



MEMORANDUM

TO: MSFA Commissioners

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

SUBJECT: 2018-2019 Budget

DATE: June 28, 2018

Attached is the 2018-2019 Budget for the fiscal period from July 1, 2018 to June 30, 2019 for the Operating account, Capital Reserve account, and the Concession Capital Reserve account. The budget includes a narrative that presents highlights of each account and the line item budget.

Also, attached is a memo describing SMG's Fiscal Year 2018-2019 Operating Budget for U.S. Bank Stadium and the line item budget.

Recommended Motion: *The MSFA Board adopts the attached 2018-2019 Budget for the fiscal period from July 1, 2018 through June 30, 2019 for the operating account, the capital reserve account, and the concession capital reserve account. The MSFA authorizes the Chair and the Executive Director to make adjustments to the detailed revenue and expense budget lines within the operating account budget and to adjust the project budgets within the capital reserve project budget and concession capital project budget.*

MINNESOTA SPORTS FACILITIES AUTHORITY

2018-2019 BUDGET

SUMMARY

U.S. Bank Stadium will begin its third year of operations on July 1, 2018. Attached is the Fiscal Year 2018-2019 Budget for the period from July 1, 2018 through June 30, 2019. The budget includes three accounts, the operating account, capital reserve account, and concession capital account, and highlights of each account are discussed below.

OPERATING ACCOUNT

Operating Revenues

Budgeted revenues for the operating account consist of the following five revenue sources:

State of Minnesota operating revenues	\$ 6,484,384
Minnesota Vikings operating revenues	\$ 9,017,650
Stadium operating revenues-SMG	\$ 32,667,250
NCAA Mens Final Four Concessions	\$ 1,800,000
Miscellaneous revenues	\$ 64,200
Total budgeted operating revenues	<u>\$ 50,033,484</u>

Operating Expenses

Budgeted expenses for the operating account include the following uses:

Personal services	\$ 815,370
Professional services	\$ 1,864,450
Supplies, network support costs	\$ 221,000
Stadium contractual commitments	\$ 857,641
Insurance	\$ 190,916
Event cabin license fee	\$ 300,000
NCAA Mens Final Four event expenses	\$ 6,492,588
Miscellaneous expenses	\$ 516,668
Stadium operating expenses-SMG and SMG fee	<u>\$40,720,144</u>
Total budgeted operating expenses	<u>\$51,978,777</u>

Personal Services

The personal services budget includes the Chair's salary and the salaries and benefits for the following five full-time MSFA employees:

MSFA Personnel (full-time positions)

Executive Director	1.0
Director of Finance	1.0
Director of Communications	1.0
Accountant	1.0
Project Coordinator	<u>1.0</u>
Total full-time positions	<u>5.0</u>

Employee benefits include: health insurance, dental insurance, long-term disability insurance, life insurance, and retirement benefits from Minnesota State Retirement System.

Professional Services

Professional services includes a variety of professional consulting services. The MSFA will continue to utilize the services of professional consultants for the following services:

- Legal services and Legislative Representation
- Document Management Consulting
- Employment Assistance Services
- Environmental and Engineering Services
- Financial Accounting, Auditing and Consulting Services
- Human Resources Consulting
- Investment Management Services
- Planning Services

Stadium Contractual Commitments and Leases

The stadium contractual commitments and leases includes costs related to securing parking as required in the Stadium Act. The MSFA also has a long-term lease with Hennepin County for use of the Hennepin County Medical Examiner space for the U.S. Bank Stadium plaza area.

Insurance

Insurance includes commercial general liability, excess liability, public officials and employment practices liability, crime insurance, and cyber liability. It also includes garage keepers liability insurance for the leased parking areas.

NCAA Mens Final Four Event Expenses

The NCAA Mens Final Four Event expenses includes cost for preparation and hosting the three NCAA Mens' Final Four Basketball games at U.S. Bank Stadium.

Miscellaneous

Miscellaneous expenses includes a variety of smaller expenses including: travel, meetings and training expenses, postage expenses, communication expenses, MSFA board member expenses, license and inspection fees, and bank fees.

Nonoperating revenues/(expenses)

Non operating revenues/(expenses) include the following:

Revenues - Investment income	\$ 60,000
Revenues - Taxes - State of Minnesota	\$1,854,554
Expenses-Stadium project expenses	<u>(\$ 210,000)</u>
Net Nonoperating revenues	<u>\$1,704,554</u>

Transfers

Budgeted transfers include a transfer to the capital reserve account of \$1,000,000 to fund various capital projects.

Account Balance

Beginning account balance	\$ 7,578,252
Change in account balance	<u>(\$1,240,739)</u>
Ending account balance	<u>\$ 6,337,513</u>

Attached is SMG's Fiscal Year 2018-2019 Operating Budget for U.S. Bank Stadium and a detailed memo describing its operations for Year 3.

