



A REPORT TO THE AUDIT COMMITTEE

Report 2018-01 | November 20, 2019

The Civic Auditorium and Coliseum
Located at: 500 Howard Baker Jr Avenue in Knoxville, TN 37915

Scope

As requested by the City of Knoxville Audit Committee a comparative review of the Knoxville Auditorium and Coliseum for the period of November 1st, 2013 to March 28th, 2018. The general objectives of this review will be to compare the monetary inflows and outflows, and use of the Knoxville Auditorium and Coliseum before and after the facility was under management of SMG.

Background

The General James White Memorial Civic Auditorium and Coliseum (commonly referred to as Knoxville Civic Auditorium and Coliseum (or KCAC) was built in 1961.

Prior to January 8th, 2013 was operated and managed by the Auditorium/Coliseum Board.

On January 8th, 2013 an Ordinance was passed changing the operation and management of to be managed as an administrative department of the City. This continued until November 1st, 2015 and was a department referred to as Public Assembly Facilities and a Public Assembly Facilities Advisory Board.

On November 6th, 2015 the Recorder's Office received an emergency amendment made to C-07-0076. This amendment authorized full management services of KCAC to SMG for the interim period beginning November 1st, 2015 through June 30th, 2016.

In February of 2016 the City of Knoxville issued a Request for Proposals for the Management and Operation of City of Knoxville Public Assembly and Convention Facilities for a five year agreement. This included the Knoxville Convention Center and Exhibition Center, the Knoxville Civic Auditorium and Coliseum, and Chilhowee Park and Exposition Center. SMG was the only responsive bidder to the RFP.

June 21st, 2016 Resolution R-312-2016 was approved authorizing the agreement with SMG for management services for the Knoxville Convention Center, The Knoxville Civic Auditorium and Coliseum, and Chilhowee Park and Exposition Center effective July 1st, 2016.

Results of Review

First, it needs to be made clear that this comparison is in unlike terms. Accounting for the KCAC Fund in government accounting is very different than public accounting. Attempts have been made to make these numbers as comparable as possible and may therefore not be exact.

Attachment I of this report reflects the financial standing of the KCAC Fund in regards to the City's budget as well as KCAC financial standing in regards to SMG's reported revenue.

Fiscal Year 16/17 was the first full year KCAC was under SMG's management. The total gain and/or loss to the City in this fiscal year reflects a decreased loss to the City. Fiscal Year 15/16 had a loss of \$1,324,021 and Fiscal 16/17 had a loss of \$499,427, this is a savings to the City of an estimated \$824,000. Fiscal Year 17/18 had a small increased loss to the City at a loss of \$782,665, and the final amounts for Fiscal Year 18/19 are not yet available. However, for comparison purposes: When excluding Capital items the loss to the City in Fiscal Year 14/15 was \$1,417,783, Fiscal Year 15/16 was \$1,324,000, Fiscal Year 16/17 was \$499,000, and Fiscal Year 17/18 was \$717,341.

This decreased loss to the City was maintain even through times KCAC was unable to be open. Due to renovations and repairs the Auditorium was closed from June 18th, 2017 to July 19th, 2017 (a total of 32 days) and from December 18th, 2017 to December 27th 2017 (a total of 9 days). In addition the Coliseum was closed from July 2nd 2018 to September 30th, 2018 (a total of 91 days).

Including Capital Items reflects a notable increase in Fiscal Year 18/19 of \$9 million. These Capital Requests have allowed SMG to make necessary repairs and updates to bring KCAC into accordance with Fire Code Regulations, City Code Regulations and TOSHA safety Standards. There were renovations also completed for guest comfort and aesthetics.

In the years of SMG's management there is no reported revenue to the City. SMG uses any revenue acquired to cover operating costs. Therefore a higher revenue reported for SMG means a lower operating support request to the City.

Attachments II are results given to SMG by the City's Finance Department. Attachment III is a spreadsheet provided by SMG to show comparable revenues and comparable gain/loss from operations.

