



MINNESOTA SPORTS FACILITIES AUTHORITY MEETING AGENDA

Thursday, November 19, 2020, 8:00 A.M.

Zoom Link: <https://zoom.us/j/96399337059>

Zoom Phone Number: 301-715-8592

Meeting ID/Pass Code: 963 9933 7059

Pursuant to the Governor's ongoing Emergency Executive Orders, the Minnesota Sports Facilities Authority (MSFA) is holding its previously scheduled **8:00 a.m., November 19, 2020**, Board meeting via Zoom and telephonically consistent with Minnesota Statutes, Section 13D.021. The MSFA Chair has concluded that an in-person meeting is not practical or prudent because of the health pandemic declared under the Emergency Executive Orders and the importance of social distancing and minimizing contact with others pursuant to the Orders. **The public may monitor the meeting by downloading the Zoom video app and using the following website: <https://zoom.us/j/96399337059>. If you do not have access to the video app, the public may choose to Dial-In by using the following Zoom phone number: 301-715-8592, with passcode: 963 9933 7059. Should the public want to make a public comment, they must raise their virtual hand during that portion of the meeting. In order to do this, click on the "Participant" button on the bottom of the screen, and then click on the "Raise Hand Button". The Chair will then call your name in the order it was received. The Agenda and meeting materials will be available at www.msfa.com.**

1. CALL TO ORDER
2. APPROVAL OF PRIOR MEETING MINUTES – September 17, 2020
3. BUSINESS
 - a. Action Items
 - i. Approve 2020-2021 Capital Reserve Budget Amendment
 - ii. Approve Firewall Replacement Contract
 - iii. Approve MSFA Logo
 - b. Reports
 - i. 2020-2021 Property Insurance Report
 - ii. Comprehensive Annual Financial Report June 30, 2020
 - iii. Status of U.S. Bank Stadium
 - iv. Supporting Stadium current and former employees experiencing housing and financial insecurity during COVID-19
 - v. Executive Director's Report
4. PUBLIC COMMENTS
5. DISCUSSION
6. ANNOUNCEMENT OF NEXT MEETING – 8:00 a.m. Thursday, December 17 in Medtronic Club
7. ADJOURNMENT



MINNESOTA SPORTS FACILITIES AUTHORITY
Meeting Minutes – September 17, 2020 at 8:00 A.M.
Zoom Video & Teleconference

1. **CALL TO ORDER**

Chair Vekich called the meeting of the Minnesota Sports Facilities Authority (“MSFA” or “Authority”) to order at 8:00 A.M.

2. **ROLL CALL**

Commissioners present via phone: Chair Michael Vekich, Bill McCarthy, Barbara Butts Williams, and Angela Burns Finney

3. **APPROVAL OF MEETING MINUTES – August 20, 2020.** *See, Exhibit A.*

4. **BUSINESS**

a. Action Items

i. Approve Updated MSFA Bylaws

Jay Lindgren, General Counsel to the MSFA, presented the proposed revisions to the MSFA Bylaws. These proposed changes would be made to the following sections: Annual Meeting, Secretary/Treasurer, and Electronic Meetings. Along with those changes, there were also numerous non-substantive language changes made throughout the document to use consistent terms like “Chair” and “Commissioners.” *See, Exhibit B.*

Commissioner Butts Williams asked Chair Vekich if the MSFA is looking at both the role of the Chair and the Executive Director in order to ensure that they align with the bylaw changes, and Chair Vekich confirmed that the roles are currently being reviewed.

Commissioner Butts Williams moved and Commissioner McCarthy seconded the motion to approve the following recommended motion, which was unanimously adopted:

The MSFA authorizes the revisions to the Bylaws presented on September 17, 2020.

ii. MSFA's Policies and Procedures

Mr. Lindgren presented the proposed revisions to the MSFA's Policies and Procedures. He stated that the MSFA has had various policies that govern regular operations of the MSFA, and that these documents have been adopted by the Board at various times, and staff, in coordination with the Chair, have updated, revised and compiled these documents into a single Policy Manual. This has been done to (a) update portions of the policies and (b) to have all policies available in a single, organized document. *See, Exhibit C.*

Commissioner McCarthy moved and Commissioner Finney seconded the motion to approve the following recommended motion, which was unanimously adopted:

The MSFA authorizes the revisions to the Policy Manual presented on September 17, 2020.

iii. Communications Agreement between MSFA and ASM

Mr. Farstad, Executive Director of the MSFA, stated that ASM Global's leadership team and staff have been very effective in supporting the MSFA since September 2019, and the MSFA would like to continue this practice on a going forward basis. If approved, ASM Global will continue to serve as the source of communications representation for both MSFA and ASM Global at U.S. Bank Stadium. *See, Exhibit D.*

Commissioner Butts Williams moved and Commissioner McCarthy seconded the motion to approve the following recommended motion, which was unanimously adopted:

The MSFA authorizes the Chair and Executive Director to execute a contract agreement with ASM Global in an amount not to exceed \$120,000.

b. Report Items

i. Status of U.S. Bank Stadium

John Drum, Interim General Manager of U.S. Bank Stadium, provided the MSFA board with a stadium update. He stated that ASM Global is continuing to stay in contact with the State of Minnesota and the City of Minneapolis, and there is nothing new to report as the state is still on phase 3 of reopening. He noted that the next Minnesota Viking's home game will not have fans, but ASM Global is still in contact with clients and partners to discuss when their return to the stadium for events. Mr. Drum stated that he knows fans want to get back into the stadium as soon as possible, and he believes that ASM Global's VenueShield program will keep guests safe and healthy when it is time to open the doors.

Lester Bagley, Executive Vice President of Public Affairs at the Minnesota Vikings, then gave a brief NFL update. He stated that operationally, the game went very smoothly and that there were no issues during the first home game. He praised his staff for doing a wonderful job at keeping socially distant, especially those working in the tight quarters such as the press box. Mr. Bagley stated that the Minnesota Vikings used their home game to help create an awareness of social injustice, and all the players worked together to deliver a message about racial equality. He noted that George Floyd's family was honored, and that it was a special moment for the organization. Mr. Bagley stated that the only Viking's fans in attendance for the game were cardboard cutouts of fans, celebrities, and former Viking's legends. Lastly, Mr. Bagley stated that the Viking's will be traveling to Indianapolis for their next game, and the Colts are allowed to have some fans in attendance. The Minnesota Viking's staff plans on having a meeting with the Indianapolis Colts' staff to review their successes and learn how their plan could be implemented at U.S. Bank Stadium, as the goal is to bring back 20% of fans before the season is over.

ii. Executive Director Report

Mr. Farstad stated that the progress on the exterior repair project continues at a very steady pace as we near the completion of Phase One. The zinc panel installation is now complete on the south and far northeast sections of the Stadium, and the north side "U.S. Bank Stadium" signage has also been reinstalled. The west Prow "U.S. Bank Stadium" signage will also be reinstalled by mid-October, and all Phase One activities will be completed in the first weeks of November.

The Blister repair and insulation installation activities are underway on the north side (adjacent to the Sky Bridge) and continue on to the northwest prow. Mr. Farstad stated that the zinc panel installation will then follow, with the placement beginning at ground level and working upwards to the parapet. He noted that the west prow video board has been reinstalled, commissioned, and was fully operational prior to the September 13th Minnesota Vikings versus Green Bay Packers game.

Mr. Farstad stated that the hat channel coping installation and sky bridge repairs are underway and a draining solution at the stairs near the ticket window has been designed, and construction drawings are currently being reviewed. Mr. Farstad noted that the job site has been incredibly safe and announced that the work crew consists of 20-25 men/women on site daily, and there have been no reported safety incidents. Mortenson and McGrath are continuing to operate the job site at the highest level of care, and a second shift has been added to the job.

Mr. Farstad reported that the installation crews are now on site for the snow gutter repairs. He noted that the scaffolding and construction materials are now in place, the damaged panels are being removed, and the plumbing is being repaired. The panel removal process will continue for a few more weeks, and the new panels will be installed in October, with a completion date set for mid-November.

Lastly, Mr. Farstad stated that the transition from static signage to the 118 Digital Screens at the 10 Concessions Stands on the Main and Upper Concourses is nearly complete, and noted that this project is a continuation of the project from the prior year on the Main Concourse. Once the screens are in place, the digital media players will be connected for testing and final programming. The project completion is scheduled for September 30.

5. PUBLIC COMMENTS

1. Jerry Bahls – Audubon Chapter of Minneapolis: Mr. Bahls presented his concerns about bird glass collisions as the fall migration period is now underway. He stated that he understands the MSFA met with Michael Measure from the Fatal Light Awareness Program (FLAP), who recently launched a project two years ago called “Global Bird Rescue”. The program involves volunteers searching for victims of bird-window collisions, and uses an app to photograph and document the locations using GPS technology. Mr. Bahls noted that the Audubon Chapter of Minneapolis will be participating in this

program and will be looking at many high-risk areas within the metro area. Lastly, he stated that he was delighted to see that the Los Angeles Clippers will be incorporating fritted glass to their arena in order to prevent bird collisions, and he looks forward to the day when nearly all buildings are bird safe.

6. DISCUSSION

There was no discussion.

7. ANNOUNCEMENT OF NEXT MEETING

Chair Vekich announced that the next MSFA meeting will be held on Thursday October 15, 2020, at U.S. Bank Stadium in the Medtronic Club at 8:00 A.M., or possibly by teleconference based on the status of the Covid-19 pandemic.

8. ADJOURNMENT

There being no further business to come before the MSFA, the meeting was adjourned at 9:08 A.M.

Approved and adopted the 19th day of November 2020, by the Minnesota Sports Facilities Authority.

Tony Sertich, Secretary/Treasurer

James Farstad, Executive Director



November 19, 2020

MEMORANDUM

TO: MSFA Commissioners

FROM: James Farstad, Executive Director
Mary Fox-Stroman, Director of Finance

SUBJECT: Approval of Amended 2020 – 2021 Capital Project Budget

Capital Reserve Account Budget

On June 22, 2020 the MSFA board approved the 2020-2021 Capital Reserve Account plan and budget with a total capital expense budget of \$16,961,032. Due to the coronavirus (COVID-19) the capital project plan has been modified, projects were added to the plan, and project budgets have changed.

During the year capital reserve costs have been incurred for cleaning, sanitizing and preparing the stadium for events. Staff is requesting a project budget increase of \$100,000 for COVID-19 capital projects and an increase of \$100,000 to the 2020-2021 capital reserve expense budget for a total capital reserve expense budget of \$17,061,032.

Recommended Motion: *The Authority approves an increase of \$100,000 for COVID-19 capital projects and it approves an increase of \$100,000 to the 2020-2021 capital reserve expense budget for a total capital reserve expense budget of \$17,061,032.*



November 17, 2020

MEMORANDUM

TO: MSFA Commissioners

FROM: James Farstad, Executive Director

SUBJECT: Firewall Replacement Contract

A RFP was published on October 2, 2020 to attract proposals for the replacement of the Stadium's Firewall, which is end of life. This RFP is focused on the selection of a proposer who will provide the best value to the MSFA in provisioning all required hardware, software and cabling for delivery and installation in the stadium data center, configuring and testing all new equipment, and cleaning up and preparing built documentation for the Stadium Firewall Replacement project.

The selected contractor will:

- Architect a replacement for the current firewall that provides enough bandwidth to support secure stadium operations
- Transfer all existing Cisco AnyConnect VPN environments
- Provide at least five years of expected lifecycle operation
- Include materials, labor, and hardware and software warranties for one year

Staff reviewed complete proposals and is finalizing the discussion about which proposal will provide the best value to the MSFA and U.S. Bank Stadium. Based on the best and final proposals, proposer team interviews, and final submittals, the Chair and Executive Director will make a final selection of a provider. In order to complete this project by December 31, 2020, a contract will be executed prior to the next MSFA board meeting on December 17, 2020.

Recommended Motion: *The Minnesota Sports Facilities Authority authorizes the Chair and the Executive Director to finalize negotiations and execute a contract with the selected contractor for the Firewall Replacement project.*



November 17, 2020

MEMORANDUM

TO: MSFA Commissioners

FROM: James Farstad, Executive Director

SUBJECT: MSFA Logo Approval

At the December 2018 MSFA Board Meeting, the board approved the MSFA's new Guiding Principles, which include our Core Values, our Purpose (Stadium and MSFA), our Mission, and our Vision. In order to reflect our new Guiding Principles, the MSFA staff would like to update the logo which will integrate our five Core Values. The proposed logo is a reflection of our core values and purpose, and we have chosen five colors to represent them: Blue, Green, Purple, Red, and yellow.

Integrity is represented by a Blue flame and is associated with trust, loyalty, sincerity, wisdom, confidence, stability and intelligence. It is a personal commitment to doing the right thing even when no one is watching and is a value we seek in our team members, coworkers, customers and stakeholders. It is the foundation that all of our other key values are built upon.

Stewardship is Represented by a green flame and is associated with nature and health and represents growth, financial impact, and safety. The stadium operates in a safe, sustainable and efficient manner, is effectively maintained and marketed for maximum economic impact, as well as the community. We provide fiduciary control of funds received for capital and operational purposes and warrant the procurement processes are fair and transparent.

Equity and Community Focus is represented by a purple flame and is associated with creativity, wisdom, dignity, devotion, peace, pride, and independence. We are committed to ensuring the workforce we have is representative of the people we serve and believe diversity drives engagement, innovation and profitability. We value dignity and inclusion for all stakeholders and are proactive in our outreach to diverse communities and targeted businesses to promote opportunities.

Accountability is represented by a red flame and is associated with strength, leadership, courage, assertiveness, determination, action, and the energetic and enthusiastic forward motion. It ensures we acknowledge a level of ownership that creates a culture of promise keeping.

