



ST. LOUIS REGIONAL CONVENTION & SPORTS COMPLEX AUTHORITY
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JAMES F. SHREWSBURY,
CHAIRMAN

BRIAN MCMURTRY,
EXECUTIVE DIRECTOR

March 3, 2016

The State of Missouri,
St. Louis County, and
City of St. Louis

RE: 2015 Annual Report

The annual financial report of the St. Louis Regional Convention and Sports Complex Authority (Authority) for the year ended December 31, 2015, is hereby submitted, as required under the provisions of §67.658 RSMo. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and are reported in a manner designed to factually present the financial position and results of the Authority's operations.

It should be noted that the enclosed financial data have been subjected to internal audit measures only at this time. To that end, these data are marked DRAFT in the sense that the external audit has not yet taken place. The audit for 2015 is scheduled to commence on March 21, 2015. When that audit is completed, copies will be provided to the same organizations who now receive this annual report.

Historical Overview

The Authority was established by enabling State legislation in May 1989 as an independent public entity with 11 Commissioners. These Commissioners are appointed by the State of Missouri (5), the City of St. Louis (3), and St. Louis County (3) on a bipartisan basis. The Authority was established under Mo. Revised Statutes 67.650 to 67.658 and is empowered to acquire, purchase or lease, and construct sports stadiums and do all things incidental and necessary to facilitate these purposes. This authority was used to construct what is now the Edward Jones Dome. In connection with these activities, the Authority is granted all rights and powers necessary to plan, finance, construct, equip and maintain the Facility at the highest standards. The Authority represents a joint venture between the State of Missouri, St. Louis County and The City of St. Louis, collectively referred to as the Sponsors and the Authority has and will continue to serve the Sponsors in accordance with the Project Financing Agreement approved by the Sponsors in 1991, which provides for continuing obligations of the Authority for 30 years (2021) or until the outstanding bonds are retired. Further, by Cooperative Agreement, the Sponsors will continue Preservation Payments until 2024 after which Sponsor financial commitments expire.

The expansion to the Cervantes Convention Center includes a 67,000-seat capacity domed stadium and complements the existing convention center by providing a multi-purpose convention and sports complex facility (the Facility) suitable for conventions, trade shows, exhibitions, concerts, NFL Football and a variety of other sports events. The Authority entered into an operating agreement in 1991 with the St. Louis Convention and Visitors Commission ("CVC") to operate the facility through 2021. The Facility is operated and marketed by CVC, along with the Cervantes Convention Center as America's Center. In 1995, CVC signed a lease with the former Los Angeles Rams to relocate to St. Louis; and play in the football facility then under construction.

The lease between the CVC and the Rams requires that the facility be *maintained* in a "First Class" condition; and then on ten year intervals, be modernized to the extent that the facility may be judged "First Tier". The term "First Tier" is ambiguous because it includes the concept of quality; however, it is defined as having the facility and each component thereof, being on a par with the top 25% of all NFL venues (8 of 32, including the St. Louis facility). This lease demanded that the facility be measured for parity in March 2003, with the deadline for producing the improvements to be two years later. The CVC, the St. Louis Rams (Rams) and the Authority agreed in 2004 to extend the Measurement Date to July 31, 2005 and the Implementation Date to July 31, 2007. These extensions were contingent upon completing four projects by July 2005. The first two of these "Four Initial Elements", upgrading the Suite and Club Levels, were essentially completed before the 2004 football season. The remainder of these early improvements, installation of a temporary playing surface and improvement of the sound system, were completed in 2005. In 2010 a new retractable field was installed and the annual leasing of temporary playing fields is no longer necessary. The new field is a Magic Carpet II System and GameDay™ Grass 3D synthetic turf that utilizes the existing storage pit with upgraded mechanical components.