Another financial factor to consider is the Economic Impact events at KCAC have on the City. The Economic Impact is an estimated number based on complex calculations that account for retail sales, sales taxes, hotel rooms, hotel taxes, gas spending, organizer spending, and more. The numbers used for this comparison were provided by Visit Knoxville generated by Destinations International. When the Economic Impact numbers are included the overall impact of KCAC jumps from a loss of \$615,907 in Fiscal Year 15/16 to a positive \$11,370,092 in Fiscal Year 16/17.

Overall it is my opinion that SMG has a positive impact financially.

Disclosures

SMG and AEG Facilities merged under the name ASM Global effective October 2019.

The Internal Audit Department for the City of Knoxville does not qualify to perform GAAP Audits. However, attempts are made to perform reviews in a manner in accordance with GAAP standards.

A Report to the Audit Committee: Report 2018-01 Attachment 1

FUND 503 - PUBLIC ASSEMBLY FACILITIES						
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ADOPTED/PROPOSED
	FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY 17/18	FY 18/19
Managed By:	City	City	City/SMG	SMG	SMG	
Revenue						
Auditorium Rental	130,419	129,183	122,187	-	-	-
Coliseum Rental	396,642	230,156	268,495	-	-	-
Ballroom Rental	12,815	7,276	1,300	-	-	-
Exhibit/Plaza/Garage	9,161	6,544	6,125	-	-	-
Equipment Rental	56,624	50,989	58,708	-	-	-
Monthly Parking Rental	41,711	56,370	28,277	-	-	-
Event Parking/RV Hookup	297,483	343,027	342,258	-	-	-
Food and Beverage	354,071	346,241	315,876	-	-	-
Event Staffing	144,684	138,352	26,499	-	-	-
Facility Charge Coliseum	90,835	89,590	100,170	-	-	-
Auditorium/Coliseum Advertising	20,000	20,000	20,247	-	-	-
Total Revenue	1,554,445	1,417,728	1,290,142	0	0	0
Expenses						
Personal Services	1,464,052	1,524,041	1,283,323	6,523	-	-
Supplies	93,925	77,833	172,741	166	140,762	-
Other	1,396,752	1,233,637	1,139,681	492,738	576,579	861,070
Capital	-	45,766	18,418	-	65,324	9,000,000
Total Expenses	2,954,729	2,881,277	2,614,163	499,427	782,665	9,861,070
TOTAL (i.e. Gain (Loss) from Operations)	(1,400,284)	(1,463,549)	(1,324,021)	(499,427)	(782,665)	(9,861,070) *
Visit Knoxville Economic Impact #'s	466,454.13	2,409,669.97	708,113.91	11,869,518.68	8,006,450.21	NOT YET KNOWN
TOTAL (WITH EI)	(933,830)	946,121	(615,907)	11,370,092	7,223,785	(9,861,070) ^
General Fund Transfer/Support	2,424,460.00	2,492,140.00	2,406,180.00	2,476,820.00	2,542,880.00	801,180.00
SMG's Reported Revenue	N/A	N/A	N/A	1,775,682.00	2,278,304.00	2,544,133.00
SMG's comparative Gain (Loss) from Operations	(1,052,815.00)	(121,757.00)	(994,473.00)	(948,648.00)	(742,602.00)	NOT YET KNOWN
Total Event Days	161	Unknown	Unknown	262	211	NOT YET KNOWN
Total Attendance	248,265	Unknown	Unknown	235,774	276,400	NOT YET KNOWN
Days Coliseum down	-	-	-	-	-	-Jul 2-Sep 30, 18: 91 days-
Days Auditorium down	-	-	---Jun 18 - Jul 19, 2017: 32 days---	-	-Dec 18-27, 2017: 9 days-	-

FY 13/14: Proposed was \$700,000 for Coliseum Floor Replacement; however, the actual for FY 13/14 is \$0. The Coliseum Floor was replaced in FY 18/19 as approved via R-136-2018.

FY 15/16: Proposed was \$55,000 for Coliseum Parking Garage Pole Lights; however, the actual for FY 15/16 was \$18,418.