Innovation and Responsiveness is represented by a gold flame and is associated with the color of hope, happiness, freshness, positivity, clarity, energy, optimism, enlightenment, remembrance, intellect, and joy. It shows that we are always open to new ways of doing things.

And that we are catalysts who foster an open exchange of ideas. We do this by adopting well-designed business processes for consistency and desired outcomes and encourage innovative problem solving as we design ideal solutions.

Recommended Motion: *The Minnesota Sports Facilities Authority approves of the new logo redesign.*



November 19, 2020

MEMORANDUM

TO: MSFA Commissioners

FROM: James Farstad, Executive Director
Mary Fox-Stroman, Director of Finance

SUBJECT: 2020 – 2021 Property Insurance Report

Willis Towers Watson (Willis), broker/agent for the Authority's property insurance program, provides carrier marketing services, policy administration and management services, and claim advocacy services. This is the fifth year that Willis marketed the all-risk property insurance program. The program includes coverage for real and personal property, business interruption, boiler and machinery, and terrorism. The program has a policy limit of \$1.2 billion, and the policy period is from September 18, 2020 through September 18, 2021.

This year's renewal strategy focused on obtaining the best pricing and coverage options from the incumbent insurers, American Home Assurance Company (AIG) and Travelers, and exploring new alternative options with other insurers. Willis contacted nine other insurance markets to discuss the Authority's property insurance program and to seek viable quotes. These other insurers either declined to quote or were willing to participate only on a "quota share" basis which would be more costly.

AIG offered a renewal quote with similar coverage terms for a policy limit of \$1 billion for a premium, including taxes and fees, of \$588,143.09 which is a 30% increase over the prior year's premium. The policy has a \$50,000 deductible for the Vikings Ship and the deductible for perils other than snow, sleet, ice, and hail remained at \$100,000. There was a last-minute policy change, whereby AIG added a \$1 million deductible for snow, sleet, ice and hail perils. Upon learning of the policy change, Willis negotiated with AIG a 14-day extension of the \$100,000 deductible for snow, sleet, ice, and hail perils so that the Authority would have time to research deductible buy-down policy options. This extension expired on October 1, 2020.

During the extension period Willis contacted various markets to obtain quotes for a deductible buy-down policy. Underwriters at Lloyds, London offered a quote that would buy-down the deductible from \$1 million to \$500,000 for cold weather perils for a premium of \$124,374.43 for a policy term from October 2, 2020 through September 18, 2021.

Travelers offered a renewal quote for the excess property insurance layer of \$200 million for a premium, including taxes, of \$129,362.03 which is a 13.6% increase over the prior year's policy.

The layered approach for the property insurance program offered the best pricing for the Authority.

Carrier	Layer	Premium
American Home Assurance (AIG)	Layer 1 - \$1.0 billion, primary	\$588,143.09
Travelers	Layer 2 - \$200 million, excess of \$1.0 billion	\$129,362.03
Underwriters at Lloyds, London	Deductible Buy-Down, \$500,000 excess of \$500,000	\$124,374.43
Willis Towers Watson	Broker fee (net of commissions included above)	\$ 35,277.45
	Total (Premium, taxes, and fees)	<u>\$877,157.00</u>



November 19, 2020

MEMORANDUM

TO: MSFA Commissioners

FROM: James Farstad, Executive Director
Mary Fox-Stroman, Director of Finance

SUBJECT: Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2020

We are pleased to present to you our Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2020. The CAFR has three major sections: introductory, financial, and statistical. The financial section includes the independent auditors' report, management's discussion and analysis, the basic financial statements including the notes to the financial statements, and required supplementary information. CliftonLarsonAllen LLP (CLA) performed the audit and issued an unmodified audit opinion dated October 28, 2020, that the financial statements present fairly the financial position of the Authority as of June 30, 2020, and the respective changes in financial position and cash flows for the fiscal year then ended. CLA also issued a separate audit report titled: *Independent Auditors' Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*, and they issued a governance letter. The additional report and the letter will be presented by CLA.

The basic financial statements include: statement of net position, statement of revenues, expenses and changes in net position, statement of cash flows, and notes to the financial statements. The Authority's financial statements include ASM Global's fourth year of operations of U.S. Bank Stadium.

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Authority for its CAFR for the fiscal year ended June 30, 2019. This was the seventh award that the Authority has received. We believe this CAFR meets the certificate program requirements and we have submitted it to the GFOA to determine its eligibility. The award is typically received six months after submission of the financial report.

Recommended Motion: None.

COMPREHENSIVE ANNUAL **FINANCIAL REPORT**

FOR THE FISCAL YEAR ENDED JUNE 30, 2020



MINNESOTA SPORTS FACILITIES AUTHORITY • MINNEAPOLIS, MINNESOTA

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MINNESOTA SPORTS FACILITIES AUTHORITY • MINNEAPOLIS, MINNESOTA

COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

— A COMPONENT UNIT OF THE STATE OF MINNESOTA —



FINANCE DEPARTMENT
1005 FOURTH STREET SOUTH
MINNEAPOLIS, MINNESOTA 55415-1752



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INTRODUCTORY SECTION

The Introductory Section contains the letter of transmittal, which provides an overview of the Minnesota Sports Facilities Authority's finances, economic prospects, and achievements. Also, included in this section is the list of commissioners and administrative officials, the organization chart, and the Certificate of Achievement for Excellence in Financial Reporting, awarded by the Government Finance Officers Association. It is the highest form of recognition in governmental financial reporting.



MINNESOTA SPORTS FACILITIES AUTHORITY • MINNEAPOLIS, MINNESOTA

COMPREHENSIVE ANNUAL **FINANCIAL REPORT** FOR THE FISCAL YEAR ENDED JUNE 30, 2020

— A COMPONENT UNIT OF THE STATE OF MINNESOTA —



Bank of America
Stadium

Bank of America
Stadium



October 28, 2020

To the Honorable Chairman and Commissioners of the Minnesota Sports Facilities Authority:

I am pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the Minnesota Sports Facilities Authority (Authority) for the fiscal year ended June 30, 2020. The financial statements included in this report conform to generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB). Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Authority's management. To the best of my knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the Authority. All necessary disclosures have been included to enable the reader to gain the maximum understanding of the Authority's financial affairs.

The Authority's management is responsible for establishing and maintaining an internal control structure designed to ensure that its assets are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable but not absolute assurance that these objectives are met and that the financial statements will be free from material misstatement. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived. The evaluation of costs and benefits requires estimates and judgments by management.

The reader is referred to Management's Discussion and Analysis (MD&A) section for additional information regarding the activities and financial position of the Authority. The MD&A provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

The following subjects are discussed in this letter:

- Profile of the Authority,
- Economic Condition and Outlook,
- Major Initiatives and Accomplishments,
- Independent Audit,
- Awards, and
- Acknowledgements.



PROFILE OF THE AUTHORITY

In May 2012, the Minnesota legislature established the Authority as a public body and political subdivision of the state. Per Minnesota Statutes, 473J.07, Subd. 2 the Authority is comprised of five commissioners, the governor of the state of Minnesota appoints the chair and two additional commissioners, and the mayor of the city of Minneapolis appoints two commissioners. The commissioners serve four-year terms. The governing body sets policy for the administration of the Authority and the Executive Director directs the Authority's operations and carries out the policies established by the board.

The Authority was established to provide for the construction, financing, and long-term use of U.S. Bank Stadium and related stadium infrastructure as a venue for professional football and a broad range of other civic, community, athletic, educational, cultural, and commercial activities.

U.S. Bank Stadium, located in Minneapolis, Minnesota, is a magnet for entertainment as guests from the Minneapolis-St. Paul metropolitan area and throughout Minnesota attended and/or participated in events in and around the stadium. Professional football events, amateur and collegiate athletic events, concerts, motorsports events, corporate, educational, and private events filled the stadium's event schedule. This schedule changed suddenly when the coronavirus hit Minnesota.

COVID-19

Minnesota Governor Walz issued an executive order on March 13, 2020 declaring a peacetime emergency providing guidance on the prevention and reduction of community spread of the coronavirus (COVID-19) in Minnesota and encouraging Minnesotans to "Stay Home." COVID-19 was declared a state and national pandemic. Schools, offices, businesses, and churches closed, and public events were cancelled to reduce the spread of the pandemic.

Although some businesses and retail establishments reopened in late May or early June 2020 no events were held in the stadium. Numerous events that were scheduled to be hosted at the stadium in spring 2020 were cancelled, postponed or rescheduled as a result of the pandemic. Event cancellation impacted stadium operations with a significant reduction in stadium operating revenues as well as stadium operating expenses. Several events were rescheduled for the 2021 calendar year.

ECONOMIC CONDITION AND OUTLOOK

Local Economy

Minnesota's economic growth is influenced by employment growth, consumer purchases, property rights, and household finances. Employment opportunities and property rights are the foundation for a market-based economy. These economic indicators are important for the sports and entertainment industry as they influence stadium event attendance, ticket revenues, food and beverage revenues, and event space rental revenues.



This past spring Minnesota experienced a significant decrease in economic activity due to the pandemic and the civil unrest in the Minneapolis-St. Paul metropolitan area. The death of George Floyd in May 2020 sparked protests in Minneapolis and nationwide against police brutality. Peaceful protests quickly turned to riots. Over 1,500 businesses in the metropolitan area were damaged by burning, vandalizing, graffiti, and looting during several nights of unrest. Fortunately, the stadium was not damaged during the civil unrest. Damages from the civil unrest are estimated to exceed \$500 million. Some businesses in the damaged areas have permanently closed, some businesses have relocated, and other businesses have slowly begun to rebuild. Demolition of the damaged buildings is underway and reconstruction plans are on the horizon.

As the pandemic continues to challenge Minnesota's economy the outlook for growth has slowed. The Bureau of Economic analysis estimates that real GDP decreased at an annual rate of 5.0 percent during the first quarter of 2020. Minnesota's macroeconomic consultant, IHS Markit, in July 2020, forecast a 6.1 percent decline in real GDP in 2020. IHS expects real GDP growth to turn positive in the third quarter of 2020, and they forecast a 3.7 percent annual growth in 2021. IHS Markit expects real GDP to reach its pre-recession level in 2022.

Minnesota's seasonally adjusted unemployment rate continues to move lower, falling to 7.4 percent in August 2020 which is a decrease of .2 percent from July 2020 according to Minnesota's Department of Employment and Economic Development. Minnesota added seasonally adjusted 40,500 payroll jobs in August 2020, up 1.5 percent from July 2020. Minnesota continues to see steady job growth and a decline in unemployment applications. Replacement of jobs that were lost during the pandemic will take time as job growth has been uneven across industries and occupations.

The Consumer Price Index (CPI) for All Urban Consumers in the Minneapolis-St. Paul-Bloomington metropolitan area decreased .3 percent from July 2019 to July 2020 as reported by the U.S. Bureau of Labor Statistics. The CPI is a measure of the average change in prices over time in a fixed market basket of goods and services.

MAJOR INITIATIVES AND ACCOMPLISHMENTS

Stadium Operator

ASM Global (formerly known as SMG) is responsible for marketing and sales, event services, stadium security, and stadium management and operations at U.S. Bank Stadium. U.S. Bank Stadium's operations are included in the Authority's financial statements. Following are highlights of the 2019-2020 events hosted at the stadium:

Minnesota Vikings Home Football Games and Other Events

Minnesota Vikings kicked-off their 2019 football season at U.S. Bank Stadium with their first preseason home game on August 18, 2019. The Team played their second preseason home game on August 24, 2019 and eight additional regular season home games at U.S. Bank Stadium.



Other events that entertained guests at the stadium included the Minneapolis X Games 2019 which held its third event at the stadium from August 1 through August 4, 2019. The Minnesota State High School League hosted soccer games, football semi-finals games, and prep bowl championship games in October and November 2019 at the stadium. Monster Jam hosted two motorsport shows in the stadium, the first show was on December 14, 2019 and the second show was on February 15, 2020. In addition, there were several other events hosted at the stadium including amateur football games, collegiate baseball games, and a variety of community, corporate, and private events.

U.S. Bank Stadium also hosted many public and private tours as it is a popular tourist activity for guests to learn the facts and figures of the stadium's operations, view the beautiful artwork throughout the stadium, and experience the clubs and the stadium's back-of-house operations. ASM Global offered customized educational tours for elementary, middle school and high school students. Students were able to participate in two-hour Sustainability Education tours and Career Path Education tours. Students journeyed through the stadium while the tour guides linked the stadium's operations to the tour's topics.

In late March 2020 several events were cancelled, postponed or rescheduled due to Governor Walz's Executive "Stay at Home" Order and the pandemic. The NCAA Wrestling Championship event scheduled for March 2020 was cancelled, three springtime concerts scheduled to be held at the stadium were postponed and/or rescheduled, and many other events and tours were cancelled or rescheduled. No events were held at the stadium during the months of April 2020 through June 2020 due to the pandemic.

Future Events

In September 2020 events returned to the stadium and the first Minnesota Vikings home football game of the 2020 season was held on September 13, 2020, albeit without fans. The second home game was held on September 27, 2020 with very limited attendance. Six additional Minnesota Vikings home football games are scheduled to be played at the stadium. The Authority, stadium management, the Minnesota Vikings, the NFL, and Governor Walz's office continue to work together to develop plans for a full reopening of the stadium.

Event planning and scheduling for fiscal year 2021 remains fluid and stadium management is in discussions for hosting a variety of events at U.S. Bank Stadium including: youth sports, tradeshow, galas, field events, club events and potentially a concert.