In 2005, the CVC, Rams and Authority agreed to hold the Measurement Date as July 31, 2005, but extend the Implementation date to July 1, 2008. This extension recognized the difficulty CVC would have faced had the 2007 date held fast. There are no hard and fast criteria to establish what the term "First Tier" means; however, based to some extent on a report provided by the Rams in September 2004, CVC and the Authority developed a First Tier program designed to accomplish several projects deemed necessary to First Tier status. CVC presented the list of projects to the Rams; however, there was no agreement between the parties on the validity of the CVC proposal. In September of 2007, the Authority, CVC and the Rams agreed on a "Second Amendment to Annex 1 of the Rams lease. This Second Amendment obligated the Authority to spend \$30 million of Preservation Funds for Edward Jones Dome improvements by July 31, 2009. The project improvements were to be determined by the Rams provided these improvements met the definition of "Preservation Projects" as directed in the enabling legislation. To assure that a designated project is truly "preservation" a side letter was also agreed to with all parties that reaffirmed the original language in Sec. 4.3 of Annex 1 that states: "notwithstanding anything to the contrary stated in the Second Amendment to Annex 1, Section 4.3 shall remain in full force and effect." At the end of fiscal year 2009, the Preservation Fund stood at approximately \$55,817 requiring that the Authority transfer \$3,000,000 of its Operating funds to meet the Top Tier requirements agreed to in the Second Amendment.

In 2010, the Authority reimbursed CVC for \$29,984,007 of the appropriated \$30 million agreed to in the 2nd Amendment at the Sponsors request even though funding Top Tier is not an Authority responsibility.

Negotiations for the 2nd measuring date, 2015, began in 2012 as mandated by the 2nd Amendment with CVC making an initial offer to the Rams by February 1, 2012. The Rams rejected that offer and in turn submitted their proposal for Top Tier. CVC priced the Rams proposal at between \$700 and \$800 million. CVC rejected the Rams proposal and brief negotiations then took place between the two parties without an agreement. Following the process that was streamlined in the 2nd Amendment to the NFL Lease the Rams and CVC agreed to go to arbitration.

In September 2012, the Board agreed to have its counsel request that the Authority be dismissed from the Arbitration because it is not signatory to all sections of the original NFL Lease. The panel of arbitrators dismissed the Authority from the arbitration on September 8, 2012.

The Arbitrators ruled in favor of the Rams. They also ruled that CVC was responsible for \$2,013,150 of the cost the Rams incurred from the arbitration. The Governor's office then assumed responsibility for any future negotiations between the Sponsors and the Ram's organization using the Authority for this process. The Authority reimbursed CVC the \$2,013,150 for the cost of the Rams legal fees and \$1,300,000 in design fees.

In 2015, the Governor appointed a Task Force to fast track a New Riverfront stadium just north and east of the existing facility in order to keep the Rams in St. Louis. In January 2015, the Board of Commissioners of the St. Louis Regional Convention and Sports Authority unanimously passed a resolution authorizing the Chairman and Executive Director "to engage professionals, enter into contracts, and take other actions necessary for the planning, development, financing, and construction of a new stadium and related new stadium complex."

To this end, the Authority spent \$16,454,918 in 2015, on professional services contracts for architectural services, construction management services, property option contracts, legal services, environmental operations, utility relocation design, and other necessary services. This effort was funded with Authority Operating Funds and *no Preservation Funds* were expended. The Authority's Operating Fund was supported with bond refinancing proceeds over time, interest income, and rent received from the Training Facility.

The St. Louis Rams formally petitioned the NFL to relocate the Rams to Los Angeles and the NFL Owner's Committee was scheduled to vote on their request in January 2016. **(The Owner's Committee, on January 12, 2016, voted 5 to 1 for the Carson, California project that would allow the San Diego Chargers and the Oakland Raiders to relocate to Los Angeles, but allowed all the NFL owners to vote of relocation *in a secret ballot*, and the results were 30 to 2 to allow the Rams to move to Los Angeles.)**

Preservation Program

While the immediate process of determining modernization requirements and then satisfying those requirements within the dual constraints of time and money is gaining most of the public's attention,

the ordinary business of maintaining the building is proceeding as intended in the Long Range 30 Year Plan. In 2013, the Authority appropriated \$4,618,834 for repair of major systems. The 2014 Preservation Budget was approved by the Board for \$5,816,027 and contained (6) six major projects: Phase One of the Sound System renovations; upgrade of public restrooms on the Club Level; a comprehensive study of the building Security System; cleaning and repair of the exterior building facade; Phase One of replacing Dome cooling towers; and replacement of the Sports Lighting. The 2015 Preservation Budget was approved for \$7,018,193 and contained funding for the design and Phase One of the WiFi project, the design of the Security project, and additional EIFS repairs to the exterior of the building.

