

**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 25, 2024, at 2:00 p.m. in the Administrative Conference Room of the Administrative Offices at Music City Center, Nashville, Tennessee.

FINANCE & AUDIT COMMITTEE MEMBERS PRESENT: Robert Davidson, Barrett Hobbs, Tracy Hardin and Norah Buikstra, Ex-Officio

FINANCE & AUDIT COMMITTEE MEMBERS NOT PRESENT: Vonda McDaniel and Betsy Wills

OTHERS PRESENT: Charles Starks, Heidi Runion, Heather Jensen, and Kristin Wilson

*Denotes meeting postponed one hour due to airport travel delay of committee member Barrett Hobbs.

Committee Chair Robert Davidson opened the meeting for business at 3:08 p.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 Davidson read the Music City Center Mission Statement.

ACTION: Tracy Hardin made a motion to approve the Finance & Audit Committee meeting minutes of November 16, 2023. The motion was seconded by Barrett Hobbs and approved unanimously by the Committee.

Charles Starks and Heidi Runion presented the proposed Music City Center Operating & Capital Budget for Fiscal Year 2025 (Attachment #1), and there was discussion.

Starks noted requests from Metro and the Nashville Downtown Partnership would be considered for approval after the Operating & Capital Budget.

The funding request from Nashville Downtown Partnership would increase from the last Memorandum of Understanding from \$2.0 million to \$2.1 million to continue support of the Clean & Safe Program.

The presentation showed a \$16,972,300 funding request from Metro to cover overtime costs for large scale events. Historical payments to Metro, including proposed amounts for the new fiscal year, total \$200.6 million.

Starks presented anticipated revenue and expenses for the facility, along with capital requests in the new fiscal year (Attachment #1).

The Committee discussed a reserve fund being created for future capital expenses for the Music City Center, given the significant amount needed in the coming years.

Kristin Wilson discussed the uses of the MOU approved last year for public safety, Second Avenue, and enhancements for the Nashville Department of Transportation (Attachment #2).

The Committee also discussed Metro's need to request safety-related funding from other downtown venues and that the Music City Center should not be the only one contributing.

*Denotes the departure of Heidi Runion.

Committee Chair Davidson discussed obtaining additional crime statistics for the area to evaluate the impact on convention center sales for future fiscal years.

ACTION: Barrett Hobbs made a motion that the Finance & Audit Committee recommends to the Authority the approval of the 2025 Fiscal Year Operating & Capital Budget to fund the activities, operations, and capital needs of the Music City Center. The motion was seconded by Tracy Hardin and approved unanimously by the Committee.

ACTION: Tracy Hardin made a motion that the Finance & Audit Committee recommends to the Authority the approval of a Memorandum of Understanding with Metropolitan Government of Nashville & Davidson County for Public Safety Services within the Entertainment District / Central Business Improvement District for overtime, including supplies and related equipment, for 2025 Fiscal Year in the amount of \$16,972,300 to be spent as follows: \$13,600,000 for Metro Nashville Police Department overtime, \$2,320,000 for Nashville Fire Department overtime, \$116,000 for Metro Beer Board overtime for safety and compliance, \$290,000 for Nashville Department of Transportation overtime for the setup and removal of public safety infrastructure, \$580,800 for Davidson County Sheriff's Office Mobile Booking Unit operation, and \$65,500 for Department of Emergency Communications overtime for dedicated dispatchers. The motion was seconded by Barrett Hobbs and approved unanimously by the Committee.

ACTION: Tracy Hardin made a motion that the Finance & Audit Committee recommends to the Authority the approval of the amended Memorandum of

Understanding with Nashville Downtown Partnership to provide the Clean & Safe Program for 2025 Fiscal Year in the amount of \$2.1 million to be spent as follows: \$409,000 for expanding the cleaning area footprint, \$422,000 for additional focused safety services, \$105,000 for targeted guest hospitality, \$183,000 for outreach and housing, \$412,000 to be directed as needed in consultation with Barrett Hobbs and Charles Starks, and \$569,000 for Music City Center to be included in the Central Business Improvement District. The motion was seconded by Barrett Hobbs and approved unanimously by the Committee.