Stadium Concessionaire

Aramark Sports and Entertainment Services, LLC (Aramark) the stadium's food and beverage service, premium catering service, and concession services provider reported gross sales of \$26,461,629 for its fourth year of operations at U.S. Bank Stadium. Aramark paid commissions on certain food and beverage sales to the Minnesota Vikings for their events and the Authority reported food and beverage commission revenues of \$1,808,561 for the fourth year of operations for Authority events. The Authority also reported capital contributions of \$639,757 from Aramark, which is 2.5 percent of commissionable gross food and beverage sales, for deposit into the Authority's concession capital reserve account.



Capital improvements

The following capital and concession capital improvements were made to U.S. Bank Stadium during the fiscal year:

- Building modifications \$6,483,759
- Purchase of artificial playing surface protective cover \$1,059,452
- Installation of new artificial playing surface (turf) \$642,858
- Purchase of concession equipment \$514,359
- Installation of branding enhancement signage \$267,000
- Building modifications to Vikings Voyage \$228,225
- Installation of electrical modifications to the stadium \$88,226
- Purchase of X-ray machines \$71,818
- Purchase of new building equipment \$62,892
- Purchase of building cameras \$46,802
- Purchase of cleaning equipment \$87,638
- Purchase of technology equipment \$38,466
- Purchases of other equipment \$96,983

Settlement Agreement and Exterior Repair Project

Shortly after U.S. Bank Stadium opened in 2016 water penetration issues and concerns with the longevity of the original exterior enclosure of the building surfaced. These concerns prompted the Authority, eight companies associated with the design, engineering and construction of the stadium, and their associated insurance companies to come together through mediation to determine a solution to address the issues. The outcome of the mediation was to redesign, engineer and construct a new enhanced exterior enclosure with similar looking new exterior panels and an improved water resistant and structurally sound exterior. The parties agreed that a completely new exterior enclosure would ensure the highest level of building performance over its lifetime.

On February 28, 2020 the Authority board authorized execution of the Settlement Agreement that provided funding of \$21,497,449 in repairs to the stadium's exterior. On that same date the board also authorized execution of a contract revision with the construction manager for the exterior repair project for \$21,497,449. Work on the exterior repairs began immediately and continued through October 2020. Completion of the repair project is expected to be in the summer of 2021. As of June 30, 2020, repair expenses of \$13,389,518 had been incurred and are reported as nonoperating stadium project expenses.

Downtown East Parking Garage and Mills Fleet Farm Parking Garage

The Authority owns the Downtown East Parking Garage which has 455 parking spaces and is located beneath the stadium plaza on a site adjacent to the stadium. The Authority also owns the six-level Mills Fleet Farm Parking Garage which has 1,610 parking spaces and is connected via the stadium skyway to U.S. Bank Stadium. Beginning on December 31, 2015 Ryan Companies assumed operational responsibility for the ramps. Ryan Companies hired a parking management company, Denison Parking, Inc., to operate both parking facilities. All parking revenues belong to Ryan Companies during their management period and they are responsible for all parking expenses.



INDEPENDENT AUDIT

The Authority's financial statements have been audited as required by state statute and received an unmodified opinion by the accounting firm of CliftonLarsonAllen LLP (CLA). Minnesota Statutes 473J.07, subd.7, requires the Minnesota Office of the Legislative Auditor (Legislative Auditor) conduct an annual audit of the financial statements of the Authority. The Legislative Auditor delegated this responsibility for the current audit to CLA. In addition to meeting the requirements of the state statutes, the audit was designed to meet the requirements of the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. The report of the independent auditors on the basic financial statements can be found in the financial section of this annual report.

AWARDS

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Authority with the Certificate of Achievement for Excellence in Financial Reporting to the Authority for its CAFR for the fiscal year ended June 30, 2019. This was the seventh year that the Authority received this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, the contents of which conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements. The Certificate of Achievement is a prestigious national award which recognizes conformance with the highest standards for preparation of state and local government financial reports. The Certificate of Achievement is valid for a period of one year only. Management believes that the current CAFR meets the Certificate of Achievement Program's requirements, and it will be submitted to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

I express my sincere appreciation to Suzanne Arcand and Elizabeth Proeitz who contributed to this report. They have my sincere appreciation for the contributions they made in the preparation of this report. Appreciation is also expressed to the Commissioners for their cooperation and outstanding assistance in matters pertaining to the financial affairs of the Authority.

Respectfully submitted,

A handwritten signature in black ink that reads "Mary Fox-Stroman". The signature is written in a cursive, flowing style.

Mary Fox-Stroman, CPA
Director of Finance



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Minnesota Sports Facilities Authority

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morrill

Executive Director/CEO

COMMISSIONERS and ADMINISTRATIVE OFFICIALS

As of June 30, 2020



COMMISSIONERS (left to right)

TONY SERTICH • ANGELA BURNS FINNEY • MIKE VEKICH
BARBARA BUTTS WILLIAMS • BILL MCCARTHY

COMMISSIONERS	TERM OF OFFICE	
	Appointed	End of Term
MICHAEL VEKICH, <i>Chair</i>	July 2017	January 2023
BARBARA BUTTS WILLIAMS, <i>Vice Chair</i>	June 2012	December 2019 ¹
TONY SERTICH, <i>Secretary & Treasurer</i>	August 2015	December 2023
BILL MCCARTHY	June 2012	December 2020
ANGELA BURNS FINNEY	September 2019	January 2023

KEY ADMINISTRATIVE STAFF

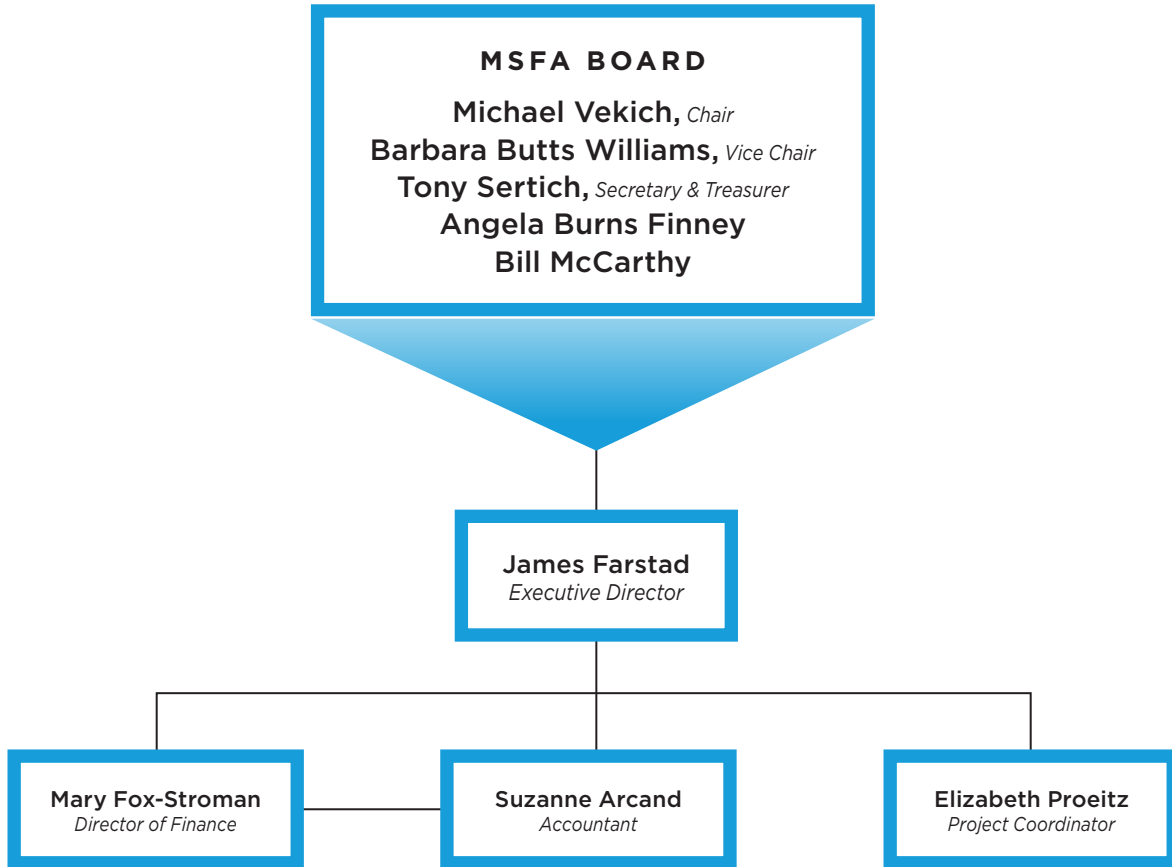
Executive Director
JAMES FARSTAD

Director of Finance
MARY FOX-STROMAN, CPA

¹ Ms. Butts Williams continues in her position until an appointment is made.

ORGANIZATION CHART

AS OF JUNE 30, 2020



FINANCIAL SECTION

The Financial Section includes the independent auditors' report, management's discussion and analysis, and the basic financial statements including the notes to the financial statements, and required supplementary information.



MINNESOTA SPORTS FACILITIES AUTHORITY • MINNEAPOLIS, MINNESOTA

COMPREHENSIVE ANNUAL **FINANCIAL REPORT** FOR THE FISCAL YEAR ENDED JUNE 30, 2020

— A COMPONENT UNIT OF THE STATE OF MINNESOTA —





CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Minnesota Sports Facilities Authority
Minneapolis, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the Minnesota Sports Facilities Authority, a component unit of the state of Minnesota, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Minnesota Sports Facilities Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position the Minnesota Sports Facilities Authority as of June 30, 2020, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

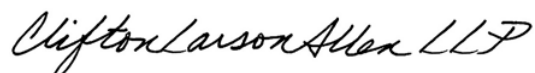
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the Authority's share of the net pension liability – State Employees Retirement Fund, and the schedule of the Authority's contributions – State Employees Retirement Fund, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Minnesota Sports Facilities Authority's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. They have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2020, on our consideration of the Minnesota Sports Facilities Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Minnesota Sports Facilities Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Minnesota Sports Facilities Authority's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 28, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Minnesota Sports Facilities Authority (Authority) Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of the Authority's financial performance for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the Authority's financial performance as a whole. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the Letter of Transmittal, located in the Introductory Section of the CAFR.

Financial Highlights

The basic financial statements report information about the Authority using the economic resources measurement focus and accrual basis of accounting. Key financial highlights for the Authority's fiscal year ended June 30, 2020 are as follows:

- Overall, the Authority's net position decreased \$27,194,071, from \$1,007,746,206 as of June 30, 2019 to \$980,552,135 as of June 30, 2020.
- Operating expenses of \$79,979,931 exceeded operating revenues of \$32,072,837 resulting in an operating loss of \$47,907,094 for the fiscal year ended June 30, 2020. Depreciation expense of \$50,795,764 was the largest operating expense.
- The net increase in capital assets was \$2,795,840 as of June 30, 2020. The largest capital project this year was building modifications of \$6,483,759.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The financial section of this report consists of:

- (1) Independent Auditors' Report
- (2) Management's Discussion and Analysis (presented here)
- (3) Basic (Enterprise fund) Financial Statements:
 - a. Statement of net position
 - b. Statement of revenues, expenses, and changes in net position
 - c. Statement of cash flows
- (4) Notes to the Financial Statements

This report also includes other required supplementary information in addition to the basic financial statements.

The Authority uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The Authority maintains one proprietary fund, an enterprise fund. The enterprise fund financial statements report information about the Authority using accounting methods similar to those used by private-sector businesses in which costs are recovered primarily through user charges. Enterprise fund financial statements provide both short-term and long-term financial information about the Authority's overall financial status. The statements present information on the Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position and show how net position has changed during the year. These financial statements and explanatory notes are prepared in conformance with generally accepted governmental accounting principles, and are reported using the accrual basis of accounting.

Statement of net position

The statement of net position presents information on the financial resources and obligations of the Authority on June 30, 2020. The difference between the sum of total assets and deferred outflows of resources and the sum of total liabilities and deferred inflows of resources is net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial health of the Authority is improving or deteriorating.

Statement of revenues, expenses and changes in net position

The statement of revenues, expenses and changes in net position presents information showing how the Authority's net position changed during the fiscal year ended June 30, 2020. All of the fiscal year's revenues and expenses are accounted for in this statement, regardless of when cash is received or paid.

Statement of cash flows

The statement of cash flows reports cash and cash equivalent activities for the fiscal year ended June 30, 2020 as a result of operating, noncapital financing, capital, and investing activities.

Notes to the financial statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the enterprise fund financial statements.

Required supplementary information

The required supplementary information consists of two schedules, Schedule of the Authority's Share of Net Pension Liability State Employees Retirement Fund and Schedule of Authority's Contributions State Employees Retirement Fund.

Financial Analysis
Statement of Net Position

Following is a table that presents the Authority's Statement of Net Position as of June 30, 2020 and 2019:

Statement of Net Position at June 30, 2020 and 2019

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Increase/ (decrease)</u>
ASSETS:			
Current and other assets	\$45,619,788	\$23,070,700	\$22,549,088
Capital assets (net of accumulated depreciation)	953,867,695	1,000,408,761	(46,541,066)
Noncurrent assets	<u>22,449,782</u>	<u>6,639,163</u>	<u>15,810,619</u>
Total assets	<u>1,021,937,265</u>	<u>1,030,118,624</u>	<u>(8,181,359)</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows of resources related to pensions	<u>476,907</u>	<u>241,494</u>	<u>235,413</u>
LIABILITIES:			
Current liabilities	33,993,347	13,599,075	20,394,272
Noncurrent liabilities	<u>6,826,456</u>	<u>8,038,239</u>	<u>(1,211,783)</u>
Total liabilities	<u>40,819,803</u>	<u>21,637,314</u>	<u>19,182,489</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows of resources related to pensions	<u>1,042,234</u>	<u>976,598</u>	<u>65,636</u>
NET POSITION:			
Investment in capital assets	953,867,695	1,000,408,761	(46,541,066)
Restricted for capital projects	21,845,565	3,845,171	18,000,394
Unrestricted	<u>4,838,875</u>	<u>3,492,274</u>	<u>1,346,601</u>
Total net position	<u>\$980,552,135</u>	<u>\$1,007,746,206</u>	<u>(\$27,194,071)</u>

The Authority's net position decreased \$27,194,071 (27%) to \$980,552,135. The three components of net position are: investment in capital assets, restricted for capital projects, and unrestricted. The largest portion of the Authority's net position (97.3 percent) at June 30, 2020 reflects its investment in capital assets of \$953,867,695. These assets are comprised of land, construction in progress, buildings, building equipment, land improvements, and equipment of U.S. Bank Stadium, Mills Fleet Farm Parking Garage, and the Downtown East Parking Garage. Accordingly, these assets are not available for future spending. Restricted net position at June 30, 2020 was \$21,845,565 and this represents resources that are restricted for future capital purchases. Unrestricted net position at June 30, 2020 was \$4,838,875. These resources are available and may be used to meet the Authority's ongoing and future obligations.

