

**Minnesota Sports Facilities Authority  
2016 Legislative Report  
January 13, 2017**

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**Minnesota Sports Facilities Authority Commissioners**

Michele Kelm-Helgen, Chair  
Barbara Butts Williams, Vice Chair  
Bill McCarthy, Secretary/Treasurer  
Tony Sertich  
Kathleen Blatz  
Ted Mondale, CEO/Executive Director

**2016 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 Paul Gazelka  
Representative Kurt Daudt  
Senator Tom Bakk  
Representative Melissa Hortman  
Senator Mary Kiffmeyer  
Senator Jim Carlson  
Representative Sarah Anderson  
Representative Sheldon Johnson  
Senator Dan Hall  
Senator Patricia Torres Ray  
Representative Tim O'Driscoll  
Representative Michael Nelson  
Senator Bobby Joe Champion  
Senator Julie Rosen  
Senator Karin Housley  
Senator Jeremy Miller  
Senator David Tomassoni  
Representative Jon Applebaum  
Representative Jim Davnie  
Representative Raymond Dehn  
Representative Joe Hoppe  
Representative Peggy Scott  
Representative Chris Swedzinski

Date: January 13, 2017

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 owns and operates 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, 2014, 2015 and 2016. Governor Dayton reappointed Commissioner Sertich on January 1, 2016, and appointed Kathleen Blatz on January 13, 2017. Mayor Hodges reappointed Barbara Butts Williams to a second term in December 2015, and Bill McCarthy is being reappointed.

### **2016 in Review**

U.S. Bank Stadium opened with two full days of free public open houses July 23 and 24. More than 190,000 people came to tour the facility. The first large event was the Chelsea vs. Milan soccer match on August 3, followed by back to back concerts, Luke Bryan on August 18 and Metallica on August 20. The stadium has hosted its full first NFL season, Monster Jam, and a home show. We also hosted a many youth sporting events, including the Minnesota State High School League's championship soccer and football games that drew more than 114,000 fans. U.S. Bank Stadium hosted more than 400 total public and private events in 2016. Youth football clinics and games were held in the summer and fall and the inline skating and running clubs are welcomed back in the stadium for the winter months.

### **Major Events**

MSFA working with a broad partnership has secured three of sporting world's most important and most revenue generating events – U.S. Bank Stadium will host the X Games in the summer of 2017 & 2018, the 2018 Super Bowl and the 2019 NCAA Men's Final Four. 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.

### **X Games, 2017 & 2018**

In partnership with Meet Minneapolis, the state of Minnesota, the city of Minneapolis and the MSFA bid and won two consecutive X Games in July of 2017 and July of 2018. The economic impact of these three day events are estimated to be \$80 million per year.

The X Games are viewed in 440 million homes in 196 countries. In 2015, X Games Austin's attendance figures were over 130,000 for four days of events. It is our goal to make these events so amazing that the X Games chooses as its Minnesota its permanent home.

### **Super Bowl Update**

The Super Bowl Host Committee has started hiring staff to begin planning for Super Bowl LII in 2018. Maureen Bausch, formerly Executive Vice President at Mall of America, is the CEO. The Super Bowl has an estimated economic impact of over \$300 million according to a study of the Indianapolis Super Bowl by Rockport Analytics. The Host Committee will be conducting its own economic impact study for Minnesota.

### **NCAA Men's Final Four Update**

The NCAA local host committee, headed by Kate Mortenson, has recently opened their offices at U.S. Bank Plaza as they continue to ramp up for the Final Four in 2018. Various economic impact studies from past host cities' convention and visitors' bureaus range from \$100 million to \$200 million.

MSFA and a broad partnership are working on other NCAA event bids for the stadium.

### **Community Events**

U.S. Bank Stadium has successfully held the following Legacy Events (events that were held at the Metrodome):

- Youth football games. A video of youth football in the stadium the day before the Vikings played Green Bay in the first 2016 season game can be found at MSFA.com. Hundreds of children from all over Minnesota participated in games and clinics last summer and fall.
- Minnesota State High School League girls and boys soccer championships and football playoffs and championships. The inaugural season at the new stadium saw a 22% increase over the final 2013 MSHSL Football Prep Bowl at the Metrodome, and the MSHSL Soccer championships saw a 50% increase.