Committee Chair Davidson recommended the committee ask the full board to consider a request to the Mayor's Office to meet with neighboring downtown venues to discuss safety funding contributions and the willingness of the Music City Center to participate in those meetings.

With no additional business and no objections, the Finance & Audit Committee of the CCA adjourned at 4:48 p.m.

Respectfully submitted,

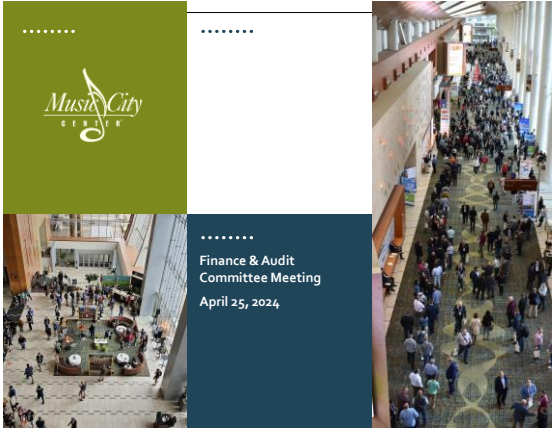


Charles L. Starks President & CEO
Convention Center Authority

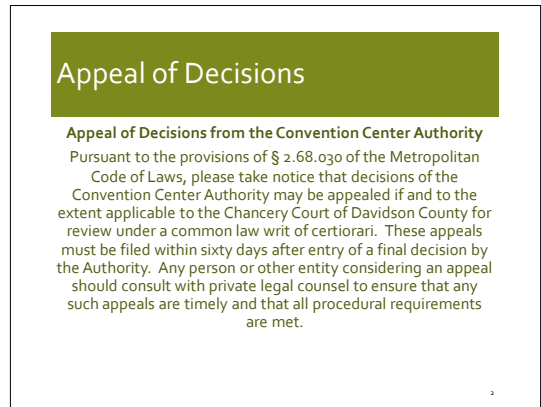
Approved:



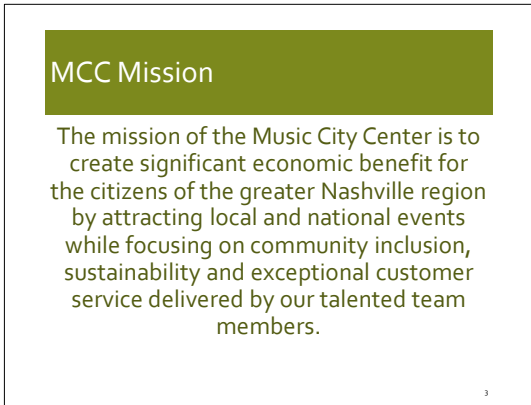
Robert Davidson, Committee Chair
CCA Finance & Audit Committee
Meeting Minutes of April 25, 2024



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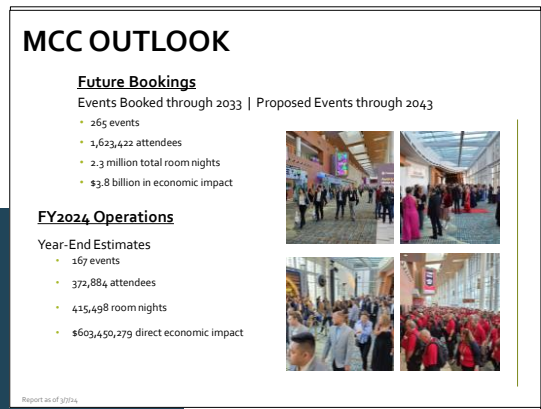
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Nashville Hotel Market

Current Hotel Inventory

- Davidson County – 276 hotels with 39,537 rooms
- Downtown & Midtown – 75 hotels with 17,749 rooms

Hotel Rooms under construction

- Davidson County – 7 hotels with 1,272 rooms
- Downtown – 4 hotels with 819 rooms

Hotel Rooms in Final Planning

- Davidson County – 19 hotels with 3,644
- Downtown – 5 hotels with 1,813 rooms

Sources: NCC and STR




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Nashville Hotel Market

Top 25 Downtown Hotel Markets 2023 Demand Growth

Strong Downtown Hotel Demand Recovery in Florida Markets & Nashville #1!