CAPITAL RESERVE ACCOUNT

Capital Reserve Revenues:

The capital reserve account has total budgeted revenues of \$5,076,080 as described below:

Minnesota Vikings capital payment	\$1,639,091
State of Minnesota capital payment	\$1,636,989
Minnesota LOC 2019 NCAA Final Four Contributions	<u>\$1,800,000</u>
Total capital reserve revenues	<u>\$5,076,080</u>

- Per the terms of the Stadium Use Agreement between the MSFA and the Minnesota Vikings Football Stadium, LLC (Stadco), Stadco was required to contribute annually \$1,500,000 to the MSFA beginning in 2016, and this amount increases annually by an adjustment factor of 3%. The MSFA received \$1,500,000 in 2016, \$1,545,000 in 2017, \$1,591,350 in 2018, and the estimated contribution for 2019 is \$1,639,091.
- Per Minnesota Statute, 473J.12, subd.4 the state was required to contribute \$1,500,000 to the MSFA beginning in 2016 and this amount increases annually by an adjustment factor. The MSFA received \$1,500,000 in 2016, \$1,524,597 in 2017, \$1,589,310 in 2018, and the estimated amount for 2019 from the State of Minnesota is \$1,639,989.

- The Minnesota Local Organizing Committee (LOC) for the 2019 NCAA Mens Final Four has committed to contributing \$1,800,000 toward the payment for the Darkening Solution capital project.

Capital Reserve Expenses:

The 2017-2018 capital reserve account budget included 100 projects, however, not all of the budgeted project funds will be expended by June 30, 2018. Therefore, the unspent funds at June 30, 2018 need to be rolled forward.

Amended 2017-2018 Budget	\$3,769,231.00
Capital project funds spent through 6/27/2018	<u>(\$1,807,168.66)</u>
Balance to Roll Forward	<u>\$1,962,062.34</u>

In addition, in the 2018-2019 budget there are ten new planned capital projects and an unspecified project budget that total \$6,950,000 as listed below. Staff will present a project budget request for the unspecified projects and the Team Designed projects at a subsequent MSFA board meeting.

	<u>Budget</u>
Capital Budget Roll Forward	<u>\$1,962,063</u>
New Capital Projects:	
Darkening Solution	\$5,200,000
ADA Seating platform modifications	\$250,000
ADA Door modifications	\$ 20,000
Additional security cameras Phase 1	\$ 50,000
AMP Room modifications	\$ 130,000
Cooling in Food service pantries	\$ 75,000
Gates and Locks at Restroom locations Phase 1	\$ 50,000
Exterior Gate and Canopy project-Phase 1	\$ 75,000
Project budgets unspecified	\$ 250,000
Water infiltration system improvement	\$ 100,000
Team Designated Projects	<u>\$ 750,000</u>
Total 2018-2019 Capital Expenses	<u>\$6,950,000</u>
Total Capital Reserve Expenses	<u>\$8,912,063</u>

Transfers

Budgeted transfers include:

Transfer from the operating account	\$1,000,000
Transfer from the concession capital reserve account	<u>\$ 600,000</u>
Total Transfers	<u>\$1,600,000</u>

Account Balance

Beginning account balance	\$5,108,122
Change in account balance	<u>(2,235,983)</u>
Ending account balance	<u>\$2,872,139</u>

CONCESSION CAPITAL RESERVE ACCOUNT

Concession Capital Reserve Revenues:

Aramark Sports and Entertainment (Aramark), is the catering and concessionaire at U.S. Bank Stadium, and they are obligated to pay 2.5% of gross sales to the MSFA on a monthly basis for the concession capital reserve account. The 2018-2019 budget includes budgeted revenues of \$850,000. These funds are designated for concession related capital projects as described below.

Concession Capital Reserve Expenses

The 2017-2018 concession capital reserve account budget included 31 projects, however, not all of the budgeted project funds will be expended by June 30, 2018. Therefore, the unspent funds at June 30, 2018 need to be rolled forward.

Amended 2017-2018 Budget	\$2,638,944.00
Concession capital project funds spent through 6/27/2018	<u>(\$1,803,889.56)</u>
Balance to Roll Forward	<u>\$835,054.44</u>

In addition, in the 2018-2019 budget there is a budget of \$250,000 for new unspecified concession capital projects. Staff will present a project budget request for the unspecified concession capital projects at a subsequent MSFA board meeting.

	<u>Budget</u>
Capital Budget Roll Forward	<u>\$ 835,055</u>
New Concession Capital Projects – unspecified	<u>\$ 250,000</u>
Total Concession Capital Reserve Expenses	<u>\$1,085,055</u>

Transfers

Budgeted transfers include:

Transfer to the Capital Reserve account	<u>\$ 600,000</u>
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Account Balance

Beginning account balance	\$1,471,951
Change in account balance	<u>(\$ 835,055)</u>
Ending account balance	<u>\$ 636,896</u>

Budget Change Authority

The MSFA funds the cost of operations, capital improvements and concession capital improvements from current resources and the reserve account balances.

The Chair and Executive Director have the authority to make line item budget adjustments within an account and to establish and adjust budget line items.