Summary of Changes in Net Position

The following table summarizes the changes in net position for the fiscal year ended June 30, 2020 and 2019.

Summary of Changes in Net Position

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Increase/ (decrease)</u>
Operating revenues	\$32,072,837	\$47,857,056	(\$15,784,219)
Operating expenses	<u>(79,979,931)</u>	<u>(99,110,542)</u>	<u>(19,130,611)</u>
Total operating income or (loss)	(47,907,094)	(51,253,486)	3,346,392
Nonoperating revenues (expenses):			
Nonoperating revenues	11,328,113	3,739,117	7,588,996
Nonoperating expenses	<u>(19,380,547)</u>	<u>(1,650,775)</u>	<u>17,729,772</u>
Total nonoperating revenues (expenses)	(8,052,434)	2,088,342	(10,140,776)
(Loss) before capital contributions	(55,959,528)	(49,165,144)	(6,794,384)
Capital contributions	28,765,457	7,071,937	21,693,520
Changes in net position	(27,194,071)	(42,093,207)	14,899,136
Total net position-beginning of year	<u>1,007,746,206</u>	<u>1,049,839,413</u>	<u>(42,093,207)</u>
Total net position-end of year	<u>\$980,552,135</u>	<u>\$1,007,746,206</u>	<u>(\$27,194,071)</u>

Operating revenues include operating payments from the state of Minnesota and Minnesota Vikings, stadium operating revenues, and other revenues. In fiscal year 2020 operating revenues totaled \$32,072,837, a decrease of \$15,784,219 (33 percent) from fiscal year 2019. This decrease is primarily due to a decrease in stadium operating revenues. Explanations of these changes include the following:

- Stadium operating revenues decreased \$16,754,368 (54.2 percent) from the prior fiscal year primarily due to events that were scheduled to be hosted in the stadium during the months of April through June 2020 were cancelled, postponed, or rescheduled to prevent the spread of the pandemic, COVID-19. Commissions received from food and beverage concession and catering sales, merchandise sales, and program revenues decreased \$4,973,139, ticket rebates and facility fees decreased \$3,382,915, and rent decreased \$1,544,605.
- Operating payments from the state of Minnesota and Minnesota Vikings increased by \$338,385 (2.2 percent) from the prior fiscal year due to the Minnesota Vikings' contractually required payment increase of 3 percent per year and the state of Minnesota's annual adjustment factor.
- Other revenues increased \$632,765 from the prior year.

Operating expenses include personal services, professional services, supplies, repairs, and maintenance, rent, other expenses, stadium operating expenses, and depreciation. For fiscal year 2020 operating expenses totaled \$79,979,931 which represents a decrease of \$19,130,611 (19.3 percent) when compared to fiscal year 2019. This decrease is primarily due to a decrease in stadium operating expenses of \$19,231,843 (43.4 percent) from the prior fiscal year. This decrease is associated with costs savings and reductions due to fewer events were hosted in the stadium in fiscal year 2020 as compared to fiscal year 2019.

Other changes in fiscal year 2020 include the following:

- Nonoperating revenues increased by \$7,588,996 primarily due to the construction closeout contribution to the capital reserve account.
- Nonoperating expenses increased by \$17,729,772 primarily due to the exterior repair project.
- Capital contributions increased by \$21,693,520 due to the contribution from the settlement agreement.

Capital Assets

The following table compares the Authority's capital assets as of June 30, 2020 and 2019 net of accumulated depreciation:

	Capital Assets		
	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Increase/ (decrease)</u>
CAPITAL ASSETS: (net of depreciation):			
Non-depreciable-			
Land	\$31,983,174	\$31,983,174	\$-
Construction in progress	57,680	544,162	(\$486,482)
Depreciable-			
Buildings	744,895,511	766,770,828	(21,875,317)
Building equipment	72,143,309	79,991,868	(7,848,559)
Land improvements	26,366,462	28,000,173	(1,633,711)
Equipment	78,421,559	93,118,556	(14,696,997)
Total capital assets	<u>\$953,867,695</u>	<u>\$1,000,408,761</u>	<u>(\$46,541,066)</u>

The Authority's investment in capital assets as of June 30, 2020 was \$953,867,695 (net of accumulated depreciation) and consists of land, construction in progress, buildings, building equipment, land improvements, and equipment of U.S. Bank Stadium, Mills Fleet Farm Parking Garage, and Downtown East Parking Garage. Total capital assets decreased \$46,541,066 from the prior year. This decrease is primarily due to depreciation expense of \$50,795,764.

Additional information on the Authority's capital assets can be found in the notes to the financial statements, see note I.C.5 and note II.C.

Next Year's Budget

An annual operating budget is adopted on a basis consistent with generally accepted accounting principles. Discussion and preparation of the fiscal year 2020-2021 annual operating and capital budgets began in the spring 2020. The Authority then approved and adopted the 2020-2021 operating and capital budgets

in June 2020. This budget process will be followed for adoption of the 2021-2022 budget. Per Minnesota Statutes 3.8842, the Legislative Commission on Minnesota Sports Facilities (Legislative Commission) is required to oversee the Authority's operating and capital budgets. An annual report is presented to the Legislative Commission. Staff presents quarterly budget reports to the Authority board.

The Authority's adopted 2020-2021 operating budget includes operating revenues of \$36,310,146 which includes: stadium operating payments from the state of Minnesota of \$6,000,000 and the Minnesota Vikings of \$9,566,825 for a combined total of \$14,566,825, stadium operating revenues of \$20,679,121, and miscellaneous revenues of \$64,200. Also included in this budget are operating expenses of \$34,793,267 which includes stadium operating expenses of \$30,472,900, professional services of \$1,857,000, rent \$957,569, personal services of \$739,680, supplies and network support of \$112,326, and other expenses of \$653,792.

Operating revenues of \$36,310,146 are budgeted to exceed operating expenses of \$34,793,267 for a net operating loss of \$1,516,879. Also, investment earnings of \$87,000 are included in the budget as nonoperating revenues. Net income is budgeted to be \$1,603,879.

In addition to the 2020-2021 operating budget, the capital and concession capital budgets include capital expenses of \$16,961,032 and concession capital expenses of \$1,353,910. These expenses will be funded by capital revenues from the state of Minnesota and the Minnesota Vikings of \$3,238,911, the 2.5 percent concession capital reserve revenues of \$241,725, and the capital reserve and concession capital reserve.

The Authority considered the following factors when setting the 2020-2021 budget and fees that will be charged for use of U.S. Bank Stadium:

- Stadium event schedule
- Number and type of stadium events
- Stadium event attendance
- Stadium rental pricing
- Product pricing

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in its financial position and to demonstrate the Authority's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director of Finance, Minnesota Sports Facilities Authority, 1005 Fourth Street South, Minneapolis, Minnesota 55415. This report may also be found on the Authority's website at www.msfa.com.

MINNESOTA SPORTS FACILITIES AUTHORITY
STATEMENT OF NET POSITION
June 30, 2020

ASSETS

Current assets:	
Cash and cash equivalents	\$34,899,885
Restricted cash and cash equivalents	362,753
Investments	4,999,205
Receivables:	
Accounts and other receivables	4,389,051
Prepaid items	968,894
Total current assets	<u>45,619,788</u>
Noncurrent assets:	
Restricted cash and cash equivalents	<u>21,104,570</u>
Capital assets:	
Non-depreciable:	
Land	31,983,174
Construction in progress	57,680
Depreciable:	
Buildings	860,270,853
Building equipment	100,049,123
Land improvements	32,916,971
Equipment	130,030,704
Accumulated depreciation	(201,440,810)
Total capital assets (net of accumulated depreciation)	<u>953,867,695</u>
Prepaid project insurance	<u>1,345,212</u>
Total noncurrent assets	<u>976,317,477</u>
Total assets	<u>1,021,937,265</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources related to pensions	<u>476,907</u>
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LIABILITIES

Current liabilities:	
Salaries and compensated absences payable	185,458
Accounts and other payables	2,848,565
Construction retainage payable	699,476
Advanced ticket sales and deposits	27,177,616
Restricted stadium builders licenses liability	121,902
Unearned revenue	2,960,330
Total current liabilities	<u>33,993,347</u>
Noncurrent liabilities:	
Compensated absences payable	68,330
Net pension liability	225,096
Unearned revenue	6,533,030
Total liabilities	<u>40,819,803</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources related to pensions	<u>1,042,234</u>
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NET POSITION

Investment in capital assets	953,867,695
Restricted for capital projects	21,845,565
Unrestricted	4,838,875
Total net position	<u>\$980,552,135</u>

The notes to the financial statements are an integral part of this statement.

MINNESOTA SPORTS FACILITIES AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2020

Operating revenues:	
Operating payments from state of Minnesota and Minnesota Vikings	\$15,907,958
Stadium operating revenues	14,142,738
Other revenues	2,022,141
	<hr/>
Total operating revenues	32,072,837
	<hr/>
Operating expenses:	
Personal services	660,059
Professional services	1,385,177
Supplies, repairs and maintenance	920,323
Rent	800,699
Other expenses	311,155
Stadium operating expenses	25,106,754
Depreciation	50,795,764
	<hr/>
Total operating expenses	79,979,931
	<hr/>
Total operating (loss)	(47,907,094)
	<hr/>
Nonoperating revenues (expenses):	
Investment earnings	174,920
Other contributions for stadium project	9,316,985
Sales tax revenues	1,836,208
Stadium project expenses	(14,280,236)
Stadium builders licenses expenses	(447,129)
Loss on disposal of assets	(4,653,182)
	<hr/>
Total nonoperating (expenses)	(8,052,434)
	<hr/>
(Loss) before capital contributions	(55,959,528)
	<hr/>
Capital contributions	28,765,457
	<hr/>
Change in net position	(27,194,071)
	<hr/>
Total net position, July 1, 2019	1,007,746,206
	<hr/>
Total net position, June 30, 2020	\$980,552,135
	<hr/> <hr/>

The notes to the financial statements are an integral part of this statement.

MINNESOTA SPORTS FACILITIES AUTHORITY
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from state of Minnesota and Minnesota Vikings	\$15,897,270
Receipts from ticket sales	21,122,284
Receipts from events	15,997,504
Receipts from food and beverage commissions	1,870,223
Receipts from others	1,629,266
Payments for employee services	(7,567,234)
Payments to suppliers and others	(19,186,585)
Payments for event and stadium operations	(7,537,497)
Net cash provided by operating activities	<u>22,225,231</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Sales taxes received from state of Minnesota	2,120,019
Other contributions received for stadium project	9,316,984
Payments for stadium project	(10,845,384)
Net cash provided by noncapital financing activities	<u>591,619</u>

CASH FLOWS FROM CAPITAL ACTIVITIES

Capital contributions received	29,502,228
Acquisition and construction of assets	(11,724,813)
Other payments	(1,596,101)
Net cash provided by capital activities	<u>16,181,314</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sales and maturities of investments	15,343,717
Purchase of investments	(14,017,319)
Interest on investments	202,177
Net cash provided by investing activities	<u>1,528,575</u>
Net increase in cash and cash equivalents	40,526,739

Cash and cash equivalents, July 1, 2019	15,840,469
Cash and cash equivalents, June 30, 2020	<u>\$56,367,208</u>

Reconciliation of operating (loss) to net cash provided by operating activities:

Operating (loss)	<u>\$(47,907,094)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation expense	50,795,764
Change in assets and liabilities:	
Decrease in accounts receivable	2,205,530
(Increase) in prepaid items	(440,821)
(Decrease) in net pension liability and related deferred inflows and deferred outflows	(107,056)
(Decrease) in salaries and compensated absences payable and accounts and other payables	(3,470,204)
(Decrease) in revenue sharing distribution payable	(650,379)
(Decrease) in unearned revenues	(74,434)
Increase in advanced ticket sales and deposits	21,873,925
Total adjustments	<u>70,132,325</u>
Net cash provided by operating activities	<u>\$22,225,231</u>

Noncash investing, capital and financing activities:

Increase in fair value of investments	\$34,396
Accrued construction costs	\$2,801,175

The notes to the financial statements are an integral part of this statement.

MINNESOTA SPORTS FACILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

I. Summary of significant accounting policies

A. Organization and reporting entity

1. Organization

The Minnesota Sports Facilities Authority (Authority) was established pursuant to Minnesota Statutes, Section 473J.07, as amended, (Laws of Minnesota 2012, Chapter 299, Article 1, Section 11). The Authority is comprised of five commissioners: the chair and two commissioners appointed by the governor of Minnesota and two commissioners appointed by the mayor of the city of Minneapolis. Commissioners serve four-year terms beginning January 1. The chair serves at the pleasure of the governor. The board makes policies for the administration of the Authority and it appoints an executive director to act as the administrative head of the Authority. The executive director serves at the pleasure of the board, carries out the policies established by the board, directs business and administrative procedures, and recommends personnel to be appointed by the board.