FY 16/17: Proposed was \$180,000 for Coliseum Fall Arrest System; however, the actual for FY 16/17 is \$0.

FY 17/18: \$100,000 for Parking Garage Repairs and \$20,000 for Wi-Fi.

FY 18/19: Proposed was \$9,000,000 for

*Removing the outlier of \$9 million this total is \$861,070.

^If the not yet known economic impact is replaced with an average of the economic impact for the five previous years this total would be \$9,581,583.87. If the smallest of the five years is used instead of the average this total would be \$394,616. (These totals would exclude the \$9 million.)

There seems to be no record of these numbers.

FY 13/14 per City, FY 14/15 & FY 15/16 no record, FY 16/17 per SMG, FY 17/18 per SMG and are not a full fiscal year only going thru March 31, 2018.

City of Knoxville, TN
Schedule of Revenues & Expenses
For City Coliseum and Chilhowee Park

A Report to the Audit
Committee: Report
2018-01 Attachment II

	FY 2014		FY 2015		FY 2016	
	Coliseum	Chilhowee	Coliseum	Chilhowee	Coliseum	Chilhowee
Revenue:						
Auditorium Rental	130,419.00		129,183.00		122,187.22	
Coliseum Rental	396,642.00		230,156.00		268,494.92	
Ballroom Rental	12,815.00		7,276.00		1,300.00	
Exhibit/Plaza/Garage	9,161.00		6,544.00		6,125.00	
Equipment Rental	56,624.00		50,989.00		58,708.30	
Monthly Parking Rental	41,711.00		56,370.00		28,277.41	
Event Parking/RV Hookup	297,483.00		343,027.00		342,257.91	
Food And Beverage	354,071.00		346,241.00		315,875.59	
Merchandise	-		589.00		-	
Event Staffing	144,684.00		138,352.00		26,498.72	
Facility Charge Coliseum	90,835.00		89,590.00		100,170.36	
Auditorium/Coliseum Advertising	20,000.00		20,000.00		20,246.95	
Chilhowee Park Rentals		157,805.50		154,273.75		149,781.08
Chilhowee Park Concessions		33,251.10		22,530.59		16,278.58
Chilhowee Park Equip Rental		31,785.13		29,256.00		25,172.91
Chilhowee Park RV & Camp Fees		7,725.00		2,075.00		3,440.00
Chilhowee Parking Revenue		16,367.00		12,895.03		13,741.00
Chilhowee Event Security Staffing		17,281.25		12,152.75		8,984.75
Total Revenues	1,554,445.00	264,214.98	1,418,317.00	233,183.12	1,290,142.38	217,398.32
Expenses:						
Regular Salaries	675,268.73	365,695.83	681,456.38	370,972.07	557,225.21	333,758.56
Part-Time Salaries	260,874.25	65,858.04	248,287.63	69,164.55	244,251.77	90,589.02
Performance Increase Adjustment	1,145.20	-	-	-	-	-
Overtime	67,672.41	24,336.44	93,207.99	28,019.82	66,066.38	22,704.48
Other Compensation	2,486.08	-	2,160.98	-	545.12	-
Long Term Disability	2,166.05	1,179.50	2,116.85	1,171.50	1,772.01	1,051.07
Section 457 Match	3,849.00	1,385.00	3,872.00	1,305.00	4,012.00	1,014.00
Sale Of Annual Leave	12,541.06	3,682.58	10,423.34	816.35	4,708.43	-
Other Benefits	-	5,880.60	-	5,880.60	-	5,491.80
Three Day Sick Pay	2,249.79	906.01	3,096.10	-	1,140.50	-
Annual Leave	53,310.27	12,197.76	45,279.20	21,019.52	(35,483.51)	(7,592.75)
Sick Leave	23,628.84	5,952.63	15,896.93	11,518.22	24,288.86	7,618.18
Social Security	64,790.77	29,732.62	65,952.82	28,522.85	60,242.11	28,666.80
Pension Contribution	114,873.73	57,857.29	138,182.12	70,225.68	109,371.73	63,521.51
Group Health Individual	153,810.00	75,520.00	190,520.00	94,910.00	225,570.00	118,960.00
Group Life Insurance	2,270.54	1,080.70	2,108.94	1,090.80	2,140.71	887.82
Employers Medicare	15,152.60	6,953.58	15,424.53	6,670.72	14,088.84	6,704.33
Education/Training Reimbursement	-	-	3,000.00	-	-	-
Vision Care	77.86	36.38	72.42	36.72	72.42	30.60