The 2016 Preservation Budget was approved by Preservation Committee and the full Board for \$7,686,937. Major projects in this budget were: 1) the installation of the WiFi project; 2) installation of the Security System upgrades; 3) replacement of the 600 ton Chiller; 4) replacement of the roof membrane under the cooling towers; 5) allowances for normal maintenance and repairs.

The following summarizes the expenditures from both the Preservation Fund and the supplementary funds made available from Operating Fund Reserves for the last four years:

Past Preservation

2013	\$4,618,834
2014	\$5,816,027
2015	\$7,018,193
2016	\$7,686,937

Planned Future Preservation (From Long Range Plan)

2017	TBD
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These figures are based on the present Long Range Plan that has been updated to account for the funds expended to date. The Operating Lease with CVC requires the CVC to provide an annual inventory of furniture and equipment, a Conditional Analysis of the facility, and a Five Year Plan for upgrades utilizing the Preservation Fund. The Authority has received all of the required reports. The Five Year Improvement budget submitted by CVC and the Authority's Five Year budget numbers from the Long Range Plan are relatively close with only minor differences. The increased activity reflects the aging of the facility with some potential big ticket items such as a new roof. In addition to the transfer of funds that is noted above, \$1,990,000 was transferred from the Operating account to the Preservation account to supplement the Preservation funds needed for the 2010 and 2011 Preservation budgets.

2015 Activities

The Authority spent \$16,454,918 in 2015, on professional services contracts for architectural services, construction management services, property option contracts, legal services, environmental operations, utility relocation design, and other necessary services. This effort was funded with Authority Operating Funds and *no Preservation Funds* were expended. The Authority's Operating Fund was supported with bond refinancing proceeds over time, interest income, and rent received from the Training Facility.

In 2015 AT&T was added to the Mobilitie Agreement that enhanced cell phone reception to the facility. Customers of AT&T, Verizon and Sprint now have the ability to access their networks throughout the facility.

Additional upgrades to the Authority's Directors and Officers insurance policies were obtained along with upgrades to Fiduciary and Crime, and Employee Dishonesty policies.

Completed and filed the 2015 Annual Tax Compliance Checklist that will assist the Authority with future IRS requests for information and help monitor Authority bonds for tax exempt status.

Hired an Assistant Executive Director. The goal of the process is to ensure a smooth transition from the current ED in the future.

The Authority's server and the Authority's website were updated to maintain a high level of transparency.

All day to day functions of the Authority (financial, construction projects, investments, audits, contracts, reporting, etc.) were carried out and reported to the Commissioners at scheduled Board meetings.

The Board authorized an application for a \$3,000,000 line of credit from the MDFB to give the Authority the ability to continue to fund the new Riverfront Stadium preconstruction efforts if needed. The MDFB approved the request in December, 2015.

Financial Report

The three Sponsors contribute to the Authority in accordance with the Project Financing, Construction and Operation Agreement ("Financing Agreement") to fund principal and interest payments of the Authority Convention and Sports Facility Project Bonds (\$10,000,000 - State; \$5,000,000 - County; and \$5,000,000 - City annually). Commencing August 1, 1994 and semi-annually thereafter, the Sponsors contributed to the Preservation Fund in accordance with the Financing Agreement as follows: \$1,000,000 - State, \$500,000 - County, and \$500,000 - City. In 2007, the Authority completed the refinancing of the St. Louis City's (Series C) 1997 debt. The refinancing action maintained the Authority's Operating Fund at the previously established level while returning \$2.3 Million to the City. The City used these funds to partially fund modernization of other America's Center facilities. The State's (Series A) and County's (Series B) bonds were refinanced in 2013 with the State getting over \$9.9 million in proceeds and the County getting \$4.5 million in proceeds from this refinancing.

Conclusion

The Authority is committed to the continued management and preservation of the project. The Commissioners, together with the Authority Staff, are willing to respond to any additional requests for information from the governmental sponsors.

If you have any questions, please contact the Authority (314-342-5320).

Sincerely,



Brian McMurtry
Executive Director

Enclosure