- Nashville Downtown saw 38% hotel demand growth compared to 2019.
- "Healthy leisure demand, coupled with the relocation of some national headquarters and an active Music City Convention Center all contributed to the demand."
- "The growth in rooms sold was overshadowed by an even higher 45% supply increase, as investors tried to capitalize on the demand surge."
-CoStar

Source: NCC Hotel Q4 Presentation February 2024

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Industry Outlook

Nashville hotel market expected to remain 'healthy,' limited growth in 2024

"Hotels in Nashville have sold seven out of 10 rooms every night for the past 10 months, a figure that is well above the national average, according to Jan Freitag, CoStar Group's national director of hospitality market analytics.

Increasing room rates and multiple hotel projects in the city's pipeline are other indicators of the success of the local industry – one that has continued to capture the attention of major luxury brands and out-of-town developers.

After several years of steady growth, what's next for the local hotel market? The forecast looks flat, according to Freitag."



STR & Tourism Economics
Nashville, USA
February 2024

Forecast Growth Rates	Actual		Forecast	
	2022	2023	2024	2025
Supply	5.3%	2.0%	3.0%	3.3%
Demand	22.1%	2.9%	3.7%	3.8%
Occupancy	35.9%	0.9%	0.7%	0.0%
ARev	24.0%	5.6%	1.3%	1.2%
RevPAR	43.7%	6.5%	1.9%	1.2%

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MCC Payments to Metro

FY25 Request for Police, Fire & EMS Support:

\$16,972,300

- Increased Downtown Patrols
- Overtime
- Fire & EMS for large scale events

FY25 Request for NDP Support:

Nashville Downtown Partnership - \$2,100,000

- Clean & Safe Program




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MCC Payments to Metro

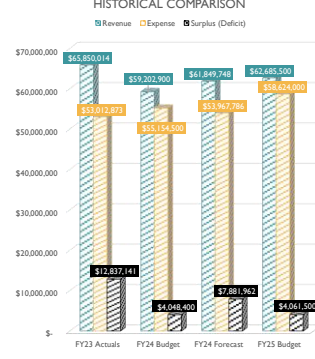
Total Direct Contributions to Metro/NDP

Agreement	Agreement Date	Amount of Transfer	Reason for Funding
Initial MOU	May-18	\$7,600,000	FY17 & 18: Metro Appropriation - Unspecified Use
Initial MOU	May-18	\$2,500,000	FY19 Metro Appropriation - Unspecified Use
PILOT Agreement (FY20)	Nov-19	\$12,600,000	Unspecified Use
Amended MOU	Mar-19	\$10,000,000	FY20 Metro Appropriation - Unspecified Use
Second MOU	May-20	\$5,000,000	Police/Fire OT for special events downtown FY20
Second MOU	May-20	\$2,500,000	Fund NCVC BDF
Second MOU	May-20	\$15,500,000	MMPD Special Events and OT FY21
Second MOU	May-20	\$1,000,000	MMPD / OEM Special Events and OT FY21
Second MOU	May-20	\$1,000,000	PW Downtown Special Events FY21
Second MOU	May-20	\$800,000	Arts funding in TDZ
Second MOU	May-20	\$10,000,000	Finish Lower Broadway pedestrian improvements - sidewalk bollards
Second MOU	May-20	\$4,500,000	Fund lighting and infrastructure upgrades
PILOT Agreement (FY21)	Nov-19	\$16,600,000	Unspecified Use
PILOT Agreement (FY22)	Nov-19	\$14,300,000	Unspecified Use
Third MOU	Aug-22	\$10,216,000	Special Purpose Fund for Special Events FY22
NDP Original MOU	Aug-22	\$2,000,000	Clean and Safe
PILOT Agreement (FY23)	Nov-19	\$14,132,538	Unspecified Use - Barnes Fund
Fourth MOU	Jun-23	\$19,200,000	MDH&J 2nd Ave
Fourth MOU	Jun-23	\$2,500,000	NDOT Bollards in Broadway
Amended NDP MOU	Jun-23	\$1,800,000	Walk of Fame Park
Fifth MOU	Jun-23	\$14,040,000	Special Purpose Fund for Special Events FY24
PILOT Agreement (FY24)	Nov-19	\$14,132,514	Unspecified Use - Barnes Fund
Proposed Metro MOU	Jun-24	\$16,972,300	Police/Fire/EMS Support
Proposed NDP Contribution	Jun-24	\$2,100,000	Clean and Safe
Grand Total		\$200,693,412	