FSA Contribution	500.00	1,000.00	-	1,000.00	-	500.00
Health Care Incentive Contribution	6,480.00	4,690.00	2,040.00	620.00	2,350.00	770.00
Dental Insurance	904.75	447.59	942.59	487.08	960.63	405.90
Office Supplies	4,534.61	824.08	3,196.13	428.45	3,940.14	1,112.72
Operating Supplies	38,267.70	22,705.89	28,651.15	26,806.48	33,635.54	22,149.30
Uniforms	2,517.06	2,242.50	1,461.25	2,915.23	3,230.57	2,403.35
Repair and Maintenance Supplies	41,645.33	22,556.01	43,296.76	18,253.13	55,918.91	26,694.64
Fuel	6,762.95	-	-	-	-	-
Printers	-	-	530.44	-	-	-
Computer Maintenance	-	-	-	-	3,323.50	-
Computer Software	13.56	-	184.14	-	-	-
Computer Wiring	-	-	5.85	-	-	-
Misc. Computer Equipment	183.36	183.36	-	7,477.91	-	-
Misc. Operating Equipment	-	3,645.03	507.15	1,931.35	72,690.65	6,376.68
Copier Charges	1,328.99	2,056.48	1,320.00	2,064.56	1,432.05	2,164.93
Dues and Subscriptions	7,629.67	963.48	8,233.42	632.50	7,218.41	215.49
Postage and Shipping	306.00	78.65	619.46	20.77	629.10	18.78
Publicity	184.22	215.94	75.00	-	-	-
Communications	12,511.36	12,062.77	15,130.15	14,058.68	15,852.75	13,123.04
Long Distance Phone	57.36	41.62	63.62	47.69	33.71	32.00
Cellular Phone Charges	3,197.45	2,085.21	3,415.78	1,649.07	2,280.12	1,621.89
Internet Access Charge	2,608.85	1,011.28	3,335.30	1,407.07	3,707.04	1,708.66
PBA Telecom Charges	-	-	-	-	11,552.56	3,791.20
Miscellaneous Employee Reimbursements	-	24.99	-	30.00	-	-
Fleet Services Charge - Service	7,300.00	15,172.50	5,970.00	10,460.00	7,840.00	10,480.00
Fleet Services Charge - Fuel	5,613.48	12,494.92	4,572.26	10,048.09	2,783.98	6,516.13
Fleet Service Charge - Maint./Repair	8,565.13	31,350.43	5,605.88	25,247.91	15,690.00	26,050.00
Fleet Lease-Purchases	54,070.00	37,460.00	33,030.00	36,570.00	31,680.00	27,940.00
Risk Management - Insurance Charge	80,740.00	28,670.00	80,740.00	28,670.00	51,230.00	25,700.00
Equipment Leases	110.00	880.00	3,030.00	3,140.00	3,890.00	3,140.00
Banking Services	13,301.31	-	14,859.31	-	14,265.18	-
Misc. Professional Services	331,898.03	25,163.15	260,429.09	29,592.07	138,712.22	23,894.36
Registration Fees	-	985.00	-	939.00	2,384.00	139.00
Food	-	382.88	-	271.21	277.13	159.27
Transportation - Other	-	-	-	-	10.69	44.18
Lodging	2,317.65	-	2,563.86	-	-	821.25
Meals & Incidentals	399.57	355.00	-	-	-	392.50
Misc. Travel Expenditures	264.00	-	3,206.37	-	-	-
Worker's Comp. - Employees - TTD	17,245.02	-	1,772.71	-	22,203.84	-
Rentals	3,993.17	7,422.50	3,081.98	5,151.03	2,772.45	6,321.36
Repair and Maintenance Services	93,099.46	20,419.00	49,979.12	23,635.72	72,478.06	24,324.51
Electricity, Gas, Water, Wastewater	476,294.42	135,566.73	486,398.63	142,862.97	472,704.80	141,491.59
Other Charges	1,792.00	-	-	-	4,919.36	-
Depreciation - Buildings	72,749.45	174,493.01	67,593.69	179,708.13	65,015.85	184,499.32
Depreciation - Imp. Other than Buildings	92,641.70	140,175.52	91,206.70	140,175.52	91,206.70	140,175.52
Depreciation - Machinery & Equip	106,201.50	-	87,188.47	-	96,754.80	-
Grants & Benevolences	332.50	44.94	216.33	50.00	156.10	61.00
Land	-	3,000.00	-	-	-	-
Machinery And Equipment	-	-	42,600.00	-	-	-
Transfer - Fleet Services	-	20,000.00	-	2,600.00	-	-
Transfer - Equipment Replacement	-	1,240.32	3,166.00	-	18,417.61	-
Total Expenses	2,954,728.79	1,390,365.74	2,881,276.82	1,430,276.02	2,614,161.03	1,378,643.99
Gain (Loss) from Operations	(1,400,283.79)	(1,126,150.76)	(1,462,959.82)	(1,197,092.90)	(1,324,018.65)	(1,161,245.67)