The Authority was created to provide for the construction, financing, and long-term operation of U.S. Bank Stadium and the related stadium infrastructure as a venue for professional football and a broad range of other civic, community, athletic, educational, cultural and commercial activities.

2. Financial reporting entity

As defined by U.S. generally accepted accounting principles (GAAP), the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the officials of the primary government are financially accountable. Financial accountability is defined as:

- a. Appointment of a voting majority of the component unit's board and either (1) the ability to impose will by the primary government or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
- b. Fiscal dependency on the primary government.

Based upon the application of these criteria, the Authority has no component units. However, the Authority is a component unit of the state of Minnesota because the governor appoints three of the five board members and the state of Minnesota is responsible for the debt incurred for the Authority's share of the cost of construction of the stadium and stadium infrastructure.

B. Basis of presentation and measurement focus

1. Basis of presentation

The financial statements of the Authority have been prepared in conformity with GAAP as applied to government units in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted primary standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting policies of the Authority are described below.

The Authority reports its activities as a business-type activity. The operations of the Authority are accounted for in an enterprise fund which is a set of self-balancing accounts comprised of assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses. The fund is used to account for the operation of U.S. Bank Stadium and related stadium

MINNESOTA SPORTS FACILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

I. Summary of significant accounting policies (continued)

infrastructure. The financial statements include a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. All assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the statement of net position. Reported net position is segregated into three categories: investment in capital assets, restricted, and unrestricted. The statement of revenues, expenses, and changes in net position presents increases (revenues) and decreases (expenses) in total net position.

2. Measurement focus and basis of accounting

The Authority's enterprise fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

C. Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position

1. Cash, cash equivalents and investments

The Authority has defined cash and cash equivalents as cash on hand, cash on deposit in demand deposit accounts, commercial paper, and short-term investments with original maturities of three months or less from the date of acquisition. Authority deposits are backed by a combination of Federal Deposit Insurance Corporation (FDIC) and a letter of credit from Federal Home Loan Bank for the account of U.S. Bank National Association, Cincinnati, Ohio for an amount of \$3 million. The letter of credit is irrevocable, unconditional, and nontransferable. Certain accounts are segregated and classified as restricted and may not be used except in accordance with contractual terms.

The Authority may invest funds as authorized by Minnesota Statutes, Chapter 118A, and the Authority's internal investment policy. Investments are reported at fair value and are based on quoted market prices.

2. Receivables

a. Accounts and other receivables

Accounts and other receivables consist of estimates of amounts due for sales tax revenues, operating payment from the Minnesota Vikings, and other receivables. Accounts receivable also includes amounts due from the stadium builders licenses (SBLs) program. Effective July 31, 2014, the Authority entered into an Amended and Restated Purchase and Sale Agreement with Minnesota Stadium Funding Trust whereby the Authority agreed to sell its interest in stadium builders licenses (SBL) tranches of SBL revenues to Minnesota Stadium Funding Trust pursuant to SBL contracts. SBLs entitle the holder to buy season tickets to certain Minnesota Vikings games held at U.S. Bank Stadium and for a certain seat in the stadium. The Authority has recognized a receivable and revenue in accordance with GASB Statement No. 48, *"Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfer of Assets and Future Revenues,"* as the transaction qualifies as a sale of receivables.

3. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statement. Prepaid items include rental costs, insurance costs, and

MINNESOTA SPORTS FACILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

I. Summary of significant accounting policies (continued)

software and maintenance agreement costs. The cost of prepaid items is recorded as an expense when consumed rather than when purchased.

4. Prepaid project insurance

Prepaid project insurance consists of the prefunded loss reserve fund that was established at stadium construction inception. The insurance carrier for the owner controlled insurance program maintains the loss reserve fund. Insurance costs are expensed when incurred.

5. Capital assets

Capital assets include land, construction in progress, buildings, building equipment, land improvements, and equipment. Capital assets are defined by the Authority as assets with an individual or system cost of \$5,000 or more and an estimated useful life greater than three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated over their estimated useful lives using the straight-line method. Land and construction in progress are not depreciated. Estimated useful lives are as follows:

<u>Capital assets</u>	<u>Useful life</u>
Buildings	20 - 30 years
Building equipment	5 - 20 years
Land improvements	20 - 30 years
Equipment	3 - 30 years

6. Liabilities

a. Salaries and compensated absences payable

Salaries and compensated absences payable include salaries and benefits incurred and unpaid as of June 30, 2020. The Authority accrues vacation and sick leave when earned. Certain employees qualify for a vacation leave and a sick leave benefit paid at termination or retirement. The pay rate in effect at the end of the fiscal year and the employer's share of social security contributions are used to calculate compensated absences accruals at June 30.

b. Construction retainage payable

Construction retainage payable consist of costs incurred as of June 30, 2020 for stadium repairs. Construction retainage is released upon completion of the contractor's work.

c. Advanced ticket sales and deposits

Revenues related to advance ticket sales for events that have not yet occurred are deferred until the event has been held at U.S. Bank Stadium. U.S. Bank Stadium box office sells tickets through box office sales, Ticketmaster sales, and consignment sales. Consignment sales consist of tickets pulled in

MINNESOTA SPORTS FACILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

I. Summary of significant accounting policies (continued)

advance for the promoter. Consignment sales are considered advance ticket sales, as the promoter is obligated to pay for the tickets at settlement which is after the event has occurred. Deposits represent payments received from event organizers in advance of an event.

d. Restricted stadium builders licenses liability

Restricted stadium builders licenses liability consists of funds held at June 30, 2020 for the stadium builders licenses program.

e. Unearned revenues

Unearned revenues primarily consist of the unamortized amount of the capital investments from Aramark, Minnesota Vikings, and ASM Global and revenues received from the Minnesota Vikings in advance of the contractual time period.

7. Deferred outflows/inflows of resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (an expense) until then. The amount recognized as deferred outflows of resources is related to pensions.

In addition to liabilities, the Statement of Net Position also reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The amount recognized as deferred inflows of resources is related to pensions.

8. Net position

Net position represents the sum of total assets and deferred outflows of resources less the sum of total liabilities and deferred inflows of resources. At June 30, 2020 the Authority had three categories of net position: investment in capital assets, restricted and unrestricted.

- Investment in capital assets is the amount of net position representing capital assets net of accumulated depreciation.
- Restricted net position represents resources that have external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments or restrictions imposed by law through constitutional provisions or enabling legislation. This category represents resources that are restricted for future capital purchases.
- Unrestricted net position is the amount of net position that does not meet the definition of restricted or investment in capital assets.

9. Revenues and expenses

a. Operating and nonoperating revenues and expenses

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues

MINNESOTA SPORTS FACILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

I. Summary of significant accounting policies (continued)

of the Authority's enterprise fund are: operating payments from the state of Minnesota and Minnesota Vikings, stadium operating revenues, and other revenues. Stadium operating revenues include: rent, service revenues, food and beverage, advertising, ticket rebates and facility fees, suite ticket sales, merchandise sales, and other revenues.

Operating expenses include personal services, professional services, supplies, repairs and maintenance, rent, other expenses, stadium operating expenses, and depreciation on capital assets. Stadium operating expenses include operating and event expenses incurred by ASM Global to manage U.S. Bank Stadium including service expenses, compensation and benefits, contract services, general and administrative, operations, repairs and maintenance, operational supplies, insurance, utilities, and other expenses. All revenues and expenses not meeting this definition and certain construction related activities are reported as nonoperating revenues and expenses.

b. Other contributions for stadium project

Amounts reported as other contributions for the stadium project include contributions from the Minnesota Vikings and other sources for the closeout of the stadium construction project. These contributions are reported as nonoperating revenues.

c. Sales tax revenues

In accordance with Minnesota Statutes, 16A.726(b) and 297A.994, Subd.4.(5)(i) and (ii), a portion of the city of Minneapolis sales tax collections, are for the benefit of the Authority. Amounts are recognized as revenue by the Authority in the year the sales taxes are imposed on the underlying exchange transaction by the city of Minneapolis. The state of Minnesota withholds a portion of the Minneapolis sales tax disbursement to the city and issues the payment to the Authority. These revenues are reported as nonoperating revenues.

II. Detailed notes

A. Cash deposits with financial institutions

Minnesota Statutes, Chapter 118A, require that all Authority deposits in excess of available federal deposit insurance be protected by a corporate surety bond or collateral security. An irrevocable standby letter of credit issued by a Federal Home Loan Bank is an allowable form of collateral. The statute further requires the total amount of collateral computed at its fair value shall be at least ten percent more than the amount on deposit at the close of the financial institution's banking day, except for irrevocable standby letters of credit, the amount of collateral shall be at least equal to the amount on deposit at the close of the financial institution's banking day. At June 30, 2020, the carrying amount of the Authority's combined demand deposit bank accounts was \$32,158,748. Bank balances were \$33,069,548 of which \$32,927,650 was invested in commercial paper, and \$141,898 was covered by federal depository insurance. At June 30, 2020 the balance in the money markets account was \$24,205,882. The balance in the trust account was \$60.

MINNESOTA SPORTS FACILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

II. Detailed notes (continued)

B. Cash equivalent investments

The Authority's investment policy addresses certain risks to which it is currently exposed as follows:

Interest rate risk. Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. Although the Authority does not have a formal specific duration investment risk policy, it does have a formal investment policy by which the Authority manages its exposure to declines in fair value. To meet short-term cash flow needs, the Authority's investment portfolio will remain sufficiently liquid to enable the Authority to meet anticipated cash requirements without the occurrence of significant investment losses. To meet long-term needs, the average duration of the investment portfolio should match the average duration of liabilities subject to regulatory requirements. The Authority's investments in commercial paper have a maturity of less than 270 days.

Credit risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investment instruments purchased by the Authority must comply with Minnesota Statutes, Chapter 118A, and its investment policy which is more restrictive than state law. The Authority's investment policy limits investments to the following: money market funds, savings/demand deposits, bankers acceptances, commercial paper, U.S. Treasury Obligations, U.S. Agency Securities Government Sponsored Enterprises (GSE), Municipal Securities, Repurchase Agreements, and Guaranteed Investment Contracts. It is the Authority's policy not to invest in inverse floaters, range notes, interest only strips derived from a pool of mortgages, and any security that could result in a zero interest accrual if held to maturity. The Authority's investments in commercial paper were in a U.S. corporation that was rated in the highest quality category and had maturities of less than 270 days.

Concentration of credit risk. Concentration of credit risk is the risk associated with investing a significant portion of investments in these securities of a single issuer, excluding U.S. Guaranteed investments, investment pools, and mutual funds. The Authority's investments in commercial paper are in a single U.S. corporation.

Custodial credit risk. The custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, then the Authority will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that in the event of the failure of the counter party to a transaction, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Minnesota Statute Chap, 118A requires that deposits be secured by depository insurance or a combination of depository insurance and collateral securities held in the Authority's name. Throughout the current fiscal year, the combined depository insurance and collateral were sufficient to meet legal requirements and secure all Authority deposits, thus eliminating exposure to custodial credit risk.

The Authority had no foreign currency exposure at June 30, 2020.

MINNESOTA SPORTS FACILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

II. Detailed notes (continued)

Following is a summary of the carrying amount of cash and cash equivalents and investments at June 30, 2020:

Security Type	Credit Risk	Custodial Credit Risk	Maturities	Carrying Amount	% of Total Portfolio
Cash and cash equivalents	(a)	(b)(c)	n/a	\$56,367,208	91.9%
U.S. Treasury Bills		(c)	9/10/2020	<u>4,999,205</u>	<u>8.1%</u>
		Total		<u>\$61,366,413</u>	<u>100.0%</u>

- (a) Cash and cash equivalents include Commercial paper which has a AAA credit rating.
- (b) Individual bank balances less than or equal to \$250,000 are FDIC insured. Individual balances greater than \$250,000 are collateralized by the Authority holding a letter of credit from the Federal Home Loan Bank of Cincinnati for \$3 million.
- (c) Commercial paper and securities held in custody are in the Authority's name.

Fair value reporting: The Authority's investments that are not recorded at amortized cost or using the equity method are recorded at fair value as of June 30, 2020. GASB Statement No. 72, "Fair Value Measurement and Application," defines fair value as the price that would be received to sell an asset between market participants at the measure date. This statement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the market place. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1: Investment values are based on quoted prices (unadjusted) for identical assets (liabilities) in active markets that a government can access at measurement date.

Level 2: Investments have inputs, other than quoted prices within Level 1 that are observable for an asset (liability), either directly or indirectly.

Level 3: Investments classified as Level 3 have unobservable inputs for an asset (liability) and may require a degree of professional judgment.