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Operational surplus/(deficit)

HISTORICAL COMPARISON



FY23 materialized at unprecedented levels. We have always projected FY24 revenues to come in significantly lower than the previous year, however, we are pleased to report that the most recent forecasts show net income from operations beating the overall FY24 budget by just over \$3.8M.

FY25 looks very similar to how FY24 did at the same point last year, with very little anticipated growth across the industry, and limited space available to book in the next 12-18 months.

Expense increases in insurance, repairs, temp labor, COGS, technology expenses and ongoing investment in our team member pay will offset increasing revenues, however, we are still projecting that the building will more than cover its operating expenses in FY25.

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FY25 Total Revenue & Expense Estimates

Anticipated surplus \$121,860,500

Operating Revenues	\$62,685,500
Hotel Taxes	\$92,275,700
Rental Car	\$4,357,700
Airport Departure	\$2,834,200
Campus Tax	\$24,060,800
TDZ	\$85,000,000
TOTAL REVENUE	\$271,213,900
Operating Expenses	\$58,624,000
MCC Bond Payment	\$40,819,200
Metro PILOT Payment	\$14,132,600
Merro Police, Fire, EMS Support	\$16,972,300
Nashville Downtown Partnership Support	\$2,100,000
Omni Payments	\$12,000,000
Bond Administrative Cost	\$224,200
Capital Projects	\$4,481,100
TOTAL EXPENSES	\$149,353,400

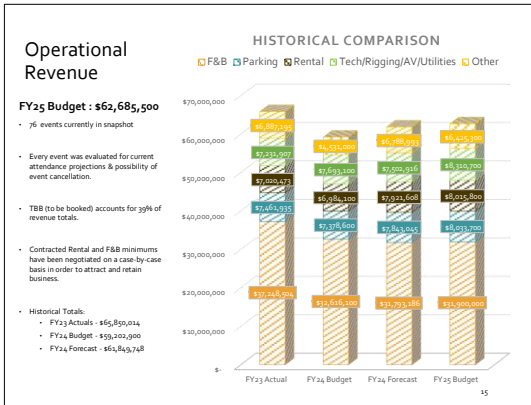
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REVENUE

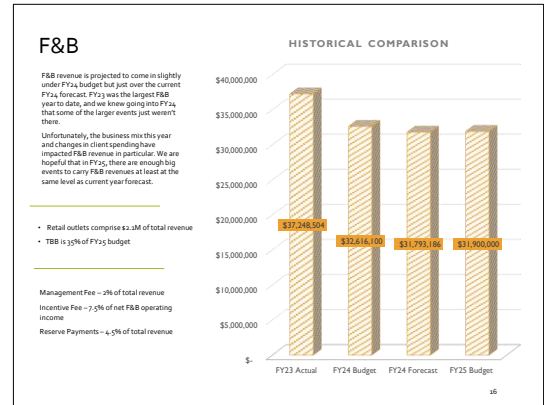


- i. Summary of Revenue
- ii. F&B
- iii. Parking
- iv. Rental
- v. Technology / Rigging / AV / Utilities
- vi. Other
- vii. Tourism Taxes