6-years of KCAC financial results

	fye14	fye15	fye16	fye17	fye18	fye19
original financial format	City	City	City	SMG	SMG	SMG
managed by	City	City	City/SMG	SMG	SMG	SMG

Revenues...

Because SMG format doesn't present "total revs" (we calc "event net income"), a comparable revenue figure has to be calculated using components of the "event net income".

Rent				\$ 376,512	\$ 390,974	\$ 447,515
Ticketing-related Revenues				303,616	421,002	596,624
Service Revenues				712,207	1,074,232	1,182,056
less: Stagehands Billed (a "net \$0 pass-thru" included in above "service revs")				(173,491)	(181,756)	(305,897)
less: Other Services Billed (a "net \$0 pass-thru" included in above "service revs")				(212,944)	(308,906)	(319,169)
F&B net (commish from spectra)				386,622	453,804	554,355
Parking (gross)				459,523	492,600	530,911
less Promoter Share				(127,858)	(146,241)	(265,386)
Other Ancillary net				1,203	6,671	2,135
Other (non-event) income				50,292	75,924	120,989
Total Revenues	\$ 1,554,445	\$ 1,418,317	\$ 1,290,142	\$ 1,775,682	\$ 2,278,304	\$ 2,544,133

Gain (Loss) from Operations...

Because SMG format doesn't include some expenses in City format, those are "added back" for comparison-purposes.

City's "Gain (Loss) from Operation"	\$ (1,400,284)	\$ (1,462,906)	\$ (1,324,019)			
expense add backs:						
Fleet Services Charge - Service	\$ 7,300	\$ 5,970	\$ 7,840			
Fleet Services Charge - Fuel	\$ 5,613	\$ 4,572	\$ 2,784			
Fleet Services Charge - Maint/Repair	\$ 8,565	\$ 5,606	\$ 15,690			
Fleet Services Charge - Purchases	\$ 54,070	\$ 33,030	\$ 31,680			
Depreciation - Buildings	\$ 72,749	\$ 67,594	\$ 65,016			
Depreciation - Imp. Other than Buildings	\$ 92,642	\$ 91,207	\$ 91,207			
Depreciation - Machinery & Equip	\$ 106,201	\$ 87,188	\$ 96,755			
Grants & Benevolences	\$ 332	\$ 216	\$ 156			
Machinery & Equipment	\$ -	\$ 42,600	\$ -			
Transfer - Equipment Replacements	\$ -	\$ 3,166	\$ 18,418			
Gain (Loss) from Operations	\$ (1,052,812)	\$ (1,121,757)	\$ (994,473)	\$ (948,648)	\$ (742,602)	\$ (697,338)