

**Minnesota Sports Facilities Authority
2015 Legislative Report
January 15, 2015**

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Minnesota Sports Facilities Authority Commissioners

Michele Kelm-Helgen, Chair
Bill McCarthy, Vice Chair
Duane Benson, Secretary/Treasurer
Barbara Butts Williams
John D. Griffith
Ted Mondale, CEO/Executive Director

2014 Minnesota Statutes 3.197: REQUIRED REPORTS.

A report to the legislature must contain, at the beginning of the report, the cost of preparing the report, including any costs incurred by another agency or another level of government. *No costs were incurred in preparing this report.*



Section 1. Legislative Report Requirements

To: Senator Tom Bakk
Senator David Hann
Senator Tom Saxhaug
Senator Roger C. Chamberlain
Senator Bobby Jo Champion
Senator Julie Rosen
Senator Karin Housley
Senator Jeremy Miller
Senator Roger Reinert
Senator Kathy Sheran
Speaker Kurt Daudt
Representative Paul Thissen
Representative Sarah Anderson
Representative Sheldon Johnson
Representative Paul Anderson
Representative Joe Atkins
Representative Jim Davnie
Representative Joe Hoppe
Representative Tim Kelly

Date: January 15, 2015

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

- Any recommended increases in the rate or dollar amount of tax: **Nothing Recommended**
- Any recommended increases in the debt of the Authority: **Nothing Recommended**
- Overall work and role of the Authority: **Detailed in Section 2 below**
- The Authority's proposed operating and capital budgets & the Authority's implementation of these budgets: **Detailed in Section 3 below**



Section 2. Overall Work and Role of the Authority

Profile of Governance

The Minnesota Sports Facilities Authority (Authority) was established in 2012 as a political subdivision of the state of Minnesota for the purpose of developing a new multi-purpose 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. The Authority will own and operate the new stadium, new stadium infrastructure and related facilities in accordance with the powers and authorities granted in the Laws of Minnesota Chapter 299, the stadium bill. The Authority is the developer of the new stadium throughout the construction project.

A board of five appointed commissioners governs the Authority. The Governor of the state of Minnesota appoints three members, and the Mayor of Minneapolis appoints two members. The first meeting of the Authority was held on June 22, 2012, and monthly board meetings have continued through 2012, 2013 and 2014.

2014 in Review

2014 saw the new Minnesota Multi-Purpose Stadium begin to take form. As construction unfolded, the Authority and Minnesota Vikings were confronted with a number of design and budgetary decisions that sought to further enhance and improve the stadium's amenities, operations and functionality for multi-purpose events. To make these changes, the Minnesota Vikings contributed an additional \$51 million to the project budget over the course of 2014, bringing the master project budget to over \$1.026 billion. Because of these contributions, the new stadium will provide an even better home for all Minnesotans. Further details on the budget can be found within Section 3.

New Stadium Construction

After groundbreaking occurred in late 2013, Minnesotans were able to witness a rapid series of milestones and events throughout 2014. By the end of April 2014, the Metrodome was completely demolished according to schedule. The Authority and Mortenson/Thor were proud to announce that over 80% of the Metrodome was recycled with 80,000 tons of concrete repurposed to other projects, over 4,500 tons of steel reclaimed and recycled and all Metrodome seats either sold to the public or recycled.

In the beginning stages of construction, it was imperative to the project team to establish a process that would engage the local community and keep neighborhoods informed throughout the various stages of construction. A kickoff meeting was held for the community in early January 2014, with local neighborhood associations, community organizations and elected officials. The Authority, Minnesota



Vikings and Mortenson/Thor gave a project overview and outlined the construction schedule. A process was established that would inform local residents and businesses to any traffic/street closures, noise and light effects and mitigation of any potential issues. This process has worked well over the course of the year and has allowed for the public to relay any questions or concerns with effective responses.

Key milestones were met over the year and contributed to the formation of the stadium structure. Excavation and earthwork activities occurred following the demolition of the Metrodome along with major utility work. The concrete foundations and drilled piers installation began in March 2014, and the steel structure work began in July 2014. In October 2014, the precast stadia (foundations for the seating bowl) installation commenced. Throughout the fall, major steel pieces that will compose the roof trusses were assembled and erected. The queen's post ridge trusses will finally come together in July 2015 to stand as the major roof support structure. Construction remains on schedule and on budget with substantial completion scheduled for July 2016.