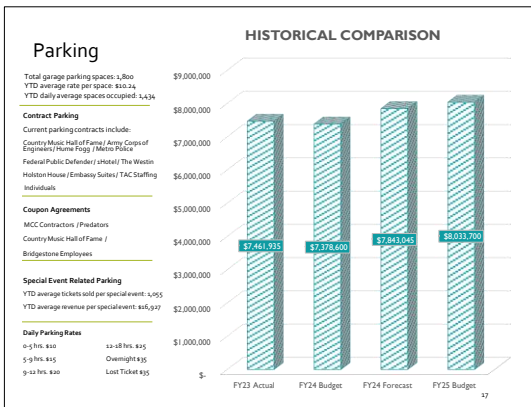
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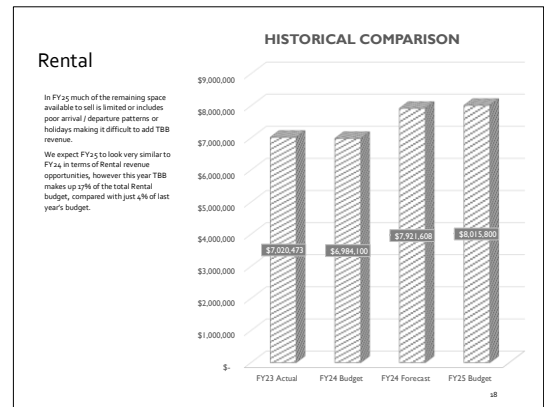
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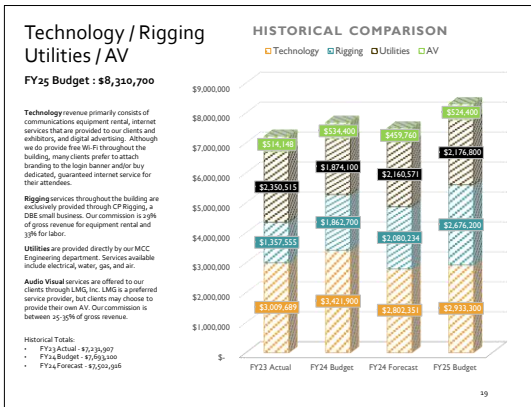
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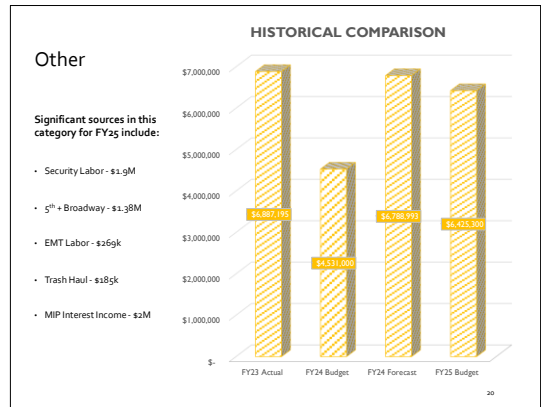
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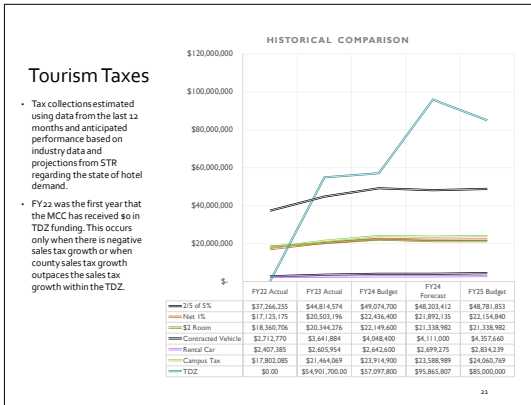
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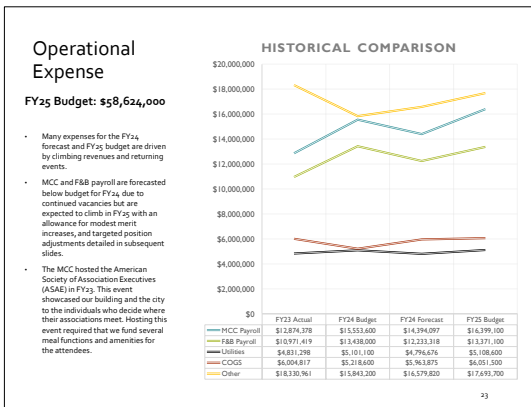
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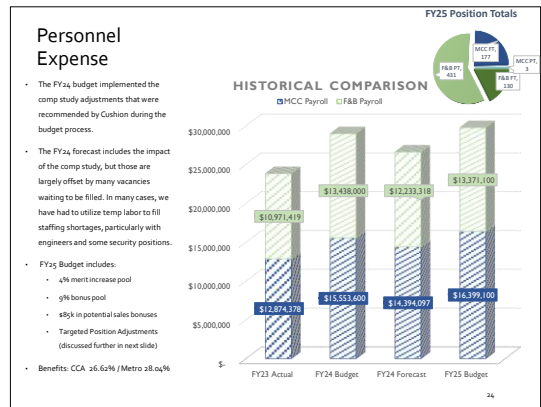
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Pay Adjustments

