and repairs for operations, equipment replacement and event promotions. Overall the budget shows a \$2,351,741 use of the Authority's reserves. The ending account balances (reserves) of \$9,495,634 are expected to fund future operations.



Highlights of the 2013 Budget

Revenues

The operating revenue budget for 2013 of \$20,405,100 is a decrease of \$901,205 (4.2%) from the 2012 projected operating revenues due to the reduction in the number of Vikings events at the Metrodome in 2013. In 2012, the Minnesota Vikings played one of their home games from the 2011 football season on January 1, 2012. Thus, the 2012 projected revenues include 11 Minnesota Vikings home games. Also, the Minnesota Vikings 2013 football season has scheduled one international football game, thus reducing the number of home games to be played at the Metrodome in 2013 from 10 games to 9 games. The 2013 budgeted operating revenues of \$20,405,100 are based on:

- 2013 Planned Major events:
 - Minnesota Vikings - 9 Home games to played at the Metrodome
 - Other Events
 - Home and Landscape Show, Twins Fest, Motor Sports-Monster Jam and Supercross, Hmong American New Year, Youth in Music, Minnesota State High School League sport events, Amateur baseball and football, MN Stars soccer events, college baseball and football, and other cultural and community events
- 2013 Concessions revenues of \$8,066,000 are based on the following:
 - Estimated attendance at Metrodome events:
 - Minnesota Vikings-estimated attendance of 502,500
 - Other Events-estimated attendance of 380,000 based on 423 events
 - Concession per caps –
 - Minnesota Vikings-\$12.52 - 2012 season concession per cap as of October 2012
 - Other events-estimated concession receipts of \$1,475,000
- 2013 Admission taxes of \$4,057,900 are based on a tax of 10% of net ticket receipts
- 2013 Rent of \$4,690,200 includes Vikings rent of \$3,565,200, which is based on 9.5% of net ticket receipts. Also included is rent-private suites of \$400,000 which is based on an agreement with the Vikings and rent-other events of \$725,000 which is based on the various use agreements with the event users
- 2013 miscellaneous revenues of \$2,418,000 include a reimbursement of \$1,959,000 from the stadium project for project-related expenses paid by the Authority

Expenses

The operating expense budget for 2013 of \$22,846,841 is an increase of \$239,086 (1%) from the 2012 projected operating expenses of \$22,607,755. The 2013 line item budgets were based on 2012 staffing levels, planned events for 2013, historical trends, and estimated expenses. Major expense categories are

- Concession costs of \$4,658,000 are the costs to operate the concessions in the stadium and the plaza. This cost also includes the concessionaire's management fees.
- Tenants' share of concessions of \$1,107,000 are the costs of the Minnesota Vikings share of concessions of \$944,000, which is based on the Agreement with the Minnesota Vikings that they receive 15% of concessions net receipts. The Other events share of concession receipts of \$35,000 is based on individual use agreements.



- Facilities cost credit/rent forbearance of \$3,565,200 are costs foreborne due to a resolution the Commission passed in 1998 that forebear the collection of rent from the Vikings. The collection of rent from the Vikings in 2013 will be foreborne.
- **Miscellaneous expenses of \$3,271,800 include event-related costs of \$500,000 and new stadium planning costs of \$2,616,800. Stadium planning expenses include costs for the project owner’s representative, legal counsel, and other project-related consulting costs.
- Repair, replacement and improvement expenses proposed for 2013 are \$200,000. The budgeted expenses are for operational equipment needs, as building improvements will not be made in 2013 unless there is a life safety need or an event-related need.
- Concessions Reserve accounts expenses proposed for 2013 are \$210,000
 - Concessions repair and maintenance - \$170,000 – for maintenance and operation of the concession stands
 - Concessions replacements-equipment - \$25,000 – for purchase of replacement concession equipment
 - Concessions promotions - \$15,000 – for promotion of concessions

Transfers

Per the terms of the concessions services agreement, the Authority has budgeted to transfer \$403,000 from the operating account to the concessions reserve account.