The stadium project has had a major impact to the local economy, both in job and employment numbers and in providing revenue to hundreds of Minnesota companies. The project has employed over 2000 workers with over 700 workers on site daily. This number will peak to over 1000 workers on site daily in the spring and summer of 2015. Over 210 Minnesota companies have worked on the project. Of the contracts awarded to date, 90 percent have been awarded to Minnesota companies. As of December 2014, the overall work is 36% complete.

Equity Program

The Equity Program has created a transparent system that has exceeded expectations around diversity and inclusion efforts in construction and design activities. Minn. Stat. § 473J.12 serves as the foundation for the program in its provision of workforce and targeted business goals. The project has consistently met and exceeded these goals. Integration of the Wells Fargo/Ryan project is progressing as design and construction activities unfold. Workforce and targeted business reports for the Wells Fargo/Ryan Project are now available on the Authority website at www.msfa.com.

Community outreach about the progress of the project is on going and well received. The Stadium Equity Oversight Committee met on a bi-monthly basis throughout 2014 and continued to draw in key stakeholders and community members.

Equity Results to Date



Our performance to date will be reported to the community at the next Stadium Equity Oversight Committee meeting on January 28, 2015.

The Employment Assistance Firm “EAF” and its twelve community partners have contributed to reaching out to 748 candidates and training 64 candidates. Our contractors have hired 48 workers from the EAF’s partners.

Construction Workforce Utilization **GOALS: Minority: 32% Women: 6%**
As of December 31, 2014

	Total HRS	Minorities	Women	Veterans
Mortenson	840,386.5	317,142.75 38%	79,370 9%	39,812.25 5%
Ryan	11,683	3,554 30%	881 7.5%	3 .02%
Total (Both Proj.)	852,069.5	320,696.75 34%	80,251 8%	39,815.25 3%
Targeted Zip Codes	129			

Targeted Business Inclusion **Construction GOALS: MBE: 9% WBE: 11%**
As of December 31, 2014 **Design SCVS GOALS: MBE: 8% WBE: 11%**

Contractor	WBE	MBE	VBE
HKS	\$3,869,030 / 11.4%	\$2,852,690 / 8.4%	\$0 / 0%
Mortenson/Thor	\$109,505,605 / 16.77%	\$69,037,137 / 10.57%	\$10,678,151 / 1.63%
Ryan (Construct)	\$1,779,943 / 4%	2,003,465 / 4.4%	\$130,320 / .03%
Ryan (Architect)	\$207,370 / 8.6%	\$195,773 / 8.1%	\$0 / 0%
TOTAL	\$115,361,948 / 12.6%	\$74,089,065 / 10.8%	\$10,808,471 / .7%

Other Key Events

Stadium Third-Party Operator

Per the stadium legislation, the Authority selected a third-party stadium operator to conduct stadium operations, manage event marketing and promotions and assist with further design and construction activities. The Authority entered into a contract with SMG in August 2014. SMG is a nationally renowned firm that has extensive experience in managing NFL stadiums as well as working with publicly owned facilities. In a sign of their commitment and enthusiasm to the new Minnesota Multi-Purpose stadium, SMG has agreed to a guaranteed payment of \$6.75 million in revenue (increasing by 2% annually) back to the Authority each year, thereby allowing for the Authority to make continuous capital improvements to the facility.



Economic Development Payback

In addition to the immense benefits to Minnesota businesses and workers, the new stadium has shown that it is an economic catalyst for the region. The \$400 million Wells Fargo/Ryan development is well underway. Design and construction activities have commenced and continue to involve a variety of local stakeholders. This mixed-use development and two-block park adjacent to the new stadium plaza have proven to be a key factor in attracting major events. 2014 also brought news of other developments within the area. Hennepin County Medical Center announced a \$191 million expansion. Sherman Associates is planning a major residential development adjacent to the stadium, and other developers have been exploring various options for residential and retail structures in the surrounding neighborhoods.

Attracting Major Events

Major events have already been booked in the stadium. The successful bids were a result of strong collaboration and leadership amongst local partners including the Authority, Minnesota Vikings, Meet Minneapolis and the University of Minnesota along with numerous public, corporate and civic entities.