The following table summarizes the Authority's investments within the fair value hierarchy at June 30, 2020:

Security Type	Level 1	Level 2	Level 3	Total
U.S. Treasury Bills.	\$-	\$4,999,205	\$-	\$4,999,205
	Total	<u>\$4,999,205</u>	<u>\$-</u>	<u>\$4,999,205</u>

U.S. government obligations classified in Level 2 are valued using either bid evaluations or a matrix based pricing technique. Bid evaluations are typically based on market quotations, yields, maturities, call features and ratings. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

MINNESOTA SPORTS FACILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

II. Detailed notes (continued)

C. Capital assets

Capital asset activity for the year ended June 30, 2020 was as follows:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Capital assets, not being depreciated:				
Land	\$31,983,174	\$-	\$ -	\$31,983,174
Construction in progress	<u>544,162</u>	-	<u>(486,482)</u>	<u>57,680</u>
Total capital assets, not being depreciated	<u>32,527,336</u>	-	<u>(486,482)</u>	<u>32,040,854</u>
Capital assets, being depreciated:				
Buildings	853,470,644	6,800,209	-	860,270,853
Building equipment	101,209,764	62,892	(1,223,533)	100,049,123
Land improvements	32,916,971	-	-	32,916,971
Equipment	<u>132,387,950</u>	<u>2,825,377</u>	<u>(5,182,623)</u>	<u>130,030,704</u>
Total capital assets, being depreciated	<u>1,119,985,329</u>	<u>9,688,478</u>	<u>(6,406,156)</u>	<u>1,123,267,651</u>
Less: accumulated depreciation for:				
Buildings	(86,699,816)	(28,675,526)	-	(115,375,342)
Building equipment	(21,217,896)	(7,116,154)	428,236	(27,905,814)
Land improvements	(4,916,798)	(1,633,711)	-	(6,550,509)
Equipment	<u>(39,269,394)</u>	<u>(13,370,373)</u>	<u>1,030,622</u>	<u>(51,609,145)</u>
Total accumulated depreciation	<u>(152,103,904)</u>	<u>(50,795,764)</u>	<u>1,458,858</u>	<u>(201,440,810)</u>
Total capital assets, being depreciated, net	<u>967,881,425</u>	<u>(41,107,286)</u>	<u>(4,947,298)</u>	<u>921,826,841</u>
Total capital assets, net	<u>\$1,000,408,761</u>	<u>(\$41,107,286)</u>	<u>(\$5,433,780)</u>	<u>\$953,867,695</u>

III. Other information

A. Retirement plans

Authority employees are covered by one of two Minnesota State Retirement System (MSRS) retirement plans.

1. Minnesota State Retirement System-State Employees Retirement Fund (SERF)

a. Plan Description

SERF is administered by the Minnesota State Retirement System (MSRS), and is established and administered in accordance with Minnesota Statutes, Chapters 352. SERF includes the General Employees Retirement Plan (General Plan), a multiple-employer, cost-sharing defined benefit plan. Certain employees of the Authority are covered by the General Plan. The General Plan provides retirement, disability, and death benefits to plan members and their beneficiaries.

MINNESOTA SPORTS FACILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

III. Other information (continued)

Minnesota Statutes, Section 352.04 requires that eligible employees contribute 6.0 percent of their total compensation to the fund. Participating employers are also required to contribute 6.25 percent to this fund. The Authority's contribution to the General Plan for the year ended June 30, 2020 was \$23,805. These contributions were equal to the contractually required contributions for each year as set by state statute. All active and deferred members are fully vested to the extent of their contributions plus interest at a rate of 6.0 percent through June 30, 2011, 4.0 percent through June 30, 2018, and 3.0 percent thereafter. For monthly retirement benefits, members hired before July 1, 2010, are vested after three years of covered service; members hired after June 30, 2010, are vested after five years of covered service. MSRS issues a publicly available financial report that may be obtained at www.msrs.state.mn.us; by writing to Minnesota State Retirement System, 60 Empire Drive, #300, St Paul, Minnesota 55103 or by calling (651) 296-2761 or 1-800-657-5757.

b. Benefits provided

Retirement benefits can be computed using one of two methods: the Step formula and the Level formula. Members hired before July 1, 1989, may use the Step or Level formula, whichever is greater. Members hired on or after July 1, 1989, must use the Level formula. Each formula converts years and months of service to a certain percentage. Under the Step formula, members receive 1.20 percent of the high-five average salary for each of the first ten years of covered service, plus 1.70 percent for each year thereafter. It also includes full benefits under the Rule of 90 (age plus years of allowable service equals 90). In contrast, the Level formula does not include the Rule of 90. Under the Level formula, members receive 1.70 percent of the high-five average salary for all years of covered service, and full benefits are available at normal retirement age.

Annuitants receive post-retirement benefit increases of 1.0 percent through 2023, and 1.50 percent per year thereafter.

c. Pension liabilities, pension expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the Authority reported a liability of \$225,096 for its proportionate share of MSRS' net pension liability. The net pension liability was measured at June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the contributions received by MSRS during the measurement period July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of MSRS' participating employers. At June 30, 2019 the Authority's proportion was .016 percent, which was an increase of .004 percent from its proportion measured as of June 30, 2018.

There were no changes to the actuarial assumptions and plan provisions since the prior measurement date.

MINNESOTA SPORTS FACILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

III. Other information (continued)

For the year ended June 30, 2020, the Authority recognized pension income of \$107,056 for its proportionate share of the MSRS-SERF pension expense. At June 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$6,824	\$781
Changes in assumptions	\$317,162	\$705,268
Difference between projected and actual investment earnings	-	\$54,976
Changes in proportion and differences between actual contributions and proportionate share of contributions	\$129,116	\$281,209
Contributions paid to MSRS subsequent to the measurement date	<u>\$23,805</u>	<u>-</u>
Total	<u>\$476,907</u>	<u>\$1,042,234</u>

Amounts reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense/(income) as follows:

<u>Year ended June 30:</u>	<u>Pension Expense/(Income)</u>
2021	(\$107,969)
2022	(378,943)
2023	(136,119)
2024	<u>33,899</u>
Net pension expense/(income)	<u>(\$589,132)</u>

d. Actuarial Assumptions

The Authority's net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent per year
Active Member Payroll Growth	3.25 percent per year
Investment Rate of Return	7.50 percent per year

MINNESOTA SPORTS FACILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

III. Other information (continued)

Salary increases were based on service related rates. Mortality rates for health post-retirement members were based on RP-2014 annuitant generational mortality table projected with mortality improvement MP-2015 from a base year of 2014, white collar adjustment, set forward two years for males and no age adjustment for females. Actuarial assumptions used in the June 30, 2019, funding actuarial valuation were based on the results of actuarial experience studies for the period July 1, 2008, through June 30, 2014.

The Minnesota State Board of Investment (SBI) invests all state funds and manages the investments of MSRS. During MSRS's fiscal year 2019, the SBI board made asset allocation changes to achieve the long-term asset allocation developed in their fiscal year 2018. Changes were also made to the benchmark indices used for domestic and international equity investments.

In September 2018 the SBI board changed the domestic equity benchmark from the Russell 3000 Index to the Russell 1000 Index for 90.0 percent of the domestic equity benchmark and the Russell 2000 index representing 10.0 percent of the total benchmark. The SBI board also changed the International Equity benchmark from MSCi ACWI ex USA to the MSCI World ex USA index representing 75.0 percent of the International Equity benchmark, and the MSCI Emerging Markets Index for 25.0 percent of the benchmark. In November 2018 the SBI board changed the fixed income allocation from 24.0 to 22.0 percent. The equity allocation moved from 49.0 to 51.0 percent. In May 2019 the SBI board changed the fixed income allocation from 22.0 to 20.0 percent, with 10.0 percent allocated to Treasury and 10.0 percent to bonds. Thus, the equity allocation became 53.0 percent, with 35.5 percent in US Equity and 17.5 percent in International Equities.

To match the long-term nature of pension obligations, the SBI maintains a strategic asset allocation for the funds that includes allocations to public equity, fixed income, private markets, and cash equivalents. The SBI's long-term expected rate of return was determined using a building-block method. Best estimates of future real rates of return were developed for each asset class using both long-term historical returns and long-term capital market expectations from a number of investment management and consulting organizations. The asset class estimates and target allocations were then combined to produce a geometric, long-term expected real rate of return for the portfolio. Inflation expectations were applied to derive the nominal rate of return for the portfolio. The current long-term asset allocation is summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>SBI's Long-term Expected Real Rate of Return (Geometric Mean)</u>
Domestic equity	35.5%	5.10%
International equity	17.5%	5.30%
Fixed income	10.0%	0.75%
Treasuries	10.0%	0.50%
Private markets	25.0%	5.90%
Cash	<u>2.0%</u>	0.0%
Total	<u>100%</u>	

MINNESOTA SPORTS FACILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

III. Other information (continued)

e. Single discount rate

Projected benefit payments are discounted to their actuarial present values using a single discount rate. The single discount rate reflects (1) the long-term expected rate of return on pension plan investments for the period in which assets are projected to be available to pay benefits, and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligations bonds. The fiduciary net position of SERF was projected to be available to make all future benefit payments of current plan members through fiscal year 2119. Therefore, the discount rate is the long-term expected rate of return on pension plan investments, which was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate used to measure the total pension liability was 7.50 percent.

f. Sensitivity of the Authority’s proportionate share of the net pension liability to changes in the discount rate

The following presents the Authority’s proportionate share of the net pension liability, calculated using the current single discount rate of 7.50 percent, as well as what the Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.50 percent) or one percentage-point higher (8.50 percent) than the current rate:

	<u>1% Decrease in Discount Rate (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase in Discount Rate (8.50%)</u>
Authority’s proportionate share of the net pension liability	\$524,269	\$225,096	(\$23,250)

Additional information related to the plan is presented in Required Supplementary Information (RSI) following the Notes to the Financial Statements.

2. Minnesota State Retirement System-Unclassified Employees Retirement Fund (UER)

a. Plan description and contributions

The MSRS-UER is a tax-deferred, defined contribution fund entirely composed of a single, multiple-employer defined contribution plan. Participation is limited to certain specified employees. Minnesota Statutes, Section 352D.01, authorized creation of this plan. The Authority’s Executive Director participates in the plan.

It is considered a money purchase plan, with participants vesting only to the extent of the value of their accounts (employee and employer contributions plus/minus investment gains/losses, less administrative expenses), but functions as a hybrid between a defined contribution plan and a defined benefit plan.

Minnesota Statutes, Section 352D.04, subdivision 2, requires a contribution rate of 6.0 percent of salary from participating employees. The employer contribution rate is 6.25 percent of salary. Employees of this plan also contribute to Social Security.

MINNESOTA SPORTS FACILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

III. Other information (continued)

Participants in this plan are eligible to apply for the balance in their account after termination of public service. There is no minimum employment requirement to qualify for this lump-sum payment. Since contributions made to this plan are not taxed, participants pay taxes when funds are withdrawn and may be subject to a 10.0 percent penalty if funds are withdrawn in a lump sum before the member reaches age 59½. Monthly benefits are available to terminated participants at age 55 or later, regardless of the individual’s length of service. Participants age 55 or older may also apply for a portion of their account balance as a lump-sum payment and the remainder in lifetime, monthly benefits.

Retirement and disability benefits are available to some participants through conversion, at the participant’s option, to the General Plan provided the employee has at least ten years of allowable service in this plan and/or the General Plan if hired prior to July 1, 2010, or has no more than seven years of service if hired after June 30, 2010.

Employer contributions to MSRS-UEP which equaled the required contributions are:

<u>Year</u>	<u>Contributions</u>
2018	\$6,143
2019	\$9,920
2020	\$10,939

B. Risk management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; work related injuries; and natural disasters. The Authority purchased insurance policies for the following exposures with the deductible or the amount of risk retention indicated in parenthesis: general liability (\$1,000 per claim for employee benefits only), excess liability (none), automobile/garage keepers liability (\$2,500 comprehensive deductible and \$500 collision deductible per auto), crime insurance (\$10,000), workers compensation (none), public officials and employee liability insurance (\$25,000), cyber/privacy liability (\$10,000 per claim), property (\$100,000), and terrorism insurance (none).

The Authority had an Owner Controlled Insurance Program (OCIP) during construction of the stadium whereby the construction manager, all subcontractors and all direct contractors enrolled in this program for liability insurance coverage. This policy has a prefunded insurance loss reserve for claim and service fee expenses.

Within the past three fiscal years, settled claims have not exceeded commercial coverage.

C. Operating leases

The Authority entered into two separate agreements to lease a total of 1,085 parking spaces for each of the ten Minnesota Vikings home games. The lease periods were from July 1, 2019 to June 30, 2020. Total rent expense for the parking spaces was \$513,731.

MINNESOTA SPORTS FACILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

III. Other information (continued)

On November 20, 2015, the Authority entered into a lease agreement to lease 35,860 square feet of space at a location adjacent to U.S. Bank Stadium plaza area. The lease period began March 1, 2016 and will expire upon the expiration of the stadium use agreement. The lease agreement requires an annual base rent amount of \$282,398, and provides for a fair market adjustment of the base rent on March 31, 2031, March 31, 2036, March 31, 2041, and March 31, 2046, subject to the terms of the agreement and agreement of the Authority. Rent expenses were \$282,398 for the year ended June 30, 2020.

Future rent expense for the lease agreement is as follows:

Fiscal Year(s)	Rent Expense
2021	\$282,398
2022	\$282,398
2023	\$282,398
2024	\$282,398
2025	\$282,398
2026 - 2030	\$1,411,988
2031 - 2035	\$1,411,988
2036 - 2040	\$1,411,988
2041 - 2045	\$1,411,988
2046	\$188,008

In accordance with the lease agreement, the landlord has the option to terminate the lease on the annual anniversary of the commencement date, March 1, 2016. If the landlord elects to terminate the lease, the landlord must reimburse the Authority for unamortized improvement costs, as defined by the lease agreement.

D. Agreements

1. Use agreement and football playing agreement

Effective November 22, 2013 the Authority and Minnesota Vikings Football Stadium, LLC entered into a long-term amended and restated stadium use agreement that grants the Team the right to use the stadium. The initial term of the agreement was from date of substantial completion of the stadium to the 30th National Football League (NFL) football season played by the Team in the stadium. As payment for its occupancy and use of the stadium, the Team is obligated to pay a use fee (operating payment) as defined in the agreement. This agreement also requires the Authority to have sole responsibility for the operation, direction, maintenance, supervision, and management of the stadium and stadium infrastructure.