- Marching band competition.
- Indoor inline skating. People are very excited to be able to skate in the stadium, and the program has been selling out regularly.
- Minnesota Distance Running Association. Indoor running takes place on the upper concourse on the same days as the inline skating. Hundreds of runners have attended the indoor event, and are excited to have the facility to use.
- U.S. Bank Stadium offers a public tour program. The tour consists of visits to clubs, the Vikings Locker Room, both concourses and the field. We have been selling about 15,000 tickets a month to the tour program.
- Looking ahead to 2017, we are changing the stadium configuration now for the 6 weeks of baseball that will begin in February through March. The stadium will also host the DQ Classic in March. This will be the first DQ Classic since the Metrodome was decommissioned.

### **U.S. Bank Stadium - Surrounding Site**

Three new external developments are finished: the pedestrian bridge over the Metro Transit LRT line, the Commons Park and an expanded western plaza. The pedestrian bridge provides a connection between the stadium's west plaza, crossing the Downtown East LRT station across Chicago Avenue, landing on the stadium plaza. At 35 feet wide, the bridge offers safe and efficient flow of pedestrians for all stadium events.

The Commons was a community led initiative as the city retained Hargreaves Associates to hold public meetings to give the community an opportunity to weigh in on the design. The Authority and Minnesota Vikings also partnered with other local stakeholders to provide input and feedback on the design. Much of the vision for the park centered on creating a gathering space that would invite the public in while providing functionality and optimal programming space for various events. A series of public meetings were held to capture input around the conceptual and schematic designs. The Commons is a key feature of the transformation of Downtown East and has proven to be a significant draw in attracting major events to the region.

The stadium footprint was also expanded when an agreement was reached in November 2015 with Hennepin County to lease a portion of the County's parking lot located adjacent to the County Medical Examiner's office. The space serves as an extension of the stadium plaza and provides key support space for programming occurring in the Downtown East Commons park space. The lot provides additional space for tents and other structures, thereby alleviating the need for extra setup and takedown days at the Commons. The Authority will lease the space for 30 years co-terminus with the Vikings' stadium use agreement.

### **U.S. Bank Stadium Construction**



Construction was declared substantially completed on June 3, 2016. Work will continue to occur on construction close out through 2017. Ongoing issues include ensuring the metal panel skin of the building are correctly fastened to the building, code compliance, and contingency close out. To accommodate Inline Skating, a Legacy Event, we proactively changed out expansion joints so they would have a lower profile as skaters skated over them.

### **Economic Impact**

The stadium project continues to have a major impact to the local economy, both in employment and in providing revenue to hundreds of Minnesota companies. The project has employed over 8,000 workers and over 314 Minnesota companies have worked on the project. Of the contracts awarded to date, 90 percent have been awarded to Minnesota companies.

In addition to the immense benefits to Minnesota businesses and workers, U.S. Bank Stadium continues to show that it is an economic catalyst for the region. The \$400 million Wells Fargo/Ryan development has been completed, and 5,000 people are working in Downtown East. The mixed-use development and two-block park (Downtown East Commons) adjacent to the new stadium plaza have proven to be a key factor in attracting major events. The Downtown East Commons will be further enhanced by the redevelopment of the historic Armory located next to the park. The Armory, under new private ownership is completing a \$100 million renovation, is expected to transform the venue into a major events center that can offer additional programming space for both stadium and public events. Currently, the stadium has resulted in development and construction of 6 office towers, 5 residential buildings, and 5 new hotels, bringing the non-stadium development in the neighborhood to more than \$1.4 billion.

### **Equity Program (Construction & Design)**

The Equity Program for the U.S. Bank Stadium remains the construction industry's compliance "Gold Standard" by exceeding expectations for construction and design as the project exceeded the ambitious hiring and business goals. U.S. Bank Stadium substantially completed construction with a workforce that was 37% minority and 9% women against goals of 32% and 6%. Minn. Stat. § 473J.12 serves as framework for the Equity Plan. All construction and design equity reports can be found on the MSFA Equity Program's web page.