Super Bowl

In May 2014, the new stadium was selected to host Super Bowl LII in 2018, with strong competition having come from New Orleans and Indianapolis. The Super Bowl has an estimated economic impact of over \$300 million according to a study of the Indianapolis Super Bowl by Rockport Analytics.

NCAA Men's Final Four

In November 2014, the new stadium was selected to host the NCAA Men's Final Four in 2019. Various economic impact studies from past host cities' convention and visitors' bureaus range from \$70 million to \$200 million.

National Association of Sports Commissions (NASC) 2018 Symposium

In December 2014, Minneapolis was selected to host the 2018 NASC Symposium and the new stadium will host their Welcome Reception. This event will bring in over 150 sports industry event executives who will experience all that the region has to offer and will hopefully look to Minnesota as a future host for even more of their respective events.

While the construction is only 36% complete, the new stadium has already had a major economic impact on the region as these major events have been secured.



Looking ahead, the Authority and SMG are actively seeking out new events including major concerts and conventions and potentially the College Football Playoffs. These events will bring tremendous economic benefits to the region as tens of thousands of visitors from all over the country come to these events and stay in local hotels, eat in restaurants, shop and enjoy the many retail and service establishments. They will also further enhance our state's visibility in the nation by positioning Minnesota as a premier destination.

With all of the positive economic development successes of 2014 and potential for the coming years, the Authority began to track and report on the various indicators of economic performance on a dashboard. Our dashboard measures our successes while also holding the Authority accountable to its goals and priorities. It is updated on a regular basis and can be found at www.msfa.com.

Section 3. MSFA 2015 Operating & Capital Budgets & Budget Implementation

Background Authority Budget Information

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

Capital construction and development activities are accounted for in a separate project budget. The original master project budget was \$975,000,000. During 2014, the Authority approved several project budget increases and as of December 19, 2014, the master project budget was \$1,026,065,450.50.

The Authority approved the 2015 operating budget on December 19, 2014. A copy is attached and further background information is listed below.



MINNESOTA SPORTS FACILITIES AUTHORITY
2015 OPERATING BUDGET (as of December 19,2014)

SUMMARY

Highlights of the 2015 Budget

Revenues

The operating revenue budget for 2015 consists of two revenue sources: Downtown East Parking Ramp of \$308,000 and an allocation from the stadium project for operations for \$2,000,000, for a combined total of \$2,308,000.

The stadium project budget allocated \$4,500,000 to the Authority to fund operating and/or capital needs of the Authority. This was initially included in the 2014 budget, however it has been determined that this funding should be delayed and that \$2,000,000 should be allocated to the 2015 budget and \$2,500,000 should be allocated to the 2016 budget.

Expenses

The operating expense budget for 2015 is \$5,065,977 and includes personnel services, professional services, audio-visual costs, travel and meetings, supplies, rent, insurance, communication, and miscellaneous costs. The personal services budget of \$1,531,000 includes salaries and benefits for 12 full-time positions. Professional services include consulting services of \$375,000, legal and legislative representation services of \$358,000 and other expenses of \$80,000. Rent expense includes costs related to Authority offices and parking at the 511 building. Operating expenses also include costs for operating the Downtown East Parking Ramp of \$277,000 and pre-opening stadium management operator costs of \$1,637,477.

Non-Operating revenues include investment earnings of \$50,000 and taxes from the State of Minnesota of \$800,000. Non-operating expenses include stadium project expenses of \$1,473,433.

Account Balances

Ending account balance is proposed to decrease by \$3,381,410, from \$9,460,186 to \$6,078,776.



MINNESOTA SPORTS FACILITIES AUTHORITY
CAPITAL BUDGET

Uses:

Site Acquisition & Improvements	\$	51,225,678.10
Construction Costs	\$	805,046,584.50
Furnishings, Fixtures & Equipment	\$	54,350,000.00
Development Costs	\$	87,139,364.70
Other Project Costs	\$	7,997,455.00
Project Contingency	\$	<u>20,306,368.20</u>
Total Uses	\$	<u>1,026,065,450.50</u>

Sources:

State of Minnesota		
Appropriation grant	\$	498,000,000.00
Minnesota Vikings and private contributions		
Team Contribution	\$	377,000,000.00
Private Contribution	\$	100,000,000.00
Additional Team Contribution	\$	<u>51,065,450.50</u>
Total Sources	\$	<u>1,026,065,450.50</u>