On February 19, 2016 the Authority entered into the Second Amended and Restated Stadium Use Agreement to incorporate the amendments into this agreement. This amended and restated use agreement superseded and replaced the prior agreements.

MINNESOTA SPORTS FACILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

III. Other information (continued)

In addition to the use agreement the Authority and the Team entered into a long-term football playing agreement concerning the use of the stadium whereby the Team agreed to play home games during the NFL season at the stadium. This agreement terminates in conjunction with the termination of the amended and restated use agreement.

2. Parking agreement

On February 10, 2014 the Authority entered into a parking agreement with Ryan Companies US, Inc. (Ryan) and the city of Minneapolis whereby the Authority owns the Downtown East Parking Ramp and the Mills Fleet Farm Parking Garage and Ryan operates the parking facilities for the first ten years. Since December 31, 2015 Ryan has managed both parking facilities. The revenues and expenses from the parking operation are not included in the Authority's statement of revenues, expenses and changes in net position.

3. Management and pre-opening services agreement

Effective August 22, 2014 the Authority entered into a management and pre-opening services agreement with a third party management company, SMG now known as ASM Global, who is responsible for managing, operating, maintaining and marketing U.S. Bank Stadium for ten years commencing with the stadium opening (operating period). The Authority has the option to extend the agreement for an additional five years. ASM Global is required to operate in accordance with certain policies of the Authority.

The agreement required ASM Global to pay the Authority \$2,750,000 for capital investment costs by April 1, 2016. On June 30, 2017 ASM Global contributed an additional \$250,000 for event marketing. The unamortized capital investment will be paid to ASM Global upon early termination of the agreement. The capital investment amount was deferred and will be recognized as revenue over the term of the agreement. The unamortized capital investment balance at June 30, 2020 was \$1,747,836.

The agreement also required ASM Global to guarantee \$6,750,000, increased by 2.0 percent each year, of net operating income (NOI) to the Authority for the first year of operations. In addition to the NOI guarantee of \$6,750,000, the Authority is entitled to a pro rata share of NOI above \$7,250,000, as defined by the agreement. The NOI guarantee for the fourth year of operations was \$7,163,154. The agreement assigns ASM Global agent rights to certain bank accounts held by the Authority in relation to stadium operations and payroll. All stadium operating revenues are required to be deposited to the stadium operating bank account.

4. Food and beverage, catering and concession agreement

The Authority entered into a food and beverage, catering and concession agreement with Aramark Sports and Entertainment Services, LLC for the provision of premium food and beverage operations, catering services and concession services in the suites, the clubs, and the concession stands in the concourses and on the plaza. The ten-year agreement has a designated commission option which established the commission rates that would be paid by Aramark and it provided an option for the Minnesota Vikings to contribute to the required \$10 million capital investment. The Minnesota Vikings

MINNESOTA SPORTS FACILITIES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

III. Other information (continued)

chose the option to contribute \$6.5 million to the capital investment, Aramark then contributed \$3.5 million in February 2016 to the capital investment. This capital investment was a stadium project funding source for the purchase of concession equipment. The total capital investment of \$10 million was deferred and will be recognized as revenue over the 10-year term of the agreement. The unamortized capital investment will be paid to the Minnesota Vikings and Aramark upon early termination of this agreement. The unamortized capital investment balance at June 30, 2020 was \$6,088,710.

In addition to payment of commissions for food and beverage, catering and concession sales, Aramark is required to pay 2.50 percent of gross receipts to the Authority for deposit into the concession capital reserve account for future purchases.

5. Commemorative bricks program

The first \$1,600,000 of net proceeds from the sale of commemorative bricks has been restricted by the stadium development agreement for plaza improvements. Any net proceeds from the sale of commemorative bricks in excess of \$1,600,000 are designated to the stadium plaza improvements budget. Based on this restriction, cash related to the sale of commemorative bricks is shown as restricted assets of \$240,852 on the statement of net position for the year ended June 30, 2020.

E. Construction commitments and contingencies

The Authority had one construction contract that had commitments at June 30, 2020:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Construction management services	\$13,389,518	\$8,175,319

The Authority did not accrue a liability for the outstanding issues and claims related to the design and construction of U.S. Bank Stadium as it is not probable that a liability had been incurred as of June 30, 2020 and the amount of the liability could not be reasonably estimated.

The Authority is contingently liable with respect to lawsuits and other claims that arise in the ordinary course of its operations. Although the outcome of these matters is not presently determinable, in the opinion of the Authority’s management, the resolution of these matters will not have a material adverse effect on the Authority’s financial condition.

MINNESOTA SPORTS FACILITIES AUTHORITY
SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
Last 10 Years¹

Schedule of the Authority's Share of Net Pension Liability
Minnesota State Retirement System - State Employees Retirement Fund

<u>Fiscal Year</u>	<u>Authority's Proportion of the Net Pension Liability</u>	<u>Authority's Proportionate Share of the Net Pension Liability</u>	<u>Authority's Covered Payroll</u>	<u>Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2014	0.051%	\$827,002	\$1,303,478	63.45%	87.64%
2015	0.033%	\$507,998	\$874,171	58.11%	88.32%
2016	0.021%	\$2,603,765	\$563,727	461.88%	47.51%
2017	0.014%	\$1,038,507	\$383,628	270.71%	62.73%
2018	0.012%	\$162,375	\$367,562	44.18%	90.56%
2019	0.016%	\$225,096	\$494,074	45.56%	90.73%

The measurement date is June 30 of each year.

1 This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

2 The amounts presented for each fiscal year were determined as of June 30.

Schedule of Authority's Contributions
Minnesota State Retirement System - State Employees Retirement Fund

<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (excess)</u>	<u>Authority's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2014	\$48,519	\$48,519	\$-	\$928,080	5.23%
2015	\$40,403	\$40,403	\$-	\$735,734	5.49%
2017	\$36,066	\$36,066	\$-	\$638,223	5.65%
2018	\$20,216	\$20,216	\$-	\$367,562	5.50%
2019	\$29,089	\$29,089	\$-	\$494,074	5.89%
2020	\$23,805	\$23,805	\$-	\$380,884	6.25%

1 This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

2 The amounts presented for 2014 and 2015 were determined as of December 31.

3 The amounts presented for 2017 are for the 18-month fiscal period from January 1, 2016 through June 30, 2017.

4 The amounts presented for 2018, 2019, and 2020 were determined as of June 30.

STATISTICAL SECTION

The Statistical Section provides financial statement users with additional historical perspective, context, and detail to assist in using the information in the financial statements, including the accompanying notes.



MINNESOTA SPORTS FACILITIES AUTHORITY • MINNEAPOLIS, MINNESOTA

COMPREHENSIVE ANNUAL **FINANCIAL REPORT** FOR THE FISCAL YEAR ENDED JUNE 30, 2020

— A COMPONENT UNIT OF THE STATE OF MINNESOTA —



LIST OF STATISTICAL TABLES

1.0 FINANCIAL TRENDS

This information is intended to assist users in understanding and assessing how the Authority's financial position has changed over time. There are two tables presented in this section.

Table 1.1 Net Position by Component

Table 1.2 Changes in Net Position

2.0 REVENUE CAPACITY

This information is intended to assist users in understanding and assessing the factors affecting the Authority's ability to generate its own-source revenues. Only one table is presented in this section.

Table 2.1 User Fee Revenues by Source

3.0 DEMOGRAPHIC AND ECONOMIC INFORMATION

This information is intended to assist users in understanding the socioeconomic environment within which the Authority operates and to provide information that facilitates comparisons of financial statement information over time. There are two tables presented in this section.

Table 3.1 Demographic and Economic Statistics

Table 3.2 Principal Employers in Minnesota

4.0 OPERATING INFORMATION

This information is intended to provide contextual information about the Authority's operations and resources to assist readers in using financial statement information to understand and assess the Authority's employment. There is one table presented in this section.

Table 4.1 Full-Time Employees by Department

MINNESOTA SPORTS FACILITIES AUTHORITY
Net Position by Component
Last Eight Fiscal Years

Table 1.1

<u>Fiscal Period</u>	<u>Investment in Capital Assets</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total Net Position</u>
2020	\$953,867,695	\$21,845,565	\$4,838,875	\$980,552,135
2019	1,000,408,761	3,845,171	3,492,274	1,007,746,206
2018	1,044,474,586	5,993,494	(628,667)	1,049,839,413
2017	1,090,575,542	-	1,690,775	1,092,266,317
2015	907,139,710	-	7,910,770	915,050,480
2014	389,507,399	-	16,692,006	406,199,405
2013	52,256,276	-	24,144,345	76,400,621
2012	15,497,844	-	12,080,223	27,578,067

1 The Authority began operations on August 1, 2012 and net position for 2012 is reported as of December 31, 2012, for the five-month period then ended.

2 Net position for 2013, 2014, and 2015 is reported as of December 31 of each year.

3 The Authority changed its year-end from December 31 to June 30 and net position for 2017 is reported as of June 30, 2017, for the 18-month fiscal period then ended.

MINNESOTA SPORTS FACILITIES AUTHORITY
Changes in Net Position
For the Last Eight Fiscal Years

Table 1.2

	2020	2019	2018	2017	2015	2014	2013	2012
Operating revenues:								
Operating payments from State of Minnesota and Minnesota Vikings	\$15,907,958	\$15,569,573	\$15,146,301	\$20,910,210	\$-	\$-	\$-	\$-
Stadium operating revenues	14,142,738	30,897,106	29,656,584	23,589,302	-	-	-	-
Concessions	-	-	-	-	-	-	9,438,927	8,479,625
Admission tax	-	-	-	-	-	-	4,276,114	4,098,350
Rent	-	-	-	-	-	-	4,810,944	4,068,914
Charges for services	-	-	-	-	-	13,067	1,501,944	908,813
Other	2,022,141	1,390,377	94,107	1,779,062	44,993	45,816	516,027	336,159
Parking operations and related revenues	-	-	-	-	524,455	405,166	-	-
Total operating revenues	32,072,837	47,857,056	44,896,992	46,278,574	569,448	464,049	20,543,956	17,891,861
Operating expenses:								
Concession costs	-	-	-	-	-	221,220	5,072,396	4,101,323
Tenants share of concession receipts	-	-	-	-	-	-	1,244,224	1,309,240
Facilities cost credit	-	-	-	-	-	-	3,653,703	3,704,030
Personal services	660,059	361,383	560,909	1,611,570	1,057,640	1,841,609	2,623,548	1,085,418
Professional services	1,385,177	1,224,722	1,795,052	2,797,081	865,679	616,112	981,614	922,956
Contractual services	-	-	-	-	-	68,521	1,711,276	1,137,579
Supplies, repairs and maintenance	920,323	910,439	1,268,687	1,256,214	273,015	214,056	685,645	470,478
Utilities	-	-	-	-	-	96,842	3,148,122	1,436,919
Rent	800,699	796,939	746,505	1,432,607	171,462	172,210	-	-
Insurance	-	-	-	-	58,518	113,373	856,543	367,127
Parking operations	-	-	-	-	235,013	719,573	-	-
Event costs	-	-	-	-	-	-	673,132	388,508
Miscellaneous/other	311,155	803,290	3,203,500	901,419	294,954	203,832	327,711	303,098
Stadium operating expenses	25,106,754	44,338,597	37,417,765	32,143,313	-	-	-	-
Depreciation	50,795,764	50,675,172	50,459,104	51,313,184	318,463	292,293	4,250,905	1,898,121
Total operating expenses	79,979,931	99,110,542	95,451,522	91,455,388	3,274,744	4,559,641	25,228,819	17,124,797
Total operating income (loss)	(47,907,094)	(51,253,486)	(50,554,530)	(45,176,814)	(2,705,296)	(4,095,592)	(4,684,863)	767,064
Nonoperating revenues (expenses)	(8,052,434)	2,088,342	1,664,664	(1,652,928)	(327,314)	1,765,515	993,582	70,645
Income (loss) before capital contributions	(55,959,528)	(49,165,144)	(48,889,866)	(46,829,742)	(3,032,610)	(2,330,077)	(3,691,281)	837,709
Capital contributions	28,765,457	7,071,937	6,462,962	224,045,579	511,883,685	334,047,793	52,513,835	2,546,938
Change in net position	\$(27,194,071)	\$(42,093,207)	\$(42,426,904)	\$177,215,837	\$508,851,075	\$331,717,716	\$48,822,554	\$3,384,647

1 The Authority began operations on August 1, 2012 and net position for 2012 is reported as of December 31, 2012, for the five-month period then ended.

2 Net position for 2013, 2014, and 2015 is reported as of December 31 of each year.

3 The Authority changed its year-end from December 31 to June 30 and net position for 2017 is reported as of June 30, 2017, for the 18-month fiscal period then ended.

Unaudited

Source: Authority Finance department

MINNESOTA SPORTS FACILITIES AUTHORITY
User Fee Revenues by Source
For the Last Eight Fiscal Years

Table 2.1

Fiscal Period	Operating Payments	Stadium Operating Revenues	Concessions	Admission Tax	Rent	Parking Operations	Charges for Services	Other
2020	\$15,907,958	\$14,142,738	\$-	\$-	\$-	\$-	\$-	\$2,022,141
2019	15,569,573	30,897,106	-	-	-	-	-	1,390,377
2018	15,146,301	29,656,584	-	-	-	-	-	94,107
2017	20,910,210	23,589,302	-	-	-	-	-	1,779,062
2015	-	-	-	-	-	524,455	-	44,993
2014	-	-	-	-	-	405,166	13,067	45,816
2013	-	-	9,438,927	4,276,114	4,810,944	-	1,501,944	516,027
2012	-	-	8,479,625	4,098,350	4,068,914	-	908,813	336,159

1 The Authority began operations on August 1, 2012 and revenues by source for 2012 are reported as of December 31, 2012, for the five-month period then ended.