Account Balances

Ending account balances are proposed to decrease by \$2,351,741 to \$9,495,634. Following is a summary of the 2013 ending account balances:

Operating account	\$4,867,262
Repair, replacement, improvement account	\$2,480,842
Concessions reserve account	<u>\$2,147,530</u>
Total	<u>\$9,495,634</u>



YEAR 2013 BUDGET SUMMARY

	<u>Budget 2013</u>
Revenues	
Operating Revenues:	
Concessions	\$ 8,066,000
Admission tax	\$ 4,057,900
Rent	\$ 4,690,200
Charges for services	\$ 1,163,000
Parking	\$ 10,000
Miscellaneous revenues	\$ 2,418,000
Total operating revenues	<u>\$ 20,405,100</u>
Expenses	
Operating expenses:	
Concession costs	\$ 4,658,000
Tenants share of concessions	\$ 1,107,000
Facilities cost credit	\$ 3,565,200
Personal services	\$ 2,562,841
Professional services	\$ 715,000
Contractual building services	\$ 2,055,000
Audio-visual maintenance costs	\$ 187,000
Travel and meetings	\$ 45,000
Supplies, repairs and maintenance	\$ 794,000
Utilities	\$ 2,860,000
Insurance	\$ 946,000
Communication	\$ 80,000
Miscellaneous	\$ 3,271,800
Subtotal operating expenses	<u>\$ 22,846,841</u>
Operating income/(loss)	<u>\$ (2,441,741)</u>
Non-Operating revenues/(expenses):	
Investment earnings	\$ 500,000
Repairs, replacement and improvements	\$ (200,000)
Concession reserve	\$ (210,000)
Total non-operating revenues/(expenses)	<u>\$ 90,000</u>
Change in Account Balances	<u>\$ (2,351,741)</u>
Beginning Account Balances	<u>\$ 11,847,375</u>
Ending Account Balances	<u><u>\$ 9,495,634</u></u>
Recap Ending Account Balances:	
Operating Account	\$ 4,867,262
Repair, Replacements & Improvements Account	\$ 2,480,842
Concessions Reserve Accounts	\$ 2,147,530
Total Ending Account Balances	<u><u>\$ 9,495,634</u></u>



YEAR 2013 BUDGET SUMMARY

	MSFC/MSFA		MSFC/MSFA	
	Annual Budget		Combined	
	2012		Projection	
			1/1/12-12/31/12	Budget 2013
Revenues				
Operating Revenues:				
Concessions	\$	8,350,000	\$	8,801,628
Admission tax	\$	4,630,000	\$	4,726,324
Rent	\$	4,936,000	\$	5,121,900
Charges for services	\$	1,525,000	\$	1,266,655
Parking	\$	10,000	\$	10,564
Miscellaneous revenues	\$	417,000	\$	1,379,234
Total operating revenues	\$	19,868,000	\$	21,306,305
Expenses				
Operating expenses:				
Concession costs	\$	4,175,000	\$	5,031,729
Tenants share of concessions	\$	1,207,500	\$	1,263,438
Facilities cost credit	\$	4,025,000	\$	4,024,955
Personal services	\$	2,243,000	\$	2,242,548
Professional services	\$	390,000	\$	1,405,648
Contractual building services	\$	2,550,000	\$	1,942,244
Audio-visual maintenance costs	\$	302,000	\$	129,574
Travel and meetings	\$	30,000	\$	39,877
Supplies, repairs and maintenance	\$	829,000	\$	696,762
Utilities	\$	2,955,000	\$	2,680,261
Insurance	\$	996,000	\$	897,639
Communication	\$	90,000	\$	68,626
**Miscellaneous (For more information see page 10)	\$	1,153,000	\$	2,184,454
Subtotal operating expenses	\$	20,945,500	\$	22,607,755
Operating income/(loss)	\$	(1,077,500)	\$	(1,301,450)
Non-Operating revenues/(expenses):				
Investment earnings	\$	400,000	\$	570,709
Repairs, replacement and improvements	\$	(1,000,000)	\$	(538,866)
Concession reserve	\$	(275,000)	\$	(225,769)
Total non-operating revenues/(expenses)	\$	(875,000)	\$	(193,926)
Change in Account Balances	\$	(1,952,500)	\$	(1,495,376)
Beginning Account Balances	\$	13,342,751	\$	13,342,751
Ending Account Balances	\$	11,390,251	\$	11,847,375
Recap Ending Account Balances:				
Operating Account	\$	7,301,855	\$	7,212,003
Repair, Replacements & Improvements Account	\$	2,219,708	\$	2,680,842
Concessions Reserve Accounts	\$	1,868,688	\$	1,954,530
Total Ending Account Balances	\$	11,390,251	\$	11,847,375