### **Equity Program (Operations & Concessions)**

The MSFA is currently developing the stadium operations Equity Program. The Equity Program will measure women and minorities in the stadium workforce and measure the involvement of targeted businesses in procurement. The MSFA has set up a "Preferred Vendor Database" where businesses who are interested in doing business at the stadium can register and provide information on their products and services and M/WBE certifications if applicable.



## Other Key Events

### **Stadium Third-Party Operator Update**

Per the stadium legislation, the Authority had selected a third-party stadium operator in 2014 to conduct stadium operations, assist with event marketing and promotions and guide design and construction activities.

In January 2015, Patrick Talty was hired to serve as the General Manager for U.S. Bank Stadium. Mr. Talty previously worked as the Senior Vice President of Live Events for World Wrestling Entertainment. Mr. Talty has built a team of event management professionals who work on the more than 400 large and small events held at the stadium in 2016.

### **Stadium Food Service Concessionaire**

Aramark has successfully completed a year in the stadium. They have learned a lot about movement around the building, how to deliver product more efficiently, what foods are popular and what foods need to be changed out for next year. A full review of these issues are currently underway.





## **Section 3. MSFA 2016 Operating & Capital Budgets**

### **MINNESOTA SPORTS FACILITIES AUTHORITY**

## **2017 BUDGET**

### **SUMMARY**

#### **Highlights of the 2017 Budget**

For fiscal year 2017 the Minnesota Sports Facilities Authority will have an operating account, a capital reserve account, and a concession reserve account. Highlights of each account are discussed below.

#### **Operating Account**

##### **Revenues**

The operating account revenue budget for 2017 consists of four revenue sources: State of Minnesota operating payment of \$6,120,000, Minnesota Vikings Use fee-operating payment of \$8,755,000, operating revenue-SMG of \$15,747,564 and miscellaneous revenues of \$372,750, for total revenues of \$30,995,314.

##### **Expenses**

The operating account total expense budget for 2017 is \$27,779,238 and includes personal services of \$931,000, professional services of \$1,568,960, audio-visual costs of \$6,000, travel and meetings of \$16,000, supplies/repairs/maintenance/network administration costs of \$187,000, rent/stadium contractual commitments/lease costs of \$933,114, insurance of \$217,000, communication of \$7,800, miscellaneous and marketing costs of \$114,800, event cabin license fee of \$300,000, and stadium operating expenses-SMG and SMG fee of \$23,497,564. The personal services budget includes salaries and benefits for employees. Professional services budget includes consulting services, legal and legislative representation services, and audit expenses.

Nonoperating revenues/(expenses) includes taxes from the State of Minnesota of \$1,686,000, and commemorative brick revenues of \$1,866,000 and commemorative brick expenses of \$1,213,246, for a total net operating revenues of \$2,340,754.



**Account Balance**

Budgeted change in account balance for the operating account is \$5,556,830, and then there is a budgeted transfer to capital reserve fund of \$2,000,000. The budgeted operating account ending account balance is \$11,510,186.

**Capital Reserve Account**

The capital reserve account revenue budget for 2017 consists of two revenue sources: State of Minnesota capital cost payment of \$1,545,000 and the Minnesota Vikings capital cost payment of \$1,545,000, for a combined total of \$3,090,000. Budgeted expenses for 2017 are \$3,673,000, budgeted transfer from the operating account is \$2,000,000, and the budgeted ending account balance is \$4,067,292.

**Concession Capital Reserve Account**

The concession capital reserve account revenue budget for 2017 consists of \$650,000 from the Aramark catering and concessions operation. Budgeted expenses for 2017 are \$661,293 and the budgeted ending account balance is \$636,078.