2 Revenues by source for 2013, 2014, and 2015 are reported as of December 31 of each year.

3 The Authority changed its year-end from December 31 to June 30 and revenues by source for 2017 are reported as of June 30, 2017, for the 18-month fiscal period then ended.

4 Operating payments include payments from the State of Minnesota and the Minnesota Vikings for U.S. Bank Stadium.

5 Stadium operating revenues include all revenues from U.S. Bank Stadium operations.

6 Concessions include Metrodome food and beverage concession revenues.

7 Admission tax includes 10% tax assessed on all ticket sales at Metrodome.

8 Rent includes 9.5% rental fee on Minnesota Vikings ticket sales and \$500 hourly rental fees for other Metrodome events.

MINNESOTA SPORTS FACILITIES AUTHORITY
Demographic and Economic Statistics
Last Ten Calendar Years

Table 3.1

Fiscal Year	Population ^(1,3)	Personal Income (In Millions) ^(1,3)	Per Capita Income ^(1,3)	Unemployment Rate ⁽²⁾
2010	3,355,763	\$153,074	\$45,615	7.3%
2011	3,389,448	163,306	48,181	6.3%
2012	3,422,542	173,992	50,837	5.5%
2013	3,458,513	175,414	50,719	4.8%
2014	3,491,838	186,385	53,377	4.0%
2015	3,518,252	195,613	55,599	3.5%
2016	3,551,036	201,427	56,723	3.6%
2017	3,600,618	215,087	59,736	3.3%
2018	3,614,162	227,292	62,889	2.8%
2019	3,614,162	227,292	62,889	3.0%

Unaudited

Sources:

1 U.S. Commerce Department and Bureau of Economic Analysis for the Minneapolis-St. Paul Metropolitan Statistical Area.

2 State of Minnesota, Department of Employment and Economic Development (Seven-county area)

3 2019 data not available at time of report.

MINNESOTA SPORTS FACILITIES AUTHORITY
Principal Employers in Minnesota
Current Year and Nine Years Ago

Table 3.2

Number of Minnesota Only Employees in thousands (except percentage)

Employer	2019			2010		
	Employees	Rank	Percentage of Total Employment	Employees	Rank	Percentage of Total Employment
State of Minnesota	57	1	2.81%	54	1	3.12%
Mayo Clinic	43	2	2.12%	38	2	2.19%
United States Federal Gov't	35	3	1.72%	32	3	1.85%
Fairview Health Services	34	4	1.67%	21	7	1.21%
Allina Health System	29	5	1.43%	23	6	1.33%
Target Corporation	29	6	1.43%	28	4	1.62%
University of Minnesota	26	7	1.28%	25	5	1.44%
HealthPartners Inc.	25	8	1.23%	-	-	-
United Health Group, Inc.	19	9	0.94%	-	-	-
Wells Fargo Minnesota	18	10	0.89%	20	9	1.15%
Wal-Mart stores, Inc.	-	-	-	21	8	1.21%
3M Co.	-	-	-	14	10	0.81%
Total	315		15.52%	276		15.93%

Unaudited

Source: Metropolitan Council Comprehensive Annual Financial Report 12/31/2019-Minneapolis/St. Paul Business Journal July 13, 2019 and Business Journal Book of Lists, December 25, 2010.

Note: Available list covers employment for entire State of Minnesota.
Walmart was not included because it declined to provide data for 2019.

MINNESOTA SPORTS FACILITIES AUTHORITY
Full-Time Employees by Department
Last Eight Fiscal Years

Table 4.1

Fiscal Year	Administrative	Building Maintenance	Security	Total
2020	4	-	-	4
2019	4	-	-	4
2018	5	-	-	5
2017	5	-	-	5
2015	8	-	-	8
2014	10	-	-	10
2013	8	11	2	21
2012	7	11	2	20

1 The Authority began operations on August 1, 2012 and full-time employees by department for 2012 are reported as of December 31, 2012, for the five-month period then ended.

2 Employees by department for 2013, 2014, and 2015 are reported as of December 31 of each year.

3 The Authority changed its year end from December 31 to June 30 and employees by department for 2017 are reported as of June 30, 2017 for the 18-month fiscal period then ended.

Unaudited

Source: Authority Finance department





MINNESOTA SPORTS FACILITIES AUTHORITY • MINNEAPOLIS, MINNESOTA

— A COMPONENT UNIT OF THE STATE OF MINNESOTA —

Minnesota Sports Facilities Authority
1005 Fourth Street South
Minneapolis, Minnesota 55415-1752



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
Minnesota Sports Facilities Authority
Minneapolis, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Minnesota Sports Facilities Authority, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Minnesota Sports Facilities Authority's basic financial statements, and have issued our report thereon dated October 28, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Minnesota Sports Facilities Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Minnesota Sports Facilities Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Minnesota Sports Facilities Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Minnesota Sports Facilities Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 28, 2020



Board of Commissioners
Minnesota Sports Facilities Authority
Minneapolis, Minnesota

We have audited the financial statements of the Minnesota Sports Facilities Authority (the Authority) as of and for the year ended June 30, 2020, and have issued our report thereon dated October 28, 2020. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during 2020.

We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the fair value of investments is based on quoted market prices provided by the Authority's brokers. We evaluated the key factors and assumptions used to develop the fair value of investments in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the Authority's net pension liability and related deferred inflows and outflows of resources is based on allocation schedules which are provided by the pension plan which is based on an actuarially derived liability. We evaluated the key factors and assumptions used to develop the Authority's net pension liability and related deferred inflows and outflows of resources in determining that it is reasonable in relation to the financial statements taken as a whole.

Accounting estimates (Continued)

- Management's estimate of the useful lives of capital assets is based on managements estimated useful lives of those assets along with guidance provide by a third party consultant. We evaluated the key factors and assumptions used to develop the useful lives of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the Authority's liability for compensated absences is based on employee wage information and the Authority's policies for earning vacation and sick leave. We evaluated the key factors and assumptions used to develop the Authority's liability for compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties encountered in performing the audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

Corrected misstatements

Management did not identify and we did not notify them of any financial statement misstatements detected as a result of audit procedures.

Disagreements with management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the management representation letter dated October 28, 2020.

Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Authority’s financial statements or a determination of the type of auditors’ opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant issues discussed with management prior to engagement

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the Authority’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

Audits of group financial statements

We noted no matters related to the group audit that we consider to be significant to the responsibilities of those charged with governance of the group.

Quality of component auditor’s work

There were no instances in which our evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor’s work.

Limitations on the group audit

There were no restrictions on our access to information of components or other limitations on the group audit.

Other information in documents containing audited financial statements

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management’s responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

The introductory and statistical sections accompanying the financial statements, which is the responsibility of management, was prepared for purposes of additional analysis and is not a required part of the financial statements. Such information was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we did not express an opinion or provide any assurance on it.

Other information in documents containing audited financial statements (Continued)

Other information is being included in documents containing the audited financial statements and the auditors' report thereon. Our responsibility for such other information does not extend beyond the financial information identified in our auditors' report. We have no responsibility for determining whether such other information is properly stated and do not have an obligation to perform any procedures to corroborate other information contained in such documents. As required by professional standards, we read the introductory and statistical sections (the other information) in order to identify material inconsistencies between the audited financial statements and the other information. We did not identify any material inconsistencies between the other information and the audited financial statements.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

* * *

This communication is intended solely for the information and use of the board of commissioners and management of Minnesota Sports Facilities Authority and is not intended to be, and should not be, used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 28, 2020



Minnesota Sports Facilities Authority

Year Ending June 30, 2020

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor



Create Opportunities

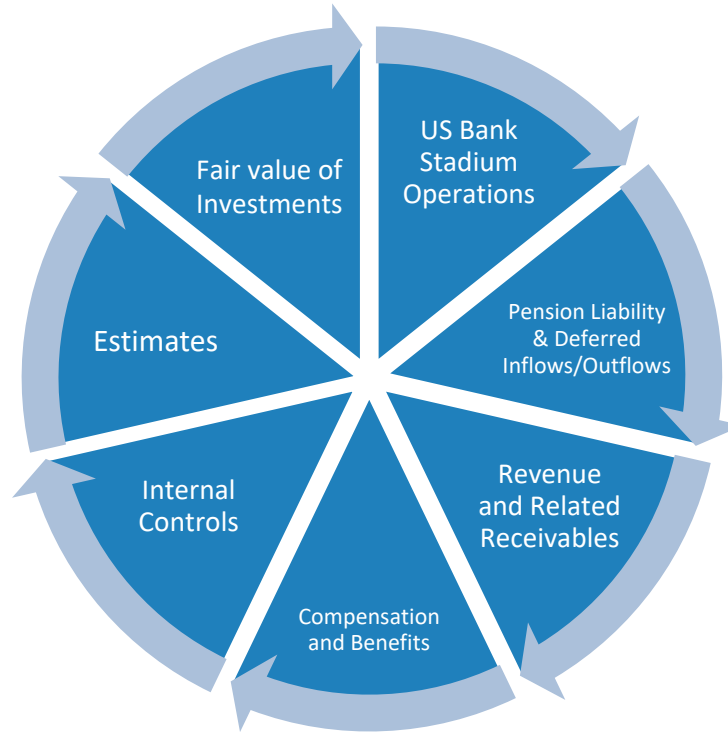
Overview

Overview of the Audit Process

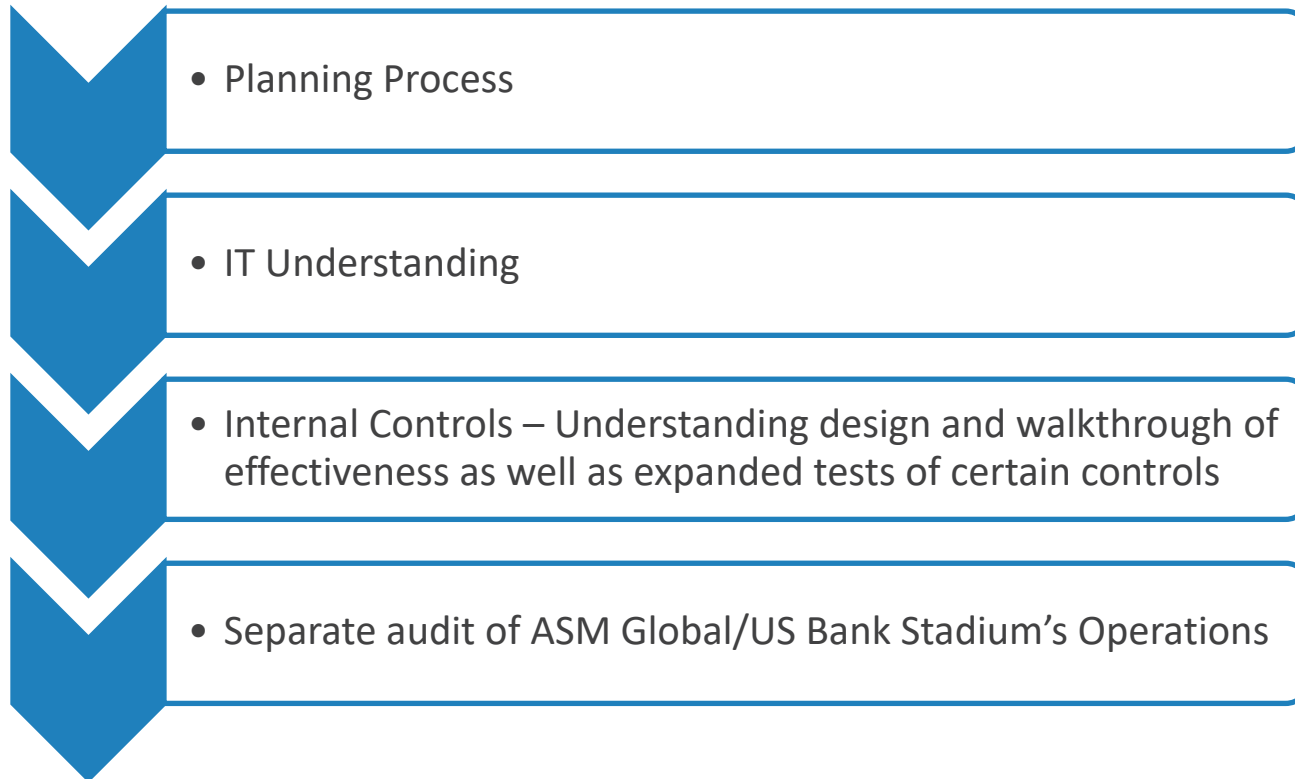
Audit Results

Governance Communication

Financial Statement Audit Process - Risk Assessment



Audit Approach - Financial Statement Audit



Audit Results

Opinion

- Unmodified Opinion – Financial Statements

Adjustments and Results

- No material audit adjustments
- No financial reporting deficiencies

Governance Communication Letter

Overall	Estimates	Difficulties	Other
<ul style="list-style-type: none">• Purpose is to provide an update on the audit since the planning meeting• No changes in scope of audit• No new accounting standards to implement for 2020	<ul style="list-style-type: none">• Depreciable lives• Compensated absences• Net pension items• Fair value of Investments• We are comfortable with management's estimate	<ul style="list-style-type: none">• No difficulties encountered• No disagreements encountered• No other findings to report	<ul style="list-style-type: none">• No material adjustments recorded• No uncorrected or waived misstatements

Questions and Feedback

We welcome any questions pertaining to the audit, governance communication letter, management letter or other matters related to the engagement

We appreciate the opportunity to serve as the auditors for the Minnesota Sports Facilities Authority!





Chris Knopik, CPA, CFE

Principal

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