Targeted Position Adjustments					
Position Title	# of Positions	FY24 Starting Rate	Market Adjustment	FY25 Starting Rate	FY25 Budget Impact
Engineering Tech 2	8	\$25/hr	\$5/hr	\$30/hr	\$92,893
Event Coordinator	4	\$46,300	\$5,000	\$51,300	\$22,330
Catering Sales Manager	3	\$70,000	\$8,000	\$78,000	\$26,796
Banquet Manager	3	\$65,000	\$10,000	\$75,000	\$33,495
					\$175,514

- The FY24 Budget included funding for a comprehensive market compensation study which was completed by Cushion Employer Services in January 2023 and implemented in June of 2023.
- Several positions were increased in FY24, however, we are still struggling to attract and retain team members in some select areas.
- Management believes that increasing these targeted positions will help us hire and achieve some consistency in these key positions.

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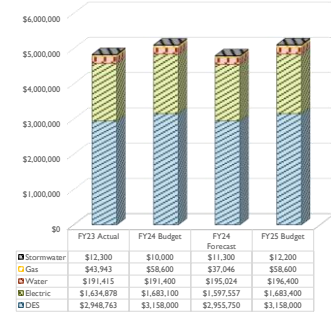
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Utilities

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. Again, this year they indicated that rising fuel costs could impact service rates, so we increased the budget accordingly.
- We have seen some historical electrical savings by switching to LED lighting and limiting usage whenever possible.
- Gas is primarily used by the kitchen.

HISTORICAL COMPARISON



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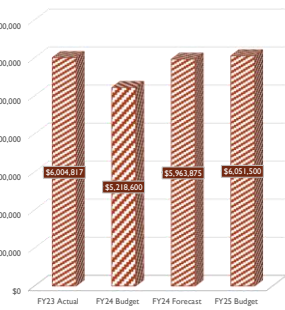
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F&B Cost of Goods Sold

Includes catering, concession, retail outlets and alcohol cost

COGS as a % of Gross Revenue
FY23 budget - 19%
FY24 actuals-to-date - 19%
FY24 budget - 16%
FY23 actuals - 16%

HISTORICAL COMPARISON



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Other

- Temp Labor is largely comprised of F&B, janitorial and set-up temp labor necessary for serving large scale events.
- Event Related trucks expenses that are directly tied to and often billed directly back to the client. This includes contracted security, EMT for valet services necessary to service an event.
- F&B Operations includes all non-COGS F&B expenses like paper products, fuel service, supply, management fees & credit card fees.
- Repair and Maintenance includes costs to fix, clean or refurbish the building.
- General & Administrative includes ongoing technology repairs, legal and administrative, and MCC banking services. It also includes all in FY23 AS&E Expenses.
- Insurance is estimated based on anticipated increases provided by our insurance agent, Willis Towers Watson. In FY24 we have been advised that we will have modest increases across lines of coverage.
- Reserve Transfers consist of the contributions to the F&B advertising and repair and maintenance reserves as outlined in the contract.
- Service Contracts are fixed costs associated with various systems and features in the building.
- Metro ISFA & LOCAP includes internal service fees for IT infrastructure and the Local Cost Allocation Plan for other Metro services used.
- Promotion & Sales includes travel expenses, for sales trips as well as promotional expenses and memberships.

