

ST. LOUIS REGIONAL CONVENTION & SPORTS COMPLEX AUTHORITY

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JAMES F. SHREWSBURY,
CHAIRMAN

BRIAN MCMURTRY,
EXECUTIVE DIRECTOR

February 27, 2019

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

RE: 2018 Annual Report

The annual financial report of the St. Louis Regional Convention and Sports Complex Authority (Authority) for the year ended December 31, 2018, 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 has 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 2018 is scheduled to commence on March 18, 2019. 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 Dome at America's Center, formerly known as 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.

In 2010, the Authority reimbursed CVC for \$29,984,007 of the appropriated \$30 million in improvements agreed to in the 2nd Amendment to the NFL lease 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, a Task Force was recruited 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 Complex 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 a total of \$17,644,556 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.) The Rams formally began the process of moving their operations to Los Angeles and played the 2016 season there.

Subsequently, the Rams notified the Authority that they were vacating the Training Facility in Earth City by April 30th 2016. The facility is owned by the Authority and it assumed the maintenance of the facility on May 1, 2016. In 2016 the Authority spent \$351,458 for Security, insurance, utilities and repairs. With Lou Fusz Soccer Club as a tenant these expenses will be reduced. In 2017 the Authority saw a decrease in expenses to \$280,833, began taking in rental income, and will realize a small positive return in future years. In 2018 expenses were reduced to \$178,138 due to Lou Fusz Soccer Club assuming 100% of the utilities.

Since the use of the Training Facility was tied to the NFL lease and the Rams abandoned the facility, the Authority formally asked the Rams to waive a clause in the Training Facility lease that allowed the Rams to "buy" the facility for one dollar after the twenty-nine years of operating the team in St. Louis. The Rams refused to waive this clause and the Authority petitioned the St. Louis Circuit Court to nullify the Rams claim to the Training Facility that they abandoned. The Rams requested that the issue be decided by arbitration as outlined in the NFL lease. The Authority petitioned that the matter be decided in Circuit Court. The Circuit Court ruled against arbitration and the Rams appealed this decision to the State Appellate Court, where the decision of the Circuit Court was twice upheld. The State Supreme Court ultimately overruled the lower Courts and ruled that the issue shall be decided by arbitration. Authority counsel is preparing their case to be heard in arbitration. Originally, the arbitration was to be held in January, 2019, but the Rams requested and were granted a postponement to March 20, 2019. The Executive Director of the Authority was deposed in January, 2019.

Preservation Program

The 2019 Preservation Budget was approved by Preservation Committee and the full Board for \$2,586,797. Major projects in this budget were: 1) Continued upgrade of LED lights; 2) Continued installation of the Security System upgrades, Phase II and III; 3) Upgrade countertops and painting of terrace level restrooms; 4) Upgrade Daktronics changing existing operating system and computer; 5) Replaced coldzone condensing unit for kitchen freezers and cooler; 6) Replaced 600 ton chiller; 7) 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

2016	\$7,686,937
2017	\$2,307,280

2018	\$2,686,390
2019	\$2,586,797

Planned Future Preservation (From Long Range Plan)

2020	TBD (Per extension agreement future budgets will attempt to be limited to \$2,500,000)
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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.

2018 Activities

Lou Fusz Soccer Club continues to lease the first and second floor of the Earth City Training Facility, assuming all utilities. The Authority continues to manage the training facility, and pays for insurance, levee district fees and some maintenance requirements. Lou Fusz Soccer Club is considering a sublease for training purposes, to the city's XFL franchise, whose games are scheduled to be played in the dome in 2020.

The Authority's facility consultant continues to assist with the maintenance of the training facility in Earth City.

Completed and filed the 2018 Annual Tax Compliance Checklist that will assist the Authority with future IRS requests for information and help monitor Authority bonds for tax exempt status.

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

Assisted Lumiere Casino with installation of LED display sign at the casino tunnel entrance in Baer Plaza.

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.

Again, the interest obligation of the Missouri Development Finance Board loan was repaid in December.

Negotiations for a three year extension (November, 2025, to November, 2028) for the operating lease, requested by St. Louis Convention and Visitors Commission, started with dialogue between the Authority counsel and CVC counsel. The extension is needed to allow CVC to book future events in the dome in the three year period after the original operating lease expires. The extension was formally approved by the Authority Board and CVC Board in January, 2019.

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.

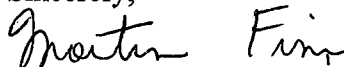
Per local media, preliminary plans for a western expansion of the convention center using extended dome City and County bonds are currently being considered by the St. Louis City Board of Alderman and the St. Louis County administration and council.

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,



Martin Finn
Assistant Executive Director

Enclosure