**MSFA 2017 Budget & Five Year Capital Plan can be found on the following pages.**

**MINNESOTA SPORTS FACILITIES AUTHORITY  
YEAR 2017 BUDGET  
January 1, 2017 through December 31, 2017**

	<u><b>Budget 2017</b></u>
<b><u>Operating Account</u></b>	
<b>Revenues:</b>	
Stadium operating payments	
State of Minnesota operating payment	\$ 6,120,000
Minnesota Vikings operating payment	\$ 8,755,000
Stadium operating revenue-SMG	\$ 15,747,564
Miscellaneous revenues	\$ 372,750
Total revenues	<u>\$ 30,995,314</u>
<b>Expenses:</b>	
Personal services	\$ 931,000
Professional services	\$ 1,568,960
Audio-visual costs	\$ 6,000
Travel and meetings	\$ 16,000
Supplies, repairs and maintenance and network administration	\$ 187,000
Rent, stadium contractual commitments and leases	\$ 933,114
Insurance	\$ 217,000
Communication	\$ 7,800
Miscellaneous and marketing	\$ 114,800
Event cabin use fee	\$ 300,000
Stadium operating expenses-SMG and SMG fee	\$ 23,497,564
Total expenses	<u>\$ 27,779,238</u>
Net Income/(loss)	<u>\$ 3,216,076</u>
<b>Nonoperating revenues/(expenses):</b>	
Investment earnings	\$ 2,000
Taxes-State of Minnesota	\$ 1,686,000
Commemorative brick fundraising:	
Revenues	\$ 1,866,000
Expenses	\$ (1,213,246)
Total nonoperating revenues/(expenses)	<u>\$ 2,340,754</u>
 Change in Account Balance	 \$ 5,556,830
<b>Transfers:</b>	
Transfer to Capital Reserve fund	\$ (2,000,000)
 Beginning Operating Account Balance	 \$ 7,953,356
 <b>Ending Operating Account Balance</b>	 <u><u>\$ 11,510,186</u></u>

**Capital Reserve Account****Revenues:**

Minnesota Vikings Capital Cost payment	\$	1,545,000
State of Minnesota Capital payment	\$	1,545,000
Total revenues	\$	<u>3,090,000</u>

Capital expenses	\$	3,673,000
Net Income/(loss)	\$	<u>(583,000)</u>

**Transfer**

Transfer from Operating Account	\$	2,000,000
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Beginning Capital Reserve Account Balance	\$	2,650,292
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<b>Ending Capital Reserve Account Balance</b>	<b>\$</b>	<b><u>4,067,292</u></b>
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**Concession Capital Reserve Account****Revenues:**

Concession Capital Reserve payment	\$	650,000
Total revenues	\$	<u>650,000</u>

<b>Expenses</b>	\$	<u>661,293</u>
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Net Income/(loss)	\$	<u>(11,293)</u>
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Beginning Concession Capital Reserve Account Balance	\$	647,371
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<b>Ending Concession Capital Reserve Account Balance</b>	<b>\$</b>	<b><u>636,078</u></b>
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**U.S. Bank Stadium**  
**Estimated Five-Year Capital Plan Summary**

*December 16, 2016*

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>Totals</u>
<i>Stadium Operating Year: (January 1 -December 31)</i>						
<b>Estimated Capital Expenditure/Reserve Allocation</b>	\$5,090,000	\$6,180,000	\$6,780,000	\$7,380,000	\$7,480,000	\$32,910,000
<b>Expenditure Estimates:</b>						
2017 Capital Budget	(\$3,673,000)	\$0	\$0	\$0	\$0	(\$3,673,000)
Base Capital Repair & Replacement	\$0	(\$750,000)	(\$1,000,000)	(\$2,750,000)	(\$4,400,000)	(\$8,900,000)
Construction Related Capital Modifications	\$0	(\$2,000,000)	(\$1,750,000)	(\$1,500,000)	(\$1,000,000)	(\$6,250,000)
Additional Capital Investments/Modifications	<u>\$0</u>	<u>(\$4,500,000)</u>	<u>(\$3,500,000)</u>	<u>(\$2,250,000)</u>	<u>(\$2,850,000)</u>	<u>(\$13,100,000)</u>
<b>Total Estimated Capital Expenditures</b>	(\$3,673,000)	(\$7,250,000)	(\$6,250,000)	(\$6,500,000)	(\$8,250,000)	(\$31,923,000)
<b>Annual Net Cash Flow</b>	\$1,417,000	(\$1,070,000)	\$530,000	\$880,000	(\$770,000)	
<b>Net Capital Reserve</b>	<u>\$4,067,000</u>	<u>\$2,997,000</u>	<u>\$3,527,000</u>	<u>\$4,407,000</u>	<u>\$3,637,000</u>	

*(assumed beginning balance December 31, 2016 - \$2.65 million)*