HISTORICAL COMPARISON



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CAPITAL

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



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Capital Request Summary - \$4,481,100

Technology	Interactive Video Wall	\$ 989,800
Security	Radio Upgrade Phase 3 of Security Upgrades	\$ 3,088,900
Engineering	Scissor Lift Outdoor Electrical Upgrade Cushman Titan (2)	\$ 243,300
F&B	Point of Sale Card/Payment Readers Replace Aging Grills and Griddle	\$ 88,900
Multi-Department	Miscellaneous Equipment	\$ 100,000

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TECHNOLOGY – \$989,800

INTERACTIVE VIDEO WALL

This 62' x 10' video wall with corner wrap will be a center piece for clients, exhibitors, and attendees entering the exhibit hall concourse. It will have almost unlimited graphic potential (interactive technology, videos, still images, sound) and can be programmed to help with wayfinding and promoting MCC retail outlets. The Vertex video rendering server with processing software will connect all 4 Video walls to a single canvas and include a hi-fidelity sound bar for audio integration.

The wall provides an excellent revenue opportunity for groups using Exhibit Halls.




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SECURITY – \$3,088,900

RADIO UPGRADES

- Our current working models of 3300 and 3500 Radios have been discontinued by Motorola and are no longer supported.
- Our purchase of 150 Radios in last year's capital was 2/3 of our current fleet.
- Purchasing 80 additional new radios will complete the rotation of end-of-life radios out of our system and allow us to have a fleet of radios that are completely serviceable and eligible for upgrades when needed.



PHASE 3 OF SECURITY UPGRADES

- 130 new cameras in stairwells, the garage and other areas throughout the building.
- 11 additional door alarms in the parking garage along with the additional cameras will allow us to immediately track individuals who enter stairwells unauthorized.
- Replacing back of house access control hardware with updated wireless hardware and technology.
- 67 new cameras to cover all meeting rooms and board rooms.



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ENGINEERING – \$213,500

UTILIDOOR ELECTRICAL UPGRADE

Upgrading the utilidor will allow us to offer independent circuit protection for utility installs on the exhibit hall floor. This will protect exhibitor equipment and allow us to service equipment without power interruption to multiple exhibitors.


SCISSOR LIFT

The current scissor lift used by the engineering team is nearing end of life and is crucial for timely lamp replacement, wall repairs, and exhibit hall utility installs. Replacing this aging equipment will let us avoid having to rent and maintain a steady workflow for repairs.



CUSHMAN TITAN (2)

The engineering team uses these utility carts daily to service installs in the exhibit halls and throughout the building. The existing carts are frequently down for repair and showing significant signs of wear. Adding two new Cushman carts will ensure the installs are completed on time and team members are not required to carry large, heavy loads of equipment unnecessarily.



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F&B – \$88,900

REPLACE GRILLS/GRIDDLER

These replacements will address various issues with our 11-year-old char broilers. We will essentially maintain grill surface area and add supportive refrigeration in the same space, helping to ensure food safety. These will increase each griddle area by 43%.



POINT OF SALE PAYMENT READER UPGRADE

SodexoLive! has received notice that the installed payment devices are end of life and support which will require a peripheral device upgrade.


Current devices are failing and unavailable for replacement.

This solution features an easy-to-use interface, restaurant-grade hardware and next-day payment funding.



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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.

Operating & Capital Budget Presentation
FY 2024 – 2025

Charles L. Starks
President & CEO

Heidi Runion, CPA
Director of Finance & Administration



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Convention Center Authority - Metro FY25 Budget Request			
Public Safety & Tourism Budget	FY24	FY25 Public Safety & Tourism Request	
Police	\$ 11,690,000	\$ 13,600,000	hours (16% increase)
MNFD	\$ 2,000,000	\$ 2,320,000	<- projected increase in OT costs due to additional hours (16% increase)
Beer Board	\$ 100,000	\$ 116,000	<- projected increase in OT costs due to additional hours (16% increase)
NDOT	\$ 250,000	\$ 290,000	<- projected increase in OT costs due to additional hours (16% increase)
Sheriff's Office		\$ 580,800	MNPD officer utilization
DEC		\$ 65,500	<- OT dedicated to downtown safety initiative
Total	\$ 14,040,000	\$ 16,972,300	
		\$ 2,932,300	